Qatar General Insurance & Reinsurance Company QPSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS
QATAR GENERAL INSURANCE & REINSURANCE COMPANY QPSC
Doha, Qatar

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Qatar General Insurance & Reinsurance Company QPSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

Without qualifying our opinion, we would like to draw attention to;

Note 41 to these 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.

Note 40 to these consolidated financial statements, whereby the Board of Directors through its decision has decided to exit the insurance business in the UAE. We are not aware of any contingent liabilities related to this matter.

Further, during the year, 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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR GENERAL INSURANCE & REINSURANCE COMPANY (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

We identified the following key areas of focus:

Areas of focus	How our audit addressed the area of focus
Valuation of investment properties: Since investment properties of QR 5.638 billion represent significant portion of the Group's total assets, was considered a matter of most signifcance to our current year audit due to the magnitude of the balance in relation to the financial statements,and its valuation involves computations dependent on estimates The Group records its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The fair values are determined by external valuators appointed by the management. These valuations are based on estimates such as estimated rental revenues, occupancy rates, discount rates and market indicators .	• We evaluated the objectivity, independence and expertise of the external valuators appointed by the management • We tested the accuracy and completeness of the underlying data used as inputs for the valuation • We involved our internal specialist to evaluate the reasonableness of the underlying assumptions used by the valuator by comparing the assumptions used with internal and external data. • Assessed the adequacy and completeness of the disclosures on the valuation of investment properties, presented in Note 4 of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR GENERAL INSURANCE & REINSURANCE COMPANY (CONTINUED)

Key Audit Matters (continued)

Areas of focus	How our audit addressed the area of focus
Valuation of provision for reported claims by policyholders and Incurred But Not Reported Reserve: Due to the magnitude of the balances and the estimation uncertainty and subjectivity involved in the assesment of these reserves we have considered the valuation of the provision for reported claims by policyholders and IBNR as a key audit matter. Further, the measurement of these insurance contract liabilities involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of the insurance contract liabilities, including any guarantees provided to policyholders. The Group's provision for reported claims by policyholders and incurred but not reported reserve (IBNR) represent 22% of the total liabilities: The provision for reported claims by policyholders recorded by the Group comprises of the total value of individual outstanding claims estimated by internal or external loss adjusters when a claim has been initiated. These estimates are reassessed during the various stages of the claim processing cycle and are revised based on changes in specific circumstances pertaining to each claim. The IBNR recorded by the Group represents an estimate of the liability for a claim-generating event that has taken place during the year but has not yet been reported to the Group as of 31 December 2017. IBNR is calculated at the reporting date based on the computations performed by an external actuary appointed by the management, after considering historical claim trends, empirical data and current assumptions that may include a margin for adverse deviations.	*Provision for reported claims by policyholders:* • We tested controls over the initiation, review and approval of the claim process across the different lines of business including the claim settlement process. • We evaluated the provision for reported claims by policyholder recorded by management by reviewing the loss adjusters reports, internal policies for reserves and other assumptions made by management. • We performed a substantive analytical review on the movements in the provision for reported claims by policyholders during the year. • We tested the adequacy and completeness of the disclosures on the provision for reported claims by policyholders, presented in Note 20 of the consolidated financial statements. *Incurred but not reported reserve (IBNR):* : • We evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management. • We verified the data used by external actuary to the actuarial exhibits and verified that the data on which the estimate is based is accurate and complete. • We involved our internal specialist to verify the computation and evaluate the methodology and assumptions used by the actuary by comparision to generally accepted industry practices. • We tested the adequacy and completeness of the disclosures on the IBNR, presented in Note 20 of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR GENERAL INSURANCE & REINSURANCE COMPANY (CONTINUED)

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein we are required to communicate the matter (s) with those charged with governance.

Other matters

Financial statements of the Group for the year ended December 31, 2016, were audited by other independent auditors whose report dated March 19, 2017 expressed an unqualified audit opinion on those financial statements.

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

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR GENERAL INSURANCE & REINSURANCE COMPANY (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISA 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 consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Group's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR GENERAL INSURANCE & REINSURANCE COMPANY (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were most of significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Legal and Other Regulatory Matters

Furthermore, in our opinion, proper books of account have been kept by the Group and the consolidated financial statements comply with the Qatar Commercial Companies Law No. 11 of 2015, the applicable provisions of Qatar Central Bank Law No. 13 of 2012 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned laws or the Company's Articles of Association having occurred during the year, which might have had a material adverse effect on the Group's financial position or performance.

Rödl & Partner- Qatar Branch
Certified Public Accountants

رودل اند بارتنر
Rödl & Partner

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

Doha- Qatar
February 14, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 QR '000	2016 QR '000
Assets			
Property and equipment	3	**158,904**	104,013
Investment properties	4	**5,638,381**	6,064,376
Investment in associates	5	**942,591**	345,225
Reinsurance assets	6	**771,433**	779,723
Financial assets:			
Insurance receivables	7	**204,506**	217,287
Receivables from related parties	35 (b)	**166**	252
Available-for-sale financial assets	8	**905,356**	1,016,777
Financial assets at fair value through profit or loss	9	**129,148**	164,129
Takaful participants' assets	10	**296,263**	286,600
Other assets	11	**208,012**	232,759
Cash and bank balances	12	**260,056**	303,287
Total assets		**9,514,816**	9,514,428
Equity and liabilities			
Equity			
Share capital	13	**875,067**	875,067
Legal reserve	14	**584,995**	558,904
Retained earnings		**4,570,656**	4,421,367
Other components of equity	15	**165,773**	512,599
Equity attributable to equity holders of the Parent		**6,196,491**	6,367,937
Non-controlling interests	18	**(5,346)**	41,122
Total equity		**6,191,145**	6,409,059
Liabilities			
Employees' end-of-service benefits	19	**41,049**	37,744
Insurance contract liabilities	20	**1,037,447**	1,038,757
Financial liabilities:			
Loans and borrowings	21	**1,538,815**	1,270,651
Derivative financial instruments	22	**8,592**	19,820
Insurance payables	23	**245,396**	220,496
Payables to related parties	35 (b)	**21,973**	81,992
Takaful participants' fund and liabilities	10	**296,263**	286,600
Other liabilities	24	**134,136**	149,309
Total liabilities		**3,323,671**	3,105,369
Total equity and liabilities		**9,514,816**	9,514,428

Nasser Bin Ali Bin Saud Al Thani	**Jamal Kamel Abu Nahl**
Chairman and Managing Director	Chief Executive Officer

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	Notes	2017 QR '000	2016 QR '000
Gross written premiums	20 (b)	566,971	629,949
Premiums ceded to reinsurers	20 (b)	(387,282)	(415,179)
Net change in unearned premiums provision		3,585	(11,109)
Net earned premiums	20 (b)	183,274	203,661
Gross claims paid		(240,431)	(314,417)
Claims ceded to reinsurers		147,086	205,739
Gross change in insurance contract liabilities		(49,770)	96,450
Change in insurance contract liabilities ceded to reinsurers		39,205	(102,665)
Net claims	26	(103,910)	(114,893)
Net commission and other insurance income	27	26,282	18,301
Underwriting results		105,646	107,069
Investment income	28	200,025	236,534
Net realized gains	29	2,656	18,336
Fair value (losses) gains	30	(642,697)	56,600
Income from construction activities		41,894	34,406
Other income		942	69,687
Investment and other operations results		(397,180)	415,563
Finance costs	31	(54,131)	(47,993)
Cost of construction activities		(41,778)	(29,161)
Other operating and administrative expenses	32	(190,007)	(189,251)
Total expenses		(285,916)	(266,405)
(Loss) profit from operations		(577,450)	256,227
Share of profits of associates, net of impairment		838,363	2,027
Profit for the year		260,913	258,254
Profit attributable to:			
Equity holders of the Parent		307,381	219,341
Non-controlling interests		(46,468)	38,913
		260,913	258,254
Earnings per share			
Basic and diluted earnings per share (in Qatari Riyals per share)	33	3.51	2.51

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	2017 QR '000	2016 QR '000
Profit for the year		**260,913**	258,254
Other comprehensive loss			
Items may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	**5**	**(218,048)**	(5,021)
Net gain on cash flow hedge		**11,228**	8,695
Net loss on available-for-sale financial assets		**(121,262)**	(20,768)
		(328,082)	(17,094)
Item not to be reclassified to profit or loss in subsequent periods			
Net change in revaluation surplus		**(18,744)**	-
Other comprehensive loss for the year		**(346,826)**	(17,094)
Total comprehensive (loss) income for the year		**(85,913)**	241,160
Total comprehensive (loss) income attributable to:			
Equity holders of the Parent		**(39,445)**	202,247
Non-controlling interests		**(46,468)**	38,913
		(85,913)	241,160

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

		Equity attributable to equity holders of the Parent									
					Other components of equity						
		Share capital	Legal reserve	Retained earnings	Available-for-sale financial assets	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 1 January 2017		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 year		-	-	307,381	-	-	-	-	307,381	(46,468)	260,913
Other comprehensive (loss) income		-	-	-	(121,262)	(18,744)	11,228	(218,048)	(346,826)	-	(346,826)
Total comprehensive income (loss)		-	-	307,381	(121,262)	(18,744)	11,228	(218,048)	(39,445)	(46,468)	(85,913)
Transfer to legal reserve	14	-	26,091	(26,091)	-	-	-	-	-	-	-
Shareholders dividends	16	-	-	(131,260)	-	-	-	-	(131,260)	-	(131,260)
Contribution to social and sports activities fund	17	-	-	(741)	-	-	-	-	(741)	-	(741)
At 31 December 2017		875,067	584,995	4,570,656	475,921	58,611	(8,592)	(360,167)	6,196,491	(5,346)	6,191,145

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended 31 December 2017

		Equity attributable to equity holders of the Parent									
					Other components of equity						
	Notes	Share capital QR '000	Legal reserve QR '000	Retained earnings QR '000	Available-for-sale financial assets QR '000	Revaluation surplus QR '000	Cash flow hedge QR '000	Foreign currency translation reserve QR '000	Total ordinary shareholders' equity QR '000	Non-controlling interests QR '000	Total equity QR '000
At 1 January 2016		795,515	533,079	4,431,958	617,951	77,355	(28,515)	(137,098)	6,290,245	2,209	6,292,454
Profit for the year		-	-	219,341	-	-	-	-	219,341	38,913	258,254
Other comprehensive (loss) income		-	-	-	(20,768)	-	8,695	(5,021)	(17,094)	-	(17,094)
Total comprehensive income (loss)		-	-	219,341	(20,768)	-	8,695	(5,021)	202,247	38,913	241,160
Bonus shares issued	13	79,552	-	(79,552)	-	-	-	-	-	-	-
Transfer to legal reserve	14	-	25,825	(25,825)	-	-	-	-	-	-	-
Shareholders dividends	16	-	-	(119,327)	-	-	-	-	(119,327)	-	(119,327)
Contribution to social and sports activities fund	17	-	-	(5,228)	-	-	-	-	(5,228)	-	(5,228)
At 31 December 2016		875,067	558,904	4,421,367	597,183	77,355	(19,820)	(142,119)	6,367,937	41,122	6,409,059

