Qatar Insurance Company Q.S.P.C.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
31 DECEMBER 2019

Index

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QATAR INSURANCE COMPANY Q.S.P.C.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Qatar Insurance Company Q.S.P.C. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity 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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of 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 for Professional Accountants' (including International Independence Standards) (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 these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	***How our audit addressed the key audit matter***
Estimation of insurance contract liabilities	
Insurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR") and Incurred But Not Reported reserve ("IBNR"). As at 31 December 2019, the insurance technical reserves are significant to the Group's total liabilities. As disclosed in Note 7 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes related to loss payments and changing risk exposure of the businesses, including ultimate full settlement of long term policyholder liabilities. The Group uses several valuation models to support the calculations of the insurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/incomplete data, inappropriate methods and assumptions, or the design or application of the models.	Our audit procedures focused on analyzing the rationale for economic and actuarial assumptions used by management along with comparison to applicable industry benchmarks in estimating insurance contract liabilities and evaluating the competence, capabilities and objectivity of the experts used by management in estimation. We involved internal actuarial experts to assist us in evaluating the reasonableness of key inputs and assumptions. We assessed the validity of management's liability adequacy testing.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QATAR INSURANCE COMPANY Q.S.P.C. (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Key Audit Matters (continued)

Key Audit Matter	*How our audit addressed the key audit matter*
Estimation of insurance contract liabilities (continued)	
Economic assumptions such as investment return, inflation rates and interest rates and actuarial assumptions such as claims reported patterns, loss payment patterns, frequency and severity trends, customer behavior, along with Group's historical loss data are key inputs used to estimate these long-term liabilities. Due to the significance of estimation uncertainty associated with determination of insurance technical reserves, this is considered a key audit matter.	Our work on the liability adequacy tests included assessing the accuracy of the historical data used, and reasonableness of the projected cash flows and assumptions adopted, and recalculating the insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features. Our procedures also include testing controls over initiation, review and approval process on claims across different lines of business, including claim settlement process. Additionally, we have performed substantive procedures to test, on a sample basis, the provision for reported claims by policyholder recorded by Management by reviewing loss assessors' reports, internal policies for reserves, and other assumptions made by Management. Furthermore, we assessed the adequacy of the disclosures relating to these reserves given in Note 7 to the consolidated financial statements

Other information

Other information consists of the information included in the Group's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2019 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 will 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.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the consolidated financial statements, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QATAR INSURANCE COMPANY Q.S.P.C. (CONTINUED)

Report on the audit of the consolidated financial statements (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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QATAR INSURANCE COMPANY Q.S.P.C. (CONTINUED)

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure 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 other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Company 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 Parent 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 Parent Company's Articles of Association having occurred during the year, which might have had a material adverse effect on the Group's consolidated financial position or performance.

Ahmed Sayed

Ahmed Sayed
of Ernst & Young
Auditor's Registration No. 326

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Doha, State of Qatar
Date: 2 February 2020

مجموعة قطر للتأمين
QATAR INSURANCE GROUP

Qatar Insurance Company Q.S.P.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes	*2019 (QR '000)*	*2018 (QR '000)*
ASSETS			
Cash and cash equivalents	5	**8,544,700**	8,011,163
Insurance and other receivables	6	**8,452,858**	9,345,951
Reinsurance contract assets	7	**5,099,804**	5,467,185
Equity accounted investments	8	**149,638**	145,267
Investments	9	**15,788,492**	14,876,164
Investment properties	10	**596,004**	606,372
Property and equipment	11	**146,935**	52,033
Goodwill and intangible assets	12	**636,883**	660,488
TOTAL ASSETS		**39,415,314**	39,164,623
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Short term borrowings	13	**4,526,219**	4,881,821
Provisions, reinsurance and other payables	14	**3,995,183**	4,142,016
Insurance contract liabilities	7	**20,499,218**	20,420,997
Long term borrowings	15	**178,500**	132,554
TOTAL LIABILITIES		**29,199,120**	29,577,388
SHAREHOLDERS' EQUITY			
Share capital	16	**3,266,101**	3,189,059
Share premium	16	**2,759,194**	2,554,492
Legal reserve	17	**634,567**	634,567
General reserve	18	**287,000**	287,000
Fair value reserve	19	**177,462**	(313,851)
Catastrophe special reserve	20	**32,017**	32,017
Other components of equity	23	**(38,772)**	60,012
Retained earnings		**1,335,692**	1,282,527
Equity attributable to shareholders of the parent Company		**8,453,261**	7,725,823
Non-controlling interests		**147,337**	245,816
TOTAL SHAREHOLDERS' EQUITY		**8,600,598**	7,971,639
Subordinated perpetual debt	22	**1,615,596**	1,615,596
TOTAL EQUITY		**10,216,194**	9,587,235
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**39,415,314**	39,164,623

These consolidated financial statements were approved by the Board of Directors and signed on its behalf by the following signatories on 2 February 2020.

شركة قطر للتأمين
QIC
Qatar Insurance Co.

H.E. Sheikh Khalid Bin Mohammed Bin Ali Al-Thani
Chairman and Managing Director

Khalifa Abdulla Turki Al Subaey
Group President

The attached notes are an integral part of these consolidated financial statements

14/17/08/01/7,500

مجموعة قطر للتأمين
QATAR INSURANCE GROUP

Qatar Insurance Company Q.S.P.C.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	*2019 (QR '000)*	*2018 (QR '000)*
Gross premiums	24 (a)	**12,843,165**	12,605,835
Premiums ceded to reinsurers	24 (a)	**(1,744,393)**	(1,796,793)
Net premiums		**11,098,772**	10,809,042
Movement in unexpired risk reserve	24 (a)	**(266,759)**	536,927
Net earned premiums		**10,832,013**	11,345,969
Gross claims paid	24 (a)	**(9,733,481)**	(8,201,224)
Reinsurance recoveries	24 (a)	**1,803,912**	1,217,899
Movement in outstanding claims	24 (a)	**324,486**	(882,578)
Net commission	24 (a)	**(2,879,788)**	(2,911,354)
Other insurance income	24 (a)	**8,227**	7,596
Net underwriting result		**355,369**	576,308
Investment income	25	**1,152,385**	894,954
Finance costs	25	**(142,482)**	(114,783)
Net investment income		**1,009,903**	780,171
Advisory fee income		**12,937**	17,218
Rental income		**47,489**	48,904
Other income		**496**	489
Total investment and other income		**1,070,825**	846,782
Share of profit from equity accounted investments	8	**13,622**	15,872
TOTAL INCOME		**1,439,816**	1,438,962
Operating and administrative expenses	26	**(664,929)**	(741,483)
Depreciation and amortisation		**(82,858)**	(32,733)
PROFIT BEFORE INCOME TAX		**692,029**	664,746
Income tax		**(21,114)**	(578)
PROFIT AFTER TAX FOR THE YEAR		**670,915**	664,168
Attributable to:			
Equity holders of the parent		**650,874**	645,942
Non-controlling interests		**20,041**	18,226
		670,915	664,168
Earnings per share			
Basic and diluted earnings per share attributable to ordinary equity holders of the parent in Qatari Riyals (2018: Restated as a result of private rights issue)	27	**0.175**	0.175
Cash dividend per share in Qatari Riyals	28	**0.15**	1.50

The attached notes are an integral part of these consolidated financial statements

مجموعة قطر للتأمين
QATAR INSURANCE GROUP

Qatar Insurance Company Q.S.P.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	*2018*
	QR ('000)	*QR ('000)*
Profit for the year	**670,915**	664,168
Other comprehensive income (OCI)		
OCI to be reclassified to profit or loss in subsequent periods		
Debt instruments at fair value through other comprehensive income		
Net changes in fair value during the year	**507,992**	(376,694)
Foreign currency translation differences foreign operations	**26,834**	(17,584)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,205,741**	269,890
Attributable to:		
Equity holders of the Parent	**1,177,128**	267,136
Non-controlling interests	**28,613**	2,754
Total comprehensive income for the year	**1,205,741**	269,890

The attached notes are an integral part of these consolidated financial statements

14/17/08/01/7,500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital (QR '000)	*Share premium QR ('000)*	*Legal reserve (QR '000)*	*General reserve (QR '000)*	*Fair value reserve (QR '000)*	*Catastrophe special reserve (QR '000)*	*Other component of equity (QR '000)*	*Retained earnings (QR '000)*	*Attributable to owners of the parent Company (QR '000)*	*Non-controlling interests (QR '000)*	*Total equity (QR '000)*
At 1 January 2018	2,773,095	2,554,492	701,321	287,000	(92,410)	381,227	74,402	1,338,130	8,017,257	256,336	8,273,593
Impact of adopting IFRS 9	-	-	-	-	143,261	-	-	(149,726)	(6,465)	(269)	(6,734)
At 1 January 2018 (Adjusted)	2,773,095	2,554,492	701,321	287,000	50,851	381,227	74,402	1,188,404	8,010,792	256,067	8,266,859
Profit for the year	-	-	-	-	-	-	-	645,942	645,942	18,226	664,168
Net change in investments at fair value through other comprehensive income (FVOCI)	-	-	-	-	(361,710)	-	-	-	(361,710)	(14,984)	(376,694)
Foreign currency translation	-	-	-	-	-	-	(17,096)	-	(17,096)	(488)	(17,584)
Total comprehensive income for the year	-	-	-	-	(361,710)	-	(17,096)	645,942	267,136	2,754	269,890
Dividend for the year 2017	-	-	-	-	-	-	-	(415,964)	(415,964)	(7,614)	(423,578)
Issuance of bonus shares	415,964	-	(66,754)	-	-	(349,210)	-	-	-	-	-
Interest on Subordinated perpetual debt (Note 22)	-	-	-	-	-	-	-	(77,028)	(77,028)	(3,427)	(80,455)
Effect of acquisition/sale of stake in subsidiaries	-	-	-	-	(2,992)	-	(13,166)	(32,996)	(49,154)	(1,964)	(51,118)
Transfer to other components of equity	-	-	-	-	-	-	15,872	(15,872)	-	-	-
Provision for sports and social activities support fund (Note 21)	-	-	-	-	-	-	-	(9,959)	(9,959)	-	(9,959)
Balance as at 31 December 2018	3,189,059	2,554,492	634,567	287,000	(313,851)	32,017	60,012	1,282,527	7,725,823	245,816	7,971,639
Balance as at 1 January 2019	3,189,059	2,554,492	634,567	287,000	(313,851)	32,017	60,012	1,282,527	7,725,823	245,816	7,971,639
Impact of adopting IFRS 16 (Note 3)	-	-	-	-	-	-	-	**(5,382)**	**(5,382)**	**57**	**(5,325)**
At 1 January 2019 (Adjusted)	**3,189,059**	**2,554,492**	**634,567**	**287,000**	**(313,851)**	**32,017**	**60,012**	**1,277,145**	**7,720,441**	**245,873**	**7,966,314**
Profit for the year	-	-	-	-	-	-	-	650,874	650,874	20,041	670,915
Net change in investments at fair value through other comprehensive income (FVOCI)	-	-	-	-	499,420	-	-	-	499,420	8,572	507,992
Foreign currency translation	-	-	-	-	-	-	26,834	-	26,834	-	26,834
Total comprehensive income for the year	-	-	-	-	499,420	-	26,834	650,874	1,177,128	28,613	1,205,741
Dividend for the year 2018 (Note 28)	-	-	-	-	-	-	-	(478,359)	(478,359)	-	(478,359)
Private rights issue (Note 28)	77,042	204,702	-	-	(8,107)	-	(139,240)	(7,248)	127,149	(127,149)	-
Interest on Subordinated perpetual debt (Note 22)	-	-	-	-	-	-	-	(81,081)	(81,081)	-	(81,081)
Transfer to other components of equity	-	-	-	-	-	-	13,622	(13,622)	-	-	-
Provision for sports and social activities support fund (Note 21)	-	-	-	-	-	-	-	(12,017)	(12,017)	-	(12,017)
Balance as at 31 December 2019	**3,266,101**	**2,759,194**	**634,567**	**287,000**	**177,462**	**32,017**	**(38,772)**	**1,335,692**	**8,453,261**	**147,337**	**8,600,598**

(1) The Group has initially applied IFRS 16 at 1 January 2019. Under the transition method, comparative information has not been restated.

