QATAR GENERAL INSURANCE AND REINSURANCE COMPANY S.A.Q.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
Qatar General Insurance and Reinsurance Company S.A.Q.
Doha, State of Qatar

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Qatar General Insurance and Reinsurance Company S.A.Q. ("the Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the directors for the consolidated financial statements
The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained thereon is consistent with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as of 31 December 2010. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

05 February 2011
Doha
State of Qatar

Ahmed Hussain
KPMG
Qatar Auditors' Registry No. 197

Qatar General Insurance and Reinsurance Company S.A.Q.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010 In thousands of Qatari Riyals

	Note	2010	2009 (Restated)*	2008 (Restated)*
ASSETS				
Cash and cash equivalents	5	54,402	110,007	162,328
Statutory deposits	6	6,000	6,000	6,000
Insurance and other receivables	7	272,921	191,805	159,211
Due from related parties	8 (a)	140,465	116,395	20,057
Reinsurance contract assets	9	402,342	354,822	435,683
Investments - Held for trading	10	70,093	44,991	42,298
Investments - Available for sale	10	909,398	709,907	744,711
Investment properties	11	1,667,832	1,617,850	1,552,323
Investment in associates	12	238,386	231,524	183,669
Takaful participants' assets	13	92,722	59,095	25,945
Property and equipment	14	21,317	20,959	17,826
TOTAL ASSETS		**3,875,878**	3,463,355	3,350,051
LIABILITIES				
Accounts payables	15	172,460	167,103	139,073
Insurance contract liabilities	9	598,434	558,721	645,966
Short term borrowings	16	357,143	262,962	158,385
Other liabilities	17	120,880	137,240	158,506
Employees' end of service benefits	18	18,898	20,284	19,294
Due to related parties	8 (b)	29,148	11,167	1,137
Takaful fund and participants' liabilities	13	92,722	59,095	25,945
TOTAL LIABILITIES		1,389,685	1,216,572	1,148,306
EQUITY				
Share capital	19	319,688	255,750	204,600
Legal reserve	20	88,867	80,260	57,633
Fair value reserve	21	581,469	383,178	410,536
Revaluation reserve	22	77,355	77,355	77,355
Foreign currency translation reserve	23	(13,065)	(1,663)	(924)
Retained earnings		1,431,465	1,451,403	1,452,545
Total equity attributable to equity holders		2,485,779	2,246,283	2,201,745
Non-controlling interest	26	414	500	-
TOTAL EQUITY		2,486,193	2,246,783	2,201,745
TOTAL LIABILITIES & EQUITY		**3,875,878**	3,463,355	3,350,051

These consolidated financial statements were approved by the Board of Directors and were signed on their behalf by the following on 05 February 2011.

Sheikh Nasser Bin Ali Bin Saud Al Thani
Chairman and Managing Director

Member of the Board

* Refer note 2 (e).
The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Qatar General Insurance and Reinsurance Company S.A.Q.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2010 In thousands of Qatari Riyals

	Note	2010	2009 (Restated)*
Gross premiums	4	518,565	504,550
Premiums ceded to reinsurers	4	(317,072)	(295,067)
Net premiums		201,493	209,483
Movement in unearned premiums	4	(6,067)	5,820
Net earned premiums	4	195,426	215,303
Net commission income	4	29,626	27,144
Other income – technical	4	(1,214)	1,068
Underwriting revenue		223,838	243,515
Gross claims paid		(372,838)	(292,327)
Claims recovered from reinsurers		235,290	122,587
Movement in outstanding claims	9	13,874	564
Net claims incurred	4	(123,674)	(169,176)
Net underwriting revenue	4	100,164	74,339
Net investment income	27	128,066	111,618
Fair value gain on investment properties	11	2,076	45,258
Other income	28	2,177	6,209
Total income		232,483	237,424
Finance costs		(26,947)	(15,030)
General and administration expenses	29	(86,092)	(86,172)
Net profit for the year		**119,444**	136,222
Profit attributable to:			
Equity holders of the Company		119,530	136,222
Non-controlling interests		(86)	-
Net profit for the year		**119,444**	136,222
Basic and diluted earnings per share (QR)	30	**3.74**	4.26

* Refer note 2 (e) and note 24.

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Qatar General Insurance and Reinsurance Company S.A.Q.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010 In thousands of Qatari Riyals

	2010	2009 (Restated)*
Profit for the year	119,444	136,222
Other comprehensive income		
Foreign currency translation difference for foreign operations	(11,402)	(739)
Net changes in fair value of available-for-sale financial assets	236,300	4,582
Net changes in fair value of available-for-sale financial assets transferred to profit or loss	(38,009)	(31,940)
Total comprehensive income for the year	**306,333**	108,125

Comprehensive income attributable to:		
Equity holders of the Company	306,419	108,125
Non-controlling interests	(86)	-
Total comprehensive income for the year	**306,333**	108,125

* Refer note 2 (e).

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Qatar General Insurance and Reinsurance Company S.A.Q.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

In thousands of Qatari Riyals

	Share capital	Legal reserve	Fair value reserve	Revaluation surplus	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2009 (before restatement)	204,600	57,633	410,536	77,355	(924)	410,893	1,160,093	-	1,160,093
Transfer of accumulated fair value gain on investment properties to retained earnings (note 2 (e))	-	-	-	-	-	1,041,652	1,041,652	-	1,041,652
Balance at 1 January 2009 (Restated)	204,600	57,633	410,536	77,355	(924)	1,452,545	2,201,745	-	2,201,745
Total comprehensive income for the period									
Profit for the year	-	-	-	-	-	136,222	136,222	-	136,222
Other comprehensive income									
Foreign currency translation differences	-	-	-	-	(739)	-	(739)	-	(739)
Change in fair value of available for sale investments	-	-	4,582	-	-	-	4,582	-	4,582
Transfers to income statement on account of disposal of available for sale investments	-	-	(31,940)	-	-	-	(31,940)	-	(31,940)
	-	-	(27,358)	-	(739)	136,222	108,125	-	108,125
Transactions with owners directly recorded in equity									
Issue of bonus shares – 2009 (note 25)	51,150	-	-	-	-	(51,150)	-	-	-
Dividends paid – 2009 (note 25)	-	-	-	-	-	(61,380)	(61,380)	-	(61,380)
Contribution to social and sports fund – 2009 (note 24)	-	-	-	-	-	(2,207)	(2,207)	-	(2,207)
Transfer to legal reserve – 2009 (note 20)	-	22,627	-	-	-	(22,627)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	500	500
Balance at 31 December 2009 (Restated)	255,750	80,260	383,178	77,355	(1,663)	1,451,403	2,246,283	500	2,246,783

