ALKHALEEJ TAKAFUL GROUP مجموعة الخليج التكافلي

AL KHALEEJ TAKAFUL GROUP Q.P.S.C.
DOHA – QATAR

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

AL KHALEEJ TAKAFUL GROUP Q.P.S.C.
DOHA – QATAR

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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Rödl Middle East

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
Al Khaleej Takaful Group (Q.P.S.C)
Doha- Qatar
Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Al Khaleej Takaful Group (Q.P.S.C.) (the "Company") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in participants' fund, consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the applicable provisions of Qatar Central Bank regulations.

Basis for Opinion

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Key audit matters

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

For each matter below our description of how our audit addressed the matters is provided in that context.

Evaluation of unearned contribution reserve, outstanding claims and claims incurred but not reported:

As disclosed in note no. (21) and (22) the group is maintaining three major types of insurance contracts' liabilities within the ordinary course of group's activity, as follows:

- Unearned contribution reserve: The management's estimation of the unearned contribution reserve is based on current insurance industry practices. The Group monitors its contribution growth periodically and ascertain that the difference between the estimated reserve is calculated based on 40% of the net all insurance contacts for all sections except for marine cargo insurance which is calculated at 25%, and the calculated reserve on an actual basis is not materially difference, in case if the group had used the actual inputs.
- Outstanding claims: The outstanding claims estimations are based on assumptions related to the estimated amounts due to contracts holders and other third parties, which arising from claims made under insurance contracts. The actual results may differ from the estimated claims that are changed in future.
- Claims incurred but not reported: The management of the group is estimating the claims incurred but not reported using a particular percentage determined through using historical data and other analysis.
  Furthermore, actuarial assumptions are used for Takaful (life) business, a mathematical reserve is provided as of the end of the reporting period, which is calculated and approved by an external actuarial valuer.

Our audit procedures in this area included, amongst others:

- Reviewing and evaluating the estimations of reserves provided and recorded by management.
- Comparing and testing the outstanding claims and the claims incurred but not reported in the previous years, with that incurred during the current year.
- Assessing whether the related disclosures of this area were adequate in accordance to requirements of the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

INDEPENDENT AUDITOR'S REPORT (Continued)

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the applicable provisions of Qatar Central Bank regulations and for such internal control as the Board determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing, governance and ethical standards of the Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing, governance and ethical standards of the Islamic Financial Institutions issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT (Continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on other legal and regulatory requirements

Further, as required by Qatar Commercial Companies' Law, we are of the opinion that proper books of account have been kept by the Company. We have obtained all the information and explanations we considered necessary for the purpose of our audit. We are not aware of any violations of the provisions of the Qatar Commercial Companies Law no. 11 of 2015 or the terms of the Articles of Association of the companies in the Group or the applicable provisions of Qatar Central Bank regulations having occurred during the year which might have had a material effect on the business of the Company or its financial position as at 31 December 2016.

Rödl & Partner
Middle East
Certified Public Accountants

Rödl & Partner P.O.Box: 4715 Middle East

Hikmat Mukhaimer, FCCA (UK)
(License No. 297)

Doha – Qatar
14 March 2017

Al-KHALEEJ TAKAFUL GROUP Q.P.S.C.
DOHA-QATAR

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (POLICYHOLDERS')
FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	December 31, 2016	December 31, 2015
		QR	QR
CONTRIBUTIONS AND POLICYHOLDERS' REVENUES AND EXPENSES			
Gross contributions	31	301,429,415	333,069,052
Re-takaful share	31	(201,566,319)	(201,849,467)
Retained contributions	31	**99,863,096**	131,219,585
Movement in unearned contributions	31	12,237,218	(257,173)
Net retained contributions	31	**112,100,314**	130,962,412
Re-takaful commission and other takaful income	31	24,120,116	33,715,364
Change in deferred commissions		243,104	--
Net contribution Revenues		**136,463,534**	164,677,776
Claims paid	4	(134,120,929)	(156,124,629)
Re-takaful share of claims paid	4	66,904,956	77,253,085
Net claims paid	4	**(67,215,973)**	(78,871,544)
Movement in outstanding claims	4	1,633,602	(2,508,407)
Movement in Technical Reserves	31	(467,200)	(401,393)
Commission and other takaful expenses	31	(23,981,060)	(28,587,224)
Net Takaful Expenses		**(90,030,631)**	(110,368,568)
SURPLUS FROM TAKAFUL OPERATIONS	31	**46,432,903**	54,309,208
Investment income of takaful policyholders		164,622	2,351,359
Rental income		2,040,000	--
Income From Deposits		139,265	124,721
Dividends income		471,676	--
Total Surplus		**49,248,466**	56,785,288
OTHER EXPENSES			
Wakala fees		(34,084,700)	(37,976,732)
Mudarba fees		(1,407,782)	(940,543)
Other Expenses		(2,167,247)	(1,071,322)
Depreciation	15&16	(1,320,542)	(1,361,237)
		(38,980,271)	(41,349,834)
SURPLUS FOR THE YEAR TRANSFERRED TO PARTICIPANTS' FUND		**10,268,195**	15,435,454

The accompanying notes form an integral part of these consolidated financial statements.

Al-KHALEEJ TAKAFUL GROUP Q.P.S.C.
DOHA-QATAR

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (SHAREHOLDERS')
FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

	Notes	December 31, 2016 QR	2015 QR
SHAREHOLDERS' REVENUES AND EXPENSES			
Claims paid	4	(339,576)	(2,226,059)
Retakaful share of claims paid	4	--	2,082,098
Net claims paid	4	(339,576)	(143,961)
Movement in outstanding claims	4	80,588	136,408
Total Takaful Expenses		**(258,988)**	(7,553)
DEFICIT FROM TAKAFUL OPERATIONS	31	**(258,988)**	(7,553)
Wakala income		34,084,700	37,976,732
Net realized gains on sale of available for sale financial asset	5	9,765,293	11,900,928
Dividend income		21,778,590	26,290,933
Rental income		1,151,081	6,562,675
Mudarib income		1,407,782	940,543
Gain on disposal of investment properties		--	2,268,674
Income from deposits		38,377	18,960
Gain on disposal of property and equipment		--	43,268
Other income		470,812	1,465,989
TOTAL INVESTMENT AND OTHER INCOME		**68,696,635**	87,468,702
General and administrative expenses		(32,241,856)	(35,629,341)
Finance cost		(4,332,295)	(4,973,269)
Depreciation	15&16	(3,671,567)	(3,469,763)
Impairment loss on available for sale financial assets	9	(14,900,639)	--
TOTAL EXPENSES		**(55,146,357)**	(44,072,373)
SHAREHOLDERS' PROFIT FOR THE YEAR		**13,291,290**	43,388,776
Basic Earnings Per Share	8	**0.52**	1.7

The accompanying notes form an integral part of these consolidated financial statements.

Al-KHALEEJ TAKAFUL GROUP Q.P.S.C.
DOHA-QATAR

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR DECEMBER 31, 2016

	December 31,	
	2016	2015
	QR	QR
Profit for the year	**13,291,290**	43,388,776
Other comprehensive loss		
Net change in fair value of available for sale financial assets classified as fair value through equity	(16,783,393)	(95,068,871)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(3,492,103)**	(51,680,095)

The accompanying notes form an integral part of these consolidated financial statements.