The attached notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	*2019 (QR '000)*	*2018 (QR '000)*
OPERATING ACTIVITIES			
Profit before tax		**692,029**	664,746
Adjustments for:			
Depreciation of property and equipment and investment properties		**48,617**	31,287
Amortization of intangible assets, net		**34,241**	1,446
Share of profit from equity accounted investments	8	**(13,622)**	(15,872)
Investment income and other income		**(904,055)**	(774,619)
Impairment loss on insurance and other receivables		**11,968**	16,400
Provisions for employees' end of service benefits	14	**3,743**	11,124
Net foreign exchange loss on property and equipment and investment properties		**10,512**	10,627
Gain on sale of investment properties	25	**(176,415)**	(54,947)
Loss on sale of property and equipment		**3,547**	1,491
Net unrealised gain on financial investments		**(71,915)**	(65,388)
Operating loss before working capital changes		**(361,350)**	(173,705)
Working capital changes			
Change in insurance and other receivables		**880,362**	1,767,884
Change in insurance reserves – net		**445,602**	(218,537)
Change in provisions, reinsurance and other payables		**(283,785)**	(1,303,375)
Cash generated from operations		**680,829**	72,267
Payment of social and sports fund contribution		**(9,959)**	(9,409)
Income tax paid		**(6,776)**	(4,098)
Employees' end of service benefits paid	14	**(3,549)**	(858)
Net cash generated from operating activities		**660,545**	57,902
INVESTING ACTIVITIES			
Net cash movements in investments		**(332,421)**	(951,916)
Purchase of property and equipment	11	**(36,607)**	(17,416)
Purchase of investment properties	10	**(929)**	(77,809)
Acquisition of stake in subsidiaries	38	**-**	(179,937)
Dividend received from equity accounted investments	8	**9,251**	13,125
Investment income and other finance income		**904,055**	774,619
Proceeds from sale of investment properties		**178,034**	108,138
Net cash generated from / (used in) investing activities		**721,383**	(331,196)
FINANCING ACTIVITIES			
Interest paid on subordinated perpetual debt		**(81,081)**	(81,081)
Increase in non-controlling interest		**-**	(7,614)
Net (repayment) proceeds of borrowings		**(312,762)**	906,375
Dividends paid		**(473,852)**	(409,700)
Net cash generated (used in) / from financing activities		**(867,695)**	407,980
Net increase in cash and cash equivalents		**514,233**	134,686
Effect of foreign currency exchange difference		**19,304**	(37,577)
Cash and cash equivalents at 1 January	5	**8,011,163**	7,914,054
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**8,544,700**	8,011,163

1 STATUS AND OPERATIONS

Qatar Insurance Company Q.S.P.C. (the "Parent Company") is a public shareholding company incorporated in the State of Qatar in the year 1964 under Commercial Registration No. 20 and governed by the provisions of the Qatar Commercial Companies' Law and Qatar Central Bank's insurance regulations. The Parent Company and its subsidiaries (the "Group") are engaged in the business of insurance, reinsurance, real estate and financial advisory services. The head office of the Group is at QIC Building, Tamin Street, West Bay, P.O. Box 666, Doha, State of Qatar.

The Parent Company's shares are listed on Qatar Stock Exchange. Qatar Reinsurance Company Limited, a subsidiary, has issued a subordinated Tier 2 qualifying capital notes that were issued in 2017 through the Irish Stock Exchange (Note 22).

The Group operates in the State of Qatar, United Arab Emirates, Sultanate of Oman, State of Kuwait, United Kingdom, Switzerland, Bermuda, Singapore, Labuan (Malaysia), Gibraltar, Italy, Jersey and Malta. The details of subsidiaries are given below:

Name of the subsidiary	*Ownership*		*Country of incorporation*	*Principal activities*
	2019	*2018*		
QIC Capital L.L.C. ("QICC")	100%	95.74%	State of Qatar	Holding company having equity interest in the Group's international insurance and reinsurance entities.
QIC Group Services (previously known as QIC International L.L.C. ("QICI"))	100% (owned through QICC)	100% (owned through QICC)	State of Qatar	Was primarily engaged in insurance and reinsurance. However, it has now been de-authorised and being licensed as a service Company.
Oman Qatar Insurance Company S.A.O.G. ("OQIC")	[1] 58.82%	[1] 58.82%	Sultanate of Oman	Primarily engaged in insurance and reinsurance.
Kuwait Qatar Insurance Company K.S.C.C. ("KQIC")	82.04%	82.04%	State of Kuwait	Primarily engaged in insurance and reinsurance.
Qatar Reinsurance Company Limited ("Qatar Re")	100% (owned through QICC)	100% (owned through QICC)	Bermuda	Primarily engaged in reinsurance. Qatar Re manages the reinsurance operations of the Group and has branch offices in Switzerland, Dubai (in runoff), the United Kingdom and Singapore (in runoff).
QIC Global Services (Doha) LLC (previously known as Qatar Reinsurance Services LLC)	100% (owned through QGSL)	100% (owned through Qatar Re)	State of Qatar	Primarily engaged in providing services to Qatar Re.
Qatar Re Underwriting Limited	100% (owned through QICC)	100% (owned through QICC)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity at Lloyds.
Q Life & Medical Insurance Company LLC	100% (owned through QLMLM)	85%	State of Qatar	Was Primarily engaged in life and medical insurance business but has stopped writing any business and existing business has been transferred to QLMLM. It has a branch office in Labuan, Malaysia (in runoff).
Epicure Investment Management LLC	100%	-	State of Qatar	Regulated Investment Manager.
QIC Global Holdings Limited ("QGHL") (previously, Antares Group Holdings Limited ("AGHL")	100% (owned through QICC)	100% (owned through QICC)	United Kingdom	Incorporated as a holding company.
Antares Underwriting Limited	100% (owned through QGHL)	100% (owned through AGHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274.
Antares Managing Agency Limited ("AMAL")	100% (owned through QGHL)	100% (owned through AGHL)	United Kingdom	Incorporated to act as the managing agent for Antares Syndicate 1274.

1 STATUS AND OPERATIONS (CONTINUED)

Name of the subsidiary	*Ownership*		*Country of incorporation*	*Principal activities*
	2019	*2018*		
Antares Underwriting Asia Pte. Limited	**100% (owned through AMAL)**	100% (owned through AMAL)	Singapore	Incorporated to participate in Lloyds Asia Scheme.
QIC Global Services Limited ("QGSL") (previously, Antares Underwriting Services Limited)	**100% (owned through QGHL)**	100% (owned through AGHL)	United Kingdom	Incorporated as a services company to provide services to the international insurance and reinsurance entities of the Group with branch offices in Malta and Gibraltar.
QIC Global Services (Bermuda) Limited	**100% (through QGSL)**	-	Bermuda	Service company
QIC Global Services (Zurich) AG	**100% (through QGSL)**	-	Switzerland	Service company
Antares Capital I Limited	**100% (owned through QGHL)**	100% (owned through AGHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274.
Antares Capital III Limited	**100% (owned through QGHL)**	100% (owned through AGHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274.
Antares Capital IV Limited	**100% (owned through QGHL)**	100% (owned through AGHL)	United Kingdom	Incorporated to provide capital supporting the underwriting capacity of Antares Syndicate 1274.
Antares Holding Limited	**100%**	100%	Bermuda	Incorporated as a holding company.
QIC Europe Limited (QEL)	**100% (owned through Qatar Re)**	100% (owned through Qatar Re)	Malta	Primarily engaged in insurance business and reinsurance and has branch offices in Italy and the United Kingdom
QANIT Ltd.		100% (owned through QICI)	UAE	Was primarily engaged in Real Estate activities in the UAE and liquidated in 2019
Qatar Insurance Company Real Estate W.L.L.	**100%**	100%	State of Qatar	Primarily engaged in Real Estate activities in the State of Qatar.
QEA Consulting W.L.L. ("QEA") (previously known as Qatar Economic Advisors)	**100%**	100%	State of Qatar	Primarily engaged in financial and other advisory services.
Qatar Insurance Group W.L.L.	**100%**	100%	State of Qatar	Primarily engaged in the management of QIC Group entities.
CATCo Investment Management Ltd. ("CATCO-IM")	**100%**	100%	Bermuda	In the process of liquidation.
CATCo-Re Ltd.	**100% (owned through CATCO-IM)**	100% (owned through CATCO-IM)	Bermuda	In the process of liquidation.
QIC Asset Management Ltd ("QICAM")	**100% (owned through QEA)**	100% (owned through QEA)	Cayman Islands	Holding company for investment assets.
Education Company 2 Ltd.	**100%**	100%	Cayman Islands	Primarily engaged in financial and other advisory services.
Epicure Managers Qatar Ltd.	**100%**	100%	B.V.I.	Primarily engaged in providing investment management services.
Taleem Advisory Ltd.	**100% (owned through QEA)**	100% (owned through QEA)	Cayman Islands	Primarily engaged in financial and other advisory services.
Arneb Real Estate Limited ("AREL")	**100%**	100%	Jersey	Primarily engaged in real estate activities.
Synergy Frimley Limited	**100% (owned through AREL)**	100% (owned through AREL)	Jersey	Primarily engaged in real estate activities.
Synergy Bristol Limited	**100% (owned through AREL)**	100% (owned through AREL)	Jersey	Primarily engaged in real estate activities.
QLM Life & Medical Insurance Company W.L.L.	**85%**	100%	State of Qatar	Primarily engaged to carry on life and medical insurance business.

1 STATUS AND OPERATIONS (CONTINUED)

Name of the subsidiary	*Ownership*		*Country of incorporation*	*Principal activities*
	2019	*2018*		
Markerstudy Insurance Co. Ltd.	**100% (owned through Qatar Re)**	100% (owned through Qatar Re)	Gibraltar	Primarily engaged in insurance business.
Zenith Insurance Plc	**100% (owned through Qatar Re)**	100% (owned through Qatar Re)	Gibraltar	Primarily engaged in insurance business.
Ultimate	**100% (owned through Qatar Re)**	100% (owned through Qatar Re)	Gibraltar	Was primarily engaged in insurance business. The company has been placed into runoff and has been de-registered with the insurance regulator in Gibraltar.
St Julians Insurance Co. Ltd	**100% (owned through Qatar Re)**	100% (owned through Qatar Re)	Gibraltar	Was primarily engaged in insurance business. The company has been placed into runoff.
Mayflower Limited	**100% (owned through Qatar Re)**	100% (owned through Qatar Re)	Gibraltar	Primarily engaged in real estate activities.
North Town Management Limited	**100% (owned through Qatar Re)**	100% (owned through Qatar Re)	Gibraltar	A property management company (limited by guarantee having no share capital). This entity is dormant.

Direct ownership of the Parent Company in OQIC is 52.50% whereas the remaining shares are held through group entities.

In 2018, the shares of QEL were transferred from the Parent Company to QICC and thereafter from QICC to Qatar Re. As on 31 December 2018, QEL is a wholly owned subsidiary of Qatar Re. The transaction is considered as transaction under common control and hence, there is no gain or loss recognised in the profit or loss of the Group.

Also in 2018, Qatar Re completed the acquisition of Gibraltar based entities; (i) Markerstudy Insurance Co. Ltd, (ii) Zenith Insurance Plc, (iii) Ultimate (iv) St Julians Insurance Co. Ltd., (v) Mayflower Limited; and (vi) North Town Management Limited. The related details are set out in Note 39.