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

In thousands of Qatari Riyals

	Share capital	Legal reserve	Fair value reserve	Revaluation surplus	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	255,750	80,260	383,178	77,355	(1,663)	1,451,403	2,246,283	500	2,246,783
Total comprehensive income for the period									
Profit for the year	-	-	-	-	-	119,444	119,444	-	119,444
Other comprehensive income									
Foreign currency translation differences	-	-	-	-	(11,402)	-	(11,402)	-	(11,402)
Change in fair value of available for sale investments	-	-	236,300	-	-	-	236,300	-	236,300
Transfers to income statement on account of disposal of available for sale investments	-	-	(38,009)	-	-	-	(38,009)	-	(38,009)
	-	-	198,291	-	(11,402)	119,444	306,333	-	306,333
Transactions with owners directly recorded in equity									
Issue of bonus shares – 2010 (note 25)	63,938	-	-	-	-	(63,938)	-	-	-
Dividends paid – 2010 (note 25)	-	-	-	-	-	(63,938)	(63,938)	-	(63,938)
Contribution to social and sports fund – 2010 (note 24)	-	-	-	-	-	(2,985)	(2,985)	-	(2,985)
Transfer to legal reserve – 2010 (note 20)	-	8,607	-	-	-	(8,607)	-	-	-
Movement in non-controlling interests	-	-	-	-	-	86	86	(86)	-
Balance at 31 December 2010	**319,688**	**88,867**	**581,469**	**77,355**	**(13,065)**	**1,431,465**	**2,485,779**	**414**	**2,486,193**

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Qatar General Insurance and Reinsurance Company S.A.Q.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2010 In thousands of Qatari Riyals

	Note	2010	2009 (Restated)*
OPERATING ACTIVITIES			
Net profit for the year		119,444	136,222
Adjustments for :			
Depreciation	14	3,391	2,394
Loss / (profit) on sale or write off of property and equipment		61	(24)
Profit on sale of investments	27	(38,170)	(31,154)
Revaluation (gain) / loss on trading securities	27	(16,529)	(3,089)
Revaluation gain on investment property	11	(2,076)	(45,258)
Income from investment in associate companies	27	(17,798)	(19,679)
Impairment loss on investments		-	628
Changes in operating assets and liabilities:			
Insurance and other receivables		(105,186)	(159,662)
Reinsurance contract assets		(47,520)	80,861
Insurance contracts liabilities		39,713	(87,245)
Accounts payables		(13,988)	28,030
Other liabilities		16,595	18,277
Net cash used in operating activities		(62,063)	(79,699)
INVESTING ACTIVITIES			
Purchase of property and equipment	14	(2,736)	(2,838)
Purchase of investment securities		(61,871)	(39,898)
Investment in associate companies		(6,105)	(34,476)
Purchase of investment properties		-	(323)
Investment in subsidiary		-	(500)
Additions to buildings under construction		(48,980)	(22,636)
Proceeds from sale of investment securities		90,268	79,266
Proceeds from sale of investment properties		-	-
Dividend received from associates		5,639	5,562
Proceeds from sale of property and equipment		-	24
Cash flows used in investing activities		**(23,785)**	(15,819)
FINANCING ACTIVITIES			
Dividends paid	25	(63,938)	(61,380)
Movement in short term borrowings		94,181	104,577
Cash flows from financing activities		**30,243**	43,197
Decrease in cash and cash equivalents		**(55,605)**	(52,321)
Cash and cash equivalents at the beginning of the year		110,007	162,328
Cash and cash equivalents at the end of the year (note 5)		**54,402**	110,007

* Refer note 2 (e).

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

1 LEGAL STATUS AND OPERATIONS

Qatar General Insurance and Reinsurance Company S.A.Q. ("the Company") is a public shareholding company incorporated by Emiri Decree No. 52 of 1978 under commercial registry number 7200 and governed by the provisions of the Qatar Commercial Companies Law. The Company and its subsidiaries (together referred to as "the Group") are engaged in the business of general insurance, reinsurance, real estate and investment management. The shares of the Group are listed in Qatar Exchange.

The Company has five local branches in Qatar and one overseas branch in United Arab Emirates (in Dubai).

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries all of which have 31 December year end. The subsidiaries are:

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
Qatar General Holding Company S.P.C.	100%	State of Qatar	Primarily engaged in managing investment portfolio of the Group
General Takaful Company S.P.C.	100%	State of Qatar	Primarily engaged in Islamic insurance

2 BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), along with the requirements of the Qatar Commercial Companies Law No. 5 of 2002.

b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available for sale financial instruments are measured at fair value
- Investment properties are measured using fair value model as mentioned in note 2 (e)

The methods used to measure fair values are discussed further in note 3 (c) (iv).

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals (QR), which is Group's functional currency. All financial information in Qatari Riyal has been rounded to the nearest thousand (QR '000), unless otherwise indicated.

For the year ended 31 December 2010 In thousands of Qatari Riyals

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgements

The Group makes judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities, at the reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included under note 34 and 35.

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

e) Change in accounting policy

During the year the Group has changed its accounting policy with respect to the subsequent measurement of investment properties from the cost model to the fair value model, with changes in fair value recognised in profit or loss. The Group believes that subsequent measurement using the fair value model provides more relevant information about the financial performance of these assets.

The change was made with retrospective impact, restating the comparative balances and recognising accumulating fair value gain in retained earnings. The fair values were determined based on the valuation carried out by external independent valuers. Buildings under construction are properties to be used in future as investment properties and hence are considered as part of investment properties.

The policy of the management is to revalue the investment properties at each year end. The following table summarises the transitional adjustments made to the consolidated statement of financial position on implementation of the new accounting policy:

	Investment properties	Retained earnings / profit or loss
Balance as reported 31 December 2008	455,238	410,893
Buildings under construction	55,433	-
Restatement effect on opening balances	1,041,652	1,041,652
Restated balances at 31 December 2008	1,552,323	1,452,545
Balance as reported 31 December 2009	452,944	361,805
Buildings under construction	75,308	-
Restatement effect on opening balances	1,041,652	1,041,652
Effect on net profit for the year:		
Increase in fair value of investment properties in 2009	45,258	45, 258
Add back of depreciation on investment properties	2,688	2,688
Restated balances at 31 December 2009	**1,617,850**	1,451,403

This change in accounting policy was applied retrospectively and had an impact of QR 1.87 on earnings per share during 2009. The impact on profit for the year 2009 due to the restatement is as follows:

2. BASIS OF PREPARATION (CONTINUED)

e. Change in accounting policy (continued)

Net profit for the year ended 31 December 2009 (before restatement)	86,069
Fair value gain on investment properties recognised directly in profit or loss as per note 2 (e)	45,258
Depreciation written back due to change in accounting policy as per note 2 (e)	2,688
Contribution to social and sports fund directly recognised in equity as per note 24	2,207
Net profit for the year ended 31 December 2009 (after restatement)	**136,222**

f) New standards, amendments and interpretations effective from 1 January 2010

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No changes to accounting policies were required as a result of these amendments.

g) New standards, amendments and interpretations that are not yet effective for the year ended 31 December 2010 and not yet adopted

A number of new standards, amendments to standards and interpretations have been issued that are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements:

(i) **IFRS 9, Financial Instruments** is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard can be adopted early prospectively, and prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. The Group is in the process of evaluating the impact due to the adoption of new accounting standard.

