

**AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.
DOHA - QATAR**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014**

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

The Shareholder
Al Koot Insurance & Reinsurance Company S.A.Q.
Doha – Qatar

Report on the Financial Statements

We have audited the accompanying financial statements of Al Koot Insurance & Reinsurance Company S.A.Q. (the "Company"), which comprise the statement of financial position as at December 31, 2014 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, applicable Qatar Commercial Companies Law provisions and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Koot Insurance & Reinsurance Company S.A.Q. as at December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

We are also of the opinion that proper books of account were maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Qatar Commercial Companies Law No.5 of 2002 or the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

Doha – Qatar
January 25, 2015

For Deloitte & Touche
Qatar Branch



Midhat Salha
Partner
License No. 257



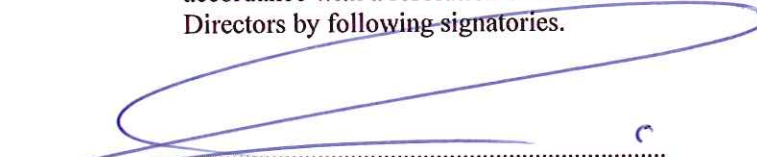
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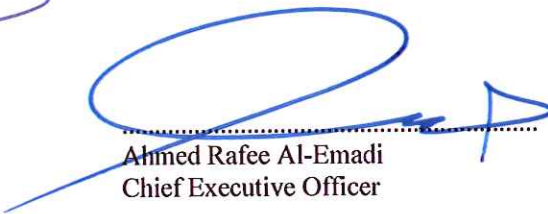
STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	Notes	December 31, 2014 QR	December 31, 2013 QR
ASSETS			
Cash and cash equivalents		39,164,698	152,279,571
Time deposits with maturities in excess of 3 months		452,884,387	384,614,034
Financial investments	5	549,192,154	479,871,840
Insurance and other receivables	6	274,331,478	372,462,295
Reinsurance contract assets	7	164,708,678	283,110,462
Due from related parties	8	133,242,588	96,885,256
Property and equipment	9	5,914,780	4,648,001
TOTAL ASSETS		1,619,438,763	1,773,871,459
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	218,600,000	218,600,000
Legal reserve	11	86,567,062	70,327,684
General reserve	12	150,000,000	150,000,000
Investment revaluation reserve		2,000,382	6,171,978
Retained earnings		195,121,614	163,487,213
Total equity		652,289,058	608,586,875
LIABILITIES			
Unearned premiums	13	132,277,997	149,010,309
Insurance contract liabilities	7	619,560,916	728,754,767
Due to insurance and reinsurance companies	14	168,362,137	223,273,455
Other liabilities		41,220,690	58,851,463
Due to related parties	8	1,750,307	2,315,930
Employees' end of service benefits	15	3,977,658	3,078,660
Total liabilities		967,149,705	1,165,284,584
TOTAL EQUITY AND LIABILITIES		1,619,438,763	1,773,871,459

The financial statements for the year ended December 31, 2014 were authorised for issue in accordance with a resolution of the directors on January 25, 2015 and signed on behalf of the Board of Directors by following signatories.


Abdulrahman Ahmed Al-Shaibi
Chairman


Ahmed Rafee Al-Emadi
Chief Executive Officer

THE ACCOMPANYING NOTES ARE INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

STATEMENT OF INCOME

For the year ended December 31, 2014

	Notes	December 31, 2014 QR	December 31, 2013 QR
Gross premiums	16	630,991,906	598,169,585
Reinsurers' share of gross premiums	16	(273,410,437)	(283,940,231)
Net premiums	16	357,581,469	314,229,354
Change in unexpired risk reserve	16	16,732,312	25,244,162
Earned insurance premiums	16	374,313,781	339,473,516
Net commission income		64,831,606	64,268,239
Brokerage cost		(4,633,134)	(5,178,759)
Total underwriting revenues		434,512,253	398,562,996
Claims paid	17	(450,758,413)	(314,754,226)
Reinsurers' share of claims paid	17	117,698,878	94,937,808
Change in outstanding claims	7	(9,207,933)	(57,037,834)
Net claims incurred	17	(342,267,468)	(276,854,252)
NET UNDERWRITING RESULTS		92,244,785	121,708,744
Service fees	8	33,320,948	32,863,624
Interest income		16,969,471	14,646,769
Net gain on financial assets at fair value through profit and loss		15,907,794	1,220,226
Net gain on sale of financial investments		24,411,968	1,444,655
Dividend income		406,273	187,206
Other income		1,298,768	-
INVESTMENT AND OTHER INCOME		92,315,222	50,362,480
General and administrative expenses	18	(22,166,228)	(18,116,928)
TOTAL EXPENSES		(22,166,228)	(18,116,928)
PROFIT FOR THE YEAR		162,393,779	153,954,296

