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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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

Consolidated financial statements
As at and for the year ended 31 December 2011

CONTENTS **Page (s)**

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 2011, 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 2011, 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

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

01 February 2012
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry No.251

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011 In thousands of Qatari Riyals

	Note	2011	2010
ASSETS			
Cash and cash equivalents	5	149,790	54,402
Statutory deposit	6	6,000	6,000
Insurance and other receivables	7	281,364	272,921
Due from related parties	8(a)	136,346	140,465
Reinsurance contract assets	9	369,544	402,342
Investments - Held for trading	10	157,493	70,093
Investments - Available for sale	10	891,320	909,398
Investment properties	11	1,857,446	1,667,832
Equity accounted investees	12	215,606	238,386
Takaful participants' assets	13	114,113	92,722
Property and equipment	14	103,946	21,317
TOTAL ASSETS		**4,282,968**	3,875,878
LIABILITIES			
Accounts payables	15	157,412	172,460
Insurance contract liabilities	9	532,930	598,434
Loans and borrowings	16	631,111	357,143
Other liabilities	17	247,477	120,880
Employees' end of service benefits	18	20,073	18,898
Due to related parties	8(b)	31,716	29,148
Takaful fund and participants' liabilities	13	114,113	92,722
TOTAL LIABILITIES		1,734,832	1,389,685
EQUITY			
Share capital	19	447,563	319,688
Legal reserve	20	100,811	88,867
Fair value reserve	21	578,446	581,469
Revaluation reserve	22	77,355	77,355
Foreign currency translation reserve	23	(16,537)	(13,065)
Cash flow hedge reserve	24	(49,752)	-
Retained earnings		1,409,516	1,431,465
Equity attributable to equity holders		2,547,402	2,485,779
Non-controlling interests	27	734	414
TOTAL EQUITY		2,548,136	2,486,193
TOTAL LIABILITIES & EQUITY		**4,282,968**	**3,875,878**

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on February 1st- , 2012.

Sheikh Nasser Bin Ali Bin Saud Al Thani
Chairman and Managing Director **Member of the Board**

The attached notes 1 to 37 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 2011 In thousands of Qatari Riyals

	Note	2011	2010
Gross premiums	4	471,325	518,565
Premiums ceded to reinsurers	4	(285,156)	(317,072)
Net premiums		186,169	201,493
Movement in unearned premiums	4	12,666	(6,067)
Net earned premiums	4	198,835	195,426
Net commission income	4	23,503	29,626
Other income – technical	4	470	(1,214)
Underwriting revenue		222,808	223,838
Gross benefits and claims paid		(242,663)	(372,838)
Claims ceded to reinsurers		117,500	235,290
Movement in outstanding claims & IBNR	9	20,041	13,874
Net benefits and claims incurred	4	(105,122)	(123,674)
Net underwriting revenue	4	**117,686**	100,164
Investment income	28	169,263	128,066
Fair value gain on investment properties	11	30,375	2,076
Other income	29	18,423	2,177
Total income		335,747	232,483
Impairment loss on available-for-sale investment	10	(21,744)	-
Finance costs		(32,779)	(26,947)
General and administrative expenses	30	(110,902)	(86,092)
Net profit for the year		**170,322**	119,444

		2011	2010
Net profit attributable to:			
Equity holders of the Company		170,082	119,530
Non-controlling interests		240	(86)
Net profit for the year		**170,322**	119,444

	Note	2011	2010
Basic and diluted earnings per share (QR)	31	**3.80**	2.67

The attached notes 1 to 37 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 2011

In thousands of Qatari Riyals

	2011	2010
Net profit for the year	170,322	119,444
Other comprehensive income		
Foreign currency translation difference - foreign operations	(3,472)	(11,402)
Net changes in fair value of available-for-sale financial assets	30,716	236,300
Net changes in fair value of available-for-sale financial assets reclassified to profit or loss	(33,739)	(38,009)
Effective portion of changes in fair value of cash flow hedges	(49,752)	-
Total comprehensive income for the year	**114,075**	306,333

Comprehensive income attributable to:		
Equity holders of the Company	**113,835**	306,419
Non-controlling interests	240	(86)
Total comprehensive income for the year	**114,075**	306,333

The attached notes 1 to 37 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 2011

In thousands of Qatari Riyals

	Share Capital	Legal reserve	Fair value reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge 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 year										
Net profit for the year	-	-	-	-	-	-	119,444	119,444	-	119,444
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	(11,402)	-	-	(11,402)	-	(11,402)
Net change in fair value of available-for-sale financial assets	-	-	236,300	-	-	-	-	236,300	-	236,300
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	(38,009)	-	-	-	-	(38,009)	-	(38,009)
Total other comprehensive income for the year	-	-	198,291	-	(11,402)	-	119,444	306,333	-	306,333
Transactions with equity holders of the Company recognised directly in equity										
Issue of bonus shares – 2010 (note 27)	63,938	-	-	-	-	-	(63,938)	-	-	-
Dividends paid – 2010 (note 27)	-	-	-	-	-	-	(63,938)	(63,938)	-	(63,938)
Contribution to social and sports fund – 2010 (note 26)	-	-	-	-	-	-	(2,985)	(2,985)	-	(2,985)
Transfer to legal reserve – 2010 (note 21)	-	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 37 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 2011