(ii) **Revised IAS 24 (revised) - Related party disclosures**, issued in November 2009. It supersedes IAS 24, Related party disclosures, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the revised standard from 1 January 2011. When the revised standard is applied, the group will need to disclose any such transactions.

h) Early adoption of standards

The Group did not early adopt new or amended standards in 2010.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Group consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform with the current year's presentation (note 36).

a. Basis of consolidation

Investment in subsidiary companies
Subsidiaries are defined as companies that are controlled by the Group, namely companies in which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The consolidated financial statements comprise the financial statements of Qatar General Insurance and Reinsurance Company S.A.Q and its subsidiary companies made up to 31 December 2010. The financial statements of the subsidiary companies are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated on consolidation. Where necessary, the accounts of subsidiaries have been restated to ensure consistency with the accounting policies adopted by the Group.

One of the Group's subsidiaries, General Takaful Company S.P.C, is an operator of Islamic insurance business operating under Islamic shari'a principles. In accordance with applicable Shari'a principles, participants' (policyholders') funds are maintained distinct from the operator's (shareholders') funds. Accordingly, the participants' assets and liabilities including the fund balances are shown separately as 'Takaful participants' assets' and 'Takaful fund and participants' liabilities' respectively in the consolidated statement of financial position. Takaful participants' fund accounts comprising of statement of financial position and statement of comprehensive income (policyholders) is set out in note 13. The Group manages the takaful funds on behalf of the policy holders as a Mudarib.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Foreign currency

Foreign operations

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

Foreign currency transactions

Foreign currency transactions are initially recorded in Qatari Riyals at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Qatari Riyals at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the statement of income.

b. Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables, due from related parties, reinsurance contract assets and investments. Financial liabilities include accounts payables, short term borrowings, insurance contract liabilities, due to related parties and other payables.

i) Recognition

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

ii) De-recognition

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

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

iii) Measurement

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, insurance and other receivables, cash and cash equivalents, reinsurance contract assets, accounts payables, short term borrowings, insurance contract liabilities and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Management determines the appropriate classification of investments at the time of purchase. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

Available for sale investments

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

Financial assets at fair value through profit and loss

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less as on the statement of financial position date.

Insurance and other receivables

Insurance receivables are carried at amortised cost after provision for impairment. A provision for impairment based on aged balances of receivables or when there is evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. Bad debts are written off during the year in which they are identified. The identification of bad debts is based on an analysis of the financial position of the counter party.

Reinsurance contract assets

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

Insurance contract liabilities

Amounts payable for insurance claims reported till the reporting period end and the amount payable to reinsurance companies are accrued as a liability payable. The insurance claims are accrued on the basis of the actual losses reported against the policies underwritten by the Group during the period.

Interest bearing loans and borrowings:

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

Others

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of embedded derivatives are recognised immediately in profit or loss.

iv) Fair values

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

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the statement of financial position date. If quoted market prices are not available, reference is made to broker or dealer price quotations.

The fair value of separable embedded derivatives is based on the market value of the underlying equity instrument. If the fair value cannot be measured reliably using any of the methods given above, then these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability until a reliable measure of the fair value is available. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the date of statement of financial position. If the fair value cannot be measured reliably using any of the methods given above, then these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability until a reliable measure of the fair value is available. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. (Refer note 31 for fair value hierarchy).

The Group considers average of the fair values determined by two independent valuation companies, who are not connected with the Group as the fair value of individual investment properties. External independent valuation companies have appropriate recognition and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein parties had each acted knowledgeably. The management of the Group believes that the fair values of the buildings under construction equals to the cost of construction as these are at the early stages of construction activities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised in the statement of income.

A. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income. For an investment in equity security classified under available for sale, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment. Reversal of impairment losses in respect of equity investments classified as available for sale are treated as increase in fair value through statement of comprehensive income. Reversal of impairment losses on debt instruments are done through the statement of income, when the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised in the 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 amortised costs, impairment is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Non-financial assets

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

e. Other assets and liabilities

All other assets and liabilities which are financial instruments are stated at cost, being the fair value and recognized at amounts to be received or to be paid in the future.

f. Investment properties

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

Buildings under construction includes cost of self-constructed assets, which includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. These properties are constructed for future use as investment properties and hence are considered as investment properties and accounted at fair value.

The Group considers average of the fair values determined by two independent valuers, who are not connected with the Group as the fair value of individual investment properties. The resultant increase or decrease in fair values of investment properties are recognised directly in profits or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

Depreciation is provided on cost by the straight-line method on all property and equipment other than land which is determined to have an indefinite life and is charged to the statement of income, at annual rates which are intended to write off the cost of the assets over their estimated useful lives as follows:

Buildings	20 years
Furniture and fixtures and computers	4 years
Computers	4 years
Motor vehicles	4 years

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

h. Provisions

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

i. Employee benefits

i) Local employees (Defined contribution plans)

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Employee benefits (continued)

ii) Expatriate employees (Defined benefit plan)

For the expatriate employees, the Group provides for employees' end of service benefits determined in accordance with the requirements of respective local laws of Group entities pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Group on the basis of employees' salaries and the number of years of service at the statement of financial position date. Although the expected costs of these benefits are accrued over the period of employment, these are paid to employees only on completion of their term of employment with the Group.

j. Share capital

Ordinary share capital

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

Dividends on ordinary share capital

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

k. Fair value reserve

This represents the unrealised gain or loss on year-end fair valuation of available for sale investments. In the event of sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are recycled to the consolidated statement of income for the year.

l. Income recognition

(i) Gross premiums

Gross premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the accounting periods and are recognised on the date on which the policy commences. Premiums include adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

Premiums, net of reinsurance, are taken to income over the terms of the related contracts or policies. The portion of premium received on in-force contracts that relates to unexpired risks at the statement of financial position date is reported as the unearned premium liability. Unearned premiums are calculated principally on the basis of actual no: of day's method (daily pro rata basis).

(ii) Reinsurance arrangements

As part of managing its insurance risks, the Group enters into contracts with other reinsurers for compensation of losses on insurance contracts issued by the Group. A proportionate amount of the gross premiums, in proportion to the amount of risk reinsured on an individual policy basis are paid to the reinsurance companies according to the rates agreed in the reinsurance contracts, as reinsurance premiums.

In the ordinary course of business, the Group assumes and cedes reinsurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Income recognition (continued)

(ii) Reinsurance other recoveries (continued)

A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. The amounts payable to reinsurance companies are accrued on the basis of reinsurance premium payable on individual policy basis. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date and are deferred over the term of the underlying direct insurance policies.