AL KHALEEJ TAKAFUL GROUP Q.P.S.C.
DOHA – QATAR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2016

	Notes	December 31, 2016 QR	2015 QR
ASSETS			
Policyholders' assets			
Bank balances and cash	7	4,693,655	13,758,443
Available for sale financial assets	9	20,460,680	14,528,777
Takaful balances receivable	12	50,899,071	65,970,075
Retakaful balances receivable	13	45,410,329	36,022,750
Retakaful share of unearned contributions	21	66,861,602	67,095,018
Retakaful share of gross outstanding claims	22	89,687,233	84,375,307
Other receivables and prepayments	14	69,247,346	46,822,097
Investment properties	15	31,100,274	32,084,216
Property and equipment	16	1,009,800	1,346,400
Total policyholders' assets		**379,369,990**	362,003,083
Shareholders' assets			
Bank balances and cash	7	50,096,736	63,576,232
Time deposits	7	100,000	100,000
Available for sale financial assets	9	308,851,286	322,334,702
Asset held for sale	10	21,454,007	21,454,007
Investments in associate	11	6,870,000	120,000
Takaful balances receivable	12	705,900	--
Retakaful balances receivable	13	384,821	3,562,914
Retakaful share of gross outstanding claims	22	1,617,439	1,778,834
Other receivables and prepayments	14	19,733,214	5,849,688
Investment properties	15	225,082,937	225,800,638
Property and equipment	16	12,843,420	14,322,753
Property under development	17	46,909,235	45,476,550
Total shareholders' assets		**694,648,995**	704,376,318
TOTAL ASSETS		**1,074,018,985**	1,066,379,401

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 (Continued)

	Notes	December 31, 2016	2015
		QR	QR
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES			
Shareholders' equity			
Share capital	18	255,279,024	255,279,024
Legal reserve	19	232,931,770	231,602,641
General reserve		75,477	75,477
Proposed cash dividends	20	15,316,741	25,527,902
Fair value reserve		31,326,979	48,110,372
Retained earnings		4,786,403	9,702,407
Total shareholders' equity		**539,716,394**	570,297,823
Shareholders' liabilities			
Liability arising from insurance contracts:			
Gross outstanding claims	22	**1,414,780**	1,656,761
Islamic bank facilities	23	90,788,036	95,521,600
Accounts payable and other liabilities	24	55,522,782	28,733,321
Retakaful and takaful balances payable	25	372,668	1,144,049
Employees' end of service benefits	26	6,834,335	7,022,764
		153,517,821	132,421,734
Total shareholders' liabilities		**154,932,601**	134,078,495
Shareholders' equity and liabilities		**694,648,995**	704,376,318
Participants' fund			
Surplus (Deficit) in participants' fund		8,562,036	(8,808,346)
Fair value reserve		6,037,954	5,579,844
		14,599,990	(3,228,502)
Policyholders' liabilities			
Liabilities arising from insurance contracts:			
Unearned contributions	21	118,552,916	132,828,925
Gross outstanding claims	22	112,289,796	108,611,473
Claims incurred but not reported	22	4,116,998	3,657,442
		234,959,710	245,097,840
Accounts payable and other liabilities	24	74,388,723	88,105,185
Re-takaful and takaful balances payable	25	55,421,567	32,028,560
		129,810,290	120,133,745
Participants' Fund and Policyholders' liabilities		**379,369,990**	362,003,083
TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES		**1,074,018,985**	1,066,379,401

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Abdulla Bin Ahmed Al Ahmed Al Thani
Vice Chairman

Saud Bin Abdulla Moh'd Jabor Al Thani
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

AL KHALEEJ TAKAFUL GROUP Q.P.S.C.
DOHA – QATAR

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	December 31, 2016 QR	December 31, 2015 QR
OPERATING ACTIVITIES			
Policyholders' surplus for the year		10,268,195	15,435,454
Shareholders' profit for the year		13,291,290	43,388,776
		23,559,485	58,824,230
Adjustments for:			
Adjustment on retained earnings		(842,869)	(119,426)
Adjustment on Policyholder surplus		7,102,187	--
Depreciation	15&16	4,992,109	4,831,000
Income from deposits		(177,642)	(143,681)
Dividend income		(22,250,266)	(26,290,933)
Rental income		(3,191,081)	(6,562,675)
Gain on disposal of property and equipment		--	(43,268)
Provision for employees' end of service benefits	26	860,043	2,772,358
Operating profit before operating changes in assets and liabilities		**10,051,966**	33,267,605
Takaful balances receivable		14,365,104	(8,367,104)
Re-takaful balances receivable		(6,209,486)	1,033,424
Re-takaful's share of outstanding claims		(5,150,531)	(23,451,286)
Change in unearned contributions		(14,042,593)	(51,417)
Other receivable and prepayments		(36,308,775)	(508,262)
Gross outstanding claims		3,436,342	25,823,289
Claims incurred but not reported		459,556	389,750
Accounts payable and other liabilities		12,354,444	(11,337,861)
Re-takaful balances payable		22,621,626	(8,912,005)
Employees' end of service benefits paid	26	(1,048,472)	(2,283,663)
Net cash generated from operating activities		**529,181**	5,602,470
INVESTING ACTIVITIES			
Net movement in available for sale financial assets		(8,773,770)	(43,489,819)
Net movement Investment in associates		(6,750,000)	--
Property under development		(1,432,685)	(25,114,099)
Purchase of investment properties		(569,433)	(42,827,290)
Proceeds on sale of Investment properties		--	98,594,968
Proceeds from disposal of property and equipment		--	78,481
Purchase of property and equipment		(905,100)	(4,344,085)
Dividend received		22,250,266	26,290,933
Rental Income		3,191,081	6,562,675
Income from deposits received		177,642	143,681
Net cash generated from investing activities		**7,188,001**	15,895,445
FINANCING ACTIVITIES			
Net movement in Islamic bank facilities		(4,733,564)	42,208,862
Dividends paid		(25,527,902)	(33,297,264)
Net cash (used in) generated from financing activities		**(30,261,466)**	8,911,598
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(22,544,284)	30,409,513
Cash and cash equivalents at 1 January		77,334,675	46,925,162
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**7**	**54,790,391**	77,334,675

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN PARTICIPANTS' FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Participants' Fund	Fair value reserve	Total
	QR	QR	QR
Balance as at 1 January 2015	**(24,243,800)**	**(54,957)**	**(24,298,757)**
Net change in fair value of available for sale financial assets classified as fair value through equity	--	5,634,801	5,634,801
Surplus for the year	15,435,454	--	15,435,454
Balance as at 31 December 2015	**(8,808,346)**	**5,579,844**	**(3,228,502)**
Net change in fair value of available for sale financial assets classified as fair value through equity	--	458,110	458,110
Surplus for the year	10,268,195	--	10,268,195
Transferred from previous years distributions not received from policyholders	7,102,187	--	7,102,187
Balance as at 31 December 2016	**8,562,036**	**6,037,954**	**14,599,990**

The accompanying notes form an integral part of these consolidated financial statements.