In thousands of Qatari Riyal

	Share Capital	Legal reserve	Fair value reserve	Property revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011	319,688	88,867	581,469	77,355	(13,065)	-	1,431,465	2,485,779	414	2,486,193
Total comprehensive income for the year										
Net profit for the year	-	-	-	-	-	-	170,082	170,082	240	170,322
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	(3,472)	-	-	(3,472)	-	(3,472)
Net change in fair value of available-for-sale financial assets	-	-	30,716	-	-	-	-	30,716	-	30,716
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	(33,739)	-	-	-	-	(33,739)	-	(33,739)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(49,752)	-	(49,752)	-	(49,752)
Total other comprehensive income for the year	-	-	**(3,023)**	**-**	**(3,472)**	**(49,752)**	**170,082**	**113,835**	**240**	**114,075**
Transactions with equity holders of the Company recognised directly in equity										
Issue of bonus shares – 2011 (note 26)	127,875	-	-	-	-	-	(127,875)	-	-	-
Dividends paid – 2011 (note 26)	-	-	-	-	-	-	(47,954)	(47,954)	-	(47,954)
Contribution to social and sports fund – 2011 (note 26)	-	-	-	-	-	-	(4,258)	(4,258)	-	(4,258)
Transfer to legal reserve – 2011 (note 20)	-	11,944	-	-	-	-	(11,944)	-	-	-
Increase in minority interest	-	-	-	-	-	-	-	-	80	80
Balance at 31 December 2011	**447,563**	**100,811**	**578,446**	**77,355**	**(16,537)**	**(49,752)**	**1,409,516**	**2,547,402**	**734**	**2,548,136**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2011 In thousands of Qatari Riyals

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		170,322	119,444
Adjustments for :			
Depreciation and amortisation	30	5,132	3,391
Loss on sale or write off of property and equipment		-	61
Gain on sale of investments	28	(33,739)	(38,170)
Revaluation gain on trading securities	28	(19,538)	(16,529)
Change in fair value of investment property	11	(30,375)	(2,076)
Share of profit of equity accounted investees	28	(8,486)	(17,798)
Impairment loss on investments		21,744	
Profit on sale of investment property		(51,264)	-
		53,796	48,323
Changes in:			
- insurance and other receivables		(5,871)	(105,186)
- due from related parties		4,119	
- reinsurance contract assets		32,798	(47,520)
- accounts payables		(15,048)	(13,988)
- insurance contracts liabilities		(65,504)	39,713
- other liabilities		73,762	16,595
- due to related parties		2,568	-
Net cash from / (used in) operating activities		**80,620**	(62,063)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	14	(3,099)	(2,736)
Acquisition of investment securities		(112,349)	(61,871)
Investment in equity accounted investees		22,482	(6,105)
Additions to investment properties	11	(305,229)	(48,980)
Proceeds from sale of investment Securities		71,537	90,268
Proceeds from sale of investment property	11	110,000	-
Dividends from equity accounted investees		5,073	5,639
Proceeds from sale of property and equipment		19	-
Net movement in minority interest		320	-
Net cash used in investing activities		**(211,246)**	(23,785)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	26	(47,954)	(63,938)
Net movement in short term borrowings		273,968	94,181
Net cash from financing activities		**226,014**	30,243
Net increase / (decrease) in cash and cash equivalents		**95,388**	(55,605)
Cash and cash equivalents at 1 January		54,402	110,007
Cash and cash equivalents at 31 December	5	**149,790**	54,402

The attached notes 1 to 38 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 No.5 of 2002. The Company and its subsidiaries (together referred to as "the Group") are engaged in the business of general insurance, takaful, reinsurance, real estate and investment management. The shares of the Group are listed on the Qatar Exchange.

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

During the year, the Group has changed its Islamic takaful insurance model from Mudaraba to Hybrid model. The Hybrid model uses the principles of both Wakala and Mudaraba, whereby the shareholder receives a fixed Wakala fee of 20% of gross insurance premium, in addition to the share in the realised investment gains on the policyholders' contributions. The administrative costs of underwriting are covered by the Wakala fee and borne by the shareholder.

The consolidated financial statements of the Company as at 31 December 2011 comprise the Company and its subsidiaries all of which have the same 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 takaful
General Real Estate Company S.P.C	100%	State of Qatar	Primarily engaged in real estate business.
World Trade Centre S.P.C.	100%	State of Qatar	Official authorized licensee of World Trade Center Association
Mazoon Real Estate Company W.L.L	50%	State of Qatar	Owning and development of property and real estate business
Arab Danish Diary W.L.L.	60%	State of Qatar	Manufacturing and processing of dairy products

2 BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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;
- non derivative financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- Investment properties are measured using fair value model.

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

2. BASIS OF PREPARATION (CONTINUED)

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyal (QR), which is Company's functional currency. All financial information in Qatari Riyal has been rounded to the nearest thousands (QR '000), except when otherwise indicated.