THE ACCOMPANYING NOTES ARE INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2014

	December 31, 2014	December 31, 2013
	QR	QR
Profit for the year	<u>162,393,779</u>	<u>153,954,296</u>
Other comprehensive income		
Recognised gains on available-for-sale investments	23,658,908	2,056,243
Net movement in fair value of available-for-sale investments	<u>(27,830,504)</u>	<u>1,939,000</u>
Other comprehensive (loss) income for the year	<u>(4,171,596)</u>	<u>3,995,243</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>158,222,183</u>	<u>157,949,539</u>

THE ACCOMPANYING NOTES ARE INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Share capital	Legal reserve	General reserve	Investment revaluation reserve	Retained earnings	Total
	QR	QR	QR	QR	QR	QR
Balance at January 1, 2013	218,600,000	54,932,254	150,000,000	2,176,735	133,668,347	559,377,336
Profit for the year	--	--	--	--	153,954,296	153,954,296
Other comprehensive income for the year	--	--	--	3,995,243	--	3,995,243
<i>Total comprehensive income for the year</i>	--	--	--	3,995,243	--	--
Transfer to legal reserve	--	15,395,430	--	--	153,954,296	--
Dividends paid (Note 10)	--	--	--	--	(15,395,430)	--
Balance at December 31, 2013	218,600,000	70,327,684	150,000,000	6,171,978	163,487,213	(108,740,000)
Profit for the year	--	--	--	--	162,393,779	162,393,779
Other comprehensive loss for the year	--	--	--	(4,171,596)	--	(4,171,596)
<i>Total comprehensive income for the year</i>	--	--	--	(4,171,596)	162,393,779	158,222,183
Transfer to legal reserve	--	16,239,378	--	--	(16,239,378)	--
Dividends paid (Note 10)	--	--	--	--	(114,520,000)	(114,520,000)
Balance at December 31, 2014	218,600,000	86,567,062	150,000,000	2,000,382	195,121,614	652,289,058

THE ACCOMPANYING NOTES ARE INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	December 31, 2014 QR	December 31, 2013 QR
OPERATING ACTIVITIES		
Profit for the year	162,393,779	153,954,296
<i>Adjustments for:</i>		
Interest income	(16,969,471)	(14,646,769)
Gain on sale of financial investments	(24,411,968)	(1,444,655)
Movement in unexpired risk reserve	(16,732,312)	(25,244,162)
Depreciation	1,994,470	1,130,889
Net gain on financial assets at fair value through profit or loss	(15,907,794)	(1,220,226)
Provision for employees' end of service benefits	898,998	852,621
Dividend income	(406,273)	(187,206)
Operating profit before changes in operating assets and liabilities	90,859,429	113,194,788
Insurance and other receivables	98,995,357	96,204,096
Reinsurance contract assets	118,401,784	128,793,043
Due from related parties	(36,357,332)	92,708,744
Insurance contract liabilities	(109,193,851)	(71,755,209)
Due to insurance and reinsurance companies	(54,911,319)	(173,562,798)
Other liabilities	(17,630,773)	46,281,814
Due to related parties	(565,623)	(66,090,364)
Cash generated from operations	89,597,672	165,774,114
Employees' end of service benefits paid	--	(124,517)
Net cash generated from operating activities	89,597,672	165,649,597
INVESTING ACTIVITIES		
Movement in fixed deposits with maturities of more than 3 months	(68,270,353)	(20,103,743)
Proceeds from sale of financial investments	194,389,773	261,667,775
Purchase of financial investments	(227,525,840)	(215,567,495)
Interest received	16,068,851	18,189,146
Purchase of property and equipment	(3,261,249)	(4,336,077)
Dividend received	406,273	187,206
Net cash (used in) / generated from investing activities	(88,192,545)	40,036,812
FINANCING ACTIVITIES		
Dividends paid	(114,520,000)	(108,740,000)
Net cash used in financing activities	(114,520,000)	(108,740,000)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(113,114,873)	96,946,409
Cash and cash equivalents at the beginning of the year	152,279,571	55,333,162
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	39,164,698	152,279,571

THE ACCOMPANYING NOTES ARE INTEGRAL PART OF THESE FINANCIAL STATEMENTS

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

1. COPROPRATE INFORMATION

Al Koot Insurance & Reinsurance Company S.A.Q. (the "Company") was previously operating as a wholly owned subsidiary of Qatar Petroleum ("QP") as per the Cabinet Resolution No. 27 of 2003 ratified by an Emiri Decree dated October 27, 2003. The Company commenced commercial operations on April 1, 2003. The registered office of the Company is located in Doha, State of Qatar.