In 2018, the Group initiated a process to transfer the life and medical insurance business of Q Life & Medical Insurance Company LLC ("QLM") from the Qatar Financial Centre ("QFC") to the Ministry of Commerce & Trade. This was achieved by incorporating a new life and medical insurance entity QLM Life & Medical Insurance W.L.L., in the State of Qatar and thereafter transferring the entire insurance business portfolio of QLM (except the Labuan branch business that is currently in runoff) to the newly formed entity. The portfolio transfer process was subject to approval of the Civil and Commercial Court of the QFC ("QFC Court"). On 07 January 2019, the QFC Court approved the transfer effective 1 January 2019. The transfer was completed during the year as per the regulaotur approvals.

During the year, the Group acquired the minority shares in QIC Capital (4.26%) through a private rights issue share issuance of the Parent entity. This was approved at the Annual General Assembly meeting held on 26 February 2019. As on 31 December 2019, QIC Capital is a wholly owned subsidiary of the Group.

2 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the applicable provisions of the Qatar Commercial Companies Law and Qatar Central Bank regulations.

Basis of preparation
The accompanying consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value at the end of each reporting period.

Financial assets and financial liabilities are offset and the net amount reported in these consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

The consolidated financial statements provide comparative information in respect of the previous period.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after reporting date (no more than 12 months) and more than 12 months after reporting date (more than 12 months) is presented in Note 33.

This is the first set of the Group's financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Qatar Insurance Company Q.S.P.C. and its subsidiaries as at 31 December (together referred to as the "Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests. Losses applicable to the non-controlling interest in excess of the non-controlling interests are allocated against the interest of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover losses. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

2 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)
Subsidiaries are fully 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.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Transactions eliminated on consolidation
Inter-company balances and transactions, and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interests
Non-controlling interests represent the Company's portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity of the Company. Losses applicable to the non-controlling interest in excess of the non-controlling interests are allocated against the interest of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover losses. Acquisitions of non-controlling interests are accounted for using the parent extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Functional and presentation currency
These consolidated financial statements are presented in Qatari Riyal (QR) and rounded to the nearest thousand (QR '000), unless otherwise indicated.

Foreign operations
The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each subsidiary are expressed in the functional currency of the Parent Company.

The assets and liabilities of foreign operations are translated to Qatari Riyal using exchange rates prevailing at the reporting date. Income and expenses are also translated to Qatari Riyal at the exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation for consolidation are recognised in OCI.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

Several other amendments and interpretations apply for the first time in 2019, impact has been disclosed in Note 3.1. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The Group applies, for the first time, IFRS 16 Leases that does not require restatement of previous financial statements. The nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

3.1 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases
IFRS 16 supersedes 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. The standard 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-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The following amounts are recognised under the new standard and included in the respective headings of the consolidated statement of financial position and consolidated statement of income:

	31 December 2019 QR ('000) (Audited)	*1 January 2019 QR ('000) (Audited)*
Right of use asset (property and equipment)	**100,306**	**111,293**
Lease liability (provisions, reinsurance and other payables)	**118,782**	**131,401**

	Year ended 31 December 2019 QR ('000) (Audited)
Depreciation charge for right of use asset (depreciation and amortisation)	15,973
Interest expense on lease liabilities (operating and administrative expenses)	2,250

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long- term interests in its associate and joint venture.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

3.1 New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2015-2017 Cycle
IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

3.2 New and revised IFRSs in issue but not yet effective

The following new accounting standards and interpretations have been issued but are not yet effective. The Group is currently evaluating the impact of these new standards.

IFRS 17 Insurance Contracts - Standard issued in May 2018
IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The standard is effective for annual periods beginning on or after 1 January 2022 with an earlier application is permitted.

IFRS 17 provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features. For general insurance contracts, IFRS 17 requires discounting of loss reserves expected to be paid in more than one year as well as risk adjustment, for which confidence level equivalent disclosure will be required.

In order to further evaluate the effects of adopting IFRS 17, an IFRS 17 Group Implementation Team has been set up sponsored by the Group Chief Financial Officer, comprising senior management from Finance, Risk, Operations and Investment Operations.

Implementation team has successfully completed the first phase (Gap analysis) and currently working on the detailed operational and financial impact.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

3.3 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgements, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2018, except for the effects of adoption of IFRS 16 as described in Note 3.1 to these consolidated financial statements.

Significant accounting judgements and estimates
The Group makes judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, 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.

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 and in any future years affected. The key judgements and estimates made by the Group are detailed in Note 35.

4 SIGNIFICANT ACCOUNTING POLICIES

Business combination and Goodwill
The management uses the following criteria to evaluate whether a business combination has substance to apply the acquisition method or as per under uniting of interests' method where the transaction lacks substance as described in IFRS 3 – Business Combinations:

- the purpose of the transaction;
- the involvement of outside parties in the transaction, such as non-controlling interests or other third parties;
- whether or not the transaction is conducted at fair value;
- The existing activities of the entities involved in the transactions; whether or not it is bringing entities together into a reporting entity that did not exist before; and
- where a new company is established, whether it is undertaken in connection with an IPO or spin-off or other change in control and significant change in ownership.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed 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 IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of income.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination and Goodwill (continued)
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 consolidated statement of income.

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 forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Investments in associates and jointly controlled entities
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

Joint ventures are joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and jointly controlled entities are accounted for using the equity method.

Under the equity method, the investment is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses exceeds its interest in an equity-accounted investee, 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.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The financial yearend of the associate entities and the Group are uniform.

Gains and losses resulting from downstream transactions between the Group and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors interest in the associate or joint venture.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets
Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at cost which is their fair value as at the date of acquisition. Subsequent to initial recognition,

- 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 each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing 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 income.
- Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on 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 income when the asset is derecognised.

The current economic lives applied to the Group's intangible assets are as follows:

Intangible assets acquired	*Economic Life*
Syndicate Capacity	Indefinite
Runoff services – Württembergische Versicherung AG	7 years
Framework agreement	10 years
Non life insurance license	Indefinite

Foreign currency transactions
Foreign currency transactions are recorded in the respective functional currencies of Group entities at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the consolidated statement of income.

Classification of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

IFRS 9 largely retains the existing requirements of IAS 39 for the classification of financial liabilities with the exception of the treatment of the gains and losses from the Group's own credit, which arise where the Group has chosen to measure a liability at fair value through profit or loss, these gains and losses are recognised in other comprehensive income. There continue to be two measurement categories for financial liabilities: fair value and amortised cost.

a) Initial recognition
Financial assets and liabilities are initially recognised on the trade date. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from the amount. Trade receivables are measured at the transaction price. The Day 1 gain or loss is recognised when the fair value of financial instruments at initial recognition differs from the transaction price.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets and financial liabilities (continued)

b) Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

c) Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities are measured at amortised cost.

Financial instruments – initial recognition

a) Financial investments at amortised cost
The Group only measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

(i) Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets and financial liabilities (continued)

Financial instruments – initial recognition (continued)

a) Financial investments at amortised cost (continued)

(ii) The SPPI test
As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de-minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

b) Debt instruments at FVOCI
The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

c) Equity instruments at FVOCI
Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as investment income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

d) Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets and financial liabilities (continued)

Financial instruments – initial recognition (continued)

d) Financial assets and financial liabilities at fair value through profit or loss (continued)
Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earnt on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

e) Derivative financial instruments
A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Group enters into derivative transactions with various counterparties. The Group uses derivative financial instruments for economic hedging purposes such as forward currency contracts and interest rate swaps to hedge its foreign currency risks interest rate risks and equity price risk, respectively. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVTPL category. However, as an exception to above, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) is not separated and measured at fair value even if the exercise price differs from the carrying amount of the host insurance liability.

Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss.

Impairment of financial assets
The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

a) Overview
The adoption of IFRS 9 has fundamentally changed the Group's impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for debt financial assets not held at FVTPL. Equity instruments are not subject to impairment under IFRS 9.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

a) Overview (continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognised, the Group recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

b) The calculation of ECLs

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD ") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

b) The calculation of ECLs (continued)
The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Group recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at fair value through OCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

b) Forward looking information
The Group, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

General

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 in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

Short term borrowings
Short term borrowings are recognised initially at fair value, net of transaction costs incurred and it is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of income over the period of the borrowings using the effective interest method.

Investment properties
Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and accumulated impairment losses. Investment properties are derecognised when either they have been disposed-off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General (continued)

Property and equipment
Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

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

Depreciation
Depreciation is provided on a straight-line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	-	15 to 30 years
Furniture & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

Impairment of non-financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the consolidated statement of income.

Provisions
The Group recognizes provisions in the consolidated financial statements 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. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

Employees' end of service benefits

National employees
With respect to national 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 income in the year to which they relate.

Other employees
Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General (continued)

Contribution to social and sports fund
Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2012, which is applicable to all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its adjusted net profit to a state social fund.

Share capital
The Group has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity.

Dividend distribution
Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Parent Company's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

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 or loss attributable to ordinary shareholders of the Parent Company by the weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential shares.

Income tax
Taxation on the results for the year comprises of current tax calculated as per the fiscal regulations of the respective country in which the Group operates.

Current tax is recognised in the profit or loss as the tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income for the year except to the extent that it relates to items recognised directly to other comprehensive income, in which case it is recognised in equity.

Leases
The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the 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, even if that asset is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified as the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all of the risks and rewards of ownership of an asset to the Group are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight line basis over the lease term.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General (continued)

Leases (continued)

Group as a lessor
Leases in which the Group does not transfer substantially all of the risks and rewards of ownership of an asset are classified as operating leases.

Rental income is recognised as revenue in the consolidated statement of income on a straight line basis over the lease term. 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 bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Insurance operations

Insurance and other receivables
Insurance and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, insurance and other receivables are measured at amortised cost as deemed appropriate.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Reinsurance contract assets
The Group cedes insurance risk in the normal course of business as part of its businesses model. 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.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income. Ceeded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

Reinsurance and other payables
Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

Gross premiums
Gross premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting periods. Gross premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premium on insurance contracts are recognized as revenue (earned premiums) proportionally over the period of coverage or using actuarial assumptions, as appropriate.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Premiums ceded to reinsurers
Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by treaty or facultative contracts, or retrocession contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance operations (continued)

Insurance contract liabilities
Insurance contract liabilities include the outstanding claims provision, incurred but not reported reserves and the provision for unearned premium. Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

Provision for outstanding claims
Provision for outstanding claims is recognized at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations.

Unexpired risks reserve
The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised 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. Insurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions.

If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the consolidated statement of income by setting up a provision for premium deficiency.

Gross claims paid
Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

Reinsurance recoveries
Reinsurance recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Commission earned and paid
Commissions earned and paid are recognized at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the pattern of insurance service provided under the contract.

Investment income
Interest income
Interest income is recognised in the consolidated income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

Dividend income
Dividend income is recognised when the right to receive the dividends is established or when received.

Advisory fee income
Initial and other front-end fees received for rendering financial and other advisory services are deferred and recognised as revenue when the related services are rendered.

Rental income
Rental income from investment properties is recognised in the consolidated statement of income on a straight line basis over the term of operating lease and the advances and unearned portion of the rental income is recognised as a liability.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Insurance operations (continued)

Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5 CASH AND CASH EQUIVALENTS

	2019 (QR '000)	*2018 (QR '000)*
Cash at banks	**1,857,957**	1,395,905
Short-term deposits	**6,686,743**	6,615,258
Total cash and short-term deposits, net of ECL	**8,544,700**	8,011,163

All deposits are subject to an average variable interest rate of 3.276 % (2018: 4.072%). The expected credit losses relating to securities measured at amortised cost amounted to QR 1,905 thousand (2018: QR 2,819 thousand). All instruments measured at amortised cost were in stage 1.

6 INSURANCE AND OTHER RECEIVABLES

	2019 (QR '000)	*2018 (QR '000)*
Receivables from policyholders		
Due from policyholders	**2,882,260**	5,099,364
Impairment losses on doubtful receivables	**(43,691)**	(39,783)
	2,838,569	5,059,581
Receivables from reinsurers		
Due from insurance companies	**3,457,913**	2,406,433
Impairment losses on doubtful receivables	**(43,465)**	(35,405)
	3,414,448	2,371,028
Other receivables		
Staff advances against indemnity	**55,910**	54,655
Deferred acquisition cost	**1,468,488**	1,205,787
Prepayments and others	**675,443**	654,900
	2,199,841	1,915,342
	8,452,858	9,345,951

The movement of impairment for receivables from policyholders and reinsurers is disclosed in Note 33.

