

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

FINANCIAL STATEMENTS

31 December 2011

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

Financial statements

For the year ended 31 December 2011

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Independent Auditors' Report

To

The Board of Directors

Damaan Islamic Insurance Company "BEEMA" (Q.S.C)

Doha, State of Qatar

Report on the financial statements

We have audited the accompanying financial statements of Damaan Islamic Insurance Company "BEEMA" (Q.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2011 and the related policyholders' revenue and expenses, policyholders' surplus and deficit, statements of income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of Board of Directors and Auditors

These financial statements and the Company's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Board of Directors of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by Accounting and Auditing Organisation for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 31 December 2011, and of the results of its operations, the policyholders' revenues and expenses, policyholders' surplus and deficit, changes in shareholders equity and cash flows for the year then ended, in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, and the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Company.

Report on other legal and regulatory requirements

We have obtained all the information and explanation which we considered necessary for the purpose of our audit. The Company has maintained proper accounting records and the financial statements are in agreement therewith. We are not aware of any violation of the provision of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its financial position as of 31 December 2011.


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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

In Qatari Riyals

	Notes	31 December 2011	31 December 2010 (Restated)
Assets			
Cash and bank balances	4	96,283,021	93,503,386
Investment securities	5	212,787,298	117,500,908
Contributions receivable		18,641,632	3,218,245
Due from reinsurers		223,041	-
Other receivables and prepayments	6	4,295,877	875,371
Property and equipment	7	4,529,806	6,548,817
Total assets		336,760,675	221,646,727
Liabilities, policyholders' equity and shareholders' equity			
Liabilities			
Due to reinsurers		15,322,981	4,139,018
Takaful contract liabilities	8	39,833,173	9,843,733
Murabaha finance	9	58,658,889	-
Distributable surplus	10	1,142,753	-
Provisions and other liabilities	11	13,848,987	4,457,281
Total liabilities		128,806,783	18,440,032
Policyholder's equity (Page 6)		6,979,265	3,018,781
Shareholders' equity (Page 7)			
Share capital	12.1	200,000,000	200,000,000
Legal reserve	12.2	466,914	-
Fair value reserve	12.3	(2,939,207)	943,215
Retained earnings		3,446,920	(755,301)
Total shareholders' equity		200,974,627	200,187,914
Total liabilities, policyholders equity and shareholders' equity		336,760,675	221,646,727

These financial statements were approved by the Board of Directors and signed on its behalf by the following on 29 Jan 2012.


Sheikh. Jassim Bin Hamad Bin Jassim J. Al Thani
Chairman


Mr. Khalifa Abdulla Turki Al Subaey
Managing Director

The attached notes 1 to 27 form an integral part of these financial statements.

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

STATEMENT OF POLICYHOLDERS' REVENUE AND EXPENSES
For the year ended 31 December 2011

In Qatari Riyals

	Notes	From 1 January 2011 to 31 December 2011	From 18 October 2009 to 31 December 2010
Revenue			
Gross contributions	13	87,776,785	33,185,725
Wakala fee	13	(15,213,613)	(4,123,710)
Re-Takaful share of gross contributions	13	(22,887,031)	(13,911,850)
Net contributions		49,676,141	15,150,165
Movement in unearned contribution	13	(21,570,990)	(8,793,044)
Net earned contributions		28,105,151	6,357,121
Net commission expenses	13	(1,265,868)	(912,138)
Underwriting income		26,839,283	5,444,983
Expenses			
Gross claims paid	13	(22,672,938)	(3,025,892)
Movement in outstanding claims	13	(8,418,450)	(1,050,690)
Re-Takaful and other recoveries	13	9,159,853	1,564,730
Total expenses		(21,931,535)	(2,511,852)
Net underwriting results		4,907,748	2,933,131
Investment income	14	415,900	69,229
Other income		88,375	39,295
Other expenses		(202,002)	(22,874)
Total surplus for the year/period		5,210,021	3,018,781

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

STATEMENT OF POLICYHOLDERS' SURPLUS AND DEFICIT
For the year ended 31 December 2011

In Qatari Riyals

	From 1 January 2011 to 31 December 2011	From 18 October 2009 to 31 December 2010
Balance at 1 January	3,018,781	-
Surplus for the year/period	5,210,021	3,018,781
Distributable surplus	(1,142,753)	-
Surplus distributed during the period	(106,784)	-
Retained surplus at 31 December	6,979,265	3,018,781

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

STATEMENT OF INCOME

For the year ended 31 December 2011

In Qatari Riyals

	Note	From 1 January 2011 to 31 December 2011	From 18 October 2009 to 31 December 2010 (Restated)
Income			
Income from shareholder's investments		6,483,755	9,656,152
Wakala fee		16,053,122	4,123,710
Shareholders' share in policyholders' investment income	14	277,267	46,150
Total income		22,814,143	13,826,012
Expenses			
Staff costs		8,115,644	6,226,219
Depreciation of property and equipment	7	2,112,804	2,080,794
General and administrative expenses	15	7,082,802	6,274,300
Finance costs		833,758	-
Total expenses		18,145,008	14,581,313
Net profit for the year/period		4,669,135	(755,301)