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and 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. Actual results may differ from these estimates.

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 35 and 36.

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) New standards, amendments and interpretations effective from 1 January 2011

The following standards, amendments and interpretations, which became effective 1 January 2011, are relevant to the Group:

I. IAS 24 (Revised) 'Related party disclosures'

The revised standard was issued in November 2009. 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 adoption of the revised standard did not have any significant impact on the related party disclosure of the Group.

II. Improvements to IFRSs (2010)

Improvements to IFRS issued in 2010 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, there were no significant changes to the current accounting policies of the Company as a result of these amendments.

2. BASIS OF PREPARATION (CONTINUED)

f) New standards, amendments and interpretations issued but not yet effective

The following new standards, amendments to standards and interpretations relevant to the Group which have been issued but are not yet effective for the year ended 31 December 2011 have not been applied in preparing these consolidated financial statements:

I. IAS 1 (amendment) - Presentation of items of other comprehensive income

The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application.

The application of this amendment has no significant impact on the consolidated financial statements of the Group.

II. IAS 28 (2011) – Investment in Associates and Joint ventures

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time.

III. IFRS 7 (amendment) – Disclosures: Transfer of financial assets

The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments are effective for annual periods beginning on or after 1 July 2011, but entities are not required to provide the disclosures for any period presented that begins before the date of initial application of the amendments. Early adoption is permitted.

IV. IFRS 9 - Financial Instruments

Standard issued November 2009
IFRS 9 (2009) 'Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 (2009) retains and 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 guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

Standard issued October 2010
IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and de-recognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives".

The Group is considering the implications of the standard, the impact on the Group and timing of its adoption by the Group.

2. BASIS OF PREPARATION (CONTINUED)

f) New standards, amendments and interpretations that are not yet effective (continued)

iv) IFRS 9 - Financial Instruments

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. In its November 2011 meeting, the IASB tentatively decided to defer the mandatory effective date to 1 January 2015.

V. IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change.

IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities. The Group is yet to assess IFRS 10's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time. IFRS 10 is applied retrospectively when there is a change in the control conclusion between IAS 27/SIC-12 and IFRS 10. IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

VI. IFRS 11 – Joint Arrangements

IFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures; and always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity method or proportionate consolidation.

IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Ventures. The Group is yet to assess IFRS 11's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is all adopted at the same time.

VII. IFRS 12 - Disclosures of interests in other entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Group is yet to assess IFRS 12's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite is adopted at the same time. Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

2. BASIS OF PREPARATION (CONTINUED)

f) New standards, amendments and interpretations that are not yet effective (continued)

VIII. IFRS 13 - Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

g) Early adoption of standards

The Group did not early adopt new or amended standards in 2011.

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.

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 2011. The financial statements of the subsidiary companies are prepared for the same reporting year as the parent company, using consistent accounting policies.

Intra group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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 as supplementary information. 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 under Hybrid model.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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.

b. 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 exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Qatari Riyal at the exchange rate at that date.

Non-monitory assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Qatari Riyal at the exchange rate at the date that the fair value was determined. Non-monitory items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transactions. The resultant exchange differences are included in the statement of income.

c. 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, loans and borrowings, interest rate swap agreements, insurance contract liabilities, due to related parties and other liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

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 derecognises 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 derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

iii) Measurement

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 and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of income when there is objective evidence of that the asset is impaired.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

iii) Measurement (continued)

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.

Loans and borrowings:

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After the initial recognition, 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.

Derivative financial instruments

The Group uses interest rate swap contracts to hedge its risk associated with interest rate fluctuations relating to the interest payments on the Group's term loan. These interest rate swap contract are stated at fair value. The Group classifies a hedge as a cash flow hedge where they hedge the exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction. The interest rate swap contract has been classified as cash flow hedge and meets the conditions for hedge accounting.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Cash flow hedges

The effective portion of changes to the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in statement of income.

Amounts deferred in other comprehensive income are transferred to statement of income in the periods when the hedged item is recognized in statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

iii) Measurement (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

The fair value of interest rate of interest rate swap contracts is calculated by discounting the expected future cash flows at prevailing interest rate.

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.

Available for sale investments

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 33 for fair value hierarchy).

Investment properties

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.

Interest rate swap agreements

The fair value of interest rate swap contracts is calculated by discounting the expected future cash flows at prevailing interest rate based on broker's quotes.

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.

1) 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.

2) 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.

3) 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.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost. These properties are constructed for future use as investment properties and hence are considered as investment properties and accounted at fair value.

Any gain or loss on disposal of any investment property (calculated as a difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Investment properties (continued)

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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.

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	4 years
Computers	3 - 5 years
Motor vehicles	3 - 5 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Employee benefits

a. 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.

b. 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 statement of financial position 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).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Income recognition (continued)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Claims and related expenses (continued)

(i) Gross claims paid (continued)

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.

(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 a liability for claims incurred but not reported as at the statement of financial position date. An independent actuarial firm 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 13% to15% of claims outstanding, after considering the independent actuarial report, 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Segment reporting

Segment results that are reported to the CEO includes item directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

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 27.