Prepayment and others include an amount of USD 105 million (QR 383 million) as an indemnification asset, through Qatar Re, for uncertainties about the settlement amounts of certain insurance liabilities acquired. Nil fair value was assigned to the indemnification asset as at the acquisition-date or as subsequently re-measured for the purposes of disclosure in the Group's consolidated financial statements for the year ended 31 December 2018.

7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2019 (QR '000)	*2018 (QR '000)*
Gross insurance contract liabilities		
Claims reported and unsettled	**10,598,797**	10,604,882
Claims incurred but not reported	**3,885,558**	4,092,904
Unearned premiums	**6,014,863**	5,723,211
	20,499,218	20,420,997
Reinsurers' share of insurance contract liabilities		
Claims reported and unsettled	**3,431,016**	3,362,156
Claims incurred but not reported	**685,499**	1,039,438
Unearned premiums	**983,289**	1,065,591
	5,099,804	5,467,185
Net insurance contract liabilities		
Claims reported and unsettled	**7,167,781**	7,242,726
Claims incurred but not reported	**3,200,059**	3,053,466
Unearned premiums	**5,031,574**	4,657,620
	15,399,414	14,953,812

Movements in insurance contract liabilities and reinsurance contract assets are as follows:

	2019			*2018*		
	Insurance contract liabilities (QR '000)	***Reinsurers' share (QR '000)***	***Net (QR '000)***	*Insurance contract liabilities (QR '000)*	*Reinsurers' share (QR '000)*	*Net (QR '000)*
At 1 January	**14,697,786**	**4,401,594**	**10,296,192**	12,008,844	3,052,970	8,955,874
Claims incurred	**9,035,767**	**1,500,521**	**7,535,246**	8,866,852	1,198,323	7,668,529
Claims paid during the year	**(9,733,481)**	**(1,803,912)**	**(7,929,569)**	(8,201,224)	(1,217,899)	(6,983,325)
Acquisition of subsidiaries	-	-	-	2,870,806	1,819,156	1,051,650
Effect of portfolio transfer and other movements	**484,283**	**18,312**	**465,971**	(847,492)	(450,956)	(396,536)
At 31 December	**14,484,355**	**4,116,515**	**10,367,840**	14,697,786	4,401,594	10,296,192

7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in provision for unearned premiums during the year are as follows:

	2019			*2018*		
	Insurance contract liabilities (QR '000)	***Reinsurers' share (QR '000)***	***Net (QR '000)***	*Insurance contract liabilities (QR '000)*	*Reinsurers' share (QR '000)*	*Net (QR '000)*
At 1 January	**5,723,211**	**1,065,591**	**4,657,620**	5,709,143	721,898	4,987,245
Premiums written during the year	**12,843,165**	**1,744,393**	**11,098,772**	12,605,835	1,796,793	10,809,042
Premiums earned during the year	**(12,474,313)**	**(1,826,443)**	**(10,647,870)**	(13,614,550)	(2,381,298)	(11,233,252)
Acquisition of subsidiaries	-	-	-	1,106,279	928,699	177,580
Effect of portfolio transfer and other movements	**(77,200)**	**(252)**	**(76,948)**	(83,496)	(501)	(82,995)
At 31 December	**6,014,863**	**983,289**	**5,031,574**	5,723,211	1,065,591	4,657,620

8 EQUITY ACCOUNTED INVESTMENTS

	2019 (QR '000)	*2018 (QR '000)*
Damaan Islamic Insurance Company Q.S.C.C	**98,808**	93,854
Al Liwan Real Estate W.L.L.	**46,167**	46,571
Massoun Insurance Services L.L.C.	**4,663**	4,842
	149,638	145,267

Details of the equity accounted investments held during the years ended 31 December 2019 and 31 December 2018 were as follows.

Name of investment	***Place of incorporation and operation***	***Proportion of ownership and voting power held***	***Principal activities***
Damaan Islamic Insurance Company Q.S.C.C	State of Qatar	25% directly	Insurance and reinsurance
Al Liwan Real Estate W.L.L.	State of Qatar	38.46% directly	Real estate investment, brokerage and management
Massoun Insurance Services L.L.C.	State of Qatar	50% directly	Insurance marketing and distribution

8 EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

(i) These investments have no contingent liabilities or capital commitments as at 31 December 2019 or 2018.

Summarised financial information of the equity accounted investments are as follows:

	2019 (QR '000)	*2018 (QR '000)*
Current assets	**530,200**	488,248
Non-current assets	**462,881**	441,997
Current liabilities	**211,369**	187,178
Non-current liability	**241,735**	241,319
Profit for the year	**47,809**	54,513

The movements in equity accounted investments in associates are as follows:

	2019 (QR '000)	*2018 (QR '000)*
Balance at 1 January	**145,267**	142,520
Dividends received	**(9,251)**	(13,125)
Share of profit for the year	**13,622**	15,872
Balance at 31 December	**149,638**	145,267

9 INVESTMENTS

	2019 (QR '000)	*2018 (QR '000)*
Financial investments at fair value through profit or loss (FVTPL)	**3,873,131**	4,236,465
Financial investments at fair value through other comprehensive income (FVOCI)	**11,915,361**	10,639,699
	15,788,492	14,876,164

	2019	
	FVTPL (QR '000)	***FVOCI (QR '000)***
Managed funds	**883,588**	-
Derivative financial investments (Note 34)	**9,010**	-
Debt instruments	**550,733**	**11,915,361**
Qatar public shareholding companies	**1,180,060**	-
International quoted shares	**438,686**	-
Unquoted shares and private equity	**811,054**	-
Total	**3,873,131**	**11,915,361**

9 INVESTMENTS (CONTINUED)

	2018	
	FVTPL (QR '000)	*FVOCI (QR '000)*
Managed funds	1,688,146	-
Derivative financial investments (Note 34)	10,456	-
Debt instruments	540,900	10,639,699
Qatar public shareholding companies	1,188,382	-
International quoted shares	92,390	-
Unquoted shares and private equity	716,191	-
Total	4,236,465	10,639,699

Investments classified as FVOCI are all stage 1 except QR 910 million which is a stage 2 debt instrument. There have been no movements of investments classified as FVOCI from stage 1 to stage 2.

The expected credit losses relating to debt securities measured at FVOCI amounted to QR 18,181 thousand at 31 December 2019 (2018: QR 27,415 thousand). The expected credit losses relating to securities at FVOCI in stage 1 was QR 14,295 thousand (2018: 27,975 thousand) and stage 2 was QR 3,886 thousand (2018: Nil).

10 INVESTMENT PROPERTIES

	2019 QR'000	*2018 QR'000*
Net carrying value as at January 1	**606,372**	585,789
Additions during the year	**929**	77,809
Effect of acquisition of subsidiaries (Note 38)	-	21,449
Effect of foreign currency exchange difference	**6,260**	(9,876)
Disposal during the year	**(1,619)**	(53,191)
Depreciation for the year	**(15,938)**	(15,608)
Net carrying value as at December 31	**596,004**	606,372

The fair values of investment properties were estimated by the Management's external valuer, by reference to market evidence of recent transactions for similar properties. The estimated fair value of the above investment properties as at 31 December 2019 was QR 1,215.22 million (2018: QR 1,343.62 million).

The fair value measurement of all investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

The rental income arising during the year amounted to QR 47,489. thousand (2018: QR 48,904 thousand) and the direct operating expenses (included within general and administrative expenses) arising in respect of such properties during the year was QR 15,178 thousand (2018: QR 12,604 thousand).

Property owned by the Group in United Kingdom with a carrying value of QR 213 million as at 31 December 2018 is pledged as a security for the long term borrowings (see Note 15).

The Group has no restrictions on the realisability of its investment properties, other than the property in United Kingdom, and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

11 PROPERTY AND EQUIPMENT

	Freehold land (QR '000)	*Building (QR '000)*	*Furniture and fixtures (QR '000)*	*Motor vehicles (QR '000)*	*Total (QR '000)*
Cost:					
At 01 January 2018	9,709	40,352	141,320	12,363	203,744
Additions	-	-	16,258	1,158	17,416
Disposals	-	-	(1,567)	(824)	(2,391)
Effect of foreign currency exchange difference	-	-	(951)	-	(951)
At 31 December 2018	9,709	40,352	155,060	12,697	217,818
Recognition of right of use assets on initial application of IFRS 16 (Note 3)	-	111,293	-	-	111,293
Additions	-	22,361	14,138	108	36,607
Disposals	-	-	(5,145)	(54)	(5,199)
Effect of foreign currency exchange difference	-	-	971		971
At 31 December 2019	9,709	174,006	165,024	12,751	361,490
Accumulated Depreciation:					
At 01 January 2018	-	40,352	99,971	10,883	151,206
Charge during the year	-	-	15,014	665	15,679
Disposals	-	-	(165)	(735)	(900)
Effect of foreign currency exchange difference	-	-	(200)	-	(200)
At 31 December 2018	-	40,352	114,620	10,813	165,785
Charge during the year	-	15,973	16,015	691	32,679
Disposals	-		(1,652)	-	(1,652)
Effect of foreign currency exchange difference	-	17,375	(211)	579	17,743
At 31 December 2019	-	73,700	128,772	12,083	214,555
Net book values:					
At 31 December 2019	**9,709**	**100,306**	**36,252**	**668**	**146,935**
At 31 December 2018	9,709	-	40,440	1,884	52,033

12 GOODWILL AND INTANGIBLE ASSETS

Movements in goodwill and intangible assets were as follows:

	Goodwill QR '000 (i)	*Lloyd's syndicate capacity QR '000 (ii) (a)*	*Runoff services (WV) QR '000 (ii) (b)*	*Framework agreement QR '000 (ii) (c)*	*Non-life insurance Licenses QR '000 (ii) (d)*	*Total QR '000*
At 1 January 2018	145,111	266,222	4,335	-	-	415,668
Acquisition *(Note 38)*				218,726	27,540	246,266
Amortization expenses	-	-	(1,446)	-	-	(1,446)
At 31 December 2018	145,111	266,222	2,889	218,726	27,540	660,488
Effect of foreign currency exchange difference	-	-	-	9,443	1,193	10,636
Amortization expenses	-	-	(1,446)	(32,795)	-	(34,241)
At 31 December 2019	**145,111**	**266,222**	**1,443**	**195,374**	**28,733**	**636,883**

Effective January 1, 2014, the Group acquired 100% of the share capital of Antares Holdings Limited and its subsidiary companies. The regulatory close of the transaction was completed on June 25, 2014.

Effective July 25, 2018, the Group, through its subsidiary Qatar Reinsurance Company Limited ("Qatar Re") acquired 100% of the share capital of Markerstudy's Gibraltar-based insurance companies.

(i) Goodwill

Goodwill, amounting to QR 145.11 million that arose on acquisition of Antares Holding Limited has been allocated to Antares Holding Limited UK cash generating unit (Antares CGU). The recoverable amount of this cash generating unit is determined on the basis of its estimated valuation under the Market Approach. The method assumes that Antares CGU to follow the pattern on market capitalization of similar Lloyd's Syndicates listed entities and their relevant book value.

(ii) Intangible assets

The following table summarizes the intangible assets recorded in connection with the business acquisitions:

	Amount (QR '000)	***Economic useful Life***
Lloyd's syndicate capacity	266,222	Indefinite
Runoff services - Württembergische Versicherung AG	10,119	7 years
Framework Agreement	218,726	10 years
Non-life insurance Licenses	27,540	Indefinite
Intangible assets as of the acquisition date	522,607	
Effect of foreign currency exchange difference	10,636	
Accumulated amortisation expenses	(41,471)	
Net intangible assets as at 31 December 2019	**491,772**	

(a) Lloyd's Syndicate Capacity

The fair value of Lloyd's syndicate capacity and insurance licenses was estimated using the Market Approach. The Lloyd's capacity is renewed annually at no cost to the subsidiary or may be freely purchased or sold, subject to Lloyd's approval. The ability to write insurance business within the syndicate capacity is indefinite with the premium income limit being set annually by the Company, subject to Lloyd's approval. The recoverable amount was determined on the basis of regression analysis using average return on capital and certain observable data available from Lloyd's of London.