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

In Qatari Riyals

	Note	From 1 January 2011 to 31 December 2011	From 18 October 2009 to 31 December 2010 (Restated)
OPERATING ACTIVITIES			
Net profit/(loss) for the period		4,669,135	(755,301)
Surplus from takaful operations		5,210,021	3,018,783
Adjustments for :			
Depreciation for property and equipment	7	2,112,804	2,080,794
Operating profit before operating assets and liabilities changes		11,991,960	4,344,276
Change in contribution receivables		(15,423,387)	(3,218,245)
Change in due from reinsurers		(223,041)	-
Change in other receivables and prepayments		(3,420,506)	(875,371)
Change in due to reinsurers		11,183,963	4,139,018
Change in takaful contract liabilities		29,989,440	9,843,733
Change in provisions and other liabilities		9,391,706	4,457,279
Net cash flows from operating activities		43,490,135	18,690,690
INVESTING ACTIVITIES			
Acquisition of property and equipment	7	(93,793)	(8,629,611)
Acquisition of investment securities		(99,168,812)	(116,557,693)
Net cash used in investing activities		(99,262,605)	(125,187,304)
FINANCING ACTIVITIES			
Policyholders' surplus distributed during the period	12.1	(106,784)	-
Issuance of share capital		-	200,000,000
Murabaha finance		58,658,889	-
Net movement in deposits		37,099,060	(40,399,060)
Net cash flows from financing activities		95,651,165	159,600,940
Increase in cash and cash equivalents during the period		39,878,695	53,104,326
Cash and cash equivalents at the beginning of the period		53,104,326	-
Cash and cash equivalents at the end of the period (Note 4)		92,983,021	53,104,326

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

PRIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

the year ended 31 December 2011

In Qatari Riyals

	Share Capital	Legal reserve (Restated)	Fair value reserve	Retained earnings (Restated)	Total equity (Restated)
<i>income for the period</i>					
profit for the period	-	-	-	(755,301)	(755,301)
change in fair value of investment securities	-	-	943,215	-	943,215
comprehensive income for the period	-	-	-	(755,301)	187,914
duction of share capital	200,000,000	-	-	-	200,000,000
transfer to legal reserve	-	-	-	-	-
nce at 31 December 2010	200,000,000	-	943,215	(755,301)	200,187,914

nce at 1 January 2011 (Restated)	200,000,000	-	943,215	(755,301)	200,187,914
<i>income for the period</i>					
profit for the period	-	-	-	4,669,135	4,669,135
change in fair value of investment securities	-	-	(3,882,422)	-	(3,882,422)
<i>comprehensive income for the period</i>	-	-	(3,882,422)	4,669,135	786,713
transfer to legal reserve	-	466,914	-	(466,914)	-
nce at 31 December 2011	200,000,000	466,914	(2,939,207)	3,446,920	200,974,627

attached notes 1 to 27 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1 LEGAL STATUS AND OPERATIONS

Damaan Islamic Insurance Company "BEEMA" (Q.S.C.) ("the Company") was incorporated in the State of Qatar on 18 October 2009 as a closed Qatari shareholder company under Qatar Companies Law No. 5 of 2002 with Registration No: 43652. The Head Office of the Company is in Doha, State of Qatar.

The Company is primarily engaged in the business of underwriting general, Takaful (Life) and health non-profit takaful in accordance with the provisions of Islamic Shari'a. The Company also invests its capital and other resources in all related activities.

2 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the applicable requirements of the Qatar Commercial Companies Law No. 5 of 2002. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Company uses guidance from the relevant International Financial Reporting Standard ("IFRS").

b) Basis of measurement

These financial statements are prepared in Qatari Riyals, which is the functional currency of the Company, and all values are rounded to the nearest Qatari Riyal except when otherwise indicated. These financial statements have been prepared on the historical cost basis except for fair value through equity investments and investments carried at fair value through the income statement which are carried at fair value.

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 26 to these financial statements.

c) Change of financial reporting framework

During the period, the Board of Directors of the Company has decided to change the financial reporting framework of the Company from International Financial Reporting Standards (IFRS) to Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). The reason for the change in financial reporting framework is due to the fact that the Company was established to provide Shari'a compliant takaful services in accordance with Shari'a rules and principles and therefore AAOIFI is the more relevant accounting framework for the Company to apply its accounting policies and presenting its financial statements.