AL KHALEEJ TAKAFUL GROUP Q.P.S.C.
DOHA – QATAR

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

	Share Capital	Legal reserve	General reserve	Proposed cash dividends	Fair value reserve	Retained earnings	Total
	QR	QR	QR	QR	QR	QR	QR
Balance at 1 January 2016	255,279,024	231,602,641	75,477	25,527,902	48,110,372	9,702,407	570,297,823
Profit for the year	--	--	--	--	--	13,291,290	**13,291,290**
Other comprehensive loss	--	--	--	--	(16,783,393)	--	**(16,783,393)**
Total comprehensive income for the year	--	--	--	--	**(16,783,393)**	**13,291,290**	(3,492,103)
Adjustment on retained earnings	--	--	--	--	--	(842,869)	**(842,869)**
Transfer to Legal reserve	--	1,329,129	--	--	--	(1,329,129)	--
Cash dividends paid	--	--	--	(25,527,902)	--	--	**(25,527,902)**
Proposed cash dividends (Note 20)	--	--	--	15,316,741	--	(15,316,741)	--
Board of Directors remuneration (Note 28)	--	--	--	--	--	(386,273)	**(386,273)**
Social and sports fund appropriation (Note 27)	--	--	--	--	--	(332,282)	**(332,282)**
Balance at 31 December 2016	255,279,024	232,931,770	75,477	15,316,741	31,326,979	4,786,403	539,716,394

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

	Share capital QR	Legal reserve QR	General reserve QR	Proposed cash dividends QR	Fair value reserve QR	Retained earnings QR	Total QR
Balance at 1 January 2015	221,981,760	229,422,376	48,971	33,297,264	143,179,243	29,959,713	657,889,327
Profit for the year	--	--	--	--	--	43,388,776	43,388,776
Other comprehensive loss	--	--	--	--	(95,068,871)	--	(95,068,871)
Total comprehensive income for the year	--	--	--	--	(95,068,871)	43,388,776	(51,680,095)
Excess difference in capital increase transferred from legal reserve	--	--	26,506	--	--	--	26,506
Retention to parent company				--	--	(145,932)	(145,932)
Transfer to legal reserve	--	2,180,265	--	--	--	(2,180,265)	--
Cash dividends paid	--	--	--	(33,297,264)	--	--	(33,297,264)
Proposed cash dividends Note 20	--	--	--	25,527,902	--	(25,527,902)	--
Board of Directors remuneration Note 28	--	--	--	--	--	(1,410,000)	(1,410,000)
Social and sports fund appropriation (Note 27)	--	--	--	--	--	(1,084,719)	(1,084,719)
Capital increase during the year	33,297,264	--	--	--	--	(33,297,264)	--
Balance at 31 December 2015	255,279,024	231,602,641	75,477	25,527,902	48,110,372	9,702,407	570,297,823

The accompanying notes form an integral part of these consolidated financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Khaleej Takaful Group Q.P.S.C. (the "Company") is a Qatari shareholding company registered and incorporated in the State of Qatar under Emiri Decree No. 53 issued on 21 December 1978 and listed on the Qatar Exchange. The Company and its subsidiaries (together referred to as the "Group") are engaged in the business of insurance, reinsurance, life insurance and real estate investment.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, all which, have financial reporting years ending on 31 December. The subsidiaries are as follows:

Name of subsidiary	*Ownership*		*Country of Incorporation*	*Principal activities*
	2016	*2015*		
Qatar Takaful Company ("QTC")	**100%**	100%	**Qatar**	Primarily engaged in insurance activities in accordance with Islamic Shari'a principles on a non-usury basis in all areas of insurance.
Mithaq Investments Company ("MIC")	**100%**	100%	**Qatar**	Primarily engaged in real estate and financial investments.

The shareholders manage the participants' investment funds as a Mudarib and share in the realized gains with the policyholders' with following percentages:

50% share of shareholders
50% share of policyholders

In case of a net realized loss on investments in a certain year, the loss is fully borne by the policyholders as approved by the Shari'a Supervisory Board.

The (deficit) surplus attributable to policyholders in the participants' fund represents accumulated (loss) profit on policyholders' operations. Any surplus during the year is fully allocated to the policyholders. The shareholders only share through the Mudarib fee in the realized gains on investments attributable to policyholders.

The consolidated financial statements of Al Khaleej Takaful Group Q.P.S.C. for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 14 March 2017.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the financial accounting standards issued by the accounting and auditing organization for Islamic financial institutions (AAOIFI) and applicable requirements of Qatar Commercial Companies' Law No. 11 of 2015 and the applicable provisions of Qatar Central Bank regulations.

The principal accounting policies adopted in the preparation of these Consolidated financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.1 Basis of preparation (Continued)

A) Statement of compliance

The financial statements have been prepared in accordance with the financial accounting standards issued by the accounting and auditing organization for Islamic financial institutions (AAOIFI) and applicable requirements of Qatar Commercial Companies' Law No. 11 of 2015 and the applicable provisions of Qatar Central Bank regulations.

B) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for available for sale financial assets classified as fair value through equity that have been measured at fair value.

C) Functional and presentation currency

The consolidated financial statements have been presented in Qatar Riyals ("QR") which is the functional and presentation currency of the Group.

D) Use of estimates and judement

The preparation of financial statements in conformity with financial accounting standards issued by the accounting and auditing organization for Islamic financial institutions (AAOIFI) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 consolidated financial statements.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2016.

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

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies

Contributions

Gross contributions written comprise the total contributions receivable for the whole period of cover provided by the contracts entered into during the accounting periods and is recognized on the date on which the policy commences.

Contributions and retakaful contributions are taken into income over the terms of the policies to which they relate. Unearned contributions represent the portion of net contribution written relating to the unexpired period of coverage calculated at 40% of the net contribution for all insurance classes except for marine cargo insurance which is calculated at 25%. The change in the provision for unearned contribution is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Further for Takaful (life) business, a mathematical reserve is provided as of the end of the reporting period, which is calculated and approved by an external actuarial value.

Commissions received and paid

Commissions received and paid are recognized at the time policies are written.

Deferred Commission

It represents the received and paid commissions resulted from subscription in insurance policies, this commissions is deferred with the same percentages as unearned contributions calculated with 40% for all segments and 25% for marine & aviation takaful segment. Such commissions are amortized in its financial year in the profit or loss statement.

Claims

Claims incurred consist of amounts payable to contract holders 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 the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the end of the reporting period.

Any difference between the provisions at the end of the reporting period and settlements and provisions in the following year is included in the underwriting account for that year.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

Claims (Continued)

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months from the end of the reporting period.

Liability adequacy test

At the end of each reporting period, the Group 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 consolidated statement of income.

Retakaful

The Group enters into agreements with other parties for retakaful purposes, in order to minimize financial exposure from large claims, in the normal course of business for all of its business classes. Retakaful contract assets represent balances due from retakaful companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contract.

Retakaful arrangements do not relieve the Group from its obligations to policyholders, this obligations is fully or partially recovering from retakaful.

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

Retakaful 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 retakaful asset, that the Group 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 Group will receive from the retakaful companies. The impairment loss is recorded in the consolidated statement of income.

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

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

Income from deposits

Income from deposits with banks is accounted for on the basis of the Group's share of profits distributed by the banks taking into account the principal outstanding.

Rental income

Rental income is recognized on a straight line basis based on the term of the contract.

Dividend income

Dividend income is recognized when the right to receive the payment is established.

Wakala fees

Al Khaleej Takaful Group Q.P.S.C.

The Company manages the takaful operations on behalf of the participants for a wakala fee calculated as an amount that equals the general and administration, depreciation and finance costs for the year. In the prior years the wakala fee was calculated as a proportion of the gross contributions.

Qatar Takaful Company W.L.L

The Wakala fee is calculated as a proportion of the gross contributions for the year.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists any of cash on hand and bank balances.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

Available for sale financial assets

Available for sale financial assets are initially recognized at cost, being the fair value of the consideration given and including incremental acquisition charges.

Equity type investments classified as fair value through equity are recognized and derecognized, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.
After initial recognition, equity type investments classified as fair value through equity are measured at fair value unless fair value cannot be reliably measured, with unrealized gains or losses reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the consolidated statement of income for the period. For those equity instruments where the Group is unable to determine a reliable measure of fair value on a continuing basis, the investment is measured at cost.
If an equity type investment classified as fair value through equity is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity type instruments classified as fair value through equity are not recognized in the consolidated statement of income.
Investments in debt type instruments are classified and measured at amortized cost and are re-measured using the effective profit rate method.

Investment in an associate

The Group's investment in associate is accounted for under the equity method of accounting. An associate is an entity in which the Group exercises significant influence and which are neither a subsidiary nor joint venture.

Under the equity method of accounting, investment in the associate is carried in the consolidated statement of financial position at cost, plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated statement of income reflects the Group's share of the results of its associate.

