

ANNUAL REPORT

2012



QATAR GENERAL
Insurance & Reinsurance

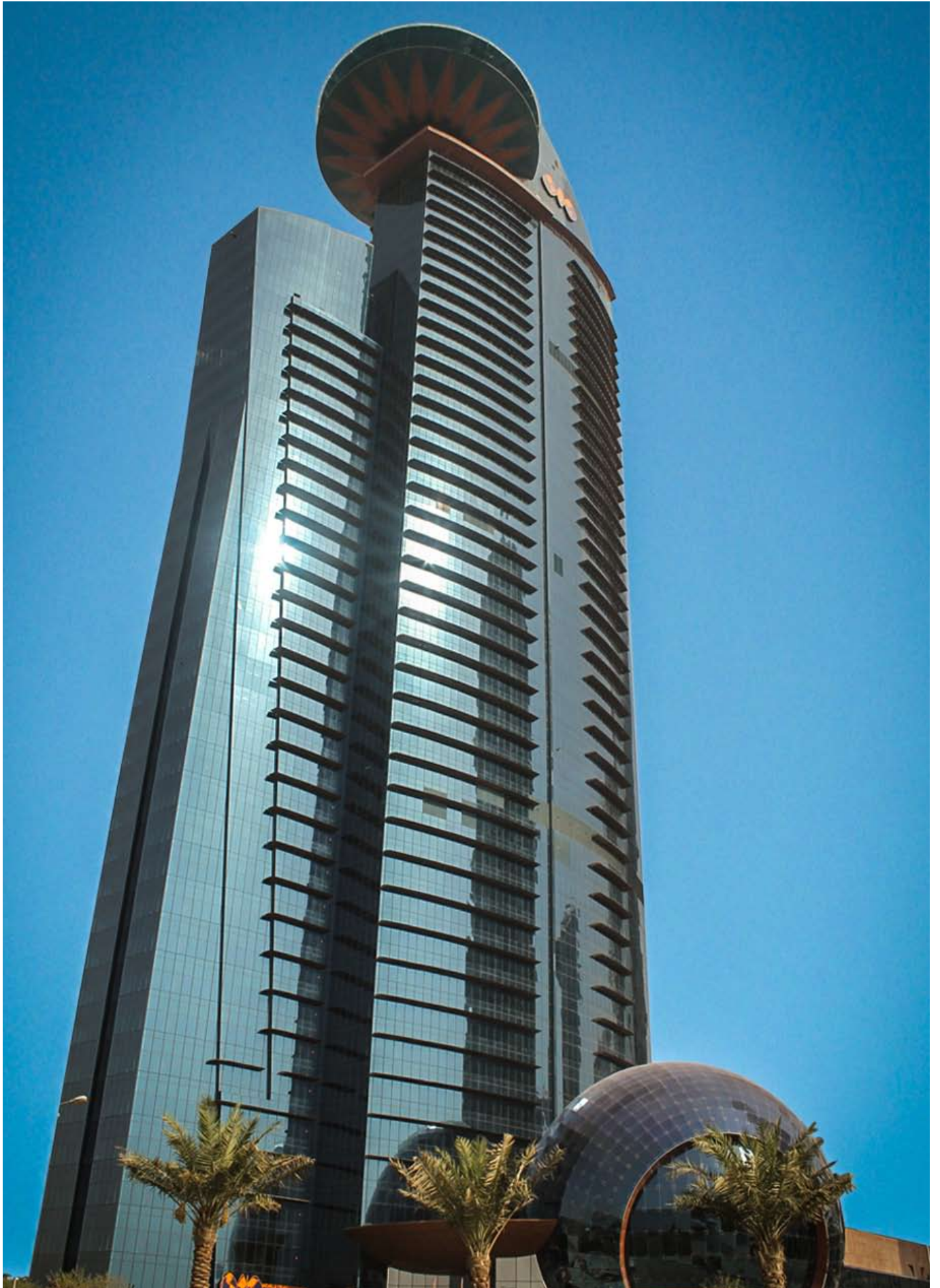


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Qatar General

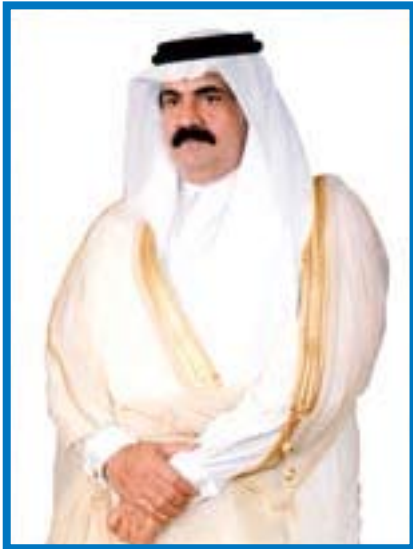
Insurance & Reinsurance Co.

Qatar General Holding Co.

General Real Estate Co.

QGIRCO Building, Al Asmakh St.I, P.O. Box 4500, Doha, Qatar | Tel: +974 4428 2222, Fax: +974 4443 7302

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His Highness
Sheikh Hamad Bin Khalifa Al Thani
The Emir of the State of Qatar



His Highness
Sheikh Tamim Bin Hamad Al Thani
The Heir Apparent



BOARD OF DIRECTORS

Through Solid
PARTNERSHIPS





Sh. Nasser Bin Ali Bin Saud Al Thani

Chairman & Managing Director



Sh. Mohammed Bin Ali Bin Saud Al Thani

Deputy Chairman



Mr. Mohammed Hamad Al Mana

Member



Mr. Khalifa Bin Ali Al Kaabi

Member



Mr. Hamad Mohammed Al Mana

Member



Sh. Jasim Bin Khalifa Bin Saud Al Thani

Member



Mr. Rashid Faisal Al Nuami

Member for Al Faisal Contracting & Trading



Mr. Jamal Kamel Abu Nahl

Member for Al Sari Trading Co.