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	Notes	2017 QR '000	2016 QR '000
Operating activities			
Profit for the year		**260,913**	258,254
Adjustment for:			
Net change in operating assets	**34**	**15,307**	7,288
Net change in operating liabilities	**34**	**(50,829)**	(43,523)
Non-cash items included in profit for the year:			
Fair value losses (gains)	**30**	**642,697**	(56,600)
Impairment losses (recoveries) on receivables	**32**	**6,222**	(1,392)
Impairment losses on available-for-sale financial assets	**29**	**12,026**	26,751
Impairment losses on investment in associates	**5**	**62,503**	5,765
Impairment of goodwill	**32**	**14,409**	-
Share of profits of associates	**5**	**(900,866)**	(7,792)
Depreciation of property and equipment	**3**	**10,469**	8,409
Amortization of intangible asset	**32**	**1,676**	1,676
Gain from sale of property and equipment		**(68)**	(216)
Gain from sale of investment in an associate	**29**	**-**	(1,314)
Gain from sale of available-for-sale financial assets	**15 (a)**	**(14,453)**	(42,538)
Gain from sale of financial assets at fair value through profit or loss	**29**	**(229)**	(1,235)
Net movement in outstanding claims provision	**20 (a)**	**10,565**	6,215
Net movement in unearned premiums provision		**(3,585)**	11,109
Finance costs	**31**	**54,131**	47,993
Provision for employees' end-of-service benefits	**19**	**4,922**	5,723
Cash generated from operations		**125,810**	224,573
Employees' end-of-service benefits paid	**19**	**(1,617)**	(1,921)
Net cash flows from operating activities		**124,193**	222,652
Investing activities			
Additions to property and equipment	**3**	**(38,245)**	(28,263)
Proceeds from sale of property and equipment		**75**	639
Proceeds from sale of investment in an associate		**-**	1,314
Additions to investment properties		**(197,976)**	(76,987)
Dividends received from associates	**5**	**3,407**	11,577
Purchase of additional shares in associates	**5**	**-**	(34,229)
Purchase of available-for-sale financial assets		**(107,087)**	(63,015)
Proceeds from sale of available-for-sale financial assets		**100,471**	97,863
Purchase of financial assets at fair value through profit or loss		**(1,186)**	-
Proceeds from sale of financial assets at fair value through profit or loss		**4,008**	12,192
Net cash flows used in investing activities		**(236,533)**	(78,909)
Financing activities			
Proceeds from loans and borrowings		**584,890**	395,747
Repayment of loans and borrowings		**(327,475)**	(300,095)
Finance costs paid		**(54,335)**	(48,742)
Dividends paid to equity holders of the Parent		**(131,260)**	(119,327)
Net cash flows from (used in) financing activities		**71,820**	(72,417)
Net (decrease) increase in cash and cash equivalents		**(40,520)**	71,326
Cash and cash equivalents at the beginning of the year		**300,576**	229,250
Cash and cash equivalents at the end of the year	**12**	**260,056**	300,576
Operational cash flows from interest and dividends			
Interest paid		**(51,528)**	(46,590)
Interest received		**16,785**	17,722
Dividends received		**29,407**	36,543

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

1 COMPANY INFORMATION

Qatar General Insurance & Reinsurance Company QPSC (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 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 W.L.L.	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 consolidated financial statements of the Group for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 14 February 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable 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 consolidated financial statements are prepared under the accrual basis and historical cost convention, except for the following material items in the consolidated statement of financial position that have been measured at fair value:

- derivative financial instruments
- non derivative financial instruments carried at fair value through profit or loss
- available-for-sale financial assets
- investment properties

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)
The methods used to measure fair values have been discussed in detail in the notes to these consolidated financial statements.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding utilisation or settlement of assets and liabilities, within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 38.

The consolidated financial statements are presented in Qatari Riyal (QR), which is the Group's functional currency. All financial information presented in Qatari Riyal has been rounded to the nearest thousands (QR '000) except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities at the reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Information about critical judgements and significant areas of estimates in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included within this note.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised.

Changes in accounting policies and disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following:

New and amended standards and interpretations adopted during the year
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017.The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard and amendment is described below:

IAS 7 Disclosure Initiative – Amendments
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments to IAS 7 Statements of Cash Flows, effective 1 January 2017, require the Group to provide disclosures about the changes in liabilities from financing activities. The Group has made adequate disclosure within the notes to these consolidated financial statements.

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. As the Group is not exposed to income taxes the amendment did not have any impact on these consolidated financial statements.

Annual Improvements to IFRS Standards 2014-2016 Cycle
IASB has issued Annual Improvements to IFRS 2014- 2016 Cycle, amending IFRS 12 - Disclosure of Interests in Other Entities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations adopted during the year (continued)

Annual Improvements to IFRS Standards 2014-2016 cycle (continued)
IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The Annual Improvements is effective for accounting periods commencing on or after 1 January 2017. These amendments do not have a significant impact on these consolidated financial statements of the Group.

New and amended standards and interpretations not yet effective

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the effective date.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the effective date. During 2017, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

a) Classification and measurement
The Group expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with fair value gains and losses recorded in OCI will be classified as equity instruments categorized under fair value through OCI and fair value changes shall continue to be recognized under OCI. Any gains or losses recognized upon derecognition of these instruments will no longer be reclassified into profit or loss.

Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis. Any gains or losses recognized upon derecognition of these instruments will continue to be reclassified into profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations not yet effective (continued)

IFRS 9 Financial Instruments (continued)

a) Classification and measurement (continued)
The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact.

Loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortized cost under IFRS 9. However, the Group will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

b) Impairment
IFRS 9 requires the Group to record expected credit losses on all its debt securities, loans and receivables, either on a 12-month or lifetime basis. The Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting
The Group intends to review all existing hedge relationships that are currently designated in effective hedging relationships whether they will still qualify for hedge accounting under IFRS 9.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
The IASB issued amendments to IFRS 4 Insurance Contracts providing two options for entities that issue insurance contracts within the scope of IFRS 4;

- an option that permit entities to reclassify, from profit or loss to other comprehensive income, some of the income and expenses arising from designated financial assets, defined as overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4, defined as deferral approach

An entity choosing to apply overlay approach retrospectively the qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018. The application of both approaches is optional, and an entity is permitted to stop applying them before the new insurance contracts standards is applied. The Group plans to adopt the new amendments on the effective date.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)
The International Accounting Standards Board (the IASB) has issued amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. The amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the SPPI condition if specified criteria are met. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. The Group plans to adopt the new amendments on the effective date.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-financial position model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees, leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations not yet effective (continued)

IFRS 16 Leases (continued)
Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group is in the process to assess the potential effect of IFRS 16 its consolidated financial statements and plans to adopt the new standard on the effective date.

Transfer of Investment Properties (Amendments to IAS 40 Investment Properties)
The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property. A transfer is made *when and only when* there is an actual *change in use* – i.e. an asset meets or ceases to meet the definition of investment property and there is *evidence* of the change in use. A change in management intention alone does not support a transfer.

The revised examples of evidence of a change in use included in the amended version of IAS 40 are not exhaustive – i.e. other forms of evidence may support a transfer.

The amendments apply for annual periods beginning on or after 1 January 2018. Early adoption is permitted. A company has a choice on transition to apply:

- the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application and reassess the classification of property assets held at that date; or
- the retrospective approach – i.e. apply the amendments retrospectively, but only if it does not involve the use of hindsight

The Group plans to adopt the new amendments on the effective date.

IFRIC 22 Foreign Currency Transactions and Advance Considerations
The IFRS Interpretation Committee has issued IFRIC 22 which addresses the issue of determining the date to be used for translation of foreign currency transactions involving an advance or payment or receipt. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation is effective from 1 January 2018, the Group is in the process of assessing the impact of the interpretation on its consolidated financial statements and plans to apply the interpretation on the effective date.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fees approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration which typically applies to certain non-life insurance contracts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations not yet effective (continued)

IFRS 17 Insurance Contracts(continued)
The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows incorporating an explicit risk adjustment remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income will be determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contract

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Group plans to adopt the new standard on the effective date.

The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with presentation and disclosures.

Annual Improvements to IFRS Standards 2015-2017 Cycle
IASB has issued Annual Improvements to IFRS 2015- 2017 cycle, amending IAS 23 – Borrowing Costs. The amendment clarifies that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The annual improvement is effective for accounting periods commencing on or after 1 January 2019. The Group plans to adopt the new amendments on the effective date.

Amendments to IAS 28 Long-term interests in Associates and Joint Ventures
The amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in associate or joint venture that form part of the net investment in the associate or joint venture but to which equity method is not applied. The amendment is effective for accounting periods commencing on or after 1 January 2019. early application is permitted. The Group plans to adopt the new amendments on the effective date.

Other new and amended standards and interpretations not yet effective
- Annual Improvements to IFRS 2014-2016 Cycle: IFRS 1 First Time Adoption of International Financial Reporting Standards, Effective date 1 January 2018
- Annual Improvements to IFRS 2014 -2016 Cycle: IAS 28 Investments in Associates and Joint Ventures, Effective date 1 January 2018
- IFRS 2 Classification and Measurements of Share-based Payment Transactions – Amendments, Effective date 1 January 2018
- IFRIC 23 Uncertainty over Income Tax Treatments, Effective date 1 January 2019
- Annual Improvements to IFRS 2015-2017 Cycle: IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, Effective date 1 January 2019
- Annual Improvements to IFRS 2015-2017 Cycle: IAS 12 Income Taxes, Effective date 1 January 2019

The above amendments do not have a significant impact on the consolidated financial statements of the Group, and therefore no further disclosures have been made.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates
The accounting policies set out below have been applied by the Group consistently to all periods presented in the consolidated financial statements, and have been applied consistently by the Group entities.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, recognized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the Parent’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Basis of consolidation (continued)

Business combinations and goodwill (continued)
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Islamic insurance operations
One of the Group's subsidiaries, General Takaful Company W.L.L., is an operator of Islamic insurance business operating under Islamic Shari'a principles. In accordance with applicable Shari'a principles, participants' (policyholders') funds are maintained separately from the operator's (shareholders') funds. Accordingly, the participants' assets and liabilities including the fund balances are shown separately as Takaful participants' assets and Takaful participants' fund and liabilities respectively in the consolidated statement of financial position as supplementary information (Note 10). The Group manages the Takaful funds on behalf of the policyholders under the Hybrid model as an operator.

The Hybrid model uses the principles of both Wakala and Mudaraba. Accordingly, the operator receives a fixed Wakala fee of 15% (2016: 15%) of gross written contributions, in addition to the 70% (2016: 70%) share in the investment gains on the policyholders' contributions. The operating and administrative expenses are covered by the Wakala fee and borne by the shareholders.