4 OPERATING SEGMENTS

The Group has four 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 (the chief operating decision maker) 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 2011 In thousands of Qatari Riyals

4 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

	Insurance								
	General accident	**Fire**	**War and Marine**	**Engineering and others**	**Total insurance**	**Investments**	**Real estate**	**Others**	**2011**
Gross premiums	160,672	24,110	20,663	265,880	471,325	-	-	-	471,325
Premium ceded to reinsurers	(13,437)	(22,082)	(16,535)	(233,102)	(285,156)	-	-	-	(285,156)
Net premium	147,235	2,028	4,128	32,778	186,169	-	-	-	186,169
Movement in unearned premium	1,385	(26)	558	10,749	12,666	-	-	-	12,666
Net earned premium	148,620	2,002	4,686	43,527	198,835	-	-	-	198,835
Net commission	(1,201)	4,657	3,712	16,335	23,503	-	-	-	23,503
Other income – technical	60	(15)	5	420	470	-	-	-	470
Net claims incurred	(91,503)	723	487	(14,829)	(105,122)	-	-	-	(105,122)
Net underwriting revenue	55,976	7,367	8,890	45,453	117,686	-	-	-	117,686
Finance cost	-	-	-	-	(3,336)	(18,674)	(10,769)	-	(32,779)
Share of profit of associates	-	-	-	-	-	8,486	-	-	8,486
Income from other investments	-	-	-	-	47,447	50,082	63,248	-	160,777
Fair value gain on investment properties	-	-	-	-	-	-	30,375	-	30,375
Impairment loss	-	-	-	-	-	(21,744)	-	-	(21,744)
Other income	-	-	-	-	16,571	145	1,707	-	18,423
Depreciation	-	-	-	-	(3,447)	(74)	(1,611)	-	(5,132)
General and administrative expenses	-	-	-	-	(82,872)	22,898		-	(105,770)
Net profit during the year	**55,976**	**7,367**	**8,890**	**45,453**	**92,049**	**(4,677)**	**82,950**	**-**	**170,322**

For the year ended 31 December 2011 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
Finance Cost	-	-	-	-	(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 administrative 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 2011 In thousands of Qatari Riyals

4 OPERATING SEGMENTS (CONTINUED)

Segmental assets and liabilities:

	Assets		Liabilities & equity	
	2011	2010	**2011**	2010
Insurance				
i. Conventional insurance	1,344,812	1,243,805	1,344,812	1,243,805
ii. Islamic insurance	144,240	105,784	144,240	105,784
Investments	944,438	866,452	944,438	866,452
Real estate	1,849,478	1,659,837	1,849,478	1,659,837
Total	**4,282,968**	3,875,878	**4,282,968**	3,875,878

5 CASH AND CASH EQUIVALENTS

	2011	2010
Cash on hand	205	139
Cash at bank		
- Current and call account	45,585	39,039
- Deposits maturing within 3 months	104,000	15,224
Total cash and cash equivalents	**149,790**	54,402

6 STATUTORY DEPOSIT

Statutory deposit is 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

	2011	2010
Due from policy holders	147,417	204,584
Due from insurance / reinsurance companies	85,584	80,192
Impairment allowance for doubtful receivables	(42,601)	(64,084)
Insurance contract receivables	190,400	220,692
Staff loans	1,110	987
Accrued rental income	-	5,180
Advance paid to construction contractor	20,664	49,336
Prepayments and others	73,192	1,015
Impairment allowance for doubtful receivables	(4,002)	(4,289)
Total insurance and other receivables	**281,364**	272,921

For the year ended 31 December 2011 In thousands of Qatari Riyals

8 RELATED PARTY

These represent balances and payments made to 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:

	2011	2010
a) Due from related parties:		
Trust Syria Insurance Company S.A.S.C.	270	216
Trust Algeria Investment Company	26,770	23,243
Trust Algeria Assurances and Reassurances	3,641	3,641
Gulf Petroleum Limited W.L.L.	3,670	3,650
Lebanese Canadian Bank	-	2,950
Trust Bank Algeria	80,123	80,208
International Financial Securities Q.S.C.	-	3,757
Trust Insurance Company – Amman	20,945	19,731
Trust Insurance Company – Bahrain	127	-
Al Sari Trading Company	580	3,069
Nest Investment Holding Company Limited	220	-
	136,346	140,465

	2011	2010
b) Due to related parties:		
Trust Insurance Company – Bahrain	-	616
Trust Insurance Company	31,716	28,437
Nest Investment Holding Company Limited	-	95
	31,716	29,148
c) Compensation paid to key management personnel		
Remuneration for Board of Directors	**5,200**	4,000
Salaries and other short term benefits	**22,360**	15,608
End of service benefits	**262**	92