The shares of QP were transferred to Gulf International Services Q.S.C. ("GIS") on February 12, 2008. GIS is a public shareholding company owned 10% by QP and 90% by individual investors and selected institutions.

The Company is engaged in the business of all kinds of general insurance and reinsurance, medical insurance for the employees of QP and its affiliates except for vehicle insurance and insurance against the life risk of death and accidents.

The financial statements of Al Koot Insurance & Reinsurance Company S.A.Q. for the year ended December 31, 2014 were authorised for issue in accordance with a resolution of the directors on January 25, 2015.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Amendments to IFRSs affecting amounts reported in the financial statements

The following are the revised IFRSs that were effective in the current year and have been applied in the preparation of these financial statements:

(i) Revised Standards

Effective for annual periods beginning on or after January 1, 2014

- IAS 32 (Revised) *Financial Instruments: Presentation – Amendments to clarify existing application issues relating to the offsetting requirements.*
- IFRS 10, IFRS 12 and IAS 27 (Revised) *Amendments to introduce an exception from the requirement to consolidate subsidiaries for an investment entity.*
- IAS 36 (Revised) *Amendments arising from recoverable amount disclosures for non-financial assets.*
- IAS 39 (Revised) *Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.*

(ii) New Interpretation:

Effective for annual periods beginning on or after January 1, 2014

- IFRIC 21 *Levies*

The adoption of these new and revised standards had no significant effect on the financial statements of the Company for the year ended December 31, 2014, other than certain presentation and disclosure changes.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

(i) New Standards:

Effective for annual periods beginning on or after January 1, 2016

- IFRS 14 *Regulatory Deferral Accounts.*

Effective for annual periods beginning on or after January 1, 2017

- IFRS 15 *Revenue from Contracts with Customers.*

Effective for annual periods beginning on or after January 1, 2018

- IFRS 9 *Financial Instruments.*

(ii) Revised Standards:

Effective for annual periods beginning on or after July 1, 2014

- IAS 19 (Revised) *Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.*

- Annual improvements to IFRSs 2010-2012 cycle *Amendments to issue clarifications on IFRSs- IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.*

- Annual Improvements 2011-2013 Cycle *Amendments to issue clarifications on IFRSs- IFRS 1, IFRS 3, IFRS 13 and IAS 40.*

Effective for annual periods beginning on or after January 1, 2016

- Annual Improvements 2012-2014 Cycle *Amendments to issue clarifications and add additional/specific guidance to IFRS 5, IFRS 7, IAS 19 and IAS 34.*

- IFRS 10 & IAS 28 (Revised) *Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*

- IFRS 11 (Revised) *Amendments regarding the accounting for acquisitions of an interest in a joint operation.*

- IAS 16 (Revised) *Amendments regarding the clarification of acceptable methods of depreciation and amortization and amendments bringing bearer plants into the scope of IAS 16.*

- IAS 38 (Revised) *Amendments regarding the clarification of acceptable methods of depreciation and amortization.*

- IAS 41 (Revised) *Amendments bringing bearer plants into the scope of IAS 16.*

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective (Early adoption allowed)

(ii) Revised Standards (continued):

Effective for annual periods beginning on or after January 1, 2016

- IAS 27 (Revised) *Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.*

Effective for annual periods beginning on or after January 1, 2018 (on application of IFRS 9)

- IFRS 7 (Revised) *Financial Instruments Disclosures - Amendments requiring disclosures about the initial application of IFRS 9*
- IAS 39 (Revised) *Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception.*

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company in the period of initial application, other than certain presentation and disclosure changes.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable provision of Qatar Commercial Companies Law No.5 of 2002.

Basis of preparation

The financial statements have been presented in Qatar Riyal which is the functional currency of the Company.

Revenue recognition

Premiums earned

Premiums and reinsurance premiums are taken into income over the terms of the policies to which they relate. Gross insurance and reinsurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences.

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

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Commission income and expenses

Commission income is earned from the reinsurer for the premium ceded during the year. Similarly, the commission expense is incurred for the insurance companies for the reinsurance premium received.

Interest income

Interest income is recognized in the statement of income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognized as an adjustment to the effective interest rate of the instrument.