(iii) Net commission income

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

(iv) Fees (other income - technical)

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

(v) Investment income

Rental income from investment properties is recognised in consolidated statement of income on a straight line basis over the period of the lease. Investment income also includes dividends, which are recognised when the right to receive the same is established. Interest income is recognised in the consolidated statement of income as it accrues.

Income from associate companies is recognised as per equity accounting method. Changes resulting from the profit or loss generated by the associates are reported under investment income.

m. Claims and related expenses

(i) Gross claims paid

Claims and related expenses are accounted for based on reports received and subsequent review on an individual case basis. Provision is made to cover the estimated ultimate cost of settling claims arising out of events, which have occurred by the end of the financial year, including unreported losses, and claims handling expenses. Provision for unreported claims is established based on actuarial analysis and application of underwriting judgment having regard to the range of uncertainty as to the eventual outcome for each category of business.

Provision for unreported claims is established based on actuarial analysis and application of underwriting judgment having regard to the range of uncertainty as to the eventual outcome for each category of business.

(ii) Reinsurance and other recoveries

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Movement in outstanding claims

Claims reported but not settled (RBNS)

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

Claims incurred but not reported (IBNR)

Claims provision also includes liability for claims incurred but not reported as at the statement of financial position date. An independent actuarial valuer is appointed every subsequent year to assess the adequacy of reserves to meet the future outstanding liabilities. The liability is generally calculated at the reporting date, which is within the range of 15% of claims outstanding, after considering the independent valuers actuarial valuation report and a range of historic trends, empirical data and current assumptions that may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Reserve for unexpired risks

The reserve for unexpired risk represents the estimated portion of net premium income which relates to periods of insurance subsequent to the statement of financial position date. The reserve is calculated using actual no: of day's method.

The reinsurers' share on estimated liability of RBNS, IBNR and unexpired insurance premium are separately classified as reinsurance contract assets in consolidated statement of financial position.

n. Earnings per share

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

o. Operating segments

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

p. Borrowing costs

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

q. Events after the reporting period

The consolidated financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the statement of financial position date. There were no subsequent events which require neither adjustments nor disclosures in the consolidated financial statements except for the proposed dividend as per note 25.

4 OPERATING SEGMENTS

The Group has three major reportable segments, as described below, which are the Group's strategic business units. The strategic business units are involved in different lines of business and generate its own revenue. For each of the strategic business units, the Group's CEO reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Insurance (includes general accident, war and marine, fire and engineering and others)
- Investments (includes equity, bonds and associates)
- Real estate (property, land and building)
- Others (Takaful operations, World Trade Centre and others)

The level of integration between the segments is less as they are independent lines of business. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

For the year ended 31 December 2010 In thousands of Qatari Riyals

4 OPERATING SEGMENTS (CONTINUED)

	Insurance								
	General accident	Fire	War and Marine	Engineering and others	**Total insurance**	**Investments**	**Real estate**	**Others**	**2010**
Gross premiums	170,980	24,934	25,505	297,146	518,565	-	-	-	518,565
Premium ceded to reinsurers	(12,047)	(22,863)	(20,453)	(261,709)	(317,072)	-	-	-	(317,072)
Net premium	158,933	2,071	5,052	35,437	201,493	-	-	-	201,493
Movement in unearned premium	3,896	77	(634)	(9,406)	(6,067)	-	-	-	(6,067)
Net earned premium	162,829	2,148	4,418	26,031	195,426	-	-	-	195,426
Net commission	165	5,357	4,043	20,061	29,626	-	-	-	29,626
Other income – technical	461	(336)	29	(1,368)	(1,214)	-	-	-	(1,214)
Net claims incurred	(109,772)	(744)	(1,226)	(11,932)	(123,674)	-	-	-	(123,674)
Net underwriting revenue	53,683	6,425	7,264	32,792	100,164	-	-	-	100,164
Interest expense	-	-	-	-	(814)	(12,010)	(14,123)	-	(26,947)
Share of profit of associates	-	-	-	-	(128)	17,926	-	-	17,798
Income from other investments	-	-	-	-	69,322	30,614	10,332	-	110,268
Fair value gain on investment properties	-	-	-	-	-	-	2,076	-	2,076
Other income	-	-	-	-	197	-	-	1,980	2,177
Depreciation	-	-	-	-	(3,185)	-	(206)	-	(3,391)
General and administration expenses	-	-	-	-	(66,889)	(15,661)	-	(151)	(82,701)
Net profit during the year	-	-	-	-	**98,667**	**20,869**	**(1,921)**	**1,829**	**119,444**

For the year ended 31 December 2010 In thousands of Qatari Riyals

4 OPERATING SEGMENTS (CONTINUED)

	Insurance								
	General accident	Fire	War and Marine	Engineering and others	Total insurance	Investments	Real estate	Others	2009
Gross premiums	190,901	25,380	17,254	271,015	504,550	-	-	-	504,550
Premium ceded to reinsurers	(15,956)	(22,963)	(13,320)	(242,828)	(295,067)	-	-	-	(295,067)
Net premium	174,945	2,417	3,934	28,187	209,483	-	-	-	209,483
Movement in unearned premium	7,757	(410)	1,612	(3,139)	5,820	-	-	-	5,820
Net earned premium	182,702	2,007	5,546	25,048	215,303	-	-	-	215,303
Net commission	(69)	5,317	3,043	18,853	27,144	-	-	-	27,144
Other income – technical	560	4	59	445	1,068	-	-	-	1,068
Net claims incurred	(149,046)	(3,015)	(2,432)	(14,683)	(169,176)	-	-	-	(169,176)
Net underwriting revenue	34,147	4,313	6,216	29,663	74,339	-	-	-	74,339
Interest expense	-	-	-	-	(1,330)	(2,243)	(11,457)	-	(15,030)
Share of profit of associates	-	-	-	-	-	19,679	-	-	19,679
Income from other investments	-	-	-	-	56,492	24,408	11,040	-	91,940
Other income	-	-	-	-	1,817	123	-	4,269	6,209
Fair value gain on investment properties	-	-	-	-	-	-	45,258	-	45,258
Depreciation	-	-	-	-	(2,232)	(4)	(104)	(54)	(2,394)
General and administration expenses	-	-	-	-	(65,338)	(8,362)	(3,975)	(6,104)	(83,779)
Net profit during the year	-	-	-	-	63,748	33,601	40,762	(1,889)	136,222

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4 OPERATING SEGMENTS (CONTINUED)

Segmental assets and liabilities:

	Assets		Liabilities & equity	
	2010	2009	**2010**	2009
Insurance				
- Conventional insurance	1,243,805	1,102,058	1,243,805	1,102,058
- Islamic insurance	105,532	59,095	105,532	59,095
Investments	866,452	718,563	866,452	718,563
Real estate	1,659,837	1,581,725	1,659,837	1,581,725
Others	252	1,914	252	1,914
Total	**3,875,878**	3,463,355	**3,875,878**	3,463,355

5 CASH AND CASH EQUIVALENTS

	2010	2009
Cash on hand	139	330
Cash at bank	54,263	109,677
Total cash and cash equivalents	**54,402**	110,007

6 STATUTORY DEPOSITS

Statutory deposits are maintained by the Dubai Branch under the provisions of the United Arab Emirates (UAE) Federal law relating to insurance companies and agents. Such deposits cannot be withdrawn except with the prior approval of the Ministry of Commerce in UAE.