For the year ended 31 December 2011 In thousands of Qatari Riyals

9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2011	2010
Gross insurance contract liabilities		
Claims reported but outstanding	325,286	355,649
Claims incurred but not reported	44,379	33,875
Unearned premiums	163,265	208,910
Total insurance contract liabilities	532,930	598,434
Reinsures' share of insurance contract liabilities		
Claims reported but outstanding	267,338	267,660
Claims incurred but not reported	22,704	22,200
Unearned premiums	79,502	112,482
Total reinsurance contract assets	369,544	402,342
Net insurance contract liabilities		
Claims reported but outstanding	57,948	87,989
Claims incurred but not reported	21,675	11,675
Unearned premiums	83,761	96,428
Total net insurance contract liabilities	**163,384**	196,092

For the year ended 31 December 2011 In thousands of Qatari Riyals

9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in claims provision during the year are as follows:

	2011			2010		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
At 1 January	389,524	(289,860)	99,664	429,391	(315,853)	113,538
Movements during the year	(19,859)	(182)	(20,041)	(39,867)	25,993	(13,874)
At 31 December	**369,665**	**(290,042)**	**79,623**	389,524	(289,860)	99,664

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

	2011			2010		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
At 1 January	208,910	(112,482)	96,428	129,330	(38,969)	90,361
Premiums written during the year	471,325	(285,156)	186,169	518,565	(317,072)	201,493
Premiums earned during the year	(516,970)	318,134	(198,836)	(438,985)	243,559	(195,426)
At 31 December	**163,265**	**(79,504)**	**83,761**	208,910	(112,482)	96,428

10 INVESTMENT IN SECURITIES

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

	2011	2010
Held for trading securities		
Quoted securities	157,493	70,093
Total held for trading securities	**157,493**	70,093
Available-for-sale investments		
Local portfolio – quoted	740,286	746,738
Local portfolio – unquoted	2,920	9,326
Foreign shares	30,302	36,486
Managed funds	33,047	37,098
Bonds - Debt instruments	84,765	79,750
Total available for sale investments	**891,320**	909,398
Total investment in securities	**1,048,813**	979,491

During the year, the Group has recognised the impairment losses on quoted equity securities and unquoted equity securities for an amount of QR: 15.34 million and QR: 6.40 million respectively in the statement of income.

For the year ended 31 December 2011 In thousands of Qatari Riyals

11 INVESTMENT PROPERTIES

Investment properties consist of the following:

	2011	2010
Investment properties	1,405,669	1,545,967
Investment properties under construction	451,777	121,865
At 31 December	**1,857,446**	1,667,832

The movement in investment properties is as follows:

	2011	2010
Balance at 1 January	1,667,832	1,617,850
Change in fair value (a)	30,376	2,076
Addition to investment property under construction (b)	305,229	46,557
Reclassification made during the year	(3,303)	2,423
Transfer of investment property to property and equipment (c)	(84,352)	(1,074)
Disposal	(58,336)	-
Net book value at 31 December	**1,857,446**	1,667,832

Investment properties comprise of a number of plots of land and commercial properties in the State of Qatar. These building are leased to third parties and each of such leases contain an initial non-cancellable period of 1 year, with fixed annual rent. Subsequent renewals are negotiated with the lessee and rental amount is fixed accordingly.

(a) The investment properties including buildings under construction were valued as on 31 December 2011 by two independent valuers not connected with the Group, by reference to market evidence of recent transactions for similar properties.

(b) This represents the additional expenditures relating to the buildings under construction for an amount of QR 305.23 million. Capitalized borrowing costs related to the construction of the building under construction amounted to QR 10.26 million (2010: QR10.91 million).

(c) During the year, investment properties comprising of land and building with the fair value of QR 61.42 million and QR 22.93 million respectively were transferred from investment properties to property and equipment, as the buildings were no longer leased to third parties and would be used by the Group.

For the year ended 31 December 2011 In thousands of Qatari Riyals

12 EQUITY ACCOUNTED INVESTEES

The Group has the following investments in equity accounted investees:

	Shareholding	2011	2010
Qatari United Insurance Bureau W.L.L.	25.00%	1,326	1,985
International Financial Securities Q.S.C. (a)	12.00%	7,245	6,769
Gulf Petroleum Limited W.L.L.	20.00%	479	931
Trust Algeria Assurances – Reassurances	22.50%	23,359	24,397
Trust Algeria Investment Company	20.00%	83,112	83,085
Trust Bank Algeria (a)	8.00%	50,023	50,571
Trust Syria Insurance Company S.A.S.C	32.00%	21,412	20,756
Trust Insurance Company - Libya (a)	15.00%	3,432	3,731
Oman Reinsurance Company (a)	10.00%	18,372	9,313
Gulf Assist B.S.C. (c) (a)	8.00%	818	1,737
Lebanese Canadian Bank S.A.L. (a) &(b)	3.00%	-	30,641
Arabian Insurance Institute – Syria (a)	16.52%	6,028	2,886
Tabadul shares and bonds L.L.C. (a)	3.00%	-	1,584
Total investment in equity accounted investee		**215,606**	238,386

(a) 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.

(b) During the year, the Group has disposed off its investment having carrying amount of QR 35.55 million in Lebanese Canadian Bank S.A.L. (LCB) to Societe Generale de Banque Au Liban (SGBL) at QR 46.96 million. During 2011, the acquisition deal between LCB and SGBL was signed and it was approved by the Central Bank of Lebanon, the sale and purchase agreement (SPA) was signed by the majority shareholders in LCB.