12 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Runoff services - Württembergische Versicherung AG (WV)
The fair value of Württembergische Versicherung AG (WV) management agreement represents the estimated amount of the run-off administration services in respect of the former UK Branch of WV which is provided by Antares Underwriting Services Limited ("AUSL"). The fair value of the agreement has been capitalized and amortized on a straight-line basis, over the estimated useful life of 7 years. The recoverable amount of WV was determined on the basis value in use calculation which uses the financial budgets covering the residual period of the management agreement and a discount rate of 10.60 % (2018: 9.70%).

(c) Framework agreement
As part of the transaction related to the sale and purchase of the Carriers, Qatar Re and Markerstudy Group have signed a framework agreement ("Framework Agreement"), which will govern their relationship for the coming 10-year period. Under this agreement, the Carriers will have the right to first refusal for all the non-life insurance business generated by Markerstudy Group (MSG). The Framework Agreement has been valued by applying the dividend discount model ("DDM") under the Income Approach. The fair value of the agreement is provisional pending receipt of the final valuations and expected to have an estimated useful life of 10 years.

(d) Non-life insurance License
Markerstudy Group insurance companies have regulatory licenses from the Gibraltar Financial Services Commission (GFSC) to underwrite non-life insurance business in the United Kingdom and the rest of the European Union. The cost of establishing a licensed insurance company in Gibraltar has been estimated to be approximately QR 9.2 million (GBP 2 million). Accordingly, under the Cost Approach, the value of the licenses of the Carriers were estimated to be QR 27.5 million (GBP 6 million). The non-life insurance licenses of the Carriers have an indefinite useful life.

Management believes that any reasonable possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount of goodwill to exceed the aggregate recoverable amount of the Antares CGU and intangible assets carrying value at year end.

13 SHORT TERM BORROWINGS

	2019 (QR '000)	*2018 (QR '000)*
Short term borrowings	**4,526,219**	4,881,821

The short term borrowings carry interest at an average rate of 2019: 2.39 % (2018: 2.40 %) per annum.

14 PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2019 (QR '000)	*2018 (QR '000)*
Insurance claims payables	**591,616**	447,035
Due to reinsurance companies	**2,364,885**	2,604,351
Other payables:		
Accruals and deferred income	**214,334**	363,542
Employees' end of service benefits (see Note 14.1)	**91,685**	91,491
Derivative financial liabilities (Note 34)	**236,565**	93,020
Other liabilities	**496,098**	542,577
	3,995,183	4,142,016

14 PROVISIONS, REINSURANCE AND OTHER PAYABLES (CONTINUED)

14.1 Employees' end of service benefits

	2019 ***(QR '000)***	*2018* *(QR '000)*
Provision at 1 January	**91,491**	81,225
Expenses recognised during the year	**3,743**	11,124
Payment made during the year	**(3,549)**	(858)
Provision at 31 December	**91,685**	91,491

15 LONG TERM BORROWINGS

Long term borrowings represent mortgage loans which bear fixed interest of 3.16% (2018: 2.8%) per annum are secured by an investment property (see Note 10) and are repayable in 2021.

16 SHARE CAPITAL AND SHARE PREMIUM

16.1 Share capital

	2019		*2018*	
	No of shares	***QR'000***	*No of shares*	*QR'000*
Authorised				
Ordinary shares of QR 1 each (2018: QR 10)	**3,266,101,330**	**3,266,101**	318,905,875	3,189,059
Issued and fully paid up				
Ordinary shares of QR 1 each (2018: QR 10)	**3,266,101,330**	**3,266,101**	318,905,875	3,189,059

On 26 February 2019, the Extraordinary General Meeting of the Company approved the par value of the ordinary share to be QR1 instead of QR10, as per the instructions of Qatar Financial Markets Authority (QFMA), and amendment of the related Articles of Association. The share split was implemented on 27 June 2019 and the total number of shares were increased from 326,610,133 to 3,266,101,330 ordinary shares. Consequently, Earnings Per Share for comparative periods has been restated to reflect this.

16.2 Share premium

Share premium is the proceeds received from the rights issue, net of any directly attributable transaction costs, are directly credited to share capital (nominal value of shares) and share premium when shares have been issued higher than their nominal value. The nominal value of the shares were recorded under share capital while the excess of the issue price over the nominal value was recorded under share premium.

17 LEGAL RESERVE

Legal reserve is computed in accordance with the provisions of the Qatar Central Bank (QCB) regulations, applicable provisions of Qatar Commercial Companies' Law and the Parent company's Articles of Association at 10% of the net profit for the year. On November 23, 2014, the Extra-Ordinary General Meeting approved the amendment of paragraph (1) Article (66) of the Articles of Association of the Company. The amendment states that transfers to the legal reserve shall be made until it equates 100% of the paid-up capital. The reserve is not available for distribution except in circumstances specified in the Qatar Central Bank (QCB) regulations/Qatar Commercial Companies Law. The legal reserve also includes the Group's share in legal reserve arising out of its subsidiaries.

During 2018, the Group issued bonus shares of 15% for the year 2017, partially distributed (QR 66,754 thousand) from legal reserve, with the approval of QCB. The bonus share issues were approved in the Annual General Meeting held on 25 February 2018.

18 GENERAL RESERVE

During the year, no amount has been transferred to the general reserve.

19 FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of financial instruments measured at fair value through other comprehensive income as per the accounting policy detailed in Note 4.

20 CATASTROPHE SPECIAL RESERVE

The Group has appropriated QR 51.70 million in 2017 from its retained earnings as a catastrophe special reserve in the consolidated statement of changes in equity. The formation of reserve was approved at the Board meeting held on January 25, 2011. This reserve will be utilised at the recommendation of the Board of Directors after approval at the Annual General Meeting when there is a catastrophe event.

During 2018, the Group issued bonus shares of 15% for the year 2017, of which QR 349,210 thousand was distributed from the catastrophe reserve, with the approval of QCB. The bonus share issues were approved in the Annual General Meeting held on 25 February 2018.

21 PROVISION FOR SPORTS AND SOCIAL ACTIVITIES SUPPORT FUND

According to Qatari Law No. 13 for the year 2008 and the related clarifications issued in January 2010, the Group is required to contribute 2.5% of its annual net profits to the state social and sports fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income. Hence, this is recognised in statement of changes in equity.

During the year, the Group appropriated an amount of QR 12,017 thousand (2018: QR 9,959 thousand) representing 2.5% of the net profit generated from Qatar Operations.

22 SUBORDINATED PERPETUAL DEBT

In an effort to strengthen the capital base of Qatar Re (the "Issuer"), a subsidiary of the Group registered in Bermuda, subordinated Tier 2 qualifying capital notes amounting to QR 1,615,596 thousand net were issued in 2017 through the Irish Stock Exchange, and the Parent Company acts as the guarantor to the notes. The notes were issued in registered form at par value, in denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof. The notes do not have a stated maturity date and are perpetual in nature, and do not obligate the Issuer to repay or settle by delivery of cash or another financial asset.

23 OTHER COMPONENTS OF EQUITY

Other components of equity include foreign currency translation reserve, merger reserves and share of profit from equity accounted investments. As per the Qatar Central Bank's instruction dated 4 March 2019, share of profit from equity accounted investments should be transferred from retained earnings to reserve for share of profit from associates according to prior year retained earnings have been reclassified. Declared and received dividends from associates are the only distributable portion of this reserve.

	Merger and acquisition reserve QR '000	***Foreign currency translation reserve QR '000***	***Reserve for share of profit from associates QR '000***	***Total QR '000***
At 1 January 2019	-	(37,088)	97,100	60,012
Transfer and other movements	(139,240)	26,834	13,622	(98,784)
At 31 December 2019	**(139,240)**	**(10,254)**	**110,722**	**(38,772)**

24 OPERATING SEGMENTS

a) Segment information

For management purposes, the Group is organised into six business segments- Marine & Aviation insurance, Property & Casualty insurance, Health & Life insurance, Real Estate, Advisory and Investments. These segments are the basis on which the Group reports its operating segment information. Operating and administrative expenses and certain other expenses are not allocated to the segments for performance monitoring purposes. No operating segments have been aggregated in arriving at the reportable segment of the Group.

Segment income statement for the year ended 31 December 2019

	Marine and Aviation (QR '000)	*Property and Casualty (QR '000)*	*Health and Life (QR '000)*	*Total Insurance (QR '000)*	*Real Estate (QR '000)*	*Advisory (QR '000)*	*Investments (QR '000)*	*Un-allocated (expenses) / income (QR '000)*	***Total (QR '000)***
Gross premiums	918,795	10,605,032	1,319,338	12,843,165	-	-	-	-	**12,843,165**
Premiums ceded to reinsurers	(223,646)	(1,425,154)	(95,593)	(1,744,393)	-	-	-	-	**(1,744,393)**
Net premiums	695,149	9,179,878	1,223,745	11,098,772	-	-	-	-	**11,098,772**
Movement in unexpired risk reserve	36,612	(243,029)	(60,342)	(266,759)	-	-	-	-	**(266,759)**
Net earned premiums	731,761	8,936,849	1,163,403	10,832,013	-	-	-	-	**10,832,013**
Gross claims paid	(814,758)	(7,844,345)	(1,074,378)	(9,733,481)	-	-	-	-	**(9,733,481)**
Reinsurance recoveries	138,765	1,633,065	32,082	1,803,912	-	-	-	-	**1,803,912**
Movement in outstanding claims (Note 1)	85,069	207,812	31,605	324,486	-	-	-	-	**324,486**
Net commission	(145,827)	(2,670,493)	(63,468)	(2,879,788)	-	-	-	-	**(2,879,788)**
Other insurance income (Unallocated)	-	-	-	8,227	-	-	-	-	**8,227**
Net underwriting result	(4,990)	262,888	89,244	355,369	-	-	-	-	**355,369**
Investment income	-	-	-	-	-	-	1,152,385	-	**1,152,385**
Finance Cost	-	-	-	-	-	-	(142,482)	-	**(142,482)**
Rental income	-	-	-	-	47,489	-	-	-	**47,489**
Advisory fee and other income	-	-	-	-	-	12,937	496	-	**13,433**
Share of profit from equity accounted investments	-	-	-	-	-	-	-	13,622	**13,622**
Total income	-	-	-	355,369	47,489	12,937	1,010,399	13,622	**1,439,816**
Operating and administrative expenses	-	-	-	-	(15,178)	(27,552)	-	(622,199)	**(664,929)**
Depreciation	-	-	-	-	(15,938)	(49)	-	(66,871)	**(82,858)**
Segment results	(4,990)	262,888	89,244	355,369	16,373	(14,664)	1,010,399	(675,448)	**692,029**

24 OPERATING SEGMENTS (CONTINUED)

a) Segment information (continued)