Dividend income

Dividend income is recognized when the dividend is received or when the right to receive the payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Realised gains and losses

Realised gains and losses recorded in the statement of income include gains and losses on financial investments. Gains and losses on the sale of financial investments are calculated as the difference between net sales proceeds and the fair value at the last reporting period and are recorded on occurrence of the sale transaction.

Claims and expense recognition

Claims

Claims incurred consist of amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the end of the reporting period, whether reported or not. Provisions for reported claims, but not settled as at the end of the reporting period, are made on the individual case estimates. In addition, a provision based on a range of historical trends, empirical data and current assumptions is maintained for the cost of settling claims incurred but not reported at the end of the reporting period.

Reinsurers' share of claims

Reinsurers' share of claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Liability adequacy test

At the end of each reporting period, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future claims flows, the entire deficiency is immediately recognized in the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance

The Company enters into agreements with other parties for reinsurance purposes, in order to minimize insurance risk exposure from large claims and to ensure the risk management policy of the Company, in the normal course of business for all of its business classes. Reinsurance contract assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsurance business.

Reinsurance assets are reviewed for impairment at the end of each reporting period 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 Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Company will receive from the reinsurance companies. The impairment loss is recorded in the statement of income.

Reinsurance contract liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Deferred acquisition costs (DAC)

DAC are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the statement of income, the deferred portion of the acquisition costs is included in the statement of financial position.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of income. DAC are included as a part of the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are either settled or disposed of.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance 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 statement of income.

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

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and measurement

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of income.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify them. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

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 fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the statement of income. The losses arising from impairment are recognised in the statement of income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest income in the statement of income. The losses arising from impairment are recognised in the statement of income.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the statement of income. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and measurement (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and measurement (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of income.

Available for sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income – is removed from other comprehensive income and recognised in the statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the statement of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and measurement (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Property and equipment

Property and equipment is initially recorded at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	-	4 years
Furniture and fixtures	-	4 years
Office equipment	-	4 years
Computers	-	4 years
Vehicles	-	4 years

The carrying amounts are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of income as the expense is incurred.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the 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 is not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' end of service benefits

End of service gratuity plans

Under the Law No. 14 of 2004, the Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension plan

Under Law No. 24 of 2002 on Retirement and Pension, the Company is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Leasing

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Foreign currencies

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities, denominated in foreign currencies, are retranslated at the functional currency rate of exchange ruling at the end of the reporting period.

Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income except when it relates to items where gains or losses are recognised directly in equity, where the gain or loss is then recognised net of the exchange component in equity.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- (i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (ii) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- (iii) Level 3 inputs are unobservable inputs for the asset or liability.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Classification of investments

Quoted securities could be classified either as available for sale or at fair value through profit or loss account. The Company invests substantially on quoted securities either locally or overseas and management has primarily decided to account for them on their potential for long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale rather than at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss.

Impairment of investments

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for outstanding claims

Considerable judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends and loss ratios to predict future claims settlement trends with the support of external activities for certain line of business.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported (IBNR) on a quarterly basis.

Unearned premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is 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. Unearned premiums are calculated on a daily pro rata basis.

Reinsurance contract

The Company is exposed to disputes with, and possibility of defaults by, its reinsurance companies. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurance companies.

Impairment of receivable

An estimate of the collectible amount of receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful life of asset

The Company's estimate of useful economic lives of its property and equipment and investment properties takes into account the renovation frequency of the asset and the future plans of the Company.

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

5. FINANCIAL INVESTMENTS

The carrying amounts of the Company's financial investments as at year end were as follows:

	2014	2013
	QR	QR
Financial assets at fair value through profit or loss:		
Held for trading (i)	184,509,790	215,097,806
Designated at fair value through profit or loss (ii)	33,821,407	45,557,665
	<u>218,331,197</u>	<u>260,655,471</u>
Available-for-sale investments:		
- Quoted shares in Qatari public shareholding companies	48,681,185	29,524,535
- Quoted debt securities	133,627,931	85,384,390
- Managed equity funds	63,065,337	18,857,020
- Unquoted shares	2,495	2,495
	<u>245,376,948</u>	<u>133,768,440</u>
Held to maturity investment:		
Debt securities (iii)	85,484,009	85,447,929
	<u>549,192,154</u>	<u>479,871,840</u>

Notes:

- (i) These represent financial assets held with banks which are acquired and incurred principally for the purpose of selling or repurchasing it in the near term or to take advantage of short term market movements.
- (ii) These investments are made in bonds linked to the equity index and these have been designated as financial asset through profit or loss because of the inability to separate the embedded derivative from the host contract either at acquisition date or at a subsequent financial reporting date. Hence, the entire combined contracts are classified as financial assets at fair value through profit or loss.
- (iii) The market value of held to maturity investment amounted to QR 89,957,006 as of December 31, 2014 (2013: QR 89,565,094).