7 INSURANCE AND OTHER RECEIVABLES

	2010	2009
Due from policy holders	204,584	174,112
Due from insurance / reinsurance companies	80,192	62,241
Impairment allowance for doubtful receivables	(64,084)	(59,717)
Insurance contract receivables	220,692	176,636
Staff loans	987	5,287
Accrued rental income	5,180	5,531
Impairment allowance for doubtful receivables	(4,289)	(4,257)
Advance paid to construction contractor	49,336	-
Prepayments and others	1,015	8,608
Total insurance and other receivables	**272,921**	191,805

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8 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, companies affiliated to the shareholders, directors and senior management of the Group and companies of which they are principal owners. The details of the related party transactions during the year are as follows:

Name of the related party	Nature of relationship	Type of transaction	2010	2009
General Takaful Company S.P.C.	Subsidiary	Expenses incurred on behalf of the parent	844	349
		Expenses incurred on behalf of the subsidiary	1,150	-
		Intercompany sale of insurance policies	2,594	-
		Transfer of end of service benefits of employees transferred	-	696
Qatar General Holding Company S.A.Q.	Subsidiary	Finance costs paid by the parent company on behalf of the subsidiary	21,033	-
		Transfer of project under progress to subsidiary	-	60,668
		Transfer of investment properties from the parent	521,732	234,766
		Transfer of end of service benefits of employees transferred	997	-
Trust Bank Algeria	Associate	Amount paid for increase in share capital	-	23,752
		Amount paid for increase in share capital subject to approval of Central Bank of Algeria	-	85,748
Trust Investment Algeria	Associate	Amount paid for increase in share capital	6,022	-

The related party balances were as follows:

	2010	2009
a) Due from related parties:		
Trust Syria Insurance Company S.A.S.C.	216	270
Trust Algeria Investment Company	23,243	17,221
Trust Algeria Assurances and Reassurances	3,641	3,680
Gulf Petroleum Limited W.L.L.	3,650	3,650
Lebanese Canadian Bank	2,950	-
Trust Bank Algeria	80,208	85,748
International Financial Securities Q.S.C.	3,757	-
Trust Insurance Company	19,731	5,326
Al Sari Trading Company	3,069	500
	140,465	116,395

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8 RELATED PARTY TRANSACTIONS (CONTINUED)

	2010	2009
b) Due to related parties:		
Lebanese Canadian Bank	-	9,220
Trust Insurance Company - Bahrain	616	1,476
Trust Insurance Company - Amman	28,437	-
Nest investments	95	471
	29,148	11,167
c) Compensation paid to key management personnel		
Remuneration for Board of Directors	**4,000**	4,000
Salaries and other short term benefits	**15,608**	13,196
End of service benefits	**92**	109

9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2010	2009
Gross insurance contract liabilities		
Claims reported but outstanding	355,649	394,724
Claims incurred but not reported	33,875	34,667
Unearned premiums	208,910	129,330
Total insurance contract liabilities	**598,434**	558,721
Reinsures' share of insurance contract liabilities		
Claims reported but outstanding	267,660	292,861
Claims incurred but not reported	22,200	22,992
Unearned premiums	112,482	38,969
Total reinsurance contract assets	**402,342**	354,822
Net insurance contract liabilities		
Claims reported but outstanding	87,989	101,863
Claims incurred but not reported	11,675	11,675
Unearned premiums	96,428	90,361
Total net insurance contract liabilities	**196,092**	203,899

For the year ended 31 December 2010 In thousands of Qatari Riyals

9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in claims provision during the year are as follows:

	2010			2009		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
At 1 January	429,391	(315,853)	113,538	360,460	(246,358)	114,102
Movements during the year	(39,867)	25,993	(13,874)	68,931	(69,495)	(564)
At 31 December	**389,524**	**(289,860)**	**99,664**	429,391	(315,853)	113,538

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

	2010			2009		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
At 1 January	129,330	(38,969)	90,361	285,506	(189,325)	96,181
Premiums written in the year	518,565	(317,072)	201,493	504,550	(295,067)	209,483
Premiums earned during the year	(438,985)	243,559	(195,426)	(660,726)	445,423	(215,303)
At 31 December	**208,910**	**(112,482)**	**96,428**	129,330	(38,969)	90,361

10 INVESTMENT IN SECURITIES

The carrying amounts of investments at 31 December were as follows:

	2010	2009
Held for trading securities		
Quoted securities	70,093	44,991
Total held for trading securities	**70,093**	44,991
Available-for-sale investments		
Local portfolio – quoted	746,738	555,975
Local portfolio – unquoted	9,326	14,450
Foreign shares	36,486	44,981
Managed funds	37,098	32,531
Bonds- Debt instruments	79,750	61,970
Total available for sale investments	**909,398**	709,907
Total investment in securities	**979,491**	754,898

Out of the above investments, the Group has offered investment amounting to QR 214.83 million (2009: 150.75 million) as securities for various facilities availed by it.

For the year ended 31 December 2010 In thousands of Qatari Riyals

11 INVESTMENT PROPERTIES

Investment properties consist of the following:

	2010	2009 (Restated)
Investment properties	1,545,967	1,542,542
Investment properties under construction	121,865	75,308
At 31 December	**1,667,832**	1,617,850

The movement in investment properties is as follows:

	2010	2009 (Restated)
Net book value (before restatement):		
Investment properties	1,542,542	452,944
Buildings under construction	75,308	75,308
Fair value gain on revaluation of investment properties **	-	1,041,652
Additions during the year	46,557	-
Reclassification made during the year	2,423	-
Transfer of investment property to property and equipment	(1,074)	
Increase in fair value of investment properties during the year	2,076	45,258
Add back of depreciation on investment properties	-	2,688
Net book value at 31 December (after restatement)	**1,667,832**	1,617,850

** As per note 2 (e), the Group changed its accounting policy for measurement of investment property from the cost model to the fair value model with retrospective effect, restating the comparative balances and recognising accumulating fair value gain in retained earnings. The fair values were determined based on the valuation carried out by external independent valuers.

The investment properties of 2010 were valued as on 31 December 2010 by Al Haque Rental and Real Estate Office and Aqar Real Estate Development and Investment Company who are independent valuers not connected with the Group, by reference to market evidence of recent transactions for similar properties.