Unrealized profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investments in associates held for disposal within twelve months are carried at cost less impairment, if any.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

Investment properties

Land and building are considered as investment properties only when they are being held to earn rentals or capital appreciation or both.

Investment properties are carried at cost less accumulated depreciation calculated on a straight line basis over a period of 20 years. Land held under investment properties is not depreciated.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Property and equipment

Property and equipment is initially recorded at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated.

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

Building	20 years
Furniture, fixtures and office equipments	5 years
Computers	5 years
Vehicles	5 years
Decorations and fittings	5 years
Other capital assets	5 years

Capital work-in-progress is not depreciated.

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.

An item of property, plant and equipment is derecognized 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 consolidated statement of income in the year the asset is derecognized.

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 consolidated statement of income as the expense is incurred.

Impairment and un-collectability of financial assets

An assessment is made at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value through equity, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statement of income;

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

(c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's 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.

Derecognition of financial instruments

Financial assets

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial asset, which is normally the case when the asset is sold, or all the cash flows attributable to the asset are passed through to an independent third party.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Asset held far sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, not through continuing use. This asset may be a component of an entity, a disposal group or an individual non-current asset. An asset that is classified as held for sale is stated at the lower of carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Islamic bank facilities

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

Provisions

Provisions are recognized when the Group 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 consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Significant accounting policies (Continued)

Employees' end of service benefits

End of service gratuity plans

Under the Law No. 14 of 2004, the Group 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 Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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 consolidated 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Fair values

The fair values of financial investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities at the close of business on the end of the reporting period.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

If the fair value cannot be measured reliably, financial instruments are measured at cost.

Judgments

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

Impairment of investments

The Group treats equity type investments classified as fair value through equity as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. "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 Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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:

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to contract holders 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 judgment and uncertainly 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 to predict future claims settlement trends.

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.

Retakaful contract

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

Unearned contribution reserve

The Group's estimate of the unearned contribution reserve is based on current insurance industry practices in Qatar, the Ministry of Business and Trade directives, and other analysis. The Group monitors its contribution growth periodically and ascertain that difference between the estimated calculated based on 40% of the net contribution for all insurance except for marine cargo insurance which is calculated at 25% is not materially different had the Group calculated the reserve on an actual basis.

Takaful contracts

Material judgment is required in determining the liabilities and in the choice of assumptions relating to takaful contracts. Such judgments are determined as appropriate and prudent estimates at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Mortality assumptions are based on past and industry experience. Assumptions are differentiated by sex, underwriting class and policy type. Morbidity assumptions are based on the English table A67-70 ultimate unadjusted.

For Takaful (life) insurance policies, increased mortality rates will lead to a large number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing the profits for the policyholders.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Investment return

The weighted average rate of return is derived based on assumptions consistent with the long-term asset allocation strategy as set out in the product descriptions given to the customers.

Discount rate

Discount rate relate to the time value of money. Discount rate assumptions are based on current observed rates in the market adjusted for default risk. The discount rate assumptions are varied depending on the asset assumed to back the life insurance provisions. The assumptions are revised at each end of the reporting period.

An individual actuarial valuation of Takaful (life) insurance contracts is carried out on an annual basis.

Impairment of takaful and retakaful receivables

An estimate of the collectible amount of takaful and retakaful receivables are 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.

At the end of the reporting period, takaful and retakaful receivables were QR 97,400,121 (2015: QR 105,555,739). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of income.

Useful life of assets

The Group'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 Group.

4. CLAIMS INCURRED

	2016			*2015*		
	Grass	***Retakaful share***	*Net*	*Gross*	*Retakaful share*	*Net*
	QR	***QR***	*QR*	*QR*	*QR*	*QR*
Policyholders						
Claims paid	(134,120,929)	66,904,956	(67,215,973)	(156,124,629)	77,253,085	(78,871,544)
Changes in provision for outstanding claims	(3,675,402)	5,309,004	1,633,602	(33,802,226)	31,293,819	(2,508,407)
	(137,796,331)	**72,213,960**	**(6S,582,371)**	(189,926,855)	108,546,904	(81,379,951)
Shareholders						
Claims paid	(339,576)	--	(339,576)	(2,226,059)	2,082,098	(143,961)
Changes in provision for outstanding claims	(161,394)	241,982	80,588	855,636	(719,228)	136,408
	(500,970)	**241,982**	**(258,988)**	(1,370,423)	1,362,870	(7,553)

5. NET REALI5ED GAINS ON SALE OF AVAILABLE FOR SALE FINANCIAL ASSETS

	December 31,	
	2016	2015
	QR	QR
Realized gains on sale of available for sale financial assets	10,339,497	11,900,928
Realized losses on sale of available for sale financial assets	(574,204)	--
TOTAL	**9,765,293**	11,900,928

6. PROFIT FOR THE YEAR

The profit for the year is stated after charging

	December 31,	
	2016	2015
	QR	QR
Salaries and benefits	**24,295,003**	24,869,779

The depreciation charge in the consolidated statement of income has been presented as follows:

	December 31,	
	2016	2015
Policyholders	**QR**	QR
Investment properties (Note 15)	983,942	11,223
Property and equipment (Note 16)	336,600	1,350,014
	1,320,542	1,361,237
Shareholders		
Investment properties (Note 15)	1,287,134	1,283,617
Property and equipment (Note 16)	2,384,433	2,186,146
	3,671,567	3,469,763

7. Cash & Bank Balances

Cash and bank balances represents a deposits at Islamic banks and current accounts at traditional bank current accounts.

8. EARNING PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	December 31,	
	2016	2015
Profit for the year attributable to the shareholders (QR)	**13,291,290**	43,388,776
Weighted average number of shares	**25,527,902**	25,527,902
Basic earnings per share (QR)	**0.52**	1.7

9. AVAILABLE FOR SALE FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH EQUITY

The carrying amounts of the Group's investments as at 31 December were as follows:

	December 31,	
	2016	2015
	QR	QR
Policyholders		
Quoted investments **		
Local equity shares	12,008,184	11,466,567
Foreign equity Shares	903,504	987,010
Unquoted investments *		
Local equity shares	1,900,000	1,900,000
Foreign equity shares	5,648,992	175,200
	20,460,680	14,528,777
Shareholders		
Quoted investments **		
Local equity shares	228,374,057	250,842,353
Foreign equity shares	1,266,083	23,294,739
Debt securities	360,855	360,855
Unquoted investments *		
Local equity shares	40,991,046	41,704,380
Foreign equity shares	37,513,059	5,786,189
Managed investment portfolio	346,186	346,186
	308,851,286	322,334,702

*Unquoted investment under available for sale financial assets included equity investments and managed portfolios with a value of 86,399,283 QR (2015 : QR 49,911,955) which are carried at cost less impairment, due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value.

** As of December 31, 2016 an amount of QR 14,900,639 has been recorded as an impairment loss on available for sale financial assets which are traded in local market. This impairment loss has been recorded in the consolidated statement of profit or loss (Shareholders).

10. ASSET HELD FOR SALE

The Group management has decided as per recommendation of "Fatwa and Shari'a Supervisory Board" to sold their shares in its associate company "The Bahrain National Life Assurance Company B.S.C" because the company are carrying out a traditional insurance works and based on that, such an investment has been recorded as "asset held for sale" in the shareholders statement of financial position and the final negotiations of selling are in-progress to obtain the highest price, as shown below is a summary of investment in "the Bahrain National Life Assurance Company:-

	Country of incorporatio	*Ownership*	
		2016	2015
The Bahrain National Life Assurance Company B.S.C.	**Kingdom of Bahrain**	**25%**	25%

As of December 31, 2016 the investment in "The Bahrain National Life Assurance Company B.S.C" was amounted to QR 21,454,007 (2015: QR 21,454,007), such an investment was recorded at cost, whereas al-khaleej takaful group share in profits were considered to be not material.