Segment income statement for the year ended 31 December 2018

	Marine and Aviation (QR '000)	*Property and Casualty (QR '000)*	*Health and Life (QR '000)*	*Total Insurance (QR '000)*	*Real Estate (QR '000)*	*Advisory (QR '000)*	*Investments (QR '000)*	*Un-allocated (expenses) / income (QR '000)*	*Total (QR '000)*
Gross premiums	873,646	10,426,022	1,306,167	12,605,835	-	-	-	-	12,605,835
Premiums ceded to reinsurers	(192,240)	(1,507,899)	(96,654)	(1,796,793)	-	-	-	-	(1,796,793)
Net premiums	681,406	8,918,123	1,209,513	10,809,042	-	-	-	-	10,809,042
Movement in unexpired risk reserve	80,576	456,335	16	536,927	-	-	-	-	536,927
Net earned premiums	761,982	9,374,458	1,209,529	11,345,969	-	-	-	-	11,345,969
Gross claims paid	(695,957)	(6,280,929)	(1,224,338)	(8,201,224)	-	-	-	-	(8,201,224)
Reinsurance recoveries	122,499	1,030,882	64,518	1,217,899	-	-	-	-	1,217,899
Movement in outstanding claims	(70,516)	(889,980)	77,918	(882,578)	-	-	-	-	(882,578)
Net commission	(176,105)	(2,670,370)	(64,879)	(2,911,354)	-	-	-	-	(2,911,354)
Other insurance income (Unallocated)	-	-	-	7,596	-	-	-	-	7,596
Net underwriting result	(58,097)	564,061	62,748	576,308	-	-	-	-	576,308
Investment income	-	-	-	-	-	-	894,954	-	894,954
Finance Cost	-	-	-	-	-	-	(114,783)	-	(114,783)
Rental income	-	-	-	-	48,904	-	-	-	48,904
Advisory fee and other income	-	-	-	-	-	17,218	489	-	17,707
Share of profit from equity accounted investments	-	-	-	-	-	-	-	15,872	15,872
Total income	-	-	-	576,308	48,904	17,218	780,660	15,872	1,438,962
Operating and administrative expenses	-	-	-	-	(12,604)	(26,213)	-	(702,666)	(741,483)
Depreciation	-	-	-	-	(15,608)	(49)	-	(17,076)	(32,733)
Segment results	(58,097)	564,061	62,748	576,308	20,692	(9,044)	780,660	(703,870)	664,746

24 OPERATING SEGMENTS (CONTINUED)

Note 1
Movement of outstanding claims have been adjusted for the indemnification asset that the Group has realized during the year, through Qatar Re, for uncertainties about the settlement amounts of certain insurance liabilities acquired. (Note 6).

Segment statement of financial position
Assets and liabilities of the Group are commonly used across the primary segments.

b) Geographic Information

The Group operates in two geographic markets; the domestic market in Qatar and the international markets. The following table shows the distribution of the Group's net underwriting results total assets and liabilities by geographical segment:

Insurance business segment income statement for the year

	Qatar 2019 (QR '000)	***International 2019 (QR '000)***	***Total 2019 (QR '000)***	*Qatar 2018 (QR '000)*	*International 2018 (QR '000)*	*Total 2018 (QR '000)*
Gross premium	**1,879,349**	**10,963,816**	**12,843,165**	1,728,161	10,877,674	12,605,835
Reinsurers' share of gross premiums	**(576,122)**	**(1,168,271)**	**(1,744,393)**	(506,161)	(1,290,632)	(1,796,793)
Net premiums	**1,303,227**	**9,795,545**	**11,098,772**	1,222,000	9,587,042	10,809,042
Change in unexpired risk reserve	**(88,413)**	**(178,346)**	**(266,759)**	(31,320)	568,247	536,927
Net earned premiums	**1,214,814**	**9,617,199**	**10,832,013**	1,190,680	10,155,289	11,345,969
Gross claims paid	**(1,527,993)**	**(8,205,488)**	**(9,733,481)**	(1,475,029)	(6,726,195)	(8,201,224)
Reinsurance recoveries	**583,500**	**1,220,412**	**1,803,912**	444,546	773,353	1,217,899
Movement in outstanding claims	**(27,640)**	**352,126**	**324,486**	42,797	(925,375)	(882,578)
Net commission	**(5,437)**	**(2,874,351)**	**(2,879,788)**	8,267	(2,919,621)	(2,911,354)
Other insurance income	**4,247**	**3,980**	**8,227**	2,178	5,418	7,596
Net underwriting results	**241,491**	**113,878**	**355,369**	213,439	362,869	576,308

Segment assets, liabilities and equity as at yearend

	Assets		***Liabilities & Equity***	
	2019 (QR '000)	*2018 (QR '000)*	***2019 (QR '000)***	*2018 (QR '000)*
Qatar	**20,026,205**	18,363,749	**10,971,752**	9,379,927
International	**19,389,109**	20,800,874	**28,416,966**	29,784,696
	39,415,314	39,164,623	**39,388,718**	39,164,623

25 NET INVESTMENT INCOME

	2019 *(QR '000)*	*2018* *(QR '000)*
Interest income	**710,400**	733,163
Gain on sale of investment properties	**176,415**	54,947
Gain/(Loss) on sale of investments	**136,622**	(58,686)
Unrealised gain on investments	**65,092**	65,388
Dividends	**65,427**	100,365
Others	**(1,571)**	(223)
	1,152,385	894,954
Finance costs	**(142,482)**	(114,783)
Net investment income	**1,009,903**	780,171

The interest income includes net release of expected credit loss for the year ended 31 December 2019 were QR 8,222 thousand (2018: QR 16,864 thousand).

26 OPERATING AND ADMINISTRATIVE EXPENSES

	2019 *(QR '000)*	*2018* *(QR '000)*
Employee related costs	**422,393**	441,442
Other operating expenses	**242,536**	300,041
	664,929	741,483

27 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2019 *(QR '000)*	*2018* *(QR '000)*
Net profit attributable to owners of the parent Company	**650,874**	645,942
Less: Interest on subordinated perpetual debt (Note 22)	**(81,081)**	(77,028)
	569,793	568,914
Weighted average number of ordinary shares	**3,254,281**	3,254,281
Basic and diluted earnings per share (QR) (2018: Restated)	**0.175**	0.175

Reconciliation of the number of ordinary shares outstanding (in thousands):

The Group has restated the calculations of the comparative earnings per share as a result of the effect of the private rights issue shares (number of shares 7,704,258) issued during the year. The private rights share issue was approved in the Annual General Meeting held on 26 February 2019.

28 DIVIDENDS AND BONUS SHARES

	2019 (QR '000)	*2018 (QR '000)*
Proposed cash dividend (QR'000)	**489,915**	478,359
Average number of ordinary shares (in thousand)	**3,266,101**	318,906
Cash dividend per share (QR)	**0.15**	1.50

The Board of Directors proposed cash dividend of QR 0.15 per share. The proposed dividend will be placed for approval at the Annual General Meeting to be held on 25 February 2020. (2018: Dividend of QR 1.50 per share was approved at the Annual General Meeting held on 26 February 2019 and distributed by the Parent Company during the year ended 31 December 2019.

A private rights issue shares issuance was approved at the Annual General Meeting held on 26 February 2019 for number of share of 7,704,258 to the minority shareholders in QIC Capital to acquire their shares (4.26%) as a part of Group restructuring by owning 100% of this Company.

On 26 February 2019, the Extraordinary General Meeting of the Company approved the par value of the ordinary share to be QR1 instead of QR10, as per the instructions of Qatar Financial Markets Authority (QFMA), and amendment of the related Articles of Association. The share split was implemented on 27 June 2019 and the total number of shares were increased from 326,610,133 to 3,266,101,330 ordinary shares (see Note 16.1).

29 CONTINGENT LIABILITIES AND COMMITMENTS

	2019 (QR '000)	*2018 (QR '000)*
Bank guarantees	**2,956,856**	2,748,785
Authorized future investment commitments	**385,641**	251,443
	3,342,497	3,000,228

The Group operates the insurance industry and is subject to litigation in the normal course of its business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings. Management does not believe that such proceedings including litigation will have a material effect on its results at consolidated financial position. The Group is also subject to insurance solvency regulations in all the territories where it operates and has complied with all the solvency regulations.

There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

30 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

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

31 December 2019	***Level 1 (QR '000)***	***Level 2 (QR '000)***	***Level 3 (QR '000)***	***Total (QR '000)***
Derivative assets held for risk management	**-**	**9,010**	**-**	**9,010**
Investment securities	**13,405,104**	**738,781**	**1,635,597**	**15,779,482**
	13,405,104	**747,791**	**1,635,597**	**15,788,492**

30 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS (CONTINUED)

31 December 2018	*Level 1 (QR '000)*	*Level 2 (QR '000)*	*Level 3 (QR '000)*	*Total (QR '000)*
Derivative assets held for risk management	-	10,456	-	10,456
Investment securities	13,601,056	548,547	716,105	14,865,708
	13,601,056	559,003	716,105	14,876,164

Valuation techniques

Listed investment in equity securities and debt securities

When fair values of publicly traded equity securities and debt securities are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy.

Listed managed funds

In the absence of a quoted price in an active market, they are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognise differences in the instrument's terms. To the extent that the significant inputs are observable, the Group categorises these investments as Level 2.

Over-the-counter derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives are valued using valuation techniques with market observable inputs are mainly options contracts.

Unlisted equity investments

Unquoted equity investments are recorded at fair values adopting market approach and applying price to book value multiple to arrive at the value of investment. There are no active markets for these investments and the Group intends to hold them for the long term

Unlisted managed funds

The Group invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The Group's investment managers considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Group classifies these funds as Level 3.

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	2019 QR'000	*2018 QR'000*
At 1 January	**716,105**	657,090
Net gain / (loss) in fair value reserve	**(17,377)**	(17,143)
Transfer into level 3	**824,543**	-
Net movement in cost	**112,326**	76,158
At 31 December	**1,635,597**	716,105

During 2019, certain investment securities were transferred out of level 2 of the fair value hierarchy when significant input used in their fair value measurement that were previously observable became unobservable.

31 RELATED PARTIES

Note 1 provides information about the Group's structure, including details of the subsidiaries and the holding Company. The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year.

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Annual General Assembley held on 26 Febrary 2019.

a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and also, directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group's management and are negotiated under normal commercial terms. Significant transactions were:

	2019 ***(QR '000)***	*2018* *(QR '000)*
Premiums	**24,835**	17,809
Claims	**30,551**	51,658
Purchase of services	**12**	5

b) Related party balances

	2019 ***(QR '000)***	*2018* *(QR '000)*
Due from related parties	**19,009**	14,072
Due to related parties	**18,355**	18,118

	2019 ***(QR '000)***	*2018* *(QR '000)*
c) Compensation of key management personnel		
Salaries and other short term benefits	**40,089**	39,157
End of service benefits	**1,905**	5,224
	41,994	44,381

Outstanding related party balances at reporting date are unsecured and interest free, and no provision for impairment for these related party balances have been recorded by the Group during the year (2018: Nil).

32 NON-CONTROLLING INTERESTS

Represents the non-controlling interest in QIC Capital LLC amounting to 0% (2018: 4.26%) of the share capital, 41.18 % (2018: 41.18%) in Oman Qatar Insurance Company, 17.96% (2018: 17.96%) in Kuwait Qatar Insurance Company and 15% (2018: 15%) in Q Life & Medical Insurance Company LLC.

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments. Through a robust governance structure, risks and returns are evaluated to produce sustainable revenues to reduce earnings volatility and increase shareholders' return. The Group's lines of business are mainly exposed to the following risks;

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

a) Governance framework

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

The Group has established a risk management function with clear terms of reference from the Board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A group risk management policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place.

b) Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

e) Insurance risk

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

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Group principally issues general insurance contracts which constitutes mainly marine & aviation, property & casualty and health & life.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. 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 the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

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

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

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

Sensitivities

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

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

	Change in assumptions	*Impact on liabilities (QR '000)*	*Impact on net profit (QR '000)*	*Impact on equity (QR '000)*
31 December 2019				
Incurred claim cost	**+10%**	**760,508**	**(760,508)**	-
Incurred claim cost	**-10%**	**(760,508)**	**760,508**	-

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

Sensitivities (continued)

	Change in assumptions	*Impact on liabilities (QR '000)*	*Impact on net profit (QR '000)*	*Impact on equity (QR '000)*
31 December 2018				
Incurred claim cost	+10%	786,590	(786,590)	-
Incurred claim cost	-10%	(786,590)	786,590	-

Claims Development Table

The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the Consolidated Statement of Financial Position.