Investment in associate companies
Associate companies are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the Group's carrying amount of the investment. Changes resulting from the profit and loss generated by the associate are reported in the consolidated statement of profit or loss and therefore affects the net results of the Group.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest, including any long term investments, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss under 'share of profits of associate' in the consolidated statement of profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Foreign currency translation

Foreign operations
For the purpose of the consolidated financial statements, the results and financial position of the foreign branch is expressed in the functional currency of the Parent Company at the exchange rate prevailing at the reporting date. Income and expenses are translated at the average exchange rates for the year unless exchange rates fluctuated significantly during the year in which case the exchange rates at the dates of the transactions are used. Investment in foreign associates is translated at the closing exchange rates. Foreign currency translation differences are recognised directly in other comprehensive income. When a foreign operation is disposed of in part or full, the relevant amount in the reserve is transferred to the consolidated statement of profit or loss for the corresponding period.

Foreign currency transactions
Foreign currency transactions are initially recorded in Qatari Riyals at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Qatari Riyal at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Qatari Riyal at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rates at the date of the transactions. The resultant exchange differences are included in the consolidated statement of profit or loss.

Financial instruments
Financial instruments represent the Group's financial assets and liabilities. Financial instruments include cash and cash equivalents, insurance and other receivables, receivables from related parties, and reinsurance assets, insurance payables, loans and borrowings, derivative financial instruments, insurance contract liabilities, payables to related parties and other liabilities.

Classification and subsequent measurement of financial assets
For the purposes of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, Investment income or other financial items, except for impairment of receivables which is presented within operating and administrative expenses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are held for trading if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Held to maturity (HTM) investments
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-sale financial assets
The Group's managed funds and debt securities part of its investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign currency differences on available-for-sale monetary items, are recognised directly in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. All purchases and sales of investments are recognised at the settlement date.

Recognition
The financial assets and liabilities are recognised on the date they are generated and on the date at which the Group becomes a party to the contractual provisions of the instrument.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

De-recognition
The Group derecognises the financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

The Group also derecognizes certain assets when it expenses balances pertaining to assets deemed to be uncollectible. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less as on the consolidated statement of financial position date. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Financial instruments (continued)

Insurance and other receivables
Insurance and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of profit or loss when there is an objective evidence that the asset is impaired.

Reinsurance assets
The Group cedes insurance risk in the normal course of business. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include loans and borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives, which is carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Loans and borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After the initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit or loss when liabilities are derecognised.

Others
Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Derivative financial instruments
The Group uses interest rate swap contracts to hedge its risk associated with interest rate fluctuations relating to the interest payments on the Group's term loan. These interest rate swap contracts are stated at fair value. The Group classifies a hedge as a cash flow hedge where it hedges the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. The interest rate swap contract has been classified as a cash flow hedge and meets the conditions for hedge accounting.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each consolidated statement of financial position date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Cash flow hedge
The effective portion of changes to the fair value of derivatives that are designated and qualify as cash flow hedge are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Financial instruments (continued)

Insurance contract liabilities
Insurance contract liabilities include the outstanding claims provision, provision for claims incurred but not reported and the provision for unearned premium.

Amounts payable for insurance claims reported up to the reporting period end and the amounts payable to reinsurance companies are accrued as a provision for outstanding claims. The insurance claims are accrued on the basis of the actual losses reported against the policies underwritten by the Group during the year.

Provision for claims incurred but not reported are computed based on actuarial review after considering current assumptions, historical trends and empirical data which is not discounted for the time value of money.

Unearned premiums represent the portion of net premiums written relating to the unexpired period of coverage calculated on the actual number of days method (daily pro rata basis). The change in the provision for unearned premium is recognised in the consolidated statement of profit or loss in the order that revenue is recognised over the period of risk.

Fair value measurement
The Group measures financial and certain non-financial instruments at fair value at each consolidated financial position date. Fair value related disclosures for such instruments are disclosed in the following notes:

- investment properties in Note 4.
- available-for-sale financial assets in Note 8.
- financial assets at fair value through profit or loss in Note 9.
- derivative financial instruments in Note 22.
- quantitative disclosures of fair value measurement hierarchy in Note 37.
- disclosures for valuation methods, significant estimates and assumptions within this note.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement such as unquoted available-for-sale financial assets, and for non-recurring measurement.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Fair value measurement (continued)
External valuers are involved in the valuation of significant assets, such as investment properties, and significant liabilities. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial assets at fair value through profit or loss and available-for-sale financial assets
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the consolidated statement of financial position date. If the fair value cannot be measured reliably using any of the methods mentioned, then these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability until a reliable measure of the fair value is available. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

Investment properties
The fair value of an investment property is determined by independent real estate valuation experts with recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein parties had each acted knowledgeably.

Transfers are made to or from investment properties only when there is a change in use evidenced by owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Interest rate swap agreements
The fair value of interest rate swap contracts is calculated by discounting the expected future cash flows at the prevailing interest rate based on broker's quotes.

Impairment

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised in the consolidated statement of profit or loss. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statement of profit or loss. For an investment in equity security classified under available-for-sale, a significant or prolonged decline in its fair value below its cost provides objective evidence of impairment. Reversal of impairment losses in respect of equity investments classified as available-for-sale are treated as increases in fair value through the consolidated statement of comprehensive income. Reversal of impairment losses on debt instruments are done through the consolidated statement of profit or loss, when the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Impairment

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

For assets carried at amortised cost, impairment is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognized. The current policy applied to the Group's intangible asset is the right of use intangible asset (acquired) with an economic life of 13 years amortised on a straight-line basis over the period of the right to use.

Investment properties
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the production or supply of goods and services or for administrative purposes. Investment properties are measured by applying the fair value model.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost.

Any gain or loss on disposal of any investment property (calculated as a difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Property and equipment

Recognition and measurement
Property and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other income in profit or loss.

Subsequent costs
The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation
Depreciation is calculated on a straight-line method over the estimated useful lives of property and equipment other than land which is determined to have an indefinite life as follows:

Buildings	20 years
Furniture and fixtures	4 years
Computers	3 – 5 years
Motor vehicles	3 – 5 years
Tools and equipment	3 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. Depreciation is allocated within the consolidated statement of profit or loss under cost of construction activities and other operating and administrative expenses.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards of ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Leases (continued)

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

Finance costs
The finance costs incurred on qualified assets are capitalised being part of cost of construction. All other finance costs are recognised on an accrual basis in the consolidated statement of profit or loss during the year in which they arise.

Employee benefits

Local employees
With respect to local employees, the Group makes contributions to the government pension fund to the respective local regulatory authorities as a percentage of the employees' salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions, wherever required. The Group's share of contributions to these schemes, which are defined contribution schemes under International Accounting Standard 19 Employee Benefits are charged to the consolidated statement of profit or loss in the year to which they relate.

Expatriate employees
For the expatriate employees, the Group provides for employees' end-of-service benefits determined in accordance with the requirements of contractual obligation and applicable labour laws. Provisions are made towards such benefits on the basis of employees' salaries and the number of years of service at the reporting date. Although the expected costs of these benefits are accrued over the period of employment, these are paid to employees only on completion of their term of employment with the Group.

Share capital

Ordinary share capital
Ordinary shares are classified as equity. The bonus shares issued during the year are shown as an addition to the share capital and deducted from the accumulated retained earnings of the Group.

Dividends on ordinary share capital
Dividends on ordinary shares are recognised as a liability and deducted from retained earnings when they are approved by the Company's shareholders. Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the consolidated statement of financial position date.

Income recognition

Gross written premiums
Gross written premiums comprise total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Net earned premiums
Premiums, net of reinsurance, are recognized in the consolidated statement of profit or loss over the terms of the related contracts or policies. The portion of premium received on in-force contracts that relates to unexpired risks at the consolidated statement of financial position date is reported as the unearned premium liability. Unearned premiums are calculated principally on the actual number of day's method (daily pro rata basis).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Income recognition (continued)

Reinsurance arrangements
As part of managing its insurance risks, the Group enters into contracts with other reinsurers for compensation of losses on insurance contracts issued by the Group. A proportionate amount of gross written premiums, in proportion to the amount of risk reinsured on an individual policy basis are paid to reinsurance companies according to the rates agreed in reinsurance contracts, as reinsurance premiums. In the ordinary course of business, the Group assumes and cedes reinsurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the consolidated statement of financial position date and are deferred over the term of the underlying direct insurance policies.

Net commission income
A proportionate amount of reinsurance premium paid to reinsurance companies is paid back to the Group as commission for undertaking the business. This commission percentage is agreed according to reinsurance contracts entered per individual line of business with different reinsurance companies. The amount of commission is recognised according to the reinsurance commission receivable on an individual policy basis.

Fees
Insurance contract policyholders are charged for policy administration services, management services and other contract fees. This income is recognised during the period when the policy is underwritten or the service is provided.

Investment income
Rental income from investment properties is recognised in the consolidated statement of profit or loss on a straight-line basis over the period of the lease. Investment income also includes dividends, which are recognised when the right to receive the same is established. Interest income is recognised in the consolidated statement of profit or loss as it accrues. Income from associate companies is recognised as per the equity accounting method. Changes resulting from the profit or loss generated by the associates are recognised under the consolidated statements of profit or loss.

Income from/cost of construction activities
Cost of construction activities is recognized when incurred. When the outcome of a fixed price construction contract cannot be estimated reliably, income from construction activities is recognized only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a fixed price construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

The Group uses the percentage of completion method to determine the appropriate amount of revenue to recognize in a given period. The stage of completion is measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Claims and related expenses

Gross claims paid
Claims and related expenses are accounted for based on reports received and subsequent review on an individual case basis. Provision is made to cover the estimated ultimate cost of settling claims arising out of events, which have occurred by the end of the financial year, including unreported losses, and claims handling expenses.

Reinsurance and other recoveries
Compensations receivable from reinsurers are estimated in a manner consistent with the corresponding claim liability. The obligations arising under reinsurance contracts are recognised in profit or loss and the related liabilities are recognised as accounts receivable or deducted from reinsurers' share of technical reserves. Hence, a portion of the reinsurance premium payable is provided as a reserve for future claims in order to provide additional liquidity for the Group, which is finally settled at the end of the reinsurance period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Claims and related expenses (continued)

Movement in outstanding claims

Provision for reported claims by policyholders
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's best estimates.

Provision for claims incurred but not reported (IBNR)
Claims provision also includes a liability for claims incurred but not reported as at the consolidated statement of financial position date. The liability is generally calculated at the reporting date, after considering the independent actuarial report, historic trends, empirical data and current assumptions that may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Provision for premium deficiency
At the end of each reporting period, provision is made for premium deficiency arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is made by reference to classes of business at the date of consolidated statement of financial position based on actuarial estimates.