11. INVESTMENTS IN ASSOCIATES

The Group had participated in establishing the Qatari Unified Bureau Insurance W.L.L, and the Group's share at establishing date was 20% valued at QR. 120,000. During 2016 the Group acquired additional 5% of shares of the Qatari Unified Bureau Insurance W.L.L. on QR. 6,750,000 against its share of profits for the Qatari Unified Bureau Insurance W.L.L as of December 31, 2016.

12. TAKAFUL BALANCES RECEIVABLE

	December 31,	
	2016	2015
Policyholders	**QR**	QR
Due from companies	48,634,344	55,460,825
Due from individuals	1,553,489	1,350,840
Due from the Government	3,174,093	11,869,385
Less: Provision for doubtful Debts	(2,462,855)	(2,710,975)
	50,899,071	65,970,075
Shareholders		
Due from companies	776,740	70,840
Due From individuals	38,545	38,545
Due from the Government	18	18
Less: provision for doubtful Debts	(109,403)	(109,403)
	705,900	--

13. RETAKAFUL BALANCES RECEIVABLE

	December 31,	
	2016	2015
Policyholders	**QR**	QR
Due from local reinsurers	22,025,199	13,519,603
Due from foreign reinsurers	23,558,683	22,579,715
Less: provision for Doubtful Debts	(173,553)	(76,568)
	45,410,329	36,022,750
Shareholders		
Due from local reinsurers	384,821	3,562,914
Due from foreign reinsurers	96,985	96,985
Less: provision for doubtful Debts	(96,985)	(96,985)
	384,821	3,562,914

The balance represents the amounts due from reinsurers relating to claims already paid by the Group and substantially all of the amounts are expected to be received within twelve months from the end of the reporting period.

14. OTHER RECIEBABLES AND PREPAYMENTS

	December 31,	
	2016	2015
Policyholders	**QR**	QR
Advances Paid to Suppliers	17,998,961	17,327,299
Due from shareholders	28,478,790	9,177,387
Refundable deposits	356,000	356,000
Employee advances	643,265	726,930
Prepaid expenses	90,247	90,247
Others	21,680,083	19,144,234
	69,247,346	46,822,097
Shareholders		
Employee advances	731,442	802,150
Refundable deposits	257,519	676,142
Prepaid expenses	90,221	708,275
Accrued income	290,206	416,945
Others	18,363,826	3,246,176
	19,733,214	5,849,688

15. INVESTMENT PROPERTIES

	December 31,	
	2016	2015
Policyholders	**QR**	QR
Cost:		
At 1 January	32,095,439	49,663,817
Transfer to projects	--	(49,663,817)
Additions	--	32,095,439
At 31 December	**32,095,439**	32,095,439
Accumulated depreciation:		
At 1 January	11,223	49,663,817
Provided during the year	983,942	11,223
Transfer to Al-wakeer Land Policyholders	--	(49,663,817)
At 31 December	**995,165**	11,223
Net carrying amount At 31 December	**31,100,274**	32,084,216
Shareholders		
Cost:		
At 1 January	230,911,238	269,110,538
Additions	569,433	10,731,851
Disposals	--	(48,931,151)
At 31 December	**231,480,671**	230,911,238
Accumulated depreciation:		
At 1 January	5,110,600	3,826,983
Provided during the year	1,287,134	1,283,617
At 31 December	**6,397,734**	5,110,600
Net carrying amount At 31 December	**225,082,937**	225,800,638

Fair value of investment properties are higher than its cost based on the last evaluation made by external valuer, in which the fair value of investment properties has reached to an amount of QR 372,029,040.

Rental Income of Investment Properties for the year ended December 31, 2016 amounted to QR 1,151,081 (2015: QR 6,562,675)

16. PROPERTY AND EQUIPMENT

	Computers	Total
Policyholders	**QR**	**QR**
Cost:		
At 1 January 2016	2,777,628	**2,777,628**
Additions	--	--
Disposals	--	--
At 31 December 2016	**2,777,628**	**2,777,628**
Accumulated depreciation:		
At 1 January 2016	1,431,228	**1,431,228**
Provided during the year	336,600	**336,600**
Related to disposals	--	--
At 31 December 2016	**1,767,828**	**1,767,828**
Net carrying amount		
At 31 December 2016	**1,009,800**	**1,009,800**

16. PROPERTY AND EQUIPMENT (continued)

Shareholders	Land	Building	Furniture and fixtures	Computers	Vehicles	Other Current assets	Total
	QR	QR	QR	QR	QR	QR	QR
Cost:							
At 1 January 2016	6,251,500	12,585,383	8,264,642	5,162,483	2,481,000	95,989	34,840,997
Additions	--	--	378,397	234,703	292,000	--	905,100
At 31 December 2016	**6,251,500**	**12,585,383**	**8,643,039**	**5,397,186**	**2,773,000**	**95,989**	**35,746,097**
Depreciation:							
At 1 January 2016	--	11,889,473	3,153,001	4,359,633	1,020,148	95,989	20,518,244
Provided during the year	--	62,095	1,382,302	475,342	464,694	--	2,384,433
At 31 December 2016	**--**	**11,951,568**	**4,535,303**	**4,834,975**	**1,484,842**	**95,989**	**22,902,677**
Net carrying amount							
At 31 December 2016	**6,251,500**	**633,815**	**4,107,736**	**562,211**	**1,288,158**	**--**	**12,843,420**

16. PROPERTY AND EQUIPMENT (Continued)

Policyholders	Computers	Total
	QR	QR
Cost:		
At 1 January 2015	574,447	574,447
Additions	2,692,800	2,692,800
Disposals	(489,619)	(489,619)
At 31 December 2015	2,777,628	2,777,628
Depreciation:		
At 1 January 2015	537,401	537,401
Provided during the year	1,350,014	1,350,014
Related to disposals	(456,187)	(456,187)
At 31 December 2015	1,431,228	1,431,228
Net carrying amount		
At 31 December 2015	1,346,400	1,346,400

16. PROPERTY AND EQUIPMENT (continued)

Shareholders	Land	Building	Furniture and fixtures	Computers	Vehicles	Other Current assets	Total
	QR	QR	QR	QR	QR	QR	QR
Cost:							
At 1 January 2015	6,251,500	12,585,383	8,108,647	4,898,242	1,630,500	95,989	33,570,261
Additions	--	--	164,544	264,241	1,222,500	--	1,651,285
Disposals	--	--	(8,549)	--	(372,000)	--	(380,549)
At 31 December 2015	**6,251,500**	**12,585,383**	**8,264,642**	**5,162,483**	**2,481,000**	**95,989**	**34,840,997**
Depreciation:							
At 1 January 2015	--	11,827,549	1,862,428	3,870,117	1,054,783	95,989	18,710,866
Provided during the year	--	61,924	1,297,342	489,516	337,364	--	2,186,146
Relating to disposals	--	--	(6,769)	--	(371,999)	--	(378,768)
At 31 December 2015	**--**	**11,889,473**	**3,153,001**	**4,359,633**	**1,020,148**	**95,989**	**20,518,244**
Net carrying amount							
At 31 December 2015	**6,251,500**	**695,910**	**5,111,641**	**802,850**	**1,460,852**	**--**	**14,322,753**

17. PROPERTY UNDER DEVELOPMENT

	December 31,	
	2016	2015
	QR	QR
At 1 January	45,476,550	173,700
Additions	1,432,685	45,302,850
At 31 December	**46,909,235**	45,476,550

18. SHARE CAPITAL

	Issued and fully paid up	*Issued and fully paid up*
	2016	*2015*
Share capital of QR 10 each (QR)	**255,279,024**	255,279,024
No. of shares of QR 10 each (Nos.)	**25,527,902**	25,527,902

19. LEGAL RESERVE

As required by Qatar Commercial Companies' Law No 11 of 2015 and the applicable provisions of Qatar Central Bank regulations, article no. (9.4.4) and as well as the Group's Articles of Association which stated that 10% of the net profit for the year should be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 100% of the issued and paid share capital. This reserve is not available for distribution except in circumstances stipulated in the commercial Companies' law and the applicable provisions of Qatar Central Bank regulations.