The First time adoption of AAOIFI by Islamic Financial Institutions requires following its accounting policies from the date of adoption on a prospective basis. Accordingly the Company has adopted the requirements of AAOIFI from 1 January 2011. This change of framework of the Company from IFRS to AAOIFI did not result in a change in accounting policies of the Company and there is no effect on the financial position, financial performance and cash flows of the Company as the Company was already operating in accordance with Shari'a rules and principles.

The Company is complying with Shari'a rules and principles from the date of its incorporation and currently there are no non-Shari'a compliant activities in the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2 BASIS OF PREPARATION (CONTINUED)

d) Change in accounting estimate

In the period ended 31 December 2010, the Company had:

- been providing for unearned contributions of motor class of business made at 35% of net retained annual premiums.

Effective 2011, the Company has:

- Made an unearned contribution of 40% for the motor class of business on net retained annual premiums.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of these financial statements. The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the period ended 31 December 2010.

a) Revenue recognition

Gross contributions

Gross contributions comprise the total contributions in relation to contracts entered into during the financial year, together with adjustments arising in the financial year to contributions receivable in respect of business written in previous financial years. It includes an estimate of contributions reported in the statement of financial position as accrued contributions receivable.

Contributions, net of re-takaful, are taken to income over the terms of the related contracts or policies. Gross contributions are recognised in the policyholders' statement of revenue and expenses from the date of attachment of risk over the policy period. The unexpired portion of such contributions relating to the period of risk extending to beyond the financial year is included under "unearned contributions reserves" in the statement of financial position. The earned proportion of contributions is recognised as revenue in the policyholders' statement of revenue and expenses.

Retakaful share of contributions

Retakaful share of contributions are amounts paid to reinsurers in accordance with the re-takaful contracts of the Company.

Islamic deposits

Income from deposits with Islamic banks is accounted for on the basis of profits advised by the Islamic banks taking into account the principal outstanding.

b) Claims

Gross claims are recognised in the policyholders' statement of revenue and expenses when the claim amount payable to policyholders and third parties is determined as per the terms of the re-takaful contracts. Claims incurred comprise the settlement and the handling costs of paid and outstanding claims arising from events occurring during the financial period.

c) Takaful contract liabilities

Takaful contract liabilities are recognised when contracts are entered into and premiums are charged

Unearned contributions provision

Unearned contributions provision represents the estimated portion of net premium income after deduction of the re-takaful share which relates to the period subsequent to the reporting date. The provision is calculated at 40% of net retained annual premiums on non marine class of business, and 25% of net retained annual premiums in case of Marine class of business.

For Takaful (Life) business the unexpired risks reserve is determined based on an actuarial valuation.

Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management best estimate. The methods for making such estimates and for establishing the resulting liability are continually reviewed.

The takaful contract liabilities are derecognised when the contract expires is discharged or is cancelled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) **Financial instruments**

Financial instruments represent the Company's financial assets and liabilities. Financial assets include cash and bank balances, investment securities, contributions receivable, due from reinsurers and certain other assets. Financial liabilities include due to reinsurers, bank overdraft, takaful contract liabilities, murabaha finance and certain other liabilities. Financial instruments also include commitments not recognized but adequately disclosed in the respective notes to the financial statements.

(i) **Classification**

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash in hand other short-term highly liquid investments with original maturities of three months or less.

(ii) **Recognition**

The Company initially recognizes all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

(iii) **Derecognition**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company also derecognizes certain assets when it charges off balances pertaining to the assets deemed to be uncollectable. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) **Measurement**

Contribution receivables

Contribution receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost.

Cash and cash equivalents

Cash and bank balances are carried at amortized cost in the statement of financial position.

Takaful contract liabilities

Amounts payable for takaful claims reported till the reporting date end and the amount payable to re-takaful companies are accrued as a liability payable. The takaful claims are accrued on the basis of the actual losses reported against the policies underwritten by the Company during the period. The re-takaful liability is computed according to the contractual liability agreed with the re-takaful Company on individual policies.

e) **Investment securities**

Investment securities comprise investments in debt-type and equity-type financial instruments.

The Company classifies its investment securities into investments in debt-type and equity-type instruments. Debt-type instruments are securities with fixed or determinable payments of profits and capital, to the holder of the instrument.

Investments in equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual profit in the assets of an entity after deducting all its liabilities.

Investment securities carried as fair value through income statement include investments held for trading purposes and investments designated as fair value through income statements. Held for trading investments are acquired or originated principally for the purpose of generating a profit from short term fluctuations in the market price.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Investment securities (continued)

Investments measured as fair value through income statement includes investments for which performance is evaluated on a fair value basis. Equity-type investments which are not designated as fair value through income statement upon initial recognition are classified as investments at fair value through equity.

Investment securities are recognised at the acquisition date i.e. the date that the Company contracts to purchase or sell the asset, at which date the Company becomes party to the contractual provisions of the instrument. Investment securities are de-recognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risk and rewards of ownership.