The management of the Group believes that the fair values of the buildings under construction equals to the cost of construction as these are at the early stages of construction activities.

Rental income generated from these investment properties amounting to QR: 10.33 million (2009: 10.29 million) and direct operating expenses amounting to QR: 264 (2009: 247) were recognised in the statement of income during the year.

For the year ended 31 December 2010 In thousands of Qatari Riyals

12 INVESTMENT IN ASSOCIATES

The Group has the following investments in associate companies: [3]

	Ownership	**2010**	2009
Qatari United Insurance Bureau W.L.L.	25.00%	1,985	644
International Financial Securities Q.S.C. [1]	12.00%	6,769	7,578
Gulf Petroleum Limited W.L.L.	20.00%	931	903
Trust Algeria Assurances – Reassurances	22.50%	24,397	24,662
Trust Investment Holding Company - Algeria [3]	20.00%	83,085	87,799
Trust Bank Algeria [1&2]	8.00%	50,571	43,070
Trust Syria Insurance Company S.A.S.C	32.00%	20,756	22,713
Trust Insurance Company - Libya [1]	15.00%	3,731	1,666
Oman Reinsurance Company[1]	10.00%	9,313	4,614
Gulf Assist B.S.C. (c) [1]	8.00%	1,737	2,508
Lebanese Canadian Bank S.A.L. [1&2]	3.00%	30,641	30,769
Arabian Insurance Institute – Syria [1]	16.52%	2,886	3,014
Tabadul shares and bonds L.L.C. [1]	3.00%	1,584	1,584
Total investment in associates		**238,386**	231,524

[1] The Group has accounted for these investments under equity method, though the ownership percentages are less than 20%, as it has representatives in the board of directors for these associate companies and have significant influence over the financial and operating policies of the companies. During the year the Group has recognized income from associates amounting to QR 17.79 million (2009: QR 19.679 million).

[2] The Group acquired 3% equity stake in Lebanese Canadian Bank by way of an asset swap agreement where in 4.3% equity stake in Trust Bank Algeria was exchanged and the balance settled in cash. This asset swap agreement was revoked by Central Bank of Algeria during the year and the Group has recognised corresponding market value of shares given as consideration (QR 9.2 million) as amounts due to Lebanese Canadian Bank as per note 8 (b) in 2009, which was subsequently paid during the year.

[3] During the year, Trust Algeria Investment Company has changed its legal structure to a holding company named Trust Investment Holding Company - Algeria. The new company is currently working on restructuring its investment portfolio in Algeria and becoming the ultimate holding company for Trust Algeria Assurances - Reassurances, Trust Bank Algeria and other subsidiaries in Algeria.

The investment of the Group in Trust Investment Holding Company - Algeria will remain unchanged at 20% (2009: 20%).

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13 TAKAFUL PARTICIPANTS' FUND ACCOUNTS

STATEMENT OF FINANCIAL POSITION

	2010	2009
ASSETS		
Cash and bank	57,050	34,136
Due from a related party	767	-
Insurance contract receivables	22,844	15,535
Reinsurance contract assets	10,117	4,904
Other receivables	95	3,164
Furniture and equipment	1,112	1,356
Available for sale investments	737	-
	92,722	59,095
LIABILITIES		
Accounts payable	15,440	9,284
Due to a related party	-	1,210
Insurance contract liabilities	61,149	41,067
Other payables	1,928	1,157
Fair value reserve	76	-
	78,593	52,718
Surplus for the year	14,129	6,377
	92,722	59,095

STATEMENT OF COMPREHENSIVE INCOME (POLICYHOLDERS)

	2010	2009
Gross contributions	77,978	54,419
Reinsurance cessions	(13,356)	(7,785)
Retained contributions	64,622	46,634
Unearned contribution adjustment	(6,585)	(8,126)
Net commission income	2,301	1,582
Other income – technical	1,078	1,062
Net contributions	61,416	41,152
Claims paid	(44,545)	(25,910)
Claims recovered	7,670	4,857
Outstanding claims adjustment	(8,283)	(7,722)
Net claims	(45,158)	(28,775)
Insurance revenue	16,258	12,377
Other income	543	221
General and administrative expenses	(9,049)	(6,167)
Surplus for the year	**7,752**	6,431

For the year ended 31 December 2010 — In thousands of Qatari Riyals

14 PROPERTY AND EQUIPMENT

	Freehold land	Building	Furniture & fixtures	Motor vehicle	Computers	Total 2010	Total 2009
Cost:							
At 1 January	7,230	22,873	9,828	651	8,507	49,089	43,744
Transfer from / (to) investment properties	-	1,074	-	-	-	1,074	(71)
Additions during the year	-	352	942	-	1,442	2,736	5,584
Disposals	-	-	(330)	(102)	(6)	(438)	(168)
At 31 December	7,230	24,299	10,440	549	9,943	52,461	49,089
Accumulated depreciation:							
At 1 January	0	13,988	8,206	527	5,409	28,130	25,918
Provided during the year	-	1,165	1,029	54	1,143	3,391	2,394
Disposals / transfers	-	-	(275)	(102)	-	(377)	(182)
At 31 December 2010	0	15,153	8,960	479	6,552	31,144	28,130
Net book values:							
As at 31 December 2010	**7,230**	**9,146**	**1,480**	**70**	**3,391**	**21,317**	**-**
At 31 December 2009	7,230	8,885	1,622	124	3,098	-	20,959

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15 ACCOUNTS PAYABLES

	2010	2009
Due to policy holders	32,221	73,735
Due to insurers and reinsurance companies	140,239	93,368
Total accounts payables	**172,460**	167,103

16 SHORT TERM BORROWINGS

	2010	2009
Short term borrowings	**357,143**	262,962

These are short term borrowings from banks for tenures less than 12 months at an average interest rate of 8.00% (2009: 7.79%). The Group has pledged part of its investment portfolio amounting to QR 214.83 million (2009: QR 150.75 million) to secure the above facilities as per note 10.

17 OTHER LIABILITIES

	2010	2009
Rent received in advance	2,169	1,844
Amount payable for investment properties	75,976	106,957
Accrued expenses	410	2,692
Provision for Board of Directors remuneration	4,000	4,000
Retention on construction project	3,025	-
Provision for contribution to social and sports fund	2,985	2,207
Others	32,315	19,540
Total other liabilities	**120,880**	137,240

18 EMPLOYEES' END OF SERVICE BENEFITS

	2010	2009
Balance at 1 January 2010	20,284	19,294
Charge for the year	2,731	2,579
Payments made during the year	(4,117)	(1,589)
Balance at 31 December	**18,898**	20,284

19 SHARE CAPITAL

Authorized, issued and fully paid up share capital 31,968,800 shares of QR 10 each (2009: 25,575,000 shares of QR 10 each)

	2010	2009
Balance at 31 December	**319,688**	255,750

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20 LEGAL RESERVE

The Qatar Commercial Companies Law No.5 of 2002 requires that 10% of the net profit for each year should be appropriated to a legal reserve until the balance therein equals to 50% of the paid up capital. The balance under this reserve is not available for distribution, except in the circumstances specified in the above law.