20. PROPOSED CASH DIVIDENDS

The Board of directors has proposed a cash dividend of 6% of the nominal share value (QR 0.6 per share) from share capital as of December 31, 2016 with an amount of QR 15,316,741. The proposed amounts are subject to the approval of the general assembly, for the year 2015, the board of directors had proposed cash dividends 10% of the nominal share value (QR 1 per share) with an amount of QR 25,527,902 and approved by the general assembly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

21. Unearned Contributions

	2016			2015		
Policyholders	***Gross*** **QR**	***Retakaful Share*** **QR**	**Net QR**	Gross QR	*Retakaful Share* QR	Net QR
Unearned contributions	101,605,592	(66,861,602)	34,743,990	113,108,081	(67,095,018)	46,013,063
Takaful policies reserve	16,947,324	--	16,947,324	19,720,844	--	19,720,844
	118,552,916	**(66,861,602)**	**51,691,314**	132,828,925	(67,095,018)	65,733,907

22. OUTSTANDING CLAIMS

The movements in the provision for outstanding claims and related retakaful share were as follows:

	2016			2015		
Policyholders	***Gross QR***	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
At 1 January						
Claims outstanding	108,611,473	(84,375,307)	24,236,166	81,932,548	(60,204,794)	21,727,754
Claims incurred but not reported	3,657,442	--	3,657,442	3,267,693	--	3,267,693
	112,268,915	**(84,375,307)**	**27,893,608**	85,200,241	(60,204,794)	24,995,447
Claims paid during the year	(134,120,929)	66,904,956	(67,215,973)	(156,124,629)	77,253,085	(78,871,544)
Claims incurred during the year	138,258,808	(72,216,882)	66,041,926	183,193,303	(101,423,598)	81,769,705
At 31 December	**116,406,794**	**(89,687,233)**	**26,719,561**	112,268,915	(84,375,307)	27,893,608

22. OUTSTANDING CLAIMS (CONTINUED)

	2016			*2015*		
Shareholders	***Gross QR***	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
Claims outstanding	1,656,761	(1,778,834)	(122,073)	2,512,396	(2,498,061)	14,335
Claims Incurred but not Reported	--	--	--	--	--	--
	1,656,761	**(1,778,834)**	**(122,073)**	2,512,396	(2,498,061)	14,335
Claims paid during the year	(339,576)	--	(339,576)	2,226,059	(2,082,098)	143,961
Incurred Claims During the Year	97,595	161,395	258,990	(3,081,694)	2,801,325	(280,369)
At 31 December	**1,414,780**	**(1,617,439)**	**(202,659)**	1,656,761	(1,778,834)	(122,073)

22. OUTSTANDING CLAIMS (CONTINUED)

Analysis of outstanding claims at 31 December,

	2016			2015		
Policyholders	***Gross QR***	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
Claims outstanding	112,289,796	(89,687,233)	22,602,563	108,611,473	(84,375,307)	24,236,166
Claims incurred but not reported	4,116,998	--	4,116,998	3,657,442	--	3,657,442
At 31 December	**116,406,794**	**(89,687,233)**	**26,719,561**	112,268,915	(84,375,307)	27,893,608

Analysis of outstanding claims at 31 December,

	2016			2015		
Shareholders	***Gross QR***	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
Claims outstanding	1,414,780	(1,617,439)	(202,659)	1,656,761	(1,778,834)	(122,073)
At 31 December	**1,414,780**	**(1,617,439)**	**(202,659)**	1,656,761	(1,778,834)	(122,073)

The Group estimates its takaful liabilities and retakaful assets principally based on previous experience. Claims requiring court of arbitration decisions are estimated individually. Independent loss adjusters generally estimate property Claims.

23. ISLAMIC BANK FACILITIES

	December 31,	
	2016	2015
	QR	QR
Shareholders		
Islamic Facility (1)	55,800,000	55,800,000
Islamic Facility (2)	34,988,036	39,721,600
	90,788,036	95,521,600

The Group has obtained above facilities from one of Islamic financial institutions to finance the subsidiary company "Mithaq investment company" and it about:

1. A facility with an amount of QR 55,800,000 with a profit percentage of 4.75%. The facility has been rescheduled as per which the period of facility settlement will be 5 years ended at June 2021.

2. A facility with an amount of QR 34,988,036 with a profit percentage of 4% to finance an investment property building that has been paid directly to the building contractor in two installments. The period of settlement will be 7 years ended at July 2022.

24. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	December 31,	
	2016	2015
Policyholders	**QR**	QR
Accruals and provisions	59,632,034	65,392,915
Other payables	14,756,689	22,712,270
Total	**74,388,723**	88,105,185
Shareholders		
Dividends payable	7,762,740	6,101,855
Due to policyholders	28,478,790	--
Provision for Social and Sports activities Contribution	332,282	1,084,719
Board of Directors remuneration Payable	386,273	1,410,000
Other Payables	18,562,697	20,136,747
Total	**55,522,782**	28,733,321

25. TAKAFUL AND RETAKAFUL PAYABLES

	December 31,	
	2016	2015
	QR	QR
Policyholders		
Due to companies and brokers	55,421,567	32,028,560
Total	**55,421,567**	32,028,560
Shareholders		
Due to companies, individuals and brokers	372,668	1,144,049
	372,668	1,144,049

26. EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognized in the consolidated statement of financial position are as follows:

	December 31,	
	2016	2015
	QR	QR
Policyholders		
At 1 January	--	1,152,697
Provided during the year	--	--
End of service benefits paid	--	(1,152,697)
At 31 December	--	--
Shareholders		
At 1 January	7,022,764	5,381,372
Provided during the year	860,043	2,772,358
End of service benefits paid	(1,048,472)	(1,130,966)
Provision Balance At 31 December	**6,834,335**	7,022,764

27. SOCIAL AND SPORTS FUND

During the year, the Group made an appropriation from retained earnings of QR 332,282 (2015: QR 1,084,719) to the Box of Social and Sports Development Activities. The appropriation represents 2.5% of the net profit attributable to shareholders for the year ended December 31, 2016. During the year, the 2015 Provision amount has been remitted to the Public Revenues and Taxes Department.

28. RELATED PARTY DISCLOSURES

Related parties represent major shareholders, directors, associate company and key management personnel of the Group. Pricing policies and the conditions related to the same transactions has been approved with the same specified prices for the company customers.

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

	December 31,			
	2016		2015	
	Premiums QR	**Claims QR**	Premiums QR	Claims QR
Major shareholders	37,091,143	612,390	502,109	--
Directors and key management personnel	242,192	--	382,265	--
	37,333,335	**612,390**	884,374	--

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

	December 31,			
	2016		2015	
	Accounts Receivables	**Claims and payables**	Accounts Receivables	Claims and payables
	QR	**QR**	QR	QR
Major shareholders	805,721	(3,673,871)	1,662,865	(51,875)
Directors and key management personnel	311,839	--	773,525	(41,278)
	1,117,560	**(3,673,871)**	2,436,390	(93,153)

Balances due to and from related parties are reported on a net basis as the Group has the legal right to offset these amounts and intends to settle on a net basis.