Investment securities are recognized initially at fair value, plus any directly attributable transaction costs except for items at fair value through income statement. Gains and losses arising from a change in the fair value of fair value through income statement investments are recognized in the income statement in the period in which they arise. Investments at fair value through equity are re-measured at their fair values at the end of each reporting period and the resultant gain or loss (if any), arising from a change in the fair value of equity-type investments are recognised in the statement of changes in equity and presented in a separate fair value reserve within equity. When the equity-type investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the statement of changes in equity is transferred to the interim income statement.

f) Property and equipment

Items of property and equipment are carried at historical cost less accumulated depreciation less any impairment losses. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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

Depreciation is provided on cost by the straight-line method and is charged to the statement of income, at annual rates which are intended to write off the cost of the assets over their estimated useful lives as follows:

Furniture, fixtures and computers	6-7 years
Computer equipment	3 years
Motor vehicles	5 years
All other assets	5 years

g) Employees end of services benefits

The Company provides for employees' end of service benefits determined in accordance with the requirements of Qatar Labour law. These unfunded charges are made by the Company on the basis of employees' salaries and the number of years of service at the statement of financial position date. Applicable benefits are paid to employees on termination of employment with the Company.

h) Impairment

• Non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Impairment (continued)

• **Non-financial assets**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are accompanied together into the smallest identifiable Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the interim income statement. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

• **Financial assets**

The Company assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a borrower/investee, restructuring of financing facility or advance by the Company on terms that Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant or prolonged decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through equity.

i) Provisions

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

j) Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the takaful liabilities. In performing these tests, current best estimates of future cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the statement of income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Foreign currency transactions

Transactions in foreign currencies are recorded in Qatari Riyals at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the rate of exchange ruling at the statement of financial position date. All exchange differences are taken to the statement of income. Non-monetary assets and liabilities are translated at rates ruling at the date of the transaction.

l) Fair values

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's transaction on the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

In Qatari Riyals

4 CASH AND BANK BALANCES

	2011	2010
Cash on hand	480,945	54,950
Investment deposits (Islamic banks)	3,300,000	54,600,014
Saving accounts (Islamic banks)	90,037,502	38,848,422
Current account	2,464,574	-
Total cash and bank balances	96,283,021	93,503,386
Less:- Deposits with maturity over three months	(3,300,000)	(40,399,060)
Total cash and cash equivalents	92,983,021	53,104,326

5 INVESTMENT SECURITIES

	2011	2010
Fair value through equity investments		
Cost	216,669,720	116,306,785
Fair value movement	(3,882,422)	943,215
Fair value through equity investments - net	212,787,298	117,500,908

6 OTHER RECEIVABLES AND PREPAYMENTS

	2011	2010
Other receivables and debit balances	489,335	577,212
Advance commission paid	2,495,957	-
Advance wakala fee reserve	839,509	-
Accrued investment income	471,076	298,159
Total	4,295,877	875,371

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

In Qatari Riyals

7 PROPERTY AND EQUIPMENT

	Furniture and Equipment	Fixtures and Fittings	Computer Equipment	Motor Vehicles	31 December 2011 Total	31 December 2010 Total
Cost						
Opening balance	1,002,180	3,470,546	3,159,385	997,500	8,629,611	-
Additions	24,534	45,000	24,259	-	93,793	8,629,611
At 31 December	1,026,714	3,515,546	3,183,644	997,500	8,723,404	8,629,611
Accumulated Depreciation						
Opening balance	149,942	694,109	1,037,285	199,458	2,080,794	-
Charges for the year	152,211	703,109	1,057,984	199,500	2,112,804	2,080,794
At 31 December	302,153	1,397,218	2,095,269	398,958	4,193,598	2,080,794
Net Book Value	724,561	2,118,328	1,088,375	598,542	4,529,806	-
Net Book Value	852,238	2,776,437	2,122,100	798,042	-	6,548,817

8 TAKAFUL CONTRACT LIABILITIES

	2011	2010
Outstanding claims reserve	9,469,140	1,050,690
Unearned contributions reserve	17,546,309	4,649,113
Mathematical reserve – Credit life	12,817,724	4,143,930
Total	39,833,173	9,843,733

Movements in outstanding claims reserve during the year/period are as follows:

	2011	2010
At 1 January	1,050,690	-
Claims incurred and other movements during the year	31,091,388	4,076,582
Claims paid during the year	(22,672,938)	(3,025,892)
At 31 December	9,469,140	1,050,690

Movement in provision for unearned contributions reserve and mathematical reserve during the year/period are as follows:

	2011	2010
At 1 January	8,793,043	-
Contributions written in the year	87,776,785	33,185,725
Contributions earned during the year	(62,427,449)	(24,392,682)
At 31 December	34,142,379	8,793,043

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

In Qatari Riyals

9 MURABAHA FINANCE

During the period the Company has entered in to murabaha financing agreement with Bank Sarasin & Co. Limited, Switzerland to finance the shareholders' investment. The financing is pledged against all the accounts, the Company holds with the bank.