Provision for unallocated loss adjustment expense (ULAE)
Provision for unallocated loss adjustment expense represents an estimate of ultimate payments for losses and related settlement expenses from claims that have been reported but not paid. The loss reserve estimates are expectations of what ultimate settlement and administration of claims will cost upon final resolution. These estimates are based on facts and circumstances then known to us, review of historical settlement patterns, estimates of trends in claims frequency and severity, projections of loss costs, expected interpretations of legal theories of liability and other factors. In establishing the provision, we also take into account estimated recoveries from reinsurance, salvage and subrogation. The provision is reviewed regularly by the Group's actuary.

Reserve for unexpired risks
The reserve for unexpired risk represents the estimated portion of net premium income which relates to periods of insurance subsequent to the consolidated statement of financial position date. The reserve is calculated using the actual number of day's method. The reinsurers' share on estimated liability of RBNS, IBNR and unexpired insurance premium is separately classified as reinsurance assets in the consolidated statement of financial position.

Segment reporting
Segment results that are reported to senior management includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses. For management purpose, the Group is organised into two business segments, insurance and investments. These segments are the basis on which the Group reports its operating segement information. No operating segment has been aggregated in arriving at the reportable segment of the Group.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent by the weighted number of ordinary shares outstanding during the year.

Critical judgements in applying the Group's accounting policies
In the process of preparing these consolidated financial statements, management has made use of a number of judgments relating to the application of accounting policies which are described in this note. Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below (apart from those involving estimations which are dealt with in the subsequent paragraphs).

These judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the following discussion addresses the accounting policies that require judgments.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Critical judgements in applying the Group’s accounting policies (continued)

Classification of investments
Quoted securities could be classified either as available-for-sale or at fair value through profit or loss. The Group invests substantially in quoted securities either locally or overseas and management has primarily decided to account for these investments based on their potential for long term growth rather than on the short term profit basis. Consequently, the majority of such investments are recognized as available-for-sale rather than at fair value through profit or loss. Financial assets are classified as fair value through profit or loss where the assets are either held for trading or initially designated at fair value through profit or loss.

Impairment of financial assets
The Group determines that available-for-sale financial assets are impaired when there has been a ‘significant’ or ‘prolonged’ decline in the fair value below its cost. The determination of what is ‘significant’ or ‘prolonged’ requires judgment and is assessed based on qualitative and quantitative factors, for each available-for-sale financial asset separately. In making a judgment on impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows.

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

Claims made under insurance contracts
Claims and loss adjustment expenses are charged to the consolidated statement of profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported (IBNR). 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 consolidated statement of profit or loss in the year of settlement.

Unearned premiums
The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognized when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Unearned premiums are calculated on a daily pro rata basis.

Impairment of insurance and other receivables
An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. The determination of whether insurance and other receivables are impaired, involves the Group evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out during 2017 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the consolidated statement of profit or loss. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of profit or loss at the time of collection.

Useful lives, residual values and depreciation charges of property and equipment
The Group’s management determines the estimated useful lives, residual values and related depreciation charges of its property and equipment. These estimates are determined after considering the expected usage of the asset, physical wear and tear and technical or commercial obsolescence.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies, judgements and key estimates (continued)

Key sources of estimates and uncertainty (continued)

Liability adequacy tests
At each consolidated statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated statement of profit or loss.

Interest rate swaps valuation
The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instruments and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

Investment properties valuation
The fair value of investment property is determined by independent real estate valuation experts with recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein parties had each acted knowledgeably.

3 PROPERTY AND EQUIPMENT

	Freehold land	**Buildings**	**Furniture and fixtures**	**Computers**	**Motor Vehicles**	**Tools and equipment**	**Total 2017**	Total 2016
	QR '000	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	QR '000
Cost:								
At 1 January	**39,154**	**69,851**	**18,196**	**21,967**	**11,060**	**42,726**	**202,954**	175,883
Transferred from investment properties (Note 4)	**15,422**	**11,700**	**-**	**-**	**-**	**-**	**27,122**	-
Additions	**-**	**7,265**	**551**	**1,152**	**861**	**28,416**	**38,245**	28,263
Disposals	**-**	**-**	**(769)**	**(1,453)**	**(633)**	**-**	**(2,855)**	(1,192)
At 31 December	**54,576**	**88,816**	**17,978**	**21,666**	**11,288**	**71,142**	**265,466**	202,954
Accumulated depreciation:								
At 1 January	**-**	**30,999**	**16,030**	**16,557**	**9,684**	**25,671**	**98,941**	91,301
Depreciation for the year*	**-**	**2,267**	**990**	**2,178**	**847**	**4,187**	**10,469**	8,409
Disposals	**-**	**-**	**(769)**	**(1,448)**	**(631)**	**-**	**(2,848)**	(769)
At 31 December	**-**	**33,266**	**16,251**	**17,287**	**9,900**	**29,858**	**106,562**	98,941
Net carrying amounts:								
At 31 December 2017	**54,576**	**55,550**	**1,727**	**4,379**	**1,388**	**41,284**	**158,904**	
At 31 December 2016	39,154	38,852	2,166	5,410	1,376	17,055		104,013

* The depreciation for the year has been allocated within the consolidated statement of profit or loss as follows:

	Note	**2017** **QR '000**	2016 QR '000
Other operating and administrative expenses	**32**	**6,285**	7,765
Cost of construction activities		**4,184**	644
		10,469	8,409

4 INVESTMENT PROPERTIES

	Notes	2017 QR '000	2016 QR '000
At 1 January		**6,064,376**	5,936,607
Additions		**211,436**	78,637
Transferred to property and equipment	**3**	**(27,122)**	-
Fair value (losses) gains for the year	**30**	**(610,309)**	49,132
At 31 December		**5,638,381**	6,064,376

As at 31 December 2017, the fair values of the properties are based on valuations performed by accredited independent valuers who are specialists in valuing these types of investment properties. The valuation models used are in accordance with recommended industry practice. The fair value of the investment properties was estimated based on fair valuation techniques and assumptions with reference to recent sales transactions of similar properties in an active market. Any significant increase or decrease in the estimated price per square meter would result in a significantly higher or lower fair value of the investment properties.

The rental income from the investment properties during the year amounted to QR 152.42 million (2016: QR 182.69 million) is part of the investment income (Note 28) and direct operating expenses of QR 21.19 million (2016: QR 17.33 million) is part of the operating and administrative expenses (Note 32).

Investment properties include properties with total carrying value of QR 3.79 billion (2016: QR 2.98 billion) that are pledged against first degree real estate mortgages along with the assignment of future rental proceeds from such properties.

The additions include borrowing costs capitalized during the year amounted to QR 18.15 million (2016: QR 8.67 million).

During the year, the Group transferred certain properties at their fair values to property and equipment due to change in use.

5 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	2017 Ownership	2016 Ownership	2017 QR '000	2016 QR '000
Trust Investment Holding Algeria	**20.00%**	20.00%	**751,876**	113,095
Trust Bank Algeria*	**20.00%**	20.00%	**123,206**	123,192
Oman Reinsurance Company S.A.O.C.	**24.58%**	24.58%	**33,510**	52,392
Trust Algeria Assurances & Reassurance S.P.A.	**22.50%**	22.50%	**24,033**	23,181
International Financial Securities Company Q.P.S.C.	**12.00%**	12.00%	**9,061**	9,166
Gulf Assist B.S.C.	**8.00%**	8.00%	**905**	868
Qatari Unified Bureau Insurance W.L.L.	**25.00%**	25.00%	**-**	7,558
Trust Syria Insurance Company S.A.S.C.	**32.00%**	32.00%	**-**	5,942
The Arab Insurance Institute Company S.A.S.C.	**20.90%**	20.90%	**-**	5,061
Trust Insurance – Libya	**15.00%**	15.00%	**-**	4,770
			942,591	345,225

*During the year, the Central Bank of Algeria (known as "Bank of Algeria") has issued its final approval and adoption of the Group's 20% shareholding in the share capital of Trust Bank Algeria.

5 INVESTMENT IN ASSOCIATES (CONTINUED)

	Notes	2017 QR '000	2016 QR '000
At 1 January		**345,225**	324,749
Share of profits of associates	**(a)**	**900,866**	7,792
Additional shares in associates		**-**	34,229
Dividends received from associates		**(3,407)**	(11,577)
Share of other comprehensive (loss) income of associates		**(19,542)**	818
Exchange differences on translation of foreign operations		**(218,048)**	(5,021)
		1,005,094	350,990
Less: impairment losses	**(b)**	**(62,503)**	(5,765)
At 31 December		**942,591**	345,225

(a) During the year, a significant share of profits of associates included fair value gains of QR 841.59 million from an investment property located in Algeria. Considering that significant part of the project was still under development in the prior years, the management exercised prudence by not accounting for the fair value during those periods but considered the same in the current period as it is nearing the completion stage of development.

(b) The Group carried out a review of the recoverable amount of its investment in associates at the reporting date and the assessment resulted in an impairment loss of QR 62.50 million (2016: QR 5.77 million).

The following table illustrates summarised financial information of the Group's investment in associates:

	2017 QR '000	2016 QR '000
Share in the associates statement of financial position:		
Non-current assets	**1,209,342**	454,752
Current assets	**403,915**	273,361
Non-current liabilities	**(103,974)**	(44,662)
Current liabilities	**(566,692)**	(338,226)
Net assets	**942,591**	345,225

6 REINSURANCE ASSETS

	Note	2017 QR '000	2016 QR '000
Reported claims by policyholders		**524,681**	479,772
Unearned premiums		**198,207**	245,702
Claims IBNR		**48,545**	54,249
	20	**771,433**	779,723

7 INSURANCE RECEIVABLES

	Note	**2017** QR '000	2016 QR '000
Due from insurers and reinsurers		**119,724**	125,324
Due from policyholders		**107,532**	108,224
Due from agents, brokers and intermediaries		**11,580**	13,511
Claims recoveries		**8,099**	5,284
		246,935	252,343
Less: provision for impairment	**38**	**(42,429)**	(35,056)
		204,506	217,287

As at the reporting date, the aging of unimpaired insurance receivables was as follows:

	Total	Neither past due nor impaired	Past due but not impaired < 3 months	3 – 9 months	> 9 months
	QR '000	QR '000	QR '000	QR '000	QR '000
2017	**204,506**	**50,721**	**26,286**	**45,450**	**82,049**
2016	217,287	57,295	8,640	36,979	114,373

Unimpaired insurance receivables are expected to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority is therefore unsecured. The net carrying values of insurance receivables are considered to be reasonable approximation of their fair value.