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

Claims Development Table

Accident year	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*Total*
At end of accident year	3,363,604	3,638,067	5,915,493	7,605,555	8,025,602	7,476,229	36,024,550
One year later	3,461,947	3,479,308	5,928,586	6,699,856	7,784,103		
Two years later	3,423,237	3,714,235	5,795,786	6,805,374			
Three years later	3,529,284	3,742,460	5,751,470				
Four years later	3,500,800	3,508,735					
Five years later	3,478,067						
Current estimate of cumulative claims incurred	**3,478,067**	**3,508,735**	**5,751,470**	**6,805,374**	**7,784,103**	**7,476,229**	**34,803,978**
Cumulative payments to date	(2,974,856)	(3,088,956)	(5,282,970)	(5,069,187)	(5,885,998)	(2,703,466)	(25,005,433)
Net outstanding claims provision	**503,211**	**419,779**	**468,500**	**1,736,187**	**1,898,105**	**4,772,763**	**9,798,545**
Reserve in respect of prior years (Before 2014)	-	-	-	-	-	-	**569,295**
Total net outstanding claims reported and unsettled and incurred but not reported	-	-	-	-	-	-	**10,367,840**
Current estimate of surplus/(deficiency)	(114,463)	129,332	164,023	800,181	241,499		
% Surplus/ (deficiency) of initial gross reserve	-3%	4%	3%	12%	3%		

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) 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 following policies and procedures are in place to mitigate the Group's exposure to credit risk.

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

- Compliance with the receivable management policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.
- For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.
- Reinsurance is placed with reinsurers approved by the management. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Credit exposure is limited to the carrying values of the financial assets as at the reporting date.

i) Maximum exposure to credit risk

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

	2019 (QR '000)	*2018 (QR '000)*
Derivative financial assets (Note 9)	**9,010**	10,456
Financial investments at fair value through profit or loss (FVTPL)	**550,733**	540,900
Financial investments at fair value through other comprehensive income (FVOCI)	**11,915,361**	10,639,699
Insurance and other receivables (Note 6)	**6,308,927**	7,485,264
Reinsurance contract assets (Note 7)	**4,116,515**	4,401,594
Short-term deposits (Note 5)	**6,686,743**	6,615,258
	29,587,289	29,693,171

ii) Credit quality

31 December 2019	***Neither past due nor impaired (QR '000)***	***Past due but not impaired (QR '000)***	***Past due and impaired (QR '000)***	***Total (QR '000)***
Derivative financial assets	**9,010**	-	-	**9,010**
Financial investments at fair value through profit or loss (FVTPL) – Debt securities	**550,733**	-	-	**550,733**
Financial investments at fair value through other comprehensive income (FVOCI) – Debt securities	**11,915,361**	-	-	**11,915,361**
Insurance and other receivables	**5,213,415**	**1,008,355**	**87,157**	**6,308,927**
Reinsurance contract assets	**4,116,515**	-	-	**4,116,515**
Short-term deposits	**6,686,743**	-	-	**6,686,743**
	28,491,777	**1,008,355**	**87,157**	**29,587,289**

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

ii) Credit quality (continued)

31 December 2018	*Neither past due nor impaired (QR '000)*	*Past due but not impaired (QR '000)*	*Past due and impaired (QR '000)*	*Total (QR '000)*
Derivative financial assets	10,456	-	-	10,456
Financial investments at fair value through profit or loss (FVTPL) – Debt securities	540,900	-	-	540,900
Financial investments at fair value through other comprehensive income (FVOCI) – Debt securities	10,639,699	-	-	10,639,699
Insurance and other receivables	6,276,410	1,133,666	75,188	7,485,264
Reinsurance contract assets	4,401,594	-	-	4,401,594
Short-term deposits	6,615,258	-	-	6,615,258
	28,484,317	1,133,666	75,188	29,693,171

iii) Aging analysis of neither past due nor impaired and past due but not impaired

31 December 2019	***<30 days (QR '000)***	***31 to 60 days (QR '000)***	***61 to 90 days (QR '000)***	***91 to 120 days (QR '000)***	***Above 121 days (QR '000)***	***Total (QR '000)***
Insurance and other receivables	**4,155,499**	**384,179**	**488,234**	**272,659**	**1,095,512**	**6,396,083**

31 December 2018	*<30 days (QR '000)*	*31 to 60 days (QR '000)*	*61 to 90 days (QR '000)*	*91 to 120 days (QR '000)*	*Above 121 days (QR '000)*	*Total (QR '000)*
Insurance and other receivables	5,451,856	257,994	349,170	292,579	1,208,853	7,560,452

iv) Impaired financial assets
At 31 December 2019, there are impaired reinsurance assets of QR 43,465 thousand (2018: QR 35,405 thousand), impaired receivables from policy holders of QR 43,691 thousand (2018: QR 39,783 thousand).

The Group records all impairment allowances in separate impairment allowances accounts. The movement in the allowances for impairment losses for the year are as follows:

	Impairment on insurance and reinsurance receivables	
	2019 (QR '000)	*2018 (QR '000)*
At January 1,	**75,188**	58,788
Charged during the year	**11,968**	16,400
Total	**87,156**	75,188

f) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

Liquidity requirements are monitored regularly on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Liquidity risk (continued)

Maturity profiles

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

31 December 2019	*Up to a year (QR '000)*	*1-5 years (QR '000)*	*Over 5 years (QR '000)*	*Total (QR'000)*
Financial assets				
Derivative financial assets	**9,010**	**-**	**-**	**9,010**
Non-derivative financial assets				
Financial investments at fair value through profit or loss (FVTPL)	**3,639,236**	**224,885**	**-**	**3,864,121**
Financial investments at fair value through other comprehensive income (FVOCI)	**2,033,195**	**3,898,399**	**5,983,767**	**11,915,361**
Insurance receivables, net	**6,253,017**	**-**	**-**	**6,253,017**
Reinsurance contract assets	**4,116,515**	**-**	**-**	**4,116,515**
Cash and cash equivalents	**8,544,700**	**-**	**-**	**8,544,700**
	24,595,673	**4,123,284**	**5,983,767**	**34,702,724**

	Up to a year (QR '000)	*1-5 years (QR '000)*	*Over 5 years (QR '000)*	*Total (QR 000)*
Financial liabilities				
Derivative financial liabilities	**236,565**	**-**	**-**	**236,565**
Non-derivative financial liabilities				
Trade and other payables	**683,301**	**-**	**-**	**683,301**
Insurance contract liabilities	**14,484,355**	**-**	**-**	**14,484,355**
Insurance payables	**2,364,885**	**-**	**-**	**2,364,885**
Short term borrowings	**4,526,219**	**-**	**-**	**4,526,219**
Long term borrowings	**-**	**178,500**	**-**	**178,500**
	22,295,325	**178,500**	**-**	**22,473,825**

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Liquidity risk (continued)

Maturity profiles (continued)

31 December 2018	*Up to a year (QR '000)*	*1-5 years (QR '000)*	*Over 5 years (QR '000)*	*Total (QR'000)*
Financial assets				
Derivative financial assets	10,456	-	-	10,456
Non-derivative financial assets				
Financial investments at fair value through profit or loss (FVTPL)	3,954,611	125,812	145,586	4,226,009
Financial investments at fair value through other comprehensive income (FVOCI)	2,156,902	3,135,536	5,347,261	10,639,699
Insurance receivables, net	7,430,609	-	-	7,430,609
Reinsurance contract assets	4,401,594	-	-	4,401,594
Cash and cash equivalents	8,011,163	-	-	8,011,163
	25,965,335	3,261,348	5,492,847	34,719,530

	Up to a year (QR '000)	*1-5 years (QR '000)*	*Over 5 years (QR '000)*	*Total (QR 000)*
Financial liabilities				
Derivative financial liabilities	93,020	-	-	93,020
Non-derivative financial liabilities				
Trade and other payables	538,526	-	-	538,526
Insurance contract liabilities	14,697,786	-	-	14,697,786
Insurance payables	2,604,351	-	-	2,604,351
Short term borrowings	4,881,821	-	-	4,881,821
Long term borrowings	-	132,554	-	132,554
	22,815,504	132,554	-	22,948,058

h) Market risk

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

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group uses various off balance sheet financial instruments, including forward foreign exchange contracts and option, to manage certain foreign currency investment exposures.

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

i) Currency risk (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk at the reporting date by categorising assets and liabilities and major currencies.

31 December 2019	***USD (QR '000)***	***EURO (QR '000)***	***GBP (QR '000)***	***Others (QR '000)***	***Total (QR '000)***
Cash and cash equivalents	**1,558,986**	**22,967**	**713,242**	**6,249,505**	**8,544,700**
Insurance and other receivables	**2,040,737**	**508,375**	**5,345,956**	**557,790**	**8,452,858**
Investments	**12,651,709**	**303,945**	**1,324,199**	**1,508,639**	**15,788,492**
TOTAL ASSETS	**16,251,432**	**835,287**	**7,383,397**	**8,315,934**	**32,786,050**
Short term borrowings	**4,612,848**	**489**	**(87,169)**	**51**	**4,526,219**
Long term borrowings	**-**	**-**	**178,500**	**-**	**178,500**
Provisions, reinsurance and other payables	**1,936,605**	**93,400**	**1,478,607**	**486,571**	**3,995,183**
TOTAL LIABILITIES	**6,549,453**	**93,889**	**1,569,938**	**486,622**	**8,699,902**

31 December 2018	*USD (QR '000)*	*EURO (QR '000)*	*GBP (QR '000)*	*Others (QR '000)*	*Total (QR '000)*
Cash and cash equivalents	1,102,478	5,944	219,480	6,683,261	8,011,163
Insurance and other receivables	2,137,398	544,006	5,503,577	1,160,970	9,345,951
Investments	11,959,615	359,737	1,498,099	1,058,713	14,876,164
TOTAL ASSETS	15,199,491	909,687	7,221,156	8,902,944	32,233,278
Short term borrowings	4,881,821	-	-	-	4,881,821
Long term borrowings	-	-	132,554	-	132,554
Provisions, reinsurance and other payables	1,509,930	77,978	1,752,818	801,290	4,142,016
TOTAL LIABILITIES	6,391,751	77,978	1,885,372	801,290	9,156,391

The Group has no significant concentration of currency risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on the consolidated statements of income and changes in equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract liabilities.

		31 December 2019		*31 December 2018*	
Currency	***Changes in variables***	***Impact on profit or loss (QR '000)***	***Impact on equity (QR '000)***	*Impact on profit or loss (QR '000)*	*Impact on equity (QR '000)*
Euro	+10%	**32,691**	-	83,171	-
GBP	+10%	**203,744**	-	533,578	-
Total		**236,435**	-	616,749	-
Euro	+10%	**(32,691)**	-	(83,171)	-
GBP	+10%	**(203,744)**	-	(533,578)	-
Total		**(236,435)**	-	(616,749)	-

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

i) Currency risk (continued)
The method used for deriving sensitivity information and significant variables did not change from the previous period.

ii) Interest rate risk
Interest rate risk is the risk that the value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

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

		31 December 2019		*31 December 2018*	
Currency	***Changes in variables***	***Impact on profit or loss (QR '000)***	***Impact on equity (QR '000)***	*Impact on profit or loss (QR '000)*	*Impact on equity (QR '000)*
Qatari riyals	+50 basis points	**(3,105)**	**(310,895)**	(4,527)	(141,784)
Qatari riyals	-50 basis points	**3,105**	**310,895**	4,527	141,784

The Group's interest rate risk based on contractual arrangements is as follows:

31 December 2019	***Up to 1 year (QR '000)***	***1 to 5 years (QR '000)***	***Over 5 years (QR '000)***	***Total (QR '000)***	***Effective interest rate (%)***
Cash and Cash equivalents	**8,544,700**	-	-	**8,544,700**	**3.48%**
Derivative Financial Assets	**9,010**	-	-	**9,010**	
Investments – Debt instruments	**2,359,043**	**4,123,284**	**5,983,767**	**12,466,094**	**3.77%**
	10,912,753	**4,123,284**	**5,983,767**	**21,019,804**	

31 December 2018	*Up to 1 year (QR '000)*	*1 to 5 years (QR '000)*	*Over 5 years (QR '000)*	*Total (QR '000)*	*Effective interest rate (%)*
Cash and cash equivalents	8,011,163	-	-	8,011,163	4.07%
Derivative financial assets	10,456	-	-	10,456	
Investments–debt instruments	2,426,404	3,261,348	5,492,847	11,180,599	4.17%
	10,448,023	3,261,348	5,492,847	19,202,218	

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk (continued)

iii) Price risk
Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. The Group has no significant concentration of price risk.