10 DISTRIBUTABLE SURPLUS

The Board of directors have proposed to distribute 5% of contribution amounts to QR. 4,255,100 as surplus for policyholders for the year (2010: QR 1,249,637) out of the results of insurance operations. The proposal to distribute surplus will be submitted for formal approval at the Annual General Meeting. The balance of the retained surplus will be distributed to the policyholders in future years in accordance with the decision of the Shari'a Supervisory Board.

The surplus is allocated to all policyholders according to their pro-rata share of premium contribution without distinguishing between those who have made claims or not during the financial year.

11 PROVISIONS AND OTHER LIABILITIES

	2011	2010
Contribution payable	8,782,423	1,020,352
Accrued claim recovery	1,836,991	702,649
Sundry creditors	113,629	2,078,119
Employee end of service benefits provision	403,635	361,412
Other payables	2,712,309	294,748
Total	13,848,987	4,457,281

12 SHARE CAPITAL AND RESERVES**12.1 Share capital**

The authorised, issued and fully paid share capital consists of 20,000,000 ordinary shares of QR. 10 each (2010: 200,000,000).

12.2 Legal reserve

In accordance with Qatar Commercial Companies Law No.5 of 2002 and the Company's Articles of Association, 10% of the net income for the year is to be transferred to legal reserve. This reserve is to be maintained until the reserve equals 50% of the paid capital and is not available for distribution except in circumstances specified in the above Law.

12.3 Fair Value reserves

The fair value reserve comprises the cumulative net change in the fair value through equity financial assets until the investments are derecognized or impaired.

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year ended 31 December 2011

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T UNDERWRITING RESULTS

	Marine and Aviation		Motors		Fire and general Accident		Takaful and Health		Total	
	From 1 January 2011 to 31 December 2011	From 14 October 2009 to 31 December 2010	From 1 January 2011 to 31 December 2011	From 14 October 2009 to 31 December 2010	From 1 January 2011 to 31 December 2011	From 14 October 2009 to 31 December 2010	From 1 January 2011 to 31 December 2011	From 14 October 2009 to 31 December 2010		
Contributions	2,670,873	2,501,376	39,273,014	8,837,415	11,682,610	11,145,483	34,150,288	10,701,451	87,776,785	33,185,725
Initial Fees	(332,989)	(345,892)	(7,854,603)	(1,767,483)	(1,035,472)	(674,698)	(5,990,549)	(1,335,637)	(15,213,613)	(4,123,710)
Initial contribution	(1,366,174)	(1,470,909)	(405,994)	(332,000)	(7,954,302)	(8,953,940)	(13,160,561)	(3,155,001)	(22,887,031)	(13,911,850)
Contributions	971,710	684,575	31,012,417	6,737,932	2,692,836	1,516,845	14,999,178	6,210,813	49,676,141	15,150,165
Net in unexpired risk	(19,983)	(274,111)	(10,520,474)	(2,976,895)	(457,895)	(965,514)	(10,572,638)	(4,576,524)	(21,570,990)	(8,793,044)
Net contributions	951,727	410,464	20,491,943	3,761,037	2,234,941	551,330	4,426,540	1,634,290	28,105,151	6,357,121
Commissions	(1,569)	(29,932)	(369,288)	(27,981)	(160,997)	(186,516)	(734,014)	(667,709)	(1,265,868)	(912,138)
Net writing income	950,158	380,532	20,122,655	3,733,056	2,073,944	364,814	4,240,024	966,580	26,839,283	5,444,983
Net income	(186,401)	(9,899)	(14,997,752)	(1,756,331)	(1,362,909)	(5,958)	(6,125,876)	(1,253,704)	(22,672,938)	(3,025,892)
Net in outstanding	23,724	(49,676)	(7,345,062)	(803,727)	(33,528)	(102,141)	(1,063,585)	(95,146)	(8,418,450)	(1,050,690)
Net recoveries	150,704	6,897	3,242,685	656,940	1,244,431	5,930	4,522,033	894,963	9,159,853	1,564,730
Net incurred	(11,972)	(52,678)	(19,100,129)	(1,903,118)	(152,006)	(102,169)	(2,667,428)	(453,887)	(21,931,535)	(2,511,852)
Net writing results	938,186	327,854	1,022,526	1,829,938	1,921,938	262,645	1,572,596	512,694	4,907,748	2,933,131

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

NOTES TO THE FINANCIAL STATEMENTS

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14 INVESTMENT INCOME

	From 1 January 2011 to 31 December 2011	From 14 October 2009 to 31 December 2010
Income from investment of policyholders	693,166	115,379
Shareholders share in policyholders income	(277,266)	(46,150)
Total	415,900	69,229

This represents management fee payable to the shareholders by the policyholders for managing the investments. The fees are calculated at a rate of 40% (2010: 40%) of the net income received on the investments of the policyholders. The actual rate for each year is determined by the Shari'a Supervisory Board with co-ordination with Company's Board of Directors.