6. INSURANCE AND OTHER RECEIVABLES

	2014	2013
	QR	QR
Insurance contract receivables	266,579,266	363,098,902
Accrued interest income	3,809,046	2,908,426
Staff advances	2,477,047	1,993,852
Others	1,466,119	4,461,115
	<u>274,331,478</u>	<u>372,462,295</u>

All the above amounts are due within twelve months from the end of the reporting period.

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2014		2013	
	Gross QR	Reinsurers' share QR	Gross QR	Net QR
At January 1,				
Reported claims	560,048,436	(283,110,462)	617,687,060	205,783,555
IBNR	168,706,331	--	182,822,916	182,822,916
Total	728,754,767	(283,110,462)	800,509,976	388,606,471
<i>Movements during the year</i>				
Reported claims	(172,580,078)	118,401,784	(57,638,624)	71,154,419
IBNR	63,386,227	--	(14,116,585)	(14,116,585)
Total	(109,193,851)	118,401,784	(71,755,209)	57,037,834
At December 31,				
Reported claims	387,468,358	(164,708,678)	560,048,436	276,937,974
IBNR	232,092,558	--	168,706,331	168,706,331
Total	619,560,916	(164,708,678)	728,754,767	445,644,305

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Claims development 2014

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

	Accident year					Total
	2010 and before	2011	2012	2013	2014	
	QR	QR	QR	QR	QR	QR
Estimate of cumulative claims						
At end of the accident year	783,907,036	183,649,955	306,882,486	287,945,227	417,746,994	
One year later	811,455,962	363,936,676	210,861,332	229,695,205	--	
Two years later	827,162,099	257,293,919	377,434,029	--	--	
Three years later	834,889,525	259,113,905	--	--	--	
Four years later	776,088,955	--	--	--	--	
Current estimate of cumulative claims	776,088,955	259,113,905	377,434,029	229,695,205	417,746,994	2,060,079,088
Cumulative payments to date	(754,544,953)	(245,725,306)	(313,699,848)	(180,006,958)	(178,633,665)	(1,672,610,730)
Total cumulative claims recognized in the statement of financial position as of December 31, 2014	21,544,002	13,388,599	63,734,181	49,688,247	239,113,329	387,468,358

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

7. MOVEMENTS IN INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Claims development 2013

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

	Accident year						Total
	2008 and before	2009	2010	2011	2012	2013	
	QR	QR	QR	QR	QR	QR	QR
Estimate of cumulative claims							
At end of the accident year	397,432,496	386,474,540	183,627,757	306,882,486	339,516,627	--	--
One year later	399,966,954	411,486,318	363,936,676	375,817,154	--	--	--
Two years later	434,771,819	390,390,279	257,293,919	--	--	--	--
Three years later	427,122,635	407,766,891	--	--	--	--	--
Four years later	401,506,165	--	--	--	--	--	--
Current estimate of cumulative claims	401,506,165	407,766,891	257,293,919	375,817,154	339,516,627	1,781,900,755	
Cumulative payments to date	(367,720,955)	(311,710,078)	(244,639,715)	(166,510,054)	(131,271,517)	(1,221,852,319)	
Total cumulative claims recognized in the statement of financial position as of December 31, 2013	33,785,210	96,056,813	12,654,204	209,307,100	208,245,110	560,048,436	

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

8. RELATED PARTY DISCLOSURES

Related parties represent associated companies, shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The significant related party transactions during the year were mainly in respect of insurance arrangements.

Related party transactions

Transactions with related parties included in the statement of income are as follows:

	<u>2014</u>	<u>2013</u>
	QR	QR
<i>Qatar Petroleum and other related parties:</i>		
Direct premium	<u>66,247,090</u>	<u>81,975,395</u>
Direct claims paid	<u>16,046,850</u>	<u>29,308,036</u>
Expenses incurred by Qatar Petroleum on behalf of the Company	<u>6,160,262</u>	<u>8,376,367</u>
Recovery of management expenses from Qatar Petroleum (i)	<u>33,249,342</u>	<u>28,363,907</u>
Service fees (ii)	<u>33,320,948</u>	<u>32,863,624</u>

(i) Based on the Insurance Support and Service Agreement entered with QP dated May 1, 2005, QP reimburses the Company for 60% of all expenses for the year except for expenses related to reinsurance transactions.