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 QR '000	2016 QR '000
Equity securities	**681,217**	814,785
Debt securities	**202,432**	180,885
Managed funds	**21,707**	21,107
	905,356	1,016,777

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 QR '000	2016 QR '000
Equity securities	**129,148**	164,129

10 TAKAFUL PARTICIPANTS' FUND ACCOUNTS

(a) Statement of financial position – Takaful policyholders

	2017	2016
	QR '000	QR '000
Takaful participants' assets		
Furniture and equipment	**2,379**	3,356
Investment properties	**100,688**	81,821
Retakaful assets	**34,876**	39,261
Financial assets:		
Takaful receivables	**67,128**	64,141
Receivables from related parties	**992**	1,232
Available-for-sale financial assets	**45,657**	48,399
Other assets	**3,257**	6,809
Cash and cash equivalents	**41,286**	41,581
	296,263	286,600
Takaful participants' fund and liabilities		
Retained surplus	**11,099**	5,669
Fair value reserve	**(1,160)**	128
Takaful contract liabilities	**225,794**	229,938
Financial liabilities:		
Takaful payables	**52,389**	45,487
Payables to related parties	**597**	1,370
Other liabilities	**7,544**	4,008
	296,263	286,600

10 TAKAFUL PARTICIPANTS' FUND ACCOUNTS (CONTINUED)

(b) Statement of profit or loss – Takaful policyholders

	2017 QR '000	2016 QR '000
Gross written contributions	**229,056**	207,644
Contributions ceded to retakaful companies	**(36,833)**	(28,393)
Net change in unearned contributions provision	**(8,576)**	7,875
Net earned contributions	**183,647**	187,126
Gross claims paid	**(165,306)**	(135,829)
Claims ceded to retakaful companies	**19,859**	6,917
Gross change in Takaful contract liabilities	**17,435**	(23,505)
Change in Takaful contract liabilities ceded to retakaful companies	**(9,098)**	10,053
Net claims	**(137,110)**	(142,364)
Net commission and other Takaful expenses	**(9,884)**	(6,286)
Underwriting results	**36,653**	38,476
Investment income (losses)	**4,472**	(1,280)
Impairment losses on receivables	**(1,688)**	(937)
Surplus for the year before wakala fees	**39,437**	36,259
Wakala fees	**(34,007)**	(30,590)
Surplus for the year	**5,430**	5,669

11 OTHER ASSETS

	Notes	2017 QR '000	2016 QR '000
Advance payments against investments to related party	**35 (e)**	**79,412**	70,949
Qard Hasan to Takaful participants' fund	**(a)**	**30,347**	30,347
Prepayments and advances		**19,385**	21,529
Intangible asset	**(b)**	**17,459**	19,135
Inventory		**7,976**	8,299
Accrued rent		**6,248**	30,509
Accrued interest		**3,751**	2,334
Staff receivables		**1,004**	800
Goodwill	**(c)**	**-**	14,409
Other receivables		**42,430**	34,448
		208,012	232,759

(a) The Qard Hasan was provided by the shareholders of General Takaful Company W.L.L. to cover the accumulated deficit in Takaful participants' fund as per the Board of Directors' resolution and Shari'a Supervisory Board's approval.

11 OTHER ASSETS (CONTINUED)

(b) The intangible asset represents a right of use over property leased by Orientals Enterprises W.L.L. in the Mesaieed industrial area. The right of use intangible asset is amortized on a systematic basis over the period of the lease which is 13 years.

(c) Goodwill of QR 14.41 million that arose on the acquisition of Orientals Enterprises W.L.L. has been allocated to Orientals cash-generating unit (Orientals CGU). As part of the annual goodwill impairment test performed during the year, the Group reviewed future cash flow projections from the approved financial budget and annual business plan of Orientals CGU, and has also considered other factors such as the overall decline in construction and development activities as well as ongoing economic uncertainty. Based on the test, the management is of the view that the goodwill allocated to Orientals CGU is no longer recoverable and hence to be impaired in full. The impairment loss of QR 14.41 million is recorded in other operating and administrative expenses (Note 32).

12 CASH AND CASH EQUIVALENTS

The cash and cash equivalents position for cash flow purposes, net of the overdraft is as follows:

	Note	**2017** QR '000	2016 QR '000
Cash and bank balances		**260,056**	303,287
Bank overdrafts	**21**	**-**	(2,711)
Cash and cash equivalents		**260,056**	300,576

Cash and bank balances include short term deposits of QR 176.70 million (2016: QR 246.69 million).

13 SHARE CAPITAL

Authorized, issued and fully paid up share capital comprises of 87,506,703 shares of QR 10 each (2016: 87,506,703 shares of QR 10 each).

	2017	2016
Reconciliation of the number of ordinary shares outstanding		
Number of shares outstanding at 1 January (in thousands)	**87,507**	79,552
Bonus shares issued during the year (in thousands)	**-**	7,955
Number of shares outstanding at 31 December (in thousands)	**87,507**	87,507
Balance at 31 December (in QR '000)	**875,067**	875,067

14 LEGAL RESERVE

The Qatar Commercial Companies' Law No. 11 of 2015 requires that 10% of the net profit for each year should be appropriated to a legal reserve until the balance therein equals to 50% of the paid up capital. During the year, the Group has transferred an amount of QR 26.09 million (2016: QR 25.83 million) from retained earnings to the legal reserve. The Group's legal reserve exceeds 50% of share capital. However, in accordance with Qatar Central Bank's Law No. 13 of 2012 as amended, 10% of net profit is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. The balance under this reserve is not available for distribution, except in the circumstances specified in the above law and after Qatar Central Bank approval.

15 OTHER COMPONENTS OF EQUITY

	Notes	2017 QR '000	2016 QR '000
Available-for-sale financial assets	**(a)**	**475,921**	597,183
Revaluation surplus	**(b)**	**58,611**	77,355
Cash flow hedge	**(c)**	**(8,592)**	(19,820)
Foreign currency translation reserve	**(d)**	**(360,167)**	(142,119)
		165,773	512,599

(a) Available-for-sale financial assets

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired. The movement in the balances is as follows:

	Note	2017 QR '000	2016 QR '000
At 1 January		**597,183**	617,951
Transferred to the consolidated statement of profit or loss upon impairment	**29**	**12,026**	26,751
Transferred to the consolidated statement of profit or loss upon sale		**(14,453)**	(42,538)
Fair value change during the year		**(118,835)**	(4,981)
At 31 December		**475,921**	597,183

(b) Revaluation surplus

One of the associate companies, Trust Investment Holding Algeria where the Group has a 20% equity investment, revalues its properties and any revaluation surplus is directly recognized in the statement of comprehensive income of the associate. As at 31 December 2017, the Group proportionate share of the revaluation surplus is QR 58.61 million (2016: QR 77.36 million).

(c) Cash flow hedge

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge related to hedge transactions that have not yet affected profit or loss.

(d) Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of investments in foreign associates at the closing exchange rates.

16 SHAREHOLDERS DIVIDENDS

The Board of Directors has proposed a cash dividend of 22% of the nominal share value (QR 2.2 per share) for the year ended 31 December 2017 (2016: cash dividend of 15% of the nominal share value (QR 1.50 per share) were approved and paid for the year ended 31 December 2016). The proposed dividends are subject to the approval of the general assembly.

17 CONTRIBUTION TO SOCIAL AND SPORTS ACTIVITIES FUND

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2012, which is applicable for all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its net profit for the year, excluding unrealized fair value gains or losses on investment properties of the Group as well as on the investment properties of its associates, resulting in a net amount of QR 741 thousand being its contribution to the social and sports activities fund for the year 2017 (2016: QR 5.23 million).

18 NON-CONTROLLING INTERESTS

The non-controlling interests relate to the subsidiaries Mozoon Real Estate Company W.L.L. and General Company for Water and Beverages W.L.L.

19 EMPLOYEES' END-OF-SERVICE BENEFITS

	2017	2016
	QR '000	QR '000
At 1 January	**37,744**	33,942
Provided during the year	**4,922**	5,723
Paid during the year	**(1,617)**	(1,921)
At 31 December	**41,049**	37,744

20 INSURANCE CONTRACT LIABILITIES

		2017			2016		
		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
Provision for reported claims by policyholders		**649,776**	**(524,681)**	**125,095**	598,853	(479,772)	119,081
Provision for claims IBNR		**77,514**	**(48,545)**	**28,969**	78,715	(54,249)	24,466
Provision for unallocated loss adjustment expense		**4,473**	**-**	**4,473**	2,932	-	2,932
Provision for premiums deficiency		**1,190**	**-**	**1,190**	2,683	-	2,683
Outstanding claims provision	**(a)**	**732,953**	**(573,226)**	**159,727**	683,183	(534,021)	149,162
Provision for unearned premiums (reserve for unexpired risks)	**(b)**	**304,494**	**(198,207)**	**106,287**	355,574	(245,702)	109,872
		1,037,447	**(771,433)**	**266,014**	1,038,757	(779,723)	259,034

(a) Outstanding claims provision

	2017			2016		
	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
At 1 January	**683,183**	**(534,021)**	**149,162**	779,633	(636,686)	142,947
Gross / ceded change in insurance contract liabilities	**49,770**	**(39,205)**	**10,565**	(96,450)	102,665	6,215
At 31 December	**732,953**	**(573,226)**	**159,727**	683,183	(534,021)	149,162

20 INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

	2017			2016		
	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
At 1 January	**355,574**	**(245,702)**	**109,872**	321,947	(223,184)	98,763
Premiums written during the year	**566,971**	**(387,282)**	**179,689**	629,949	(415,179)	214,770
Premiums earned during the year	**(618,051)**	**434,777**	**(183,274)**	(596,322)	392,661	(203,661)
At 31 December	**304,494**	**(198,207)**	**106,287**	355,574	(245,702)	109,872

20 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Claims development 2017

The following table shows the estimated cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date:

	Accident year					
	2013 and before	**2014**	**2015**	**2016**	**2017**	**Total**
	QR '000	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
Estimate of cumulative claims						
At end of the accident year	**1,418,440**	**162,598**	**156,754**	**152,356**	**150,056**	
One year later	**1,407,702**	**136,241**	**128,364**	**120,467**	**-**	
Two years later	**1,401,308**	**128,798**	**120,572**	**-**	**-**	
Three years later	**1,396,953**	**125,754**	**-**	**-**	**-**	
Four years later	**1,394,821**	**-**	**-**	**-**	**-**	
Current estimate of cumulative claims	**1,394,821**	**125,754**	**120,572**	**120,467**	**150,056**	**1,911,670**
Cumulative payments to date	**(1,384,171)**	**(118,967)**	**(107,567)**	**(93,095)**	**(53,806)**	**(1,757,606)**
Total cumulative claims recognized in the consolidated statement of financial position as at 31 December 2017	**10,650**	**6,787**	**13,005**	**27,372**	**96,250**	**154,064**

20 INSURANCE CONTRACT LIABILITIES (CONTINUED)

Claims development 2016

The following table shows the estimated cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date:

	Accident year					
	2012 and before	2013	2014	2015	2016	Total
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
Estimate of cumulative claims						
At end of the accident year	1,231,545	160,031	162,598	156,754	152,356	
One year later	1,258,409	149,219	136,241	128,364	-	
Two years later	1,258,482	142,206	128,798	-	-	
Three years later	1,259,101	139,427	-	-	-	
Four years later	1,257,528	-	-	-	-	
Current estimate of cumulative claims	1,257,528	139,427	128,798	128,364	152,356	1,806,473
Cumulative payments to date	(1,247,392)	(132,973)	(116,510)	(102,708)	(63,343)	(1,662,926)
Total cumulative claims recognized in the consolidated statement of financial position as at 31 December 2016	10,136	6,454	12,288	25,656	89,013	143,547

The claims development table is presented net of risk mitigation through reinsurance to give the most meaningful insight into the impact on the operating results.