15 GENERAL AND ADMINISTRATIVE EXPENSES

	From 1 January 2011 to 31 December 2011	From 14 October 2009 to 31 December 2010
Rent	2,929,476	2,821,276
Printing and stationery	230,797	118,480
Advertisement expenses	978,947	1,229,897
Postage and telephone	122,324	82,877
Pre operating expenses	-	731,645
IT support charges	601,266	600,760
Foreign travel expenses	97,695	124,717
Shari'a board remuneration	100,000	100,000
Board of directors' remuneration	700,000	-
Advisory fee	728,000	-
Other operating expenses	594,297	464,648
Total	7,082,802	6,274,300

16 RELATED PARTIES

(a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Company and companies of which they are key management personnel. Significant transactions were:

Contribution
Claims

From 1 January 2011 to 31 December 2011	From 14 October 2009 to 31 December 2010
38,717,595	15,694,699
8,745,410	-

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

NOTES TO THE FINANCIAL STATEMENTS

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16 RELATED PARTIES (CONTINUED)

(b) Compensation of key management personnel

Salaries and other short term benefits

Employees' end of service benefits

Total

From 1 January
2011 to 31
December 2011

2,250,000

158,000

2,408,000

From 14
October 2009
to 31 December
2010

2,645,400

194,425

2,839,825

17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Bank guarantees

Operating leases

2011

435,000

7,200,000

2010

323,827

11,075,804

18 SHARI'A SUPERVISORY BOARD

The Company's business activities are subject to the supervision of a Shari'a Supervisory Board consisting of 3 members appointed by the Shareholders. The Shari'a Supervisory Board performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Shari'a rules and principles.

19 EARNINGS PROHIBITED BY SHARI'A

There were no earnings realized during the period from transactions which are not permitted by Shari'a.

20 SOCIAL RESPONSIBILITY

The Company intends to discharge its social responsibilities through donations to charitable causes and organizations.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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21 GEOGRAPHICAL AND INDUSTRY CONCENTRATION

The industry concentration of the shareholders' income statement items as at and for the year ended 31 December 2011 was as follows:

2011

	Marine and Aviation	Motors	Fire and General Accident	Takaful & Health	Total
Income statement items					
Net earned contribution	951,727	20,491,943	2,234,941	2,607,271	26,285,882
Net underwriting income	950,158	20,122,655	2,073,944	1,873,257	25,020,014
Net claims incurred	(11,972)	(19,100,129)	(152,006)	(2,667,428)	(21,931,535)

2010

	Marine and Aviation	Motors	Fire and General Accident	Takaful & Health	Total
Income statement items					
Net earned contribution	410,464	3,761,037	551,330	1,634,290	6,357,122
Net underwriting income	380,532	3,733,056	364,814	966,580	5,444,983
Net claims incurred	(52,678)	(1,903,118)	(102,169)	(453,887)	(2,511,852)

As the Company's activities are performed on an integrated basis, a segmental analysis of assets and liabilities between these segments would not be meaningful.

GEOGRAPHICAL CONCENTRATION

The entire geographical concentration of the Company's assets, liabilities and income statement items as at and for the year ended 31 December 2011 was in Qatar.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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22 POLICY HOLDERS' AND SHAREHOLDERS' ASSETS AND LAIBILITIES

2011

Assets

Cash and bank balances
Investment securities
Contributions receivable
Due from reinsurers
Other receivables and prepayments
Property and equipment

Total assets

Liabilities

Due to reinsurers
Takaful contract liabilities
Murabaha finance
Provisions and other liabilities
Distributable surplus

Total liabilities

Policyholders'	Shareholders'	Total
65,372,630	30,910,391	96,283,021
-	212,787,298	212,787,298
18,641,632	-	18,641,632
223,041	-	223,041
3,608,633	687,243	4,295,876
-	4,529,806	4,529,806
87,845,936	248,914,738	336,760,675
15,322,981	-	15,322,981
39,833,173	-	39,833,173
-	58,658,889	58,658,889
8,827,923	5,021,064	13,848,987
1,142,753	-	1,142,753
65,126,830	63,679,953	128,806,783

2010

Assets

Cash and bank balances
Investment securities
Contributions receivable
Other receivables and prepayments
Property and equipment