21 FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of investment available for sale. The movement in the balances are as follows:

	2010	2009
Balance at 1 January	383,178	410,536
Fair value gain during the year	236,300	4,582
Transferred to statement of income on sale of investments	(38,009)	(31,940)
Balance at 31 December	**581,469**	383,178

22 REVALUATION RESERVE

One of the associate companies of the Group has revalued its properties and a revaluation surplus was directly recognised in the statement of changes in equity of the associate. The Group has recognised its proportionate share of the revaluation surplus amounting to QR 77.36 million, in equity under revaluation reserve.

23 FOREIGN CURRENCY TRANSLATION RESERVE

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

24 CONTRIBUTION TO SOCIAL AND SPORTS ACTIVITIES FUND

In accordance with Law Number 13 of 2008 issued by the Ministry of Economy and Finance, the Group has taken a provision for the support of sports, social, cultural and charitable activities with an amount equivalent to 2.5% of the net profit of the Group amounting to QR: 2,985 (2009: QR 2,207) as an appropriation from the retained earnings. This amount was earlier recognised in statement of income. However, according to clarifications for the law issued in 2010, the amount has been recognised as an appropriation from the retained earnings. Corresponding restatement has been made in statement of income for the year 2009. The restatement does not have an impact on the total equity of the company. However, the net profit during the year 2009 has increased by QR: 2,207.

25 DIVIDEND PAID AND PROPOSED

The Board of Directors have proposed a cash dividend of 15% of the nominal share value (QR 1.5 per share) and a bonus share of 40% of the share capital for the year ended 31 December 2010 (2009: cash dividend of 25% of the nominal value (QR 2.5 per share) and a bonus share of 25% of the share capital were approved and paid). The amounts are subject to the approval of the general assembly.

26 NON-CONTROLLING INTERESTS

The non-controlling minority interests relate to the subsidiary Mazoon Real Estate Company W.L.L incorporated, which is not under operation during the year. The Group through its fully owned subsidiary Qatar General Holding Company S.P.C owns 50% of the shares in this company.

27 INVESTMENT INCOME

	2010	2009
Rent	10,332	10,294
Dividends	38,046	42,188
Profit on sale of investments	38,170	31,940
Income from associates	17,798	19,679
Impairment losses on available for sale investment	-	(628)
Fair value movements – trading securities	16,529	3,089
Interest income from bonds	4,482	2,424
Others	2,709	2,632
Net investment income	**128,066**	111,618

28 OTHER INCOME

	2010	2009
Shareholders' income from takaful operations	1,507	893
Foreign exchange loss	(1,436)	(354)
Miscellaneous income	2,106	5,670
Total other income	**2,177**	6,209

29 GENERAL AND ADMINISTRATION EXPENSES

	2010	2009 (Restated)
Employee related costs	59,982	55,978
Depreciation	3,391	2,394
Remuneration to Board of Directors	4,000	4,000
Others	18,719	23,800
Total general and administration expenses	**86,092**	86,172

30 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding at the statement of financial position date.

There were no potentially dilutive shares outstanding at any time during the year, therefore the diluted earnings per share are equal to the basic earnings per share.

	2010	2009 (Restated)
Net profit attributable to equity holders of the parent	119,444	136,222
Weighted average number of ordinary shares ('000s)	31,969	31,969
Basic and diluted earnings per share (QR)	**3.74**	4.26

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31 CLASSIFICATIONS AND FAIR VALUES

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

	31 December 2010		31 December 2009	
	Total carrying amount	**Fair value**	Total carrying amount	Fair value
Assets				
Cash and cash equivalents	54,402	54,402	110,007	110,007
Insurance and other receivables	272,921	272,921	191,805	191,805
Reinsurance contract assets	402,342	402,342	354,822	354,822
Investment – held for trading	70,093	70,093	44,991	44,991
Investments – available for sale	909,398	909,398	709,907	709,907
	1,709,156	**1,709,156**	1,411,532	1,411,532
Liabilities				
Accounts payables	172,460	172,460	167,103	167,103
Insurance contract liabilities	598,434	598,434	558,721	558,721
Short term borrowings	357,143	357,143	262,962	262,962
	1,128,037	**1,128,037**	988,786	988,786

Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2010				
Investments - Available for sale	862,974	-	46,424	909,398
Investments - Held for trading	70,093	-	-	70,093
	933,067	-	46,424	979,491
31 December 2009				
Investments - Available for sale	662,926	-	46,981	709,907
Investments - Held for trading	44,991	-	-	44,991
	707,917	-	46,981	754,898

32 RISK MANAGEMENT

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

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

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

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

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

a) Insurance risks

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

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

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

32 RISK MANAGEMENT (CONTINUED)

a) Insurance risks (continued)

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

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

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

- Past experience of the claims;
- Economic level;
- Laws and regulations; and
- Public awareness

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

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

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

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

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32 RISK MANAGEMENT (CONTINUED)

a) Insurance risks (continued)

Sources of uncertainty in the estimation of future claim payments

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

There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures adopted. The compensation paid on these contracts is the monetary awards granted for the loss suffered by the 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 Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks as at the statement of financial position date.

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

Process used to decide on assumptions

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

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

Sensitivity analysis

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

	Change in assumptions	**2010**		2009	
		Impact on net profit	**Impact on equity**	Impact on net profit	Impact on equity
Loss ratio	+5%	**(9,771)**	**(9,771)**	(10,474)	(10,474)
	-5%	**9,771**	**9,771**	10,474	10,474

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32 RISK MANAGEMENT (CONTINUED)

a) Insurance risks (continued)

The sensitivity to a 5% increase/decrease in gross loss ratios is the same both net and gross of reinsurance because this increase does not result in any material excess of loss reinsurance limits being reached.

i) Credit risk

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

Reinsurance arrangements are effected with reinsurers whose creditworthiness is assessed on the basis of satisfying minimum rating and financial strength criteria. Reinsurance is made with different reinsurance companies' inorder to reduce the risk of concentration. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the statement of financial position date, which are summarised as below with age analysis:

31 December 2010	**<30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Above 121 days**	**Total**
Cash and cash equivalents	24,701	13,402	419	15,000	880	54,402
Statutory deposits	-	-	-	-	6,000	6,000
Insurance and other receivables	51,643	53,655	56,868	47,722	63,033	272,921
Reinsurance contract assets	28,384	31,132	35,713	23,074	284,039	402,342
Total	**104,728**	**98,189**	**93,000**	**85,796**	**353,952**	**735,665**