21 LOANS AND BORROWINGS

	Note	2017 QR '000	2016 QR '000
Term loans		**1,538,815**	1,267,940
Bank overdrafts	12	**-**	2,711
		1,538,815	1,270,651

(a) Current portion

	Note	2017 QR '000	2016 QR '000
Term loans		**193,716**	309,040
Bank overdrafts	12	**-**	2,711
		193,716	311,751

(b) Non-current portion

	2017 QR '000	2016 QR '000
Term loans	**1,345,099**	958,900

The terms and conditions of the outstanding facilities are as follows:

	Currency	Interest rate	Maturity	2017 QR '000	2016 QR '000
1)	USD	2.625% plus 3 months LIBOR	19 September 2019	**456,250**	456,250
2)	QAR	0.25% plus QMRL rate	30 September 2030	**379,253**	68,026
3)	USD	2.25% plus 3 months LIBOR	30 April 2021	**345,610**	421,361
4)	USD	2.50% plus 3 months LIBOR	31 March 2026	**256,232**	91,817
5)	USD	2.45% plus 3 months LIBOR	Revolving	**101,470**	223,271
6)	EUR	0.50% plus 6 months EURIBOR	Settled	**-**	7,215
				1,538,815	1,267,940

22 DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2016	
	Liability	**Notional amount**	Liability	Notional amount
	QR '000	**QR '000**	QR '000	QR '000
Derivatives held as cash flow hedge				
Interest rate swaps	**8,592**	**342,188**	19,820	417,469

Interest rate swaps

The Group entered into interest rate swap contracts designated as a hedge of expected future LIBOR interest rate payable. Under the terms of the interest rate swap contracts, the Group pays a fixed rate of interest and receives floating LIBOR rates. The terms of the interest rate swap contracts have been negotiated to match the terms of the underlying commitments.

Prospective effectiveness was tested at the inception of the hedge and is tested at each reporting date by comparing critical terms of the hedging instrument and the hedged item.

Retrospective effectiveness is tested at each reporting date using the cummulative dollar offset method. Hedged effectiveness is assessed and measured on a cumulative basis by calculating the change in the fair value of the IRS as a percentage change in the fair value of the designated hedged item.

During the year, measurement of the fair value of the hedge resulted in an net gain of QR 11.23 million (2016: net gain of QR 8.70 million) being recognized in equity as a cash flow hedge reserve.

23 INSURANCE PAYABLES

	2017	2016
	QR '000	QR '000
Due to insurers and reinsurers	**206,819**	161,425
Due to policyholders	**19,536**	40,634
Due to agents, brokers and intermediaries	**19,041**	18,437
	245,396	220,496

The carrying values of insurance payables are considered to be reasonable approximation of their fair value.

24 OTHER LIABILITIES

	2017	2016
	QR '000	QR '000
Advance rent	**41,456**	48,778
Accounts payables	**28,194**	47,532
Accrued expenses	**24,170**	16,802
Accrued interest	**2,231**	2,435
Staff payables	**677**	6,216
Other payables	**37,408**	27,546
	134,136	149,309

25 SEGMENT INFORMATION

Segment consolidated statement of profit or loss:

	2017			2016		
	Insurance	**Investments**	**Total**	Insurance	Investments	Total
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
Gross written premiums	**566,971**	**-**	**566,971**	629,949	-	629,949
Premiums ceded to reinsurers	**(387,282)**	**-**	**(387,282)**	(415,179)	-	(415,179)
Net change in unearned premiums provision	**3,585**	**-**	**3,585**	(11,109)	-	(11,109)
Net earned premiums	**183,274**	**-**	**183,274**	203,661	-	203,661
Gross claims paid	**(240,431)**	**-**	**(240,431)**	(314,417)	-	(314,417)
Claims ceded to reinsurers	**147,086**	**-**	**147,086**	205,739	-	205,739
Gross change in insurance contract liabilities	**(49,770)**	**-**	**(49,770)**	96,450	-	96,450
Change in insurance contract liabilities ceded to reinsurers	**39,205**	**-**	**39,205**	(102,665)	-	(102,665)
Net claims	**(103,910)**	**-**	**(103,910)**	(114,893)	-	(114,893)
Net commission and other insurance income	**26,282**	**-**	**26,282**	18,301	-	18,301
Underwriting results	**105,646**	**-**	**105,646**	107,069	-	107,069
Investment income	**-**	**200,025**	**200,025**	-	236,534	236,534
Net realized gains	**-**	**2,656**	**2,656**	-	18,336	18,336
Fair value (losses) gains	**-**	**(642,697)**	**(642,697)**	-	56,600	56,600
Income from construction activities	**-**	**41,894**	**41,894**	-	34,406	34,406
Other income	**-**	**942**	**942**	-	69,687	69,687
Investment and other operations results	**-**	**(397,180)**	**(397,180)**	-	415,563	415,563

25 SEGMENT INFORMATION (CONTINUED)

Segment consolidated statement of profit or loss: (continued)

	2017			2016		
	Insurance	**Investments**	**Total**	Insurance	Investments	Total
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
Finance costs	**(2,215)**	**(51,916)**	**(54,131)**	(1,962)	(46,031)	(47,993)
Cost of construction activities	**-**	**(41,778)**	**(41,778)**	-	(29,161)	(29,161)
Other operating and administrative expenses	**(93,486)**	**(82,112)**	**(175,598)**	(82,040)	(107,211)	(189,251)
Impairment of goodwill	**-**	**(14,409)**	**(14,409)**	-	-	-
Total expenses	**(95,701)**	**(190,215)**	**(285,916)**	(84,002)	(182,403)	(266,405)
Profit (loss) from operations	**9,945**	**(587,395)**	**(577,450)**	23,067	233,160	256,227
Share of profits of associates	**-**	**900,866**	**900,866**	-	7,792	7,792
Impairment of associates	**-**	**(62,503)**	**(62,503)**	-	(5,765)	(5,765)
Profit for the year	**9,945**	**250,968**	**260,913**	23,067	235,187	258,254

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 505.21 million (2016: QR 574.29 million) and the United Arab Emirates amounted to QR 61.76 million (2016: QR 55.66 million).

26 NET CLAIMS

	Note	2017 QR '000	2016 QR '000
(a) Gross claims paid			
Gross claims paid		**264,550**	339,320
Claims recoveries		**(24,119)**	(24,903)
		240,431	314,417
(b) Claims ceded to reinsurers			
Claims ceded to reinsurers		**(147,086)**	(205,739)
(c) Gross change in insurance contract liabilities			
Provision for reported claims by policyholders		**50,923**	(118,205)
Provision for unallocated loss adjustment expense		**1,541**	2,932
Provision for claims IBNR		**(1,201)**	16,140
Provision for premium deficiency		**(1,493)**	2,683
	20 (a)	**49,770**	(96,450)
(d) Change in insurance contract liabilities ceded to reinsurers			
Provision for claims IBNR		**5,704**	(17,667)
Provision for reported claims by policyholders		**(44,909)**	120,332
	20 (a)	**(39,205)**	102,665
Net claims		**103,910**	114,893

27 NET COMMISSION AND OTHER INSURANCE INCOME

	2017 QR '000	2016 QR '000
Reinsurance and other commission income	**21,383**	11,618
Shareholders’ income from Takaful operations	**3,435**	2,928
Miscellaneous income	**1,464**	3,755
	26,282	18,301

28 INVESTMENT INCOME

	2017	2016
	QR '000	QR '000
Investment properties		
Rental income	**152,416**	182,686
Available-for-sale financial assets		
Dividend income	**24,606**	30,666
Interest income	**13,295**	13,071
Financial assets at fair value through profit or loss		
Dividend income	**4,801**	5,877
Cash and cash equivalents		
Interest income	**4,907**	4,234
	200,025	236,534

29 NET REALIZED GAINS

	Note	2017	2016
		QR '000	QR '000
Available-for-sale financial assets			
Equity securities		**12,753**	41,246
Debt securities		**1,700**	1,292
Financial assets at fair value through profit or loss			
Equity securities		**229**	1,235
Investment in associates		**-**	1,314
Impairment losses on available-for-sale financial assets	**15 (a)**	**(12,026)**	(26,751)
		2,656	18,336

30 FAIR VALUE (LOSSES) GAINS

	Note	2017	2016
		QR '000	QR '000
Investment properties	**4**	**(610,309)**	49,132
Financial assets at fair value through profit or loss		**(32,388)**	7,468
		(642,697)	56,600

31 FINANCE COSTS

	2017	2016
	QR '000	QR '000
Interest expenses	**69,196**	54,215
Less: borrowing costs capitalized	**(18,150)**	(8,665)
	51,046	45,550
Interest on reinsurance premium reserves	**278**	291
	51,324	45,841
Bank charges	**2,807**	2,152
	54,131	47,993

Borrowing costs capitalized pertain to a credit facility which was availed specifically for construction of investment property.

32 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

		2017	2016
	Notes	QR '000	QR '000
Employee benefits expenses		**97,608**	116,119
Investment properties operating expenses	**4**	**21,187**	17,333
Impairment of goodwill	**11 (c)**	**14,409**	-
Occupancy expenses		**12,328**	12,916
Board of Directors' remuneration	**35 (a)**	**10,250**	8,310
Depreciation of property and equipment	**3**	**6,285**	7,765
Impairment losses (recoveries) on receivables		**6,222**	(1,392)
Consultancy expenses		**5,024**	4,855
Marketing expenses		**4,236**	6,306
Amortization of intangible asset		**1,676**	1,676
Other expenses		**10,782**	15,363
		190,007	189,251

33 EARNINGS PER SHARE

	2017	2016
Profit attributable to the ordinary equity holders of the Parent (QR '000)	**307,381**	219,341
Weighted average number of shares (in thousands)	**87,507**	87,507
Earnings per share (in Qatari Riyals per share)	**3.51**	2.51

34 CASH GENERATED FROM AND USED IN OPERATING ASSETS AND LIABILITIES

	2017	2016
	QR '000	QR '000
Net change in insurance receivables	**(5,408)**	24,858
Net change in receivables from related parties	**(86)**	(688)
Net change in other assets	**(9,813)**	(31,458)
Net change in operating assets	**(15,307)**	(7,288)
Net change in insurance payables	**24,900**	(15,361)
Net change in payables to related parties	**(60,019)**	24,531
Net change in other liabilities	**(15,710)**	(52,693)
Net change in operating liabilities	**(50,829)**	(43,523)

35 RELATED PARTY DISCLOSURES

Related parties consist of shareholders, related companies, 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 consolidated statement of profit or loss were as follows:

	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**
Trust Re – Bahrain*	**-**	**(98,896)**	**-**	**3,486**	**3,311**	**(309)**
Others	**11,244**	**(13)**	**(10,318)**	**-**	**-**	**(1,850)**

*Effective 30 June 2017, the Group has terminated all its contracts with Trust Re – Bahrain, and any amounts arising from transactions that occurred prior to the said date will be settled in accordance with the agreed terms.