Total assets

Liabilities

Due to reinsurers
takaful contract liabilities
Provisions and other liabilities

Total liabilities

Policyholders (Restated)	Shareholders (Restated)	Total (Restated)
14,250,954	79,252,432	93,503,386
-	117,500,908	117,500,908
3,218,245	-	3,218,245
384,850	490,521	875,371
-	6,548,817	6,548,817
17,854,049	203,792,678	221,646,727
4,139,018	-	4,139,018
9,843,733	-	9,843,733
-	4,457,281	4,457,281
14,835,268	4,457,281	18,440,032

STATEMENTS TO THE FINANCIAL STATEMENTS

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STATEMENT OF ASSETS AND LIABILITIES

The following table sets out the maturity profile of the Company's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity Profile

The maturity profile of the Company's assets and liabilities as at 2011 was as follows:

	On demand	Up to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No fixed Maturity	Total
Bank balances	480,945	95,802,077	-	-	-	-	96,283,022
Securities	-	212,787,298	-	-	-	-	212,787,298
Receivables	-	18,641,632	-	-	-	-	18,641,632
Insurers	-	223,041	-	-	-	-	223,041
Liabilities	-	4,295,877	-	-	-	-	4,295,877
Equipment	-	4,529,806	-	-	-	4,529,806	4,529,806
Total	480,945	336,279,731	-	-	-	4,529,806	336,760,676
Insurers	-	15,322,981	-	-	-	-	15,322,981
Contract liabilities	-	39,833,173	-	-	-	-	39,833,173
Finance	-	58,658,889	-	-	-	-	58,658,889
And other liabilities	-	1,142,753	-	-	-	-	1,142,753
Total	-	13,848,987	-	-	-	-	13,848,987
Total	-	128,806,783	-	-	-	-	128,806,783
GAP	480,945	207,472,948	-	-	-	-	207,953,893

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Maturity of Assets and Liabilities (Continued)

Maturity Profile

The maturity profile of the Company's assets and liabilities as at 2010 was as follows:

	On demand	Up to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	No fixed Maturity	Total (Restated)
Bank balances	54,950	93,448,436	-	-	-	-	93,503,386
Securities	-	117,500,908	-	-	-	-	117,500,908
Receivables	-	3,218,245	-	-	-	-	3,218,245
Payables and prepayments	-	875,371	-	-	-	-	875,371
Fixed equipment	-	-	-	-	-	6,548,817	6,548,817
	54,950	215,042,960	-	-	-	6,548,817	221,646,727
Depositors	-	4,139,018	-	-	-	-	4,139,018
Contract liabilities	-	10,546,382	-	-	-	-	10,546,382
Other liabilities	-	3,604,764	-	-	-	-	3,604,764
Provisions	-	149,868	-	-	-	-	149,868
	-	18,440,032	-	-	-	-	18,440,032
GAP	54,950	196,602,928	-	-	-	6,548,817	203,206,695

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

24 RISK MANAGEMENT

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

i) Takaful risk

Takaful risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of takaful liabilities. This could occur because the frequency or amounts of claims are more than expected. The Company manages takaful risk through its underwriting strategy, adequate re-takaful arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the risks underwritten are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

ii) Re-takaful risk

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for re-takaful purposes. Such re-takaful 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 re-takaful is effected under treaty, facultative and excess-of-loss re-takaful contracts.

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

The Company only deals with reinsurers approved by the management, which are generally international companies that are rated by international rating agencies or other GCC securities. Re-takaful 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 re-takaful agreements.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-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.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly Fire & accident and Marine & Aviation risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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24 RISK MANAGEMENT (CONTINUED)

ii) Re-takaful risk (Continued)

Sensitivities

The general insurance claims provisions are sensitive to the key assumptions shown below. 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.

		31 December 2011		31 December 2010	
		Impact on Liabilities	Impact on Profit and Equity	Impact on Liabilities	Impact on Profit and Equity
Incurred claim cost	+ 10%	219,315	(219,316)	25,119	(25,119)
Incurred claim cost	- 10%	(219,315)	219,316	(25,119)	25,119

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 generally resolved within one year.

iii) 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. A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company has been established and policies and procedures are in place to mitigate the Company's exposure to credit risk. Compliance with the 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 Company, other than those relating to re-takaful contracts, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the statement of financial position date. Re-takaful is placed with reinsurers approved by the management, which are generally international securities that are rated by international rating agencies or other GCC securities.

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

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RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Exposure to credit risk

Carrying values presented in the interim financial statements represent the maximum credit exposure for all financial assets of the Company.