(ii) Service fees

	<u>2014</u>	<u>2013</u>
	QR	QR
Service fee	32,162,276	39,260,152
Released during the year	6,396,528	--
Deferred during the year	<u>(5,237,856)</u>	<u>(6,396,528)</u>
	<u>33,320,948</u>	<u>32,863,624</u>

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2014

8. RELATED PARTY DISCLOSURES (CONTINUED)**Related party balances**

Balances with related parties included in the statement of financial position are as follows:

	2014		2013	
	Receivables QR	Payables QR	Receivables QR	Payables QR
Qatar Petroleum and other related parties	<u>133,242,588</u>	<u>1,750,307</u>	<u>96,885,256</u>	<u>2,315,930</u>

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2014	2013
	QR	QR
Short-term benefits	11,451,488	9,357,114
End of service and other benefits	387,026	246,034
	<u>11,838,514</u>	<u>9,603,148</u>

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

9. PROPERTY AND EQUIPMENT

	Lease hold improvements		Furniture and fixtures		Office equipment		Computers		Vehicles		Total	
	QR		QR		QR		QR		QR		QR	
Cost												
At January 1, 2013	--		497,349		227,433		7,276,655		129,000		8,130,437	
Additions	2,625,885		402,618		63,047		1,244,527		--		4,336,077	
At December 31, 2013	2,625,885		899,967		290,480		8,521,182		129,000		12,466,514	
Additions	962,345		125,411		73,302		1,802,191		298,000		3,261,249	
At December 31, 2014	3,588,230		1,025,378		363,782		10,323,373		427,000		15,727,763	
Accumulated depreciation												
At January 1, 2013	--		471,536		148,322		5,984,453		83,313		6,687,624	
Depreciation charge for the year	376,710		37,885		40,155		643,889		32,250		1,130,889	
At December 31, 2013	376,710		509,421		188,477		6,628,342		115,563		7,818,513	
Depreciation charge for the year	880,546		150,807		52,288		891,183		19,646		1,994,470	
At December 31, 2014	1,257,256		660,228		240,765		7,519,525		135,209		9,812,983	
Net book value:												
December 31, 2014	2,330,974		365,150		123,017		2,803,848		291,791		5,914,780	
December 31, 2013	2,249,175		390,546		102,003		1,892,840		13,437		4,648,001	

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

10. SHARE CAPITAL

	<u>Authorised capital</u>	<u>Issued and fully paid up 2014</u>	<u>Issued and fully paid up 2013</u>
Share capital (QR.)	<u>500,000,000</u>	<u>218,600,000</u>	<u>218,600,000</u>
Number of shares of QR 10 each	<u>50,000,000</u>	<u>21,860,000</u>	<u>21,860,000</u>

During the year, dividends amounting to QR 84,520,000 relating to 2013 profits were declared and paid (2013: QR 83,260,000 relating to 2012 profits).

In addition, interim dividends of QR 30,000,000 relating to 2014 interim profits were paid during the year (2013: QR 25,480,000 relating to 2013 interim profits).

11. LEGAL RESERVE

As required by Qatar Commercial Companies' Law No 5 of 2002 and the Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. This reserve is not available for distribution except in circumstances stipulated in the law. However, according to Qatar Central Bank (QCB) regulations, the reserve should be equal to 100% of the issued share capital. The Company is in the process of obtaining required approvals and complete legal formalities to increase the reserve accordingly

12. GENERAL RESERVE

The amended Articles of Association of the Company requires that the balance of profit available after the above mentioned transfer to the legal reserve, can be appropriated to a general reserve. Distributions to shareholders can only be made once the balance in the compulsory and the optional reserve equals QR 150,000,000. The balance under this reserve is not available for distribution, except in circumstances specified in the Articles of Association of the Company.

13. UNEARNED PREMIUMS

	<u>2014 QR</u>	<u>2013 QR</u>
At January 1,	149,010,309	174,254,471
Increase during the year	131,345,191	147,137,317
Released during the year	<u>(148,077,503)</u>	<u>(172,381,479)</u>
At December 31,	<u>132,277,997</u>	<u>149,010,309</u>

AL KOOT INSURANCE & REINSURANCE COMPANY S.A.Q.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2014

14. DUE TO INSURANCE AND REINSURANCE COMPANIES

	<u>2014</u>	<u>2013</u>
	QR	QR
Reinsurance premiums payable	97,357,865	155,322,671
Advance management fees	9,120,373	11,832,721
Advance reinsurance commissions	61,883,899	56,118,063
	<u>168,362,137</u>	<u>223,273,455</u>

15. EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision for Employees' end of service benefits are as follows:

	<u>2014</u>	<u>2013</u>
	QR	QR
Provision as at January 1 st ,	3,078,660	2,350,556
Provided during the year	898,998	852,621
End of service benefits paid	--	(124,517)
Provision as at December 31 st ,	<u>3,977,658</u>	<u>3,078,660</u>

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16. EARNED INSURANCE PREMIUMS

	2014		2013	
	Gross QR	Reinsurers' share QR	Gross QR	Reinsurers' share QR
Written premiums	630,991,906	(273,410,437)	598,169,585	(283,940,231)
Change in unearned premiums	39,672,020	(22,939,708)	44,570,803	(19,326,641)
	<u>670,663,926</u>	<u>(296,350,145)</u>	<u>642,740,388</u>	<u>(303,266,872)</u>
		Net QR		Net QR
		357,581,469		314,229,354
		16,732,312		25,244,162
		<u>374,313,781</u>		<u>339,473,516</u>

17. NET CLAIMS INCURRED

	2014		2013	
	Gross QR	Reinsurers' share QR	Gross QR	Reinsurers' share QR
Claims paid	450,758,413	(117,698,878)	314,754,226	(94,937,808)
Change in outstanding claims(Note 7)	(172,580,078)	118,401,784	(57,638,624)	128,793,043
Change in IBNR (Note 7)	63,386,227	--	(14,116,585)	--
Net claims incurred	<u>341,564,562</u>	<u>702,906</u>	<u>242,999,017</u>	<u>33,855,235</u>
		Net QR		Net QR
		333,059,535		219,816,418
		(54,178,294)		71,154,419
		<u>63,386,227</u>		<u>(14,116,585)</u>
		342,267,468		276,854,252

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18. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
	QR	QR
Salaries and other benefits	30,919,175	29,392,003
Rent	7,543,680	5,961,460
Professional and other fees	2,733,911	3,351,549
Office expenses	3,708,454	1,851,963
Travel expenses	609,330	691,686
Advertisement and public relations	867,805	418,532
Depreciation (Note 9)	1,994,470	1,130,889
Board member sitting fees	910,000	1,230,000
Other expenses	6,128,745	2,452,753
	<u>55,415,570</u>	<u>46,480,835</u>
Recovery of management expenses from Qatar Petroleum (Note 8)	<u>(33,249,342)</u>	<u>(28,363,907)</u>
	<u>22,166,228</u>	<u>18,116,928</u>

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The fair values of the financial assets and liabilities, with the exception of certain financial investments carried at cost (see Note 5), are not materially different from their carrying values.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

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

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	QR	QR	QR	QR
<i>Financial assets</i>				
Available-for-sale investments	245,374,453	--	2,495	245,376,948
Financial assets held at fair value through profit or loss	184,509,790	33,821,407	--	218,331,197
Total	<u>429,884,243</u>	<u>33,821,407</u>	<u>2,495</u>	<u>463,708,145</u>

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19. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

<i>December 31, 2013</i>	Level 1	Level 2	Level 3	Total
	QR	QR	QR	QR
<i>Financial assets</i>				
Available-for-sale investments	133,765,945	--	2,495	133,768,440
Financial assets held at fair value through profit or loss	215,097,806	45,557,665	--	260,655,471
Total	<u>348,863,751</u>	<u>45,557,665</u>	<u>2,495</u>	<u>394,423,911</u>

During the year ending December 31, 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

20. RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk

The principal risk the Company 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 benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly energy, fire and general accident, marine and medical risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Fire and general accident - Property

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property insurance contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

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20. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in total or partial loss of cargoes. For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Health

Health insurances is insurance against the risk of incurring medical expenses among individuals or the employees of corporate bodies. The strategy for the health class of business is to ensure that policies are written within the group and by proper cession.

Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements 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.

To minimize its exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurance companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurance companies.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

Concentration of risks

The Company's insurance risk relates to policies written in the State of Qatar only.

Sources of uncertainty in the estimation of future claim payments

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

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

20. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise of provision for IBNR, provision for reported claims not yet paid and a provision for unexpired risks as at the reporting date. In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes.

Sensitivity of changes in assumption

The Company does not have any single insurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation. A +/- 10% change in the net claims incurred will have an increase/decrease of QR 34,226,747 on the statement of income (2013: QR 27,685,425).