	2016					
	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
Trust Re – Bahrain	-	(74,129)	-	10,514	3,153	(406)
Others	11,580	(5)	(8,371)	-	-	(2,750)

35 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related party transactions (continued)

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

	Note	2017 QR '000	2016 QR '000
Salaries and other short-term benefits		**19,497**	38,613
Board of Directors' remuneration	**32**	**10,250**	8,310
End-of-service benefits		**1,034**	1,522
		30,781	48,445

(b) Receivables from / payables to related parties

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

Receivables from related parties

	Relationship	2017 QR '000	2016 QR '000
North Africa Energy Company W.L.L.	Affiliate	**70**	54
Trust Syria Insurance Company S.A.S.C.	Associate	**54**	54
Trust Algeria Assurances & Reassurance S.P.A.	Associate	**41**	52
Trust Re – Bahrain	Affiliate	**1**	5
Trust Holding Ltd. Company	Affiliate	**-**	76
International Financial Securities Company Q.P.S.C.	Associate	**-**	11
		166	252

Payables to related parties

	Relationship	2017 QR '000	2016 QR '000
Alsari Trading Company W.L.L.	Affiliate	**13,407**	73,141
Falcon Readymix Company W.L.L.	Affiliate	**4,442**	6,260
Nest Investments (Holdings) Limited	Affiliate	**3,940**	2,591
Trust Holding Ltd. Company	Affiliate	**184**	-
		21,973	81,992

35 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Insurance receivables and payables

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

		2017	2016
	Relationship	**QR '000**	QR '000
Trust Re – Bahrain	Affiliate	**(13,080)**	21,196
Other insurance receivables	Others	**3,281**	3,494
Other insurance payables	Others	**(1,098)**	(1,086)

(d) Investment properties

The additions to investment properties include QR 27.13 million (2016: QR 18.93 million) in supplies from Falcon Readymix Company W.L.L.

(e) Other assets

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

		2017	2016
	Note	**QR '000**	QR '000
Trust Investment Holding Algeria	**11**	**79,412**	70,949

All above disclosed balances are unsecured and interest free. There have been no guarantees provided or received for any related party receivables. During the year, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: Nil).

36 CONTINGENT LIABILITIES AND COMMITMENTS

	2017	2016
	QR '000	QR '000
(a) Capital commitments	**251,880**	428,593
(b) Contingent liabilities		
Letters of guarantee	**116,031**	116,751
(c) Lease commitments		
Operating lease commitments are payable as follows:		
Less than one year	**5,358**	6,204
Between one and five years	**2,995**	6,701
	8,353	12,905

36 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(d) Litigations

The insurance sector of the Group is subject to litigation and is continuously involved in legal proceedings arising in its normal course of business. The Group carries adequate provisions against such litigations which are included as part of insurance contract liabilities. The Group is also a party to non-insurance related litigations with a total net exposure as at 31 December 2017 of QR 8.03 million (2016: QR 12.59 million) towards all such litigations. The Group has considered adequate provisions based on best estimate where the probability has been predictable. In addition, the Group and its affiliates have filed legal suits against and are subject to counter-suits from various parties in relation to one of the Group's associate companies which is under liquidation. The outcomes of the proceedings from these cases are unpredictable as of the reporting date. No further disclosures are made on the stated litigations to avoid prejudicing the position of the parties in dispute.

37 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.

	Notes	Date of valuation	Quoted prices in active markets Level 1 QR '000	Significant observable inputs Level 2 QR '000	Significant unobservable inputs Level 3 QR '000	Total QR '000
Assets measured at fair value:						
Investment properties	**4**	**31 December 2017**	**-**	**-**	**5,638,381**	**5,638,381**
Available-for-sale financial assets	**8**	**31 December 2017**	**879,999**	**21,707**	**-**	**901,706**
Financial assets at fair value through profit or loss	**9**	**31 December 2017**	**129,148**	**-**	**-**	**129,148**
			1,009,147	**21,707**	**5,638,381**	**6,669,235**
Liability measured at fair value:						
Derivative financial instruments	**22**	**31 December 2017**	**-**	**8,592**	**-**	**8,592**

	Notes	Date of valuation	Quoted prices in active markets Level 1 QR '000	Significant observable inputs Level 2 QR '000	Significant unobservable inputs Level 3 QR '000	Total QR '000
Assets measured at fair value:						
Investment properties	4	31 December 2016	-	-	6,064,376	6,064,376
Available-for-sale financial assets	8	31 December 2016	992,020	21,107	-	1,013,127
Financial assets at fair value through profit or loss	9	31 December 2016	164,129	-	-	164,129
			1,156,149	21,107	6,064,376	7,241,632
Liability measured at fair value:						
Derivative financial instruments	22	31 December 2016	-	19,820	-	19,820

Available-for-sale financial assets carried at cost amount to QR 3.65 million (2016: QR 3.65 million). During the year, there were no transfers between Level 1, Level 2 and Level 3 (2016: Nil).

38 RISK MANAGEMENT

The Group, in the normal course of business, derives its revenue mainly from assuming and managing insurance, investments and investment properties. The Group's lines of business are exposed to the following risks:

- Insurance risk
- Credit risk
- Liquidity risk
- Market risk, and
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. These policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee and the Risk Committee of the Group oversee how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committees are assisted in their oversight role by Internal Audit Department. Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The insurance contracts issued by the Group for various risks are homogeneous.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability of the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Risks are accepted based on an evaluation of pricing and prior underwriting experience in accordance with underwriting guidelines that have been laid out for each line of business. Underwriting guidelines are constantly reviewed and updated to take account of market developments, performance and opportunities. Accumulation limits are set to control exposures to natural hazards and catastrophes. Various underwriting and approval limits are specified for accepting risks. The reinsurance strategy of the Group is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements. The recoverable amounts from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

38 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)
Even though the Group has reinsurance arrangements, the direct obligation to its policyholders is shown as a liability and thus to the extent the reinsurer is not able to meet its obligations under the reinsurance arrangement, a credit exposure exists. The management ensures that the Group's reinsurance placement is diversified within a range of reinsurers and is not concentrated or dependent on any single reinsurer.

Frequency and severity of claims
The frequency and severity of claims can be determined after consideration of several factors as follows:

- past experience of the claims;
- economic level;
- laws and regulations; and
- public awareness

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. The Group has the right to re-price the risk on renewal. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include proportional and non-proportional coverage. The effect of such reinsurance arrangements is that the Group should not suffer major insurance losses.

The Group has specialized claims units dealing with the mitigation of risks surrounding general insurance claims. This unit investigates, adjusts and settles all general insurance claims. The general insurance claims are reviewed individually regularly and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages settlements of general insurance claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments
Claims on general insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, a larger element of the claims provision relates to incurred but not reported claims (IBNR) which are settled over a short to medium term period.

There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures adopted. The compensation paid on these contracts is the monetary awards granted for the loss suffered by the policyholders or third parties (for third party liability covers).

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks as at the consolidated statement of financial position date.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes. An actuarial valuation is done every year to ensure the adequacy of the reserves.

38 RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Claims development
The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experiences and developments. The uncertainties about the amount and timing of claim payments are generally resolved within one year (Note 20).

Process used to decide on assumptions
The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The exposure of the Group to claims associated with general insurance is material. This exposure is concentrated in state of Qatar where significant transactions take place.

The Group uses assumptions based on a mixture of internal and actuarial reports to measure its general insurance related claims liabilities. Internal data is derived mostly from the Group's monthly claims reports and screening of the actual insurance contracts carried out at year end to derive data for the contracts held. The Group has reviewed the individual contracts and their actual exposure to claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The table below sets out the concentration of outstanding claims provision by type of contract:

	2017			2016		
	Gross reserves	**Reinsurance reserves**	**Net reserves**	Gross reserves	Reinsurance reserves	Net reserves
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
Motor	**119,278**	**(10,627)**	**108,651**	118,762	(10,466)	108,296
Non-Motor	**613,675**	**(562,599)**	**51,076**	564,421	(523,555)	40,866
	732,953	**(573,226)**	**159,727**	683,183	(534,021)	149,162

Sensitivity analysis
The reasonableness of the estimation process is tested by an analysis of sensitivity around several scenarios. The sensitivity of the Group's income to insurance risks is as follows:

	Change in assumptions	**Increase (decrease) in insurance contract liabilities**	**Increase (decrease) in reinsurance contract liabilities**	**Net impact on net profit**	**Net impact on equity**
		QR '000	**QR '000**	**QR '000**	**QR '000**
2017					
Outstanding claims provision	**+5%**	**(36,588)**	**28,661**	**(7,927)**	**(7,927)**
	-5%	**36,588**	**(28,661)**	**7,927**	**7,927**
2016					
Outstanding claims provision	+5%	(34,025)	26,701	(7,324)	(7,324)
	-5%	34,025	(26,701)	7,324	7,324

38 RISK MANAGEMENT (CONTINUED)

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the consolidated statement of financial position. The Group manages and limits its credit exposure as stated below.

The Group credit control policy sets out exposures limits per counter party, which is reviewed and monitored by the Executive Management Committee. Limits are set for investments and minimum credit ratings for investments that may be held.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The Group sets the maximum credit amounts and terms to its customers. The credit risk in respect of such customer balances incurred on non–payment of premiums will only persist during the grace period specified, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The Group further restricts its credit risk exposure by entering into master netting arrangements with counterparties with which it enters into significant volumes of transactions. However, such arrangements do not generally result in offsetting the consolidated statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with such balances is reduced in the event of a default, when such balances are settled on a net basis. The Group actively manages its product mix to ensure that there is no significant concentration of credit risk. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	2017	2016
	QR '000	QR '000
Credit risk exposure by financial asset type:		
Reinsurance recoverable on outstanding claims	**524,681**	479,772
Bank balances	**259,337**	302,877
Insurance receivables	**204,506**	217,287
Available-for-sale financial assets (debt securities)	**202,432**	180,885
Other assets	**182,805**	189,992
Receivables from related parties	**166**	252
Total exposure	**1,373,927**	1,371,065

38 RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Impaired financial assets

As at 31 December 2017, the impaired insurance and reinsurance receivables amount to QR 42.43 million (2016: QR 35.06 million) and other assets amount to QR 21.91 million (2016: QR 23.06 million). The Group records all impairment allowances in separate impairment allowances accounts. A reconciliation of all the allowances for impairment losses is as follows:

	2017	2016	**2017**	2016
	Impairment on insurance and reinsurance receivables		**Impairment on other receivables**	
	QR '000	QR '000	**QR '000**	QR '000
At 1 January	**35,056**	36,057	**23,056**	23,447
Impairment losses for the year	**7,726**	1,839	**73**	80
Impairment recoveries during the year	**(353)**	(2,840)	**(1,224)**	(471)
At 31 December	**42,429**	35,056	**21,905**	23,056

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The Group manages its liquidity needs by carefully monitoring scheduled payments for financial liabilities as well as cash-outflows due in day-to-day business.