(c) During the year the Group has recognized income from associates amounting to QR 8.50 million (2010: QR 17.92 million).

For the year ended 31 December 2011 In thousands of Qatari Riyals

13 TAKAFUL PARTICIPANTS' FUND ACCOUNTS

STATEMENT OF FINANCIAL POSITION

	2011	2010
ASSETS		
Cash and bank	55,022	57,050
Due from a related party	1,584	767
Insurance contract receivables	23,248	22,844
Reinsurance contract assets	8,107	10,117
Other receivables	1,247	95
Furniture and equipment	728	1,112
Available for sale investments	24,177	737
	114,113	92,722
LIABILITIES		
Accounts payable	14,789	15,440
Insurance contract liabilities	66,817	61,149
Other payables	18,045	1,928
Fair value reserve	(96)	76
	99,555	78,593
Surplus for the year	14,558	14,129
	114,113	92,722

STATEMENT OF COMPREHENSIVE INCOME (POLICYHOLDERS)

	2011	2010
Gross contributions	75,917	77,978
Wakala fee	(15,183)	
Reinsurance cessions	(14,485)	(13,356)
Retained contributions	46,249	64,622
Unearned contribution adjustment	(3,634)	(6,585)
Net commission income	1,502	2,301
Other income – technical	206	1,078
Net contributions	**44,323**	61,416
Claims paid	(47,414)	(44,545)
Claims recovered	7,263	7,670
Outstanding claims adjustment	(4,046)	(8,283)
Net claims	**(44,197)**	(45,158)
Insurance revenue	127	16,258
Other income	552	543
General and administrative expenses	-	(9,049)
Surplus for the year	**679**	7,752

For the year ended 31 December 2011 In thousands of Qatari Riyals

14 PROPERTY AND EQUIPMENT

	Freehold land	Building	Furniture & fixtures	Motor vehicle	Computers	Total 2011	Total 2010
Cost:							
Balance at 1 January	7,230	24,299	10,440	549	9,943	52,461	49,089
Transfer from / (to) investment properties	61,419	22,933	-	-	-	84,352	1,074
Additions	-	146	695	-	2,258	3,099	2,736
Disposals	-	-	(112)	(42)	(203)	(357)	(438)
Balance at 31 December	68,649	47,378	11,023	507	11,998	139,555	52,461
Accumulated depreciation:							
Balance at 1 January	-	15,153	8,960	479	6,552	31,144	28,130
Depreciation for the year	-	2,260	1,011	30	1,502	4,803	3,391
Disposals / transfers	-		(97)	(42)	(199)	(338)	(377)
Balance at 31 December 2011	-	17,413	9,874	467	7,855	35,609	31,144
Carrying amounts:							
At 31 December 2011	**68,649**	**29,665**	**1,149**	**40**	**4,143**	**103,946**	**-**
At 31 December 2010	7,230	9,146	1,480	70	3,391	-	21,317

For the year ended 31 December 2011 In thousands of Qatari Riyals

15 ACCOUNTS PAYABLES

	2011	2010
Due to policy holders	30,411	32,221
Due to insurers and reinsurance companies	127,001	140,239
Total accounts payables	**157,412**	172,460

16 LOANS AND BORROWINGS

	2011	2010
Non-current liabilities		
Loan 1	179,437	-
Loan 2	439,825	-
Loan 3	16,878	-
Less: Unamortised transaction cost associated with raising finance *	(5,029)	-
	631,111	-

Current liabilities

	2011	2010
Loans and borrowings	-	357,143
	-	**357,143**

Loan 1

This loan carries interest at LIBOR + margin and is repayable in accordance with specific repayment schedules from Project Completion. The loan is secured by a mortgage of a real estate project and corporate guarantee from the parent Company.

Loan 2

The loan carries Interest at LIBOR + margin and is repayable in a bullet payment on 2014

Loan 3

The loan carries interest rate at LIBOR + margin for investment purpose.

* The transaction costs represents cost incurred for arranging the loan facility and are amortised over the term of the loans.

For the year ended 31 December 2011 In thousands of Qatari Riyals

17 OTHER LIABILITIES

	2011	2010
Rent received in advance	2,173	2,169
Amount payable for investment properties	103,511	75,976
Accrued expenses	2,589	410
Provision for Board of Directors remuneration	5,200	4,000
Retention on construction project	31,783	3,025
Interest rate swap liability *	49,752	-
Provision for contribution to social and sports fund	4,258	2,985
Others	48,211	32,315
Total other liabilities	**247,477**	120,880

* The Company entered into interest rate swap contracts designated as hedge of expected future LIBOR interest rate payments payable. Under the terms of the interest rate swap contracts, the Company pays a fixed rate of interest and receives floating LIBOR rates. The terms of the interest rate swap contracts have been negotiated to match the terms of the underlying commitments. As at December 2011, the measurement of the fair value of the hedge resulted in an amount of QR 49.75 million being recognised in equity as a cash flow hedge reserve.