28. RELATED PARTY DISCLOSURES (CONTINUED)

Compensation of key management personnel

The remuneration of directors during the year were as follows:

	December 31,	
	2016	2015
	QR	QR
Board of Directors remuneration	386,273	1,410,000
Short-term benefits	170,000	3,446,000
	556,273	4,856,000

The Board of Directors decided the payment of QR 386,273 as remuneration to the Board members for the year 2016 (2015: QR 1,410,000). The above-mentioned remuneration will be recognized as profits distribution for 2016.

29. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include 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 investments carried at cost (see Note 9), are not materially different from their carrying values.

The Group 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:

December 31, 2016	*Level 1* *QR*	*Level 2* *QR*	*Level 3* *QR*	*Total* *QR*
Financial asset				
Investment securities	308,851,286	--	--	308,851,286
Total	**308,851,286**	**--**	**--**	**308,851,286**

December 31, 2015	*Level 1* *QR*	*Level 2* *QR*	*Level 3* *QR*	*Total* *QR*
Financial asset				
Investment securities in Fair Value	322,334,702	--	--	322,334,702
Total	**322,334,702**	--	--	**322,334,702**

During the year ended December 31, 2016, 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.

30. RISK MANAGEMENT

The risks faced by the Group and the way these risks are mitigated by management are summarized below:

Takaful risk

The principal risk the Group faces under takaful 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 Group 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 takaful contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements. Assists in reducing the Group share from claims paid and also make a study of presenting new insurance products that has a less risk percentages in addition to establish a risk policy for the insurance segments through making contracts with international companies that has an experience in the same field.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly fire and general accident, motor and marine and 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. This helps to mitigate takaful 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, during last years the group released policies only for proprieties contains fire alarm and approved certificates from the official authorities.

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.

Motor

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. Substantially, all of the motor contracts relate to private individuals.

The blood money for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine and aviation

Marine and aviation insurance is designed to compensate contract holders for damage and liability arising through loss or damage to aviation craft, marine hull and accidents at sea resulting in total or partial loss of cargoes.

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

30. RISK MANAGEMENT (CONTINUED)

Takaful risk (Continued)

Retakaful risk

Similar to other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful 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 retakaful is affected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimize its exposure to significant losses from retakaful companies' insolvencies, the Group evaluates the financial condition of its retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful companies and making a list of retakaful that has a highly level certificates from international specialized companies.

Retakaful ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the retakaful agreements. The two largest retakaful companies account for 30% of the maximum credit exposure at 31 December 2016 (2015: 37%).

Concentration of risks

The Group's insurance risk relates to policies written in the State of Qatar only. The segmental concentration of insurance risk is set out in Note 31.

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, an element of the claims provision relates to incurred but not reported claims (IBNR) which are settled over a short to medium term period.

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

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The 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 comprises a provision for IBNR and a provision for reported claims not yet paid as at the statement of financial position date.

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.

Sensitivity of changes in assumption

The Group 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 Group to multiple insurance risks. The Group has adequately reinsured for insurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the consolidated statement of income (2015: Same effect).

30. RISK MANAGEMENT (CONTINUED)

Financial Risk

The Group's principal instruments are investment securities, receivables arising from takaful and retakaful contracts and cash and cash equivalents.

The Group does not enter into derivative transactions.

The main risks arising from the Group'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:

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 Group 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 financial asset due in foreign currencies included under reinsurance balances receivable.

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 Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to customers by monitoring outstanding receivables. Premiums and receivables comprise a large number of customers mainly within the State of Qatar. Four companies account for 25% of the receivable arising from insurance contracts as of 31 December 2016 (2015: 24%). Two retakaful companies account for 30% of the retakaful balances receivable as of 31 December 2016 (2015: 37%).

The Group manages credit risk on its investments by ensuring that investments are only made in counter-parties that have a good credit rating. The Group 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 consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting.

	December 31,	
	2016	2015
	QR	QR
Bank balances	54,790,391	77,334,675
Debt securities	360,855	360,855
Retakaful contract assets	203,961,424	192,834,823
Receivables arising from takaful contracts and other receivables	140,585,531	118,641,860
	399,698,201	389,172,213

30. RISK MANAGEMENT (CONTINUED)

Financial Risk (Continued)

The following table provides an age analysis of unimpaired financial assets as at December 31,:

			Past due but not impaired			
	Total QR	***Neither past due nor impaired QR***	***< 4 months QR***	***5 –8 months QR***	***9 – 12 months QR***	***>12 months QR***
2016	**97,400,121**	**41,955,704**	**15,431,861**	**13,296,821**	**8,503,205**	**18,212,530**
2015	105,555,739	45,468,787	16,724,019	14,410,206	9,215,205	19,737,522

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

Liquidity risk

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

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

	31 December 2016				*31 December 2015*			
	Less than one year QR	***More than one year QR***	***No term QR***	***Total QR***	*Less than one year QR*	*More than one year QR*	*No term QR*	*Total QR*
Liabilities arising from takaful contracts	118,552,916	--	117,821,574	236,374,490	132,828,925	--	113,925,676	246,754,601
Retakaful balance payable	55,794,235	--	--	55,794,235	33,172,609	--	--	33,172,609
Islamic bank facilities	18,282,958	72,505,078	--	90,788,036	39,721,600	55,800,000	--	95,521,600
Provisions, takaful and other payables	136,745,840	--	--	136,745,840	123,861,270	--	--	123,861,270
	329,375,949	**72,505,078**	**117,821,574**	**519,702,601**	329,584,404	55,800,000	113,925,676	499,310,080

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

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

A 5% change in the prices of equities, with all other variables held constant, would impact equity by QR 15,424,521 (2015: QR 16,098,692). There would be no impact on the consolidated statement of income as all equity instruments are classified as fair value through equity, unless impaired.

Capital management

Capital requirements are set and regulated by the Qatar Commercial Companies' Law and the applicable provisions of Qatar Central Bank regulations. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders or issue capital securities.

The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies and processes from the previous year.

The Group monitors capital on the basis of the carrying amount of equity less cash and bank balances as follows:

	December 31,	
	2016	2015
	QR	QR
Total equity	539,716,394	570,297,823
Cash and cash equivalents	(54,790,391)	(77,334,675)
	484,926,003	492,963,148

31. SEGMENT INFORMATION

For management purposes, the Group is organized into five business segments, Marine and Aviation, Fire, General Accident, Motor, and Life Insurance.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net underwriting results and the claims paid and the retention rates and other technical matters.

Other operations of the Group comprise investment and cash management for the Group's own account. There are no transactions between segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

31. SEGMENT INFORMATION (CONTINUED)

The data with respect to segment information is as follows:

	Marine & Aviation		*General Accident+Eng.+Fire*		*Life +Medical*		*Motor Vehicles*		*Total*	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	QR	QR	**QR**	QR	**QR**	QR	**QR**	QR	**QR**	QR
Revenues										
Gross contributions	10,570,933	11,945,558	117,897,967	126,152,782	81,170,437	64,977,387	91,790,078	129,993,325	301,429,415	333,069,052
Retakaful share of gross contribution	(9,425,705)	(10,551,897)	(110,911,648)	(120,369,992)	(63,200,760)	(46,150,518)	(18,028,206)	(24,777,060)	(201,566,319)	(201,849,467)
Retained contributions	**1,145,228**	**1,393,661**	**6,986,319**	**5,782,790**	**17,969,677**	**18,826,869**	**73,761,872**	**105,216,265**	**99,863,096**	**131,219,585**
Movement in unearned contributions	86,441	(4,385)	(382,466)	655,943	(277,423)	1,209,480	12,810,666	(2,118,211)	12,237,218	(257,173)
Net retained contributions	**1,231,669**	**1,389,276**	**6,603,853**	**6,438,733**	**17,692,254**	**20,036,349**	**86,572,538**	**103,098,054**	**112,100,314**	**130,962,412**
Retakaful commission and other takaful income	2,947,497	3,476,698	16,048,495	13,579,988	758,065	8,045,704	4,366,059	8,612,974	24,120,116	33,715,364
Changes in deferred commision	(674,704)	--	(5,310,994)	--	4,156,571	--	2,072,231	--	243,104	--
Total revenue	**3,504,462**	**4,865,974**	**17,341,354**	**20,018,721**	**22,606,890**	**28,082,053**	**93,010,828**	**111,711,028**	**136,463,534**	**164,677,776**
Expenses										
Claims paid	(3,846,597)	(4,036,301)	(25,296,999)	(19,958,774)	(36,226,026)	(46,121,574)	(69,090,883)	(88,234,039)	(134,460,505)	(158,350,688)
Retakaful share of claims paid	3,285,223	3,740,123	21,876,972	17,348,280	33,126,676	42,193,852	8,616,085	16,052,928	66,904,956	79,335,183
Net claims paid	**(561,374)**	**(296,178)**	**(3,420,027)**	**(2,610,494)**	**(3,099,350)**	**(3,927,722)**	**(60,474,798)**	**(72,181,111)**	**(67,555,549)**	**(79,015,505)**
Movement in claims outstanding	403,843	(228,705)	(412,443)	(1,702,592)	(170,690)	(94,822)	1,893,480	(345,880)	1,714,190	(2,371,999)
Movement in technical reserve	59,517	(37,505)	(148,027)	(230,101)	(40,370)	(25,869)	(338,320)	(107,918)	(467,200)	(401,393)
Commission and other takaful expenses	(665,435)	(729,508)	(3,347,014)	(2,930,086)	(10,412,913)	(11,043,592)	(9,555,698)	(13,884,038)	(23,981,060)	(28,587,224)
Total expenses	**(763,449)**	**(1,291,896)**	**(7,327,511)**	**(7,473,273)**	**(13,723,323)**	**(15,092,005)**	**(68,475,336)**	**(86,518,947)**	**(90,289,619)**	**(110,376,121)**
Surplus from takaful operations	**2,741,013**	**3,574,078**	**10,013,843**	**12,545,448**	**8,883,567**	**12,990,048**	**24,535,492**	**25,192,081**	**46,173,915**	**54,301,655**

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

31. SEGMENT INFORMATION (CONTINUED)

Revenues, expenses, assets and liabilities of the parent company and its subsidiaries for the year ended 31 December are as follows:

	31 December 2016							
	Al Khaleej Takaful Group		*Qatar Takaful Company*		*Mithaq Investments Company*	*Total*		
	Policyholders QR	*Shareholders QR*	*Policyholders QR*	*Shareholders QR*	*Shareholders QR*	*Policyholders QR*	*Shareholders QR*	*Grand Total QR*
Revenues								
Gross contributions	299,452,703	--	1,976,712	--	--	301,429,415	--	301,429,415
Retakaful share of gross contributions	(200,226,027)	--	(1,340,292)	--	--	(201,566,319)	--	(201,566,319)
Retained contributions	**99,226,676**	--	**636,420**	--	--	**99,863,096**	--	**99,863,096**
Movement in unearned contributions	12,087,803	--	149,415	--	--	12,237,218	--	12,237,218
Net retained contributions	**111,314,479**	--	**785,835**	--	--	**112,100,314**	--	**112,100,314**
Retakaful commissions and other takaful income	23,651,624	--	468,492	--	--	24,120,116	--	24,120,116
Changes in deferred contribution	358,211	--	(115,107)	--	--	243,104	--	243,104
Total takaful revenue	**135,324,314**	--	**1,139,220**	--	--	**136,463,534**	--	**136,463,534**
Expenses								
Claims paid	(128,274,148)	(339,576)	(5,846,781)	--	--	(134,120,929)	(339,576)	(134,460,505)
Retakaful share of claims paid	66,230,571	--	674,385	--	--	66,904,956	--	66,904,956
Net claims paid	**(62,043,577)**	**(339,576)**	**(5,172,396)**	--	--	**(67,215,973)**	**(339,576)**	**(67,555,549)**
Movement in outstanding claims	(561,752)	80,588	2,195,354	--	--	1,633,602	80,588	1,714,190
Movement in technical reserves	(317,341)	--	(149,859)	--	--	(467,200)	--	(467,200)
Commission paid and other takaful expenses	(23,885,637)	--	(95,423)	--	--	(23,981,060)	--	(23,981,060)
Total takaful expenses	**(86,808,307)**	**(258,988)**	**(3,222,324)**	--	--	**(90,030,631)**	**(258,988)**	**(90,289,619)**
Surplus from takaful operations	**48,516,007**	**(258,988)**	**(2,083,104)**	--	--	**46,432,903**	**(258,988)**	**46,173,915**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

31. SEGMENT INFORMATION (CONTINUED)

	31 December 2015							
	Al Khaleej Takaful Group		*Qatar Takaful Company*		*Mithaq Investments Company*	*Total*		*Grand Total*
	Policyholders QR	*Shareholders QR*	*Policyholders QR*	*Shareholders QR*	*Shareholders QR*	*Policyholders QR*	*Shareholders QR*	*QR*
Revenues								
Gross contributions	330,710,695	--	2,358,357	--	--	333,069,052	--	333,069,052
Retakaful share of gross contributions	(199,168,587)	--	(2,680,880)	--	--	(201,849,467)	--	(201,849,467)
	131,542,108		(322,523)			131,219,585		131,219,585
Retained contributions		--		--	--		--	
Movement in unearned contributions	(7,430,197)	--	7,173,024	--		(257,173)	--	(257,173)
Net retained contributions	124,111,911	--	6,850,501	--	--	130,962,412	--	130,962,412
Retakaful commissions and other takaful income	26,801,759	--	6,913,605	--	--	33,715,364	--	33,715,364
Total takaful revenue	150,913,670	--	13,764,106	--	--	164,677,776	--	164,677,776
Expenses								
Claims paid	(139,276,138)	(2,226,059)	(16,848,491)	--	--	(156,124,629)	(2,226,059)	(158,350,688)
Retakaful share of claims paid	69,832,534	2,082,098	7,420,551	--	--	77,253,085	2,082,098	79,335,183
Net claims paid	(69,443,604)	(143,961)	(9,427,940)	--	--	(78,871,544)	(143,961)	(79,015,505)
Movement in outstanding claims	(3,483,302)	136,408	974,895	--	--	(2,508,407)	136,408	(2,371,999)
Movement in technical reserve	(401,393)	--	--	--	--	(401,393)	--	(401,393)
Commission paid and other takaful expenses	(28,070,230)	--	(516,994)	--	--	(28,587,224)	--	(28,587,224)
Total takaful expenses	(101,398,529)	(7,553)	(8,970,039)	--	--	(110,368,568)	(7,553)	(110,376,121)
Surplus from takaful operations	49,515,141	(7,553)	4,794,067	--	--	54,309,208	(7,553)	54,301,655

32. COMMITMENTS AND CONTINGENCIES

Guarantees

At 31 December 2016, the Group had contingent liabilities in respect of tender guarantees and other guarantees amounting to QR 1,370,305 (2015: QR 21,716,158) from which it is anticipated that no material liabilities will arise.

Legal claims

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

33. COMPARATIVE FIGURES

Certain comparative figures of the previous year have been reclassified to conform to the current year's presentation. The changes have been made to improve the quality of the information presented and does not affect the previously reported net profit or equity.

34. OTHER EVENTS

According to the decision no (1) for year 2014 of Qatar Central bank governor, the insurance policies of properties issued by Qatar Takaful Company transferred to Alkhaleej Takaful Group including all rights and obligations related to these policies.