Claims development

The Company maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Financial risk

The Company's principal instruments are investments at fair value held thru profit or loss, available-for-sale investments, held-to-maturity investments, receivables arising from insurance and reinsurance contracts and cash and cash equivalents.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, market price risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below:

20. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

Regulatory framework risk

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

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

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Other than balances in United States Dollars, to which the Qatari Riyal is pegged, there is no significant foreign currency assets or liabilities due in foreign currencies included in the financial statement.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company is exposed to interest rate risk on certain of its financial investment and deposits. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments are denominated.

The following table demonstrates the sensitivity of the statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at December 31, 2014.

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20. RISK MANAGEMENT (CONTINUED)

Financial risk

Interest rate risk (continued)

	Increase/decrease in basis points	Effect on profit for the year QR
2014	<u>+25</u>	<u>1,858,817</u>
2013	<u>+25</u>	<u>1,864,345</u>

Credit risk

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

The Company seeks to limit its credit risk with respect to customers by monitoring outstanding receivables. The Company only insures properties or interests of Qatar Petroleum Company. As such, the premiums and receivables comprise mainly of a single customer which is Qatar Petroleum Company. On the other hand, three reinsurance companies account for 82% of the reinsurance balances receivable as of December 31, 2014 (2013: 78%).

The Company manages credit risk on its investments by ensuring that investments are only made in counter-parties that have a good credit rating. The Company does not have an internal credit rating of counter-parties and considers all counter-parties to be of the same credit quality.

The table below shows the maximum exposure to credit for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting.

	2014 QR	2013 QR
Cash and cash equivalents	39,149,698	152,264,571
Time deposits with maturities in excess of 3 months	452,884,387	384,614,034
Financial investments	500,510,969	450,347,305
Due from related parties	133,242,588	96,885,256
Reinsurance contract assets	164,708,678	283,110,462
Insurance contract receivables (Note 6)	266,579,266	363,098,902
	<u>1,557,075,586</u>	<u>1,730,320,530</u>

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20. RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)

The following table provides an age analysis of unimpaired financial assets as at year end:

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>		
			<i>< 4 months</i>	<i>5 –8 months</i>	<i>>9 months</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
2014	1,557,075,586	1,375,511,432	78,455,751	24,832,507	78,275,896
2013	1,730,320,530	1,476,874,747	115,292,803	94,276,282	43,876,698

Unimpaired financial assets are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over financial assets and all are, therefore, unsecured.

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20. RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due.

Liquidity requirements are monitored on regular basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in local quoted securities.

The majority of time deposits held by the Company at the end of the reporting period had original maturity periods not exceeding one year.

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	December 31, 2014		December 31, 2013		Total QR
	Less than one year QR	More than one year QR	Less than one year QR	More than one year QR	
Insurance contract liabilities	--	--	--	--	728,754,767
Reinsurance balances payable	168,362,137	--	200,220,114	23,053,341	223,273,455
Due to related parties	1,750,307	--	2,315,930	--	2,315,930
	<u>170,112,444</u>	<u>619,560,916</u>	<u>202,536,044</u>	<u>23,053,341</u>	<u>728,754,767</u>
					<u>954,344,152</u>

20. RISK MANAGEMENT (CONTINUED)

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company's equity price risk exposure relates to financial assets whose value will fluctuate as a result of changes in market prices.

The Company limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of its investments. The majority of the Company's equity investments comprise securities quoted on the Qatar Exchange.

A 10% change in the prices of equities, with all other variables held constant, would impact equity and statement of income by QR 4,87 million (2013: QR 2.95 million).

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' interest. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes for the years ended December 31, 2014 and 2013. Capital comprises share capital, legal reserve, general reserve, investment revaluation reserve and retained earnings, and is measured at QR 652,289,059 (2013: QR 608,586,875).

21. GUARANTEE FROM QATAR PETROLEUM

As per the guarantee, QP will pay the insurance companies for the Company's share of claims lodged under the policies, should the Company fail to pay. As per the year end, Qatar Petroleum has provided guarantees of QR 618.7 million (2013: QR 380.7 million) for specific risk of operational policies on behalf of the Company to the insurance companies.

22. COMMITMENTS AND CONTINGENCIES

Guarantees

At December 31, 2014, the Company had contingent liabilities in respect of tender guarantees and other guarantees from which it is anticipated that no material liabilities will arise, amounting to QR 4,919,491 (2013: QR 3,786,890).

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

23. COMPARITIVE FIGURES

Certain comparative figures for the previous year have been reclassified, where necessary, in order to confirm to the current year's presentation. Such reclassifications do not affect the previously reported financial performance, net assets or equity.