18 EMPLOYEES' END OF SERVICE BENEFITS

	2011	2010
Balance at 1 January	18,898	20,284
Charge for the year	1,856	2,731
Payments made during the year	(681)	(4,117)
Balance at 31 December	**20,073**	18,898

19 SHARE CAPITAL

Authorized, issued and fully paid up share capital 44,756,300 shares of QR 10 each (2010: 31,968,800 shares of QR 10 each)

	2011	2010
Balance at 31 December	**447,563**	319,688

For the year ended 31 December 2011 In thousands of Qatari Riyals

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. During the year, the Group has transferred amounting to QR 11.944 million (2010: 8.607 million) from retained earnings to legal reserve.

21 FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired. The movement in the balances are as follows:

	2011	2010
Balance at 1 January	581,469	383,178
Fair value gain during the year	30,716	236,300
Transferred to statement of income on sale of investments	(33,739)	(38,009)
Balance at 31 December	**578,446**	581,469

22 REVALUATION RESERVE

One of the associate companies of the Group has revalued its properties and a revaluation surplus was directly recognized in the statement of other comprehensive income of the associate. The Group has recognized 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 CASH FLOW HEDGE RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedge transactions that have not yet affected profit or loss.

25 CONTRIBUTION TO SOCIAL AND SPORTS ACTIVITIES FUND

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2011, which is applicable for all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its adjusted net profit to a state social fund amounting to QR 4.258 million (2010: QR 2.985 million).

26 DIVIDEND PAID AND PROPOSED

The Board of Directors have proposed a cash dividend of xx% of the nominal share value (QR XX per share) and a bonus share of xx% of the share capital for the year ended 31 December 2011 (2010: 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.

For the year ended 31 December 2011 In thousands of Qatari Riyals

27 NON-CONTROLLING INTERESTS

The non-controlling 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.

28 INVESTMENT INCOME

	2011	2010
Rental Income	10,904	10,332
Dividend income	38,521	38,046
Gain on sale of investments	33,739	38,170
Gain on sale of investment property	51,264	-
Share of profit of equity-accounted investees	8,486	17,798
Fair value gains on held for trading investment	19,538	16,529
Interest income from bonds	5,957	4,482
Others	854	2,709
Net investment income	**169,263**	128,066

29 OTHER INCOME

	2011	2010
Shareholders' income from takaful operations	16,844	1,507
Foreign exchange loss	(410)	(1,436)
Miscellaneous income	1,989	2,106
Total other income	**18,423**	2,177

30 GENERAL AND ADMINISTRATION EXPENSES

	2011	2010
Employee related costs	69,763	59,982
Depreciation	5,132	3,391
Remuneration to Board of Directors	5,200	4,000
Others	30,807	18,719
Total general and administration expenses	**110,902**	86,092

31 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the 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 is equal to the basic earnings per share.

	2011	2010 (Restated)
Net profit attributable to equity holders of the parent	170,082	119,444
Weighted average number of ordinary shares (‘000s)	44,756	44,756
Basic and diluted earnings per share (QR)	**3.80**	2.67

32 CLASSIFICATION AND FAIR VALUES

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties on an arm’s length basis. Since the accompanying consolidated financial statements have been prepared under the historical cost convention, except for the items mentioned in note 2(b), the carrying value of the financial instruments as recorded could therefore be different from the fair value. However, in the opinion of the management, fair values of the financial assets and liabilities are not considered significantly different from their book values as most of these items are either short-term in nature or revalued frequently.

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)

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2011				
Investments - Available for sale	855,353	-	35,967	891,320
Investments - Held for trading	157,493	-		157,493
	1,012,846	**-**	35,967	**1,048,813**
Financial liability				
Derivative liability	**-**	**49,752**	**-**	**49,752**
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

33 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 and 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.

33 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.

For the year ended 31 December 2011 In thousands of Qatari Riyals

33 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	**2011**		2010	
		Impact on net profit	**Impact on equity**	Impact on net profit	Impact on equity
Loss ratio	+5%	**(9,942)**	**(9,942)**	(9,771)	(9,771)
	-5%	**9,942**	**9,942**	9,771	9,771

For the year ended 31 December 2011 In thousands of Qatari Riyals

33 RISK MANAGEMENT (CONTINUED)

i) Insurance risk (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.

ii) 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' in order 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:

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.

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 2011 there are impaired insurance and reinsurance assets of QR 42,601 (2010: QR 64,084) and impaired other assets of QR 4,002 (2010: QR 4,289). 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 other assets**	
	2011	2010	**2011**	2010
At 1 January	64,084	59,716	4,289	4,257
Charge for the year	176	4,375	-	32
Amounts written off	(21,659)	(7)	(287)	-
At 31 December	**42,601**	64,084	4,002	4,289

For the year ended 31 December 2011 In thousands of Qatari Riyals

33 RISK MANAGEMENT (CONTINUED)

iii) 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 2011 are summarised below:

	Current		**Non-current**		
	Within 6 months	**6 to12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Accounts payables	78,706	62,965	15,741	-	157,412
Derivative liability - Interest rate swap				49,752	49,752
Insurance contract liabilities	162,952	133,739	203,172	33,067	532,930
Due to related parties	-	31,716	-	-	31,716
Other payables	51,289	95,886	50,550	49,752	247,477
Loan and borrowings	-	-	456,703	174,408	631,111
	292,947	**324,306**	**726,166**	**306,979**	**1,650,398**

This compares to the maturity of the Group's financial liabilities as at 31 December 2010:

	Current		Non-current		
	Within 6 months	6 to12 months	1 to 5 years	More than 5 years	Total
Accounts payables	86,230	65,099	21,131	-	172,460
Derivative liability – Interest rate swap					
Insurance contract liabilities	182,981	150,178	228,144	37,131	598,434
Due to related parties	-	29,148	-	-	29,148
Other liabilities	51,173	50,809	18,898	-	120,880
Loans and borrowings	-	357,143	-	-	357,143
	320,384	652,377	268,173	37,131	1,278,065

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.

For the year ended 31 December 2011 In thousands of Qatari Riyals

33 RISK MANAGEMENT (CONTINUED)

iv) 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. 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.

Foreign currency denominated financial assets and liabilities, translated into Qatari Riyals at the closing rate, are as follows:

	2011		2010	
Nominal amounts	**Euro**	**Other**	Euro	Other
Financial assets	-	2,671	507	3,211
Financial liabilities	(389)	(23,470)	-	-
Short -term exposure	**(389)**	**(20,799)**	507	3,211
Financial assets	9,122	255,631	9,292	270,970
Financial liabilities	(9,384)	-	(9,428)	-
Long-term exposure	**(262)**	**255,631**	(136)	270,970

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 2011		31 December 2010	
	Changes in variables	**Impact on profit**	**Impact on equity**	Impact on profit	Impact on equity
Currency					
EUR	+10%	13	13	37	37
Others	+10%	244	22,930	321	27,097
Total		**257**	**22,943**	358	27,134
EUR	-10%	(13)	(13)	(37)	(37)
Others	-10%	(244)	(22,930)	(321)	(27,097)
Total		**(257)**	**(22,943)**	(358)	(27,134)

For the year ended 31 December 2011 In thousands of Qatari Riyals

33 RISK MANAGEMENT (CONTINUED)
iv) Market risks (continued)

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.

	Carrying amounts	
	2011	2010
Fixed and variable rate instruments		
Financial assets	**104,000**	15,,224
Financial liabilities	**631,111**	357,143

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss, and the Group does not designate (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rate at the reporting date would have increased (decreased) profit or loss by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Cash flow sensitivity analysis for variable rate instruments (continued)

	Profit or loss	
	100 bp increase	100 bp decrease
31 December 2011		
Variable rate instruments	(1,345)	1,345
Interest rate swap	1.345	(1,345)
Cash flow sensitivity (net)	**-**	-
31 December 2010		
Variable rate instruments	-	-
Interest rate swap	-	-
Cash flow sensitivity (net)	**-**	-

For the year ended 31 December 2011 In thousands of Qatari Riyals

33 RISK MANAGEMENT (CONTINUED)

iv) Market risks (continued)

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:

		31 December 2011		31 December 2010	
	Changes in variables	**Impact on profit**	**Impact on other comprehensive income**	Impact on profit	Impact on other comprehensive income
Qatar Market	+10%	14,563	74,539	6,405	77,252
International Markets	+10%	961	12,415	604	13,688
Qatar Market	-10%	(14,563)	(74,539)	(6,405)	(77,252)
International Markets	-10%	(961)	(12,415)	(604)	(13,688)

v) 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.

vi) 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 summarized as follows:

For the year ended 31 December 2011 In thousands of Qatari Riyals

33 RISK MANAGEMENT (CONTINUED)

vi) Capital management (continued)

	2011	2010
Equity excluding cash flow hedge reserve	2,597,154	2,485,779
Less : Cash and cash equivalents	(149,790)	(54,402)
Capital	**2,447,364**	2,431,377
Equity	2,597,154	2,485,779
Add: Loan and borrowings	631,111	357,143
Overall financing	3,228,265	2,842,922
Capital to overall financing	**1:1.32**	1:1.17

34 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

	2011	2010
Letters of guarantee	**2,654**	4,050

Capital commitments:

During the year ended 31 December 2011, the Group had entered into a construction contract for the construction of Real Estate project in Qatar, The total contract commitment is QR 520 million of which QR 313.30 million has been paid as at the reporting date, The outstanding commitment as at the reporting date amounted to 206.7 million.

35 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of preparing these consolidated financial statements, management has made use of a number of judgments relating to the application of accounting policies which are described in note 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 37).

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

- **Classification of investments**

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 initially designated at fair value through profit or loss.

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

- **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.

36 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 2011 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.

- **Useful lives, residual values and depreciation charges of property and equipment**

The Group's management determines the estimated useful lives, residual values and related depreciation charges of its property and equipment. These estimates are determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

- **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 KEY SOURCES OF ESTIMATES AND UNCERTAINTY (continued)

- **Interest rate swap valuation**

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instruments and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

- **Investment property valuation**

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.

37 RECLASSIFICATION 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.