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

		31 December 2019		*31 December 2018*	
	Changes in variables	***Impact on profit or loss (QR '000)***	***Impact on equity (QR '000)***	*Impact on profit or loss (QR '000)*	*Impact on equity (QR '000)*
Qatar Market	+10%	**118,006**	**118,006**	118,838	118,838
International Markets	+10%	**43,869**	**43,869**	9,239	9,239
Qatar Market	-10%	**(118,006)**	**(118,006)**	(118,838)	(118,838)
International Markets	-10%	**(43,869)**	**(43,869)**	(9,239)	(9,239)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

iv) Operational risks
Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with an effective compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

i) Capital management
The primary source of capital used by the Group is total equity. The Group also utilises, where it is efficient to do so, sources of capital such as subordinated perpetual debt, in addition to more traditional sources of funding. The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Group fully complied with the externally imposed capital requirements during the reported financial year and no changes were made to its capital base, objectives, policies and processes from the previous year. Externally imposed capital requirements are set and regulated by the Qatar Commercial Companies' Law and Qatar Central Bank regulations to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value. Group ensures that it maintains the minimum capital requirement and solvency ratio at all times as per Qatar Central Bank's requirements.

33 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

j) Classification and fair values

The following table compares the fair values of the financial instruments to their carrying values:

	31 December 2019		*31 December 2018*	
	Carrying amount (QR '000)	***Fair value (QR '000)***	*Carrying amount (QR '000)*	*Fair value (QR '000)*
Cash and cash equivalents	**8,544,700**	**8,544,700**	8,011,163	8,011,163
Insurance receivables	**8,452,858**	**8,452,858**	9,345,951	9,345,951
Reinsurance contract assets	**5,099,804**	**5,099,804**	5,467,185	5,467,185
Financial investments at fair value through profit or loss (FVTPL)	**3,873,131**	**3,873,131**	4,236,465	4,236,465
Financial investments at fair value through other comprehensive income (FVOCI)	**11,915,361**	**11,915,361**	10,639,699	10,639,699
	37,885,854	**37,885,854**	37,700,463	37,700,463
Short term borrowings	**4,526,219**	**4,526,219**	4,881,821	4,881,821
Insurance and other payables	**3,995,183**	**3,995,183**	4,142,016	4,142,016
Insurance contract liabilities	**20,499,218**	**20,499,218**	20,420,997	20,420,997
Long term borrowings	**178,500**	**178,500**	132,554	132,554
	29,199,120	**29,199,120**	29,577,388	29,577,388

34 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forward contracts, swaps and equity options structures.

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at yearend and are neither indicative of the market risk nor credit risk.

31 December 2019	***Notional amount (QR '000)***	***Derivative Asset (QR '000)***	***Derivative Liability (QR '000)***	***Within 3 months (QR '000)***	***3 to 12 months (QR '000)***
Over the Counter Derivatives					
Credit & Interest Rate Derivatives	**2,094,187**	**139**	**204,042**	**318,500**	**1,775,687**
Equity Derivatives	**170,642**	**-**	**10,685**	**170,642**	**-**
FX Derivatives	**2,025,976**	**8,871**	**21,838**	**2,025,976**	**-**
	4,290,805	**9,010**	**236,565**	**2,515,118**	**1,775,687**

34 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2018	*Notional amount (QR '000)*	*Derivative Asset (QR '000)*	*Derivative Liability (QR '000)*	*Within 3 months (QR '000)*	*3 to 12 months (QR '000)*
Over the Counter Derivatives					
Credit & Interest Rate Derivatives	3,349,441	7,478	44,175	-	3,349,441
Equity Derivatives	148,788	-	13,305	12,848	135,940
FX Derivatives	2,055,840	2,978	35,540	1,620,902	434,938
	5,554,069	10,456	93,020	1,633,750	3,920,319

Various option strategies are employed for hedging, risk management and income enhancement. All calls sold are on assets held by the Group.

Foreign Exchange derivatives
Foreign exchange derivatives include forwards and options and are contractual agreements in relation to a specified currency at a specified price and date in the future. The options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, at a pre-determined price. The interest rate and credit derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

Equity derivatives
Equity derivatives include options and swaps and are contractual agreements in relation to a specified equity instrument at a specified price and date in the future. The equity derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

Interest rate and credit derivatives
Interest rate and credit derivatives include swap contracts to exchange one set of cash flows for another, generally fixed and floating interest payments in a single currency without exchanging principal. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts. The forward exchange derivative contracts are over-the-counter contracts transacted in the over-the-counter market and changes in contract values are settled daily.

35 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 Note 3. 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 within Note 36).

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.

Classification of investments
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer to note 4 for further information.

Estimated credit losses
Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. Refer to note 4 for Inputs, assumptions and techniques used for estimating impairment of financial assets for more information.

35 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

Impairment of goodwill
The Group carries out impairment testing annually in respect of the goodwill relating to the acquired subsidiaries. In carrying out the impairment analysis, the Group makes the following estimates which are critical:

Growth rate
Management uses the projected cash flows over a 5year horizon, return on capacity of 3.6% p.a. for Lloyd's capacity, price to book and median equity beta of 0.46. The growth rate used in determining the projected cash flows, return on capacity, price to book and median equity beta are estimated by taking in account the nature of the industry and the general economic growth relevant to the subsidiary in question and the Group.

Discount rate
Management discounts the cash flows using its weighted average cost of capital of 10.72% which takes into account the debt-equity structure of the Group, an estimated cost of equity based on the capital asset pricing model and an estimated long term cost of debt.

The Management performs sensitivity analysis on the above and key assumptions in ascertaining its impact on the recoverable amount and impairment to the carrying value of goodwill in the consolidated financial statements. Material changes in the above assumptions may impact the recoverable amounts and may lead to an impairment to goodwill.

36 KEY SOURCES OF ESTIMATES UNCERTAINTY

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

Claims made under insurance contracts
Claims and loss adjustment expenses are charged to the consolidated statement of income 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. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between actual claims and the provisions made are included in the consolidated statement of income in the year of settlement. As of 31 December 2019, the net estimate for unpaid claims amounted to QR 10,344,113 thousand (2018: QR 10,296,192 thousand).

Goodwill impairment testing
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGU to which goodwill is allocated. Details of the key assumptions used in the estimation of the recoverable amounts are contained in Note 12.

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. This determination of whether these insurance and other receivables are impaired, entails the Group evaluating the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2014 and feedback received from their legal department. The difference between the estimated collectible amount discounted to present value if applicable and the book amount is recognized as an expense in the consolidated statement of income. Any difference between amounts actually collected in the future periods and the amounts expected will be recognized in the consolidated statement of income at the time of collection. As of 31 December 2019, the insurance receivable and reinsurance receivables amounted to QR 2,882,260 thousand (2018: QR 5,099,364 thousand) and QR 3,434,186 thousand (2018: QR 2,406,433 thousand), respectively, and the provision for impairment on insurance receivable and reinsurance receivable amounted to QR 43,691 thousand (2018: QR 39,783 thousand) and QR 43,465 thousand (2018: QR 35,405 thousand) respectively.

36 KEY SOURCES OF ESTIMATES UNCERTAINTY (CONTINUED)

Liability Adequacy Test

At each reporting 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 income.

37 PARENTAL GUARANTEE

The Parent Company has provided unconditional parental guarantee to its subsidiary companies - QIC International L.L.C., Qatar Reinsurance Company L.L.C. (Qatar – Re), Q - Life & Medical Insurance Company L.L.C., Kuwait Qatar Insurance Company and QIC Europe Ltd, Malta for the purpose of obtaining financial rating from international rating agencies.

38 GROUP RESTRUCTURING

During last year, the shares of QEL were transferred from the Parent Company to QICC and thereafter from QICC to Qatar Re. As on 31 December 2018, QEL is a wholly owned subsidiary of Qatar Re. Accordingly, there is no goodwill or gain or loss on bargain purchase recognized during this year or last year in these consolidated financial statements. Few rearrangements that resulted in the percentage of ownership held by non-controlling interest are also directly recognized in equity.

During this year, the Group acquired the minority shares in QIC Capital (4.26%) through a private rights issue share issuances of the parent entity. This was approved at the annual general assembly meeting held on 26 February 2019. As on 31 December 2019, QIC Capital is a wholly owned subsidiary of the Group.

39 BUSINESS COMBINATION

On 25 July 2018, the Group, through its subsidiary, QRe, acquired 100% of the share capital of Markerstudy's Gibraltar-based insurance companies, as mentioned in detail in Note 12, with the objective of generating a higher proportion of lower volatility business.

The fair value of the identifiable assets and liabilities of Markerstudy Group insurance companies as at the date of acquisition, as per IFRS 3, *Business Combination,* were the following;

	Fair value recognized on acquisition ***(QR '000)***
Assets	
Cash and cash equivalents	**333,295**
Insurance and other receivables	**2,935,891**
Reinsurance contract assets	**2,747,855**
Investments	**625,101**
Investments properties	**21,499**
Intangible assets	**246,266**
Total assets	**6,909,907**
Liabilities	
Insurance contract liabilities	**3,977,085**
Provisions, reinsurance and other payables	**2,419,590**
Total liabilities	**6,396,675**
Total identifiable net assets at fair value acquired	**513,232**

Intangible assets comprise the value of licenses and Framework Agreement.

39 BUSINESS COMBINATION (CONTINUED)

As part of the transaction related to the sale and purchase of the Carriers, Qatar Re and Markerstudy Group have signed a framework agreement ("Framework Agreement"), which will govern their relationship for the coming 10-year period. Under this agreement, the Carriers will have the right to first refusal for all the non-life insurance business generated by Markerstudy Group (MSG). The Framework Agreement has been valued by applying the dividend discount model ("DDM") under the Income Approach.

Markerstudy Group insurance companies have regulatory licenses from the Gibraltar Financial Services Commission (GFSC) to underwrite non-life insurance business in the United Kingdom and the rest of the European Union. Under the Cost Approach, the value of the licenses of the Carriers were estimated to be QR 27.5 million (GBP 6 million).

Net cash outflow on acquisition of subsidiary

	2018 (QR '000)
Consideration paid in cash	513,232
Less: Cash and cash equivalent balances acquired	(333,295)
	179,937

Transaction and acquisition-related costs
Transaction costs associated with the acquisition have been expensed and are included in the operating and administrative expenses in the consolidated statement of income and are part of operating cash flows in the consolidated statement of cash flows.

From the date of acquisition until 31 December 2018, Markerstudy Group insurance companies have contributed the equivalent of QR 544,755 thousand of Gross premium written and QR 43,881 thousand to the net profit of the Group.

40 COMPARATIVE AMOUNTS

Certain comparative figures of the previous year have been reclassified to conform to the current year's presentation. However, such reclassifications are not material and do not have an impact on the previously reported profit or net assets.

The effects of the above restatements and reclassification to QIC consolidated financial statements are shown below

	(Previously reported) 2018 QR 000	*Adjustments 2018 QR 000*	*(Reclassified) 2018 QR 000*
Consolidated financial position			
Other components of equity	(37,088)	97,100	60,012
Retained earnings	1,379,627	(97,100)	1,282,527
Consolidated statement of income			
Operating and administrative expenses	(742,061)	578	(741,483)
Income tax	-	(578)	(578)

The impact of transition to IFRS 16 is set out in Note 3.1 (c).