The analysis of financial assets:

	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		<90 days	91 to 180 days	Above 181 days		
Bank balances	96,283,022	-	-	-	-	96,283,022
Securities	212,787,298	-	-	-	-	212,787,298
Receivables	-	18,641,632	-	-	-	18,641,632
Payables	-	223,041	-	-	-	223,041
	-	4,295,877	-	-	-	4,295,877
	309,070,320	23,160,550	-	-	-	332,230,870

December 2011

Bank balances
Securities
Receivables
Payables

	Neither past due nor impaired	Past due but not impaired			Past due and impaired	Total
		<90 days	91 to 180 days	Above 181 days		
Bank balances	93,503,386	-	-	-	-	93,503,386
Securities	117,500,908	-	-	-	-	117,500,908
Receivables	-	3,218,245	-	-	-	3,218,245
Payables	-	875,371	-	-	-	875,371
	211,004,294	4,093,616	-	-	-	215,097,910

December 2010

Bank balances
Securities
Receivables
Payables

NOTES TO THE FINANCIAL STATEMENTS
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24 RISK MANAGEMENT (CONTINUED)

iii) Credit risk (continued)

Concentration risk

The Company monitors concentration of credit risk by counter party. Bank balances, deposits and saving accounts are placed with reputed Banks in Qatar. All counter parties relating to financial assets are located in State of Qatar.

Significant exposure is identified as aggregate exposure to a counterparty equal or exceeding 10% of capital resources.

iv) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The maturity profile of the Company's assets and liabilities is shown in note 23.

v) Market risk

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

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Forward exchange contracts are used to hedge the foreign currency exposure of the Company's liabilities payable in foreign currencies. The foreign exchange currency exposure is minimal since all open exchange contracts are hedged and the Company deals mainly in Qatar Riyal and US Dollar.

Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company has fixed rate deposits and Murabaha finance which are not subject to profit rate risk.

Equity price risk

The Company is subject to market risk in relation to fair value through equity investments and investments at fair value through income statement. The Company evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors such as investment manager's periodic reports relating to unquoted equities in order to manage its market risk.

A 10% increase or decrease in market values of the Company's portfolio of fair value through equity investments is expected to result in an increase or decrease of QR 4,975,000 (2010: QR 5,005,000) in the assets and equity of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

24 RISK MANAGEMENT (CONTINUED)

vi) Operational risk

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 Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

vii) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2010.

The capital structure of the Company consists of comprising issued capital, reserves and retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

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25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The table below analyses financial instruments carried at fair value, by valuation method. 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)

	Level 1	Level 2	Level 3	Total
As at 31 December 2011				
Fair value through equity investments	49,750,000	-	-	49,750,000
Investments carried at fair value through income statement	20,000,000	143,037,298	-	163,037,298
	212,787,298	143,037,298	-	212,787,298
As at 31 December 2010				
Fair value through equity investments	50,050,000	-	-	50,050,000
Investments carried at fair value through income statement	20,000,000	47,450,908	-	67,450,908
	70,050,000	47,450,908	-	117,500,908

26 KEY SOURCES OF ESTIMATES UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 takaful contracts**

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to contract holders or third parties for loss resulting from contract holders action. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the income statement in the year of settlement.

- **Impairment of takaful and other receivables**

An estimate of the collectible amount of takaful and other receivables is made when collection of the full amount is no longer probable. This determination of whether these takaful and other receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policy holders and the takaful companies, historical recovery rates including detailed investigations carried out during 2010 and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the income statement. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the income statement at the time of collection.

- **Impairment of investment securities**

Management evaluates its investments for impairment on a regular basis where there is a significant or prolonged decline. Management estimates the value of impairment on a case by case basis and the same is charged in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

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27 COMPARATIVE FIGURES

The comparative figures presented in these financial statements are prepared for the period from 14 October 2009 to 31 December 2010. Hence, they are not fully comparable with the result for the year ended 31 December 2011.

i) Restatements

Certain comparative figures have been restated to rectify the accounting errors that occurred in prior periods and are explained below. The effect of the restatement on the comparative financial statements is summarised below.

	<u>QR.</u>
Shari'a board remuneration not accrued	100,000
Staff bonus not accrued	738,460
Adjustment in accrued income	283,414
Overstatement of investment income	654,752
Erroneously classified AFS investments as Held for trading investments	1,143,215
	<u>2,919,841</u>

As a result, the comparative financial statements have been restated and the impact is given below.

	2010
Increase in staff bonus expense	738,460
Increase in Shari'a board fees	100,000
Decrease in investment income	2,081,381
Decrease in profits	<u>(2,919,841)</u>
Decrease in retained earnings	(2,742,178)
Increase in fair value reserve	1,143,215
Decrease in legal reserve	(177,663)
Decrease in equity	<u>(1,776,626)</u>
Increase in other payables	838,460
Increase in total liabilities	<u>838,460</u>
Decrease in investment securities	(654,752)
Decrease in other prepayments and other receivables	(283,414)
Decrease in total assets	<u>(938,166)</u>

ii) Reclassifications

Certain comparative amounts have been reclassified to conform to the current period's presentation and these reclassifications did not have any impact on profit or equity in the prior periods.