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 90-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell medium to long-term financial assets.

Contractual maturity of the Group's liabilities as at 31 December 2017 are summarised below:

	Current			**Non-current**			
	Within 6 months	**6 to 12 months**	**Total current**	**1 to 5 years**	**More than 5 years**	**Total non-current**	**Total**
	QR '000	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**	**QR '000**
Insurance payables and other liabilities	**207,726**	**160,056**	**367,782**	**9,983**	**1,767**	**11,750**	**379,532**
Derivative financial instruments	**-**	**8,592**	**8,592**	**-**	**-**	**-**	**8,592**
Insurance contract liabilities	**414,979**	**622,468**	**1,037,447**	**-**	**-**	**-**	**1,037,447**
Payables to related parties	**4,706**	**3,940**	**8,646**	**13,327**	**-**	**13,327**	**21,973**
Loans and borrowings	**66,392**	**171,591**	**237,983**	**949,151**	**506,764**	**1,455,915**	**1,693,898**
	693,803	**966,647**	**1,660,450**	**972,461**	**508,531**	**1,480,992**	**3,141,442**

38 RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)
Contractual maturity of the Group's liabilities as at 31 December 2016 are summarised below:

	Current			Non-current			
	Within 6 months	6 to 12 months	Total current	1 to 5 years	More than 5 years	Total non-current	Total
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
Insurance payables and other liabilities	205,828	154,720	360,548	9,195	62	9,257	369,805
Derivative financial instruments	-	19,820	19,820	-	-	-	19,820
Insurance contract liabilities	415,503	623,254	1,038,757	-	-	-	1,038,757
Payables to related parties	-	8,913	8,913	73,079	-	73,079	81,992
Loans and borrowings	285,616	57,203	342,819	869,606	135,448	1,005,054	1,347,873
	906,947	863,910	1,770,857	951,880	135,510	1,087,390	2,858,247

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the consolidated statement of financial position date.

38 RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)
The table below summarises the expected utilisation or settlement of assets and liabilities.

	2017			2016		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
Property and equipment	**-**	**158,904**	**158,904**	-	104,013	104,013
Investment properties	**-**	**5,638,381**	**5,638,381**	-	6,064,376	6,064,376
Investment in associates	**-**	**942,591**	**942,591**	-	345,225	345,225
Reinsurance assets	**771,433**	**-**	**771,433**	779,723	-	779,723
Financial assets:						
Insurance receivables	**204,506**	**-**	**204,506**	217,287	-	217,287
Receivables from related parties	**166**	**-**	**166**	252	-	252
Available-for-sale financial assets	**-**	**905,356**	**905,356**	-	1,016,777	1,016,777
Financial assets at fair value through profit or loss	**129,148**	**-**	**129,148**	164,129	-	164,129
Takaful participants' assets	**145,275**	**150,988**	**296,263**	150,914	135,686	286,600
Other assets	**64,402**	**143,610**	**208,012**	80,430	152,329	232,759
Cash and bank balances	**260,056**	**-**	**260,056**	303,287	-	303,287
Total assets	**1,574,986**	**7,939,830**	**9,514,816**	1,696,022	7,818,406	9,514,428
Employees' end-of-service benefits	**-**	**41,049**	**41,049**	-	37,744	37,744
Insurance contract liabilities	**1,037,447**	**-**	**1,037,447**	1,038,757	-	1,038,757
Financial liabilities:						
Loans and borrowings	**193,716**	**1,345,099**	**1,538,815**	311,751	958,900	1,270,651
Derivative financial instruments	**8,592**	**-**	**8,592**	19,820	-	19,820
Insurance payables	**245,396**	**-**	**245,396**	220,496	-	220,496
Payables to related parties	**8,646**	**13,327**	**21,973**	8,913	73,079	81,992
Takaful participants' fund and liabilities	**286,324**	**9,939**	**296,263**	280,803	5,797	286,600
Other liabilities	**122,386**	**11,750**	**134,136**	140,052	9,257	149,309
Total liabilities	**1,902,507**	**1,421,164**	**3,323,671**	2,020,592	1,084,777	3,105,369

38 RISK MANAGEMENT (CONTINUED)

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

Currency risk
Most of the Group's transactions are carried out in Qatari Riyals. Exposures to currency exchange rates arise from the Group's overseas investments. The Qatari Riyal is effectively pegged to the United States Dollar and thus currency risk occurs only in respect of currencies other than the United States Dollar.

Foreign currency denominated financial assets, investment in associates and liabilities, translated into Qatari Riyals at the closing rate, are as follows:

	2017			2016		
	DZD	**Euro**	**Other**	DZD	Euro	Other
	QR '000	**QR '000**	**QR '000**	QR '000	QR '000	QR '000
Financial assets	**-**	**3,457**	**42,810**	-	1,719	57,591
investment in associates	**899,115**	**-**	**34,415**	259,468	-	69,033
	899,115	**3,457**	**77,225**	259,468	1,719	126,624
Financial liabilities	**-**	**-**	**-**	-	(7,216)	-
	-	**-**	**-**	-	(7,216)	-

38 RISK MANAGEMENT (CONTINUED)

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

		2017		2016	
	Changes in variables	**Impact on profit**	**Impact on equity**	Impact on profit	Impact on equity
		QR '000	**QR '000**	QR '000	QR '000
Currency					
DZD	**+10%**	**-**	**89,912**	-	25,947
EUR	**+10%**	**346**	**346**	(550)	(550)
Others	**+10%**	**4,281**	**7,723**	5,759	12,662
Total		**4,627**	**97,981**	5,209	38,059
DZD	**-10%**	**-**	**(89,912)**	-	(25,947)
EUR	**-10%**	**(346)**	**(346)**	550	550
Others	**-10%**	**(4,281)**	**(7,723)**	(5,759)	(12,662)
Total		**(4,627)**	**(97,981)**	(5,209)	(38,059)

38 RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk
The Group's policy is to minimise interest rate risk exposures on term financing. The Group is exposed to changes in the market interest rates through its financial assets and liabilities which are subject to variable interest rates.

	Carrying amounts	
	2017	2016
	QR '000	QR '000
Fixed and variable rate instruments		
Financial assets	**409,834**	452,065
Financial liabilities	**1,547,407**	1,290,471

Fair value sensitivity analysis for fixed rate instruments
The Group does not account for any fixed rate financial assets at fair value through profit or loss, and the Group does not designate interest rate swaps as hedging instruments under the fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
A change of 50 basis points in interest rate at the reporting date would have increased (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss	
	50 bps increase	**50 bps decrease**
	QR '000	**QR '000**
2017		
Variable rate instruments	**(8,105)**	**8,105**
Interest rate swaps	**1,846**	**(1,846)**
Cash flow sensitivity (net)	**(6,259)**	**6,259**
2016		
Variable rate instruments	(8,284)	8,284
Interest rate swaps	2,784	(2,784)
Cash flow sensitivity (net)	(5,500)	5,500

Equity price risk
The Group is exposed to other market price risk in respect of its listed equity securities and bonds. Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity and the value of individual stocks. The effect on equity due to a reasonably possible change in equity indices by (+/-) 10%, with all other variables held constant is as follows:

		2017		2016	
	Changes in variables	**Impact on profit**	**Impact on other comprehensive income**	Impact on profit	Impact on other comprehensive income
		QR '000	**QR '000**	QR '000	QR '000
Qatar Market	**+10%**	**12,683**	**66,153**	16,149	78,300
International Markets	**+10%**	**232**	**21,847**	264	20,902
Qatar Market	**-10%**	**(12,683)**	**(66,153)**	(16,149)	(78,300)
International Markets	**-10%**	**(232)**	**(21,847)**	(264)	(20,902)

38 RISK MANAGEMENT (CONTINUED)

Operational risk
Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

Capital management
The Group's capital management policy for its insurance and non–insurance business is to hold sufficient capital to cover the statutory requirements based on the Qatar Central Bank's instructions, including any additional amounts required by the regulator as well as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the return on capital, which is defined as profit for the year divided by total equity. The Group's objectives when managing capital is:

- To safeguard the Group'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 insurance and investment contracts commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity excluding cash flow hedge reserve and cash and bank balances as presented on the face of the consolidated statement of financial position. The Group's goal in capital management is to maintain a capital-to-overall financing structure ratio of 1:1.5. Capital for the reporting periods under review is summarized as follows:

	2017	2016
	QR '000	QR '000
Equity	**6,191,145**	6,409,059
Less: cash flow hedge reserve and cash and bank balances	**(251,464)**	(283,467)
Capital	**5,939,681**	6,125,592
Equity excluding cash flow hedge reserve	**6,199,737**	6,428,879
Add: loans and borrowings	**1,538,815**	1,270,651
Overall financing	**7,738,552**	7,699,530
Capital to overall financing	**1:1.30**	1:1.26

The operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as they arise. The Group and its regulated subsidiaries in general have complied with the requirements throughout the financial year. In reporting financial strength, capital and solvency are measured using the rules prescribed by the Qatar Central Bank. These regulatory capital tests are based upon required levels of solvency, capital and a series of prudent assumptions in respect of the type of business written.

39 RECLASSIFICATION OF COMPARATIVE AMOUNTS

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

The following summarises the reclassifications of items within the consolidated statement of financial position.

	As previously reported 2016	Increase (Decrease)	As reclassified 2016
	QR '000	QR '000	QR '000
Insurance receivables	234,089	(16,802)	217,287
Takaful participants' assets	296,495	(9,895)	286,600
Other assets	243,009	(10,250)	232,759
Insurance payables	(231,279)	10,783	(220,496)
Takaful participants' fund and liabilities	(296,495)	9,895	(286,600)
Other liabilities	(165,578)	16,269	(149,309)
	80,241	-	80,241

40 DUBAI BRANCH OPERATIONS

During the year, the Board issued a resolution to exit the insurance market in Dubai after obtaining necessary approvals of the concerned regulators.

41 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.

42 EVENTS AFTER THE REPORTING PERIOD

The consolidated financial statements are adjusted to reflect events that occurred between the consolidated statement of financial position date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the consolidated statement of financial position date. There were no subsequent events which required either adjustments or disclosures in the consolidated financial statements except for the proposed dividend (Note 16).