31 December 2009	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121 days	Total
Cash and cash equivalents	4,315	60,000	30,934	14,758	-	110,007
Statutory deposits	-	-	-	-	6,000	6,000
Insurance and other receivables	36,294	37,708	39,966	33,538	44,299	191,805
Reinsurance contract assets	25,032	27,455	31,495	20,348	250,492	354,822
Total	65,641	125,163	102,395	68,644	300,791	662,634

The Group continuously monitor defaults of customers and other counterparties and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

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32 RISK MANAGEMENT (CONTINUED)

i) Credit risk (continued)

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. In respect of insurance and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Impaired financial assets

At 31 December 2010 there are impaired insurance and reinsurance assets of QR 64,084 (2009: QR 59,716) and impaired other assets of QR 4,289 (2009: QR 4,257). The Group records all impairment allowances in separate impairment allowances accounts. A reconciliation of all the allowances for impairment losses are as follows:

	Impairment on insurance and reinsurance assets		Impairment on investments		Impairment on other assets	
	2010	2009	**2010**	2009	**2010**	2009
At 1 January	59,716	54,807	-	-	4,257	4,289
Charge for the year	4,375	5,048	-	628	32	-
Amounts written off	(7)	(139)	-	(628)	-	(32)
At 31 December	64,084	59,716	-	-	4,289	4,257

ii) Liquidity risks

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

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 90-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell medium to long-term financial assets. Contractual maturity of the Group's liabilities as at 31 December 2010 are summarised below:

	Current		Non-current		
	Within 6 months	**6 to12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Short term borrowings	-	357,143	-	-	357,143
Accounts payables	86,230	65,099	21,131	-	172,460
Insurance contract liabilities	182,981	150,178	228,144	37,131	598,434
Other payables	51,173	50,809	18,898	-	120,880
	320,384	**623,229**	**268,173**	**37,131**	**1,248,917**

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32 RISK MANAGEMENT (CONTINUED)

ii) Liquidity risk (continued)

This compares to the maturity of the Group's financial liabilities as at 31 December 2009:

	Current		Non-current		
	Within 6 months	6 to12 months	1 to 5 years	More than 5 years	Total
Short term borrowings	60,000	202,962	-	-	262,962
Accounts payables	42,365	45,360	79,378	-	167,103
Insurance contract liabilities	170,838	140,212	213,004	34,667	558,721
Other liabilities	22,536	24,250	90,454	-	137,240
	295,739	412,784	382,836	34,667	1,126,026

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

iii) Market risks

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

Currency risk
Most of the Group's transactions are carried out in Qatari Riyals. Exposures to currency exchange rates arise from the Group's overseas investments, and insurance and reinsurance contracts, which are primarily denominated in US-Dollars and Euros.

The Qatari Riyal is effectively pegged to the United States dollar and thus currency risk occurs only in respect of currencies other than the United States Dollar. The management of the Group does not expect fluctuations in exchange rates to significantly affect its foreign currency denominated assets and liabilities. Foreign currency denominated financial assets and liabilities, translated into Qatari Riyals at the closing rate, are as follows:

	2010			2009		
Nominal amounts	**US $**	**Euro**	**Other**	US $	Euro	Other
Financial assets	136,913	507	3,211	752	425	34,101
Financial liabilities	(76,004)	-	-	(471)	-	-
Short -term exposure	60,909	507	3,211	281	425	34,101
Financial assets	113,095	9,292	270,970	215,113	10,704	58,596
Financial liabilities	(7,150)	(9,428)	-	(9,249)	(9,962)	-
Long-term exposure	105,945	(136)	270,970	205,864	742	58,596

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32 RISK MANAGEMENT (CONTINUED)

iii) Market risks (continued)

The sensitivity of net results for the year and equity in regards to the Group's financial assets and liabilities and the US Dollars - Qatari Riyal exchange rate and other currencies would not be significant. The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities.

		31 December 2010		31 December 2009	
	Changes in variables	**Impact on profit**	**Impact on equity**	Impact on profit	Impact on equity
Currency					
EUR	+10%	37	37	74	74
Others	+10%	321	27,097	5,860	5,860
Total		358	27,134	5,934	5,934
EUR	-10%	(37)	(37)	(74)	(74)
Others	-10%	(321)	(27,097)	(5,860)	(5,860)
Total		(358)	(27,134)	(5,934)	(5,934)

Interest rate risks

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

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of + / - 1%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each statement of financial position date. All other variables are held constant.

Interest rate sensitivity analysis for variable rate instruments:

	2010		2009	
	+1%	-1%	+1%	-1%
Net results for the year	(3,393)	3,393	(1,533)	1,533
Equity	(3,393)	3,393	(1,533)	1,533

Equity price risks

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

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32 RISK MANAGEMENT (CONTINUED)

iii) Market risks (continued)

Equity price risks (continued)

		31 December 2010		31 December 2009	
	Changes in variables	**Impact on profit**	**Impact on other comprehensive income**	Impact on profit	Impact on other comprehensive income
Qatar Market	+10%	6,405	77,252	4,438	60,035
International Markets	+10%	604	13,688	61	10,756
Qatar Market	-10%	(6,405)	(77,252)	(4,438)	(60,035)
International Markets	-10%	(604)	(13,688)	(61)	(10,756)

iv) Operational risk

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

v) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Group's objectives when managing capital is:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

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

	2010	2009 (Restated)
Equity	2,485,779	2,246,283
Less : Cash and cash equivalents	(54,402)	(110,007)
Capital	2,431,377	2,136,276
Equity	2,485,779	2,246,283
Add: Borrowings	357,143	262,962
Overall financing	2,842,922	2,509,245
Capital to overall financing	**1:1.17**	1:1.17

For the year ended 31 December 2010 In thousands of Qatari Riyals

33 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities:

	2010	2009
Letters of guarantee	**4,050**	5,261

Capital commitments:

The Group during the year has entered into a construction contract with Arabtec Construction Company W.L.L. for the construction of World Trade Center Tower in Doha. The Company has entered into a capital commitment of QR: 520 million, of which QR: 75.97 million was paid during the year. The outstanding commitment as at the statement of financial position date amounted to QR: 444.03 million.

34 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of preparing these consolidated financial statements, management has made use of a number of judgments relating to the application of accounting policies which are described in note 2 (d). Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below (apart from those involving estimations which are dealt with in note 35).

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

- **Classification of investment**

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

- **Impairment of financial assets**

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

35 KEY SOURCES OF ESTIMATES AND UNCERTAINTY

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

- **Claims made under insurance contracts**

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

- **Impairment of insurance and other receivables**

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired, entails the Group evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2009 and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the consolidated statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the consolidated statement of income at the time of collection.

- **Liability adequacy test**

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

36 RECLASSIFICATION AND RESTATEMENT OF COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements. However, such reclassifications did not have any effect on the net profit, total assets and equity of the comparative period, except for the effect of restatement in retained earnings due to change in accounting policy for investment properties as mentioned in note 2(e) and restatement for contribution to social and sports fund as detailed in note 24.