And Continuous **INNOVATION**



“ It is with pleasure that the board members and I present to you another fruitful year in our annual report 2012. It has been a year filled with achievements, hard work, team collaboration, and innovative ideas transcending our company to new heights. ”

Dear Shareholders,

I would like to take this opportunity to convey our sincere gratitude for the precious patronage that the State of Qatar is offering the insurance sector as well as other business sectors in the country, and on behalf of the members of the board, shareholders, employees, and clients, we would like to express our immense heartfelt gratitude to H.H. Sheikh Hamad Bin Khalifa Al Thani-The Emir of the State of Qatar, as well as H.H. Sheikh Tamim Bin Hamad Al Thani-The Heir Apparent, and H.E. Sheikh Hamad Bin Jassim Bin Jabor Al Thani-The Prime Minister and Foreign Minister, for their continued support to the Company and for all activities around the Company.

Qatar General Insurance and Reinsurance has a vision of realizing opportunities and grasping them to the benefit of all shareholders. Today, we have expanded to cover not only all aspects of insurance and reinsurance, but we have extended to reach both the real estate and investment worlds.

This year we will be witnessing with Allah will the opening of the World Trade Center Qatar; A world in one center, where business, commerce, exhibitions, culture, and cuisine are brought together as one. Another unique development will be the Asian Towers, where we have initiated the preparatory work for its implementation.

On the investment front, the investment policy of the Group in the next stage will be to continue to diversify its income sources and risks of the portfolio geographically within the GCC region and the world, and through the use of liquid investment tools. This approach aims to improve the overall performance of the portfolio, diversify income sources and reduce the risk of fluctuations in financial markets.

The Company's operations' plan in the coming phase will be focused on developing the insurance activity and enhancing its ability to compete in the present environment that is characterized by increased competition from companies that recently entered into domestic

insurance market through Qatar Financial Centre (QFC), and we intend to do so by being innovative and creating strategic partnerships across all fronts.

Our Company has also been awarded by the Council of Ministers of Labor Council for the Arab States of the Gulf in its 29th session for taking an aggressive role in the nationalization plan of hiring Qatari's as the number of local staff has been increasing, and where the Company has prepared training and development plans for the Qatari nationals to engage in the Company plans and thus contribute to the development process and success of the Company.

I would like to extend and on behalf of the board of directors all our gratitude to the management and all employees for their hard work, dedication and excellence, as well as our clients for having faith and trust in our Company's potentials.

Dear Shareholders,

The company publishes its annual report according to the Corporate Governance Rules for Companies listed in Qatar Exchange under the control of Qatar Financial Market Authority (QFMA). So, join me in witnessing the success of all our hard work for this year through our 2012 annual report.

Nasser Bin Ali Bin Saud Al Thani
Chairman & Managing Director

BOARD OF DIRECTORS REPORT



Transcending Us To New
HEIGHTS

Dear Shareholders,

I am pleased to welcome you today on behalf of the Board of Directors and present our annual report, for the year ending December 31, 2012:

The Company achieved net profit of QR175.6 Million, compared to QR 170.3 Million in 2011; an increase of 3%.

The realized net profit achieved for the year amounted to QR 73.50 Million, compared to QR 58.40 Million for 2011.

The Company achieved earnings per share of QR 3.50, compared to QR 3.40 in 2011, with a growth of 3%.

The insurance operations achieved gross premiums of QR 500 Million, compared to QR 471.3 Million for 2011, an increase of 6%.

The Company has achieved investment returns of QR 201.3 Million, compared to QR 199.6 Million in 2011.

Total assets have increased to QR 4.7 Billion,

compared to QR 4.3 Billion for 2011; an increase of 10%, reflecting the strong financial position. The Company shareholders' equity has increased to QR 2.6 Billion, as compared to QR 2.5 Billion in 2011.

Takaful insurance premiums increased by 101% amounting to QR 152.8 Million, as compared to QR 75.9 Million last year. Shareholders' revenues increased to QR 32 Million compared to QR 16.8 Million in 2011. Also, net profits to shareholders have increased to QR 14.1 Million, compared to QR 5.5 Million in 2011, an increase of 158%. This is a reflection of the leading market position of General Takaful.

Total assets of the Takaful operations have increased to QR 191.8 Million, compared to QR 114.1 Million in 2011 with an increase of 68% compared to last year.

Based on these results and in the light of future financial requirements of Company operations, the Board of Directors recommends General Assembly to approve the distribution of 10% cash dividends (One Qatari Riyal per share) and 15% bonus shares (One and half shares for every 10 shares).

The Future Plan:

Insurance Activity

The Company's operations plan in the coming phase will be focused on developing the insurance activity and enhancing its ability to compete in the present environment that is characterized by increased competition from companies that recently entered into domestic insurance market through Qatar Financial Centre (QFC).

This plan includes the development and modernization of the various insurance products while providing excellent customer service by increasing the number of local branches and creating strategic partnerships with leading insurance companies.

The Group established Mazoon for Insurance Marketing Services and it is expected to start operations in the beginning of this year.

The Company is developing insurance operations in the region by investing strategically in regional insurance companies.

The Company is looking forward to the new developments that Qatar will be witnessing such as the Railway projects and FIFA World Cup 2022, amongst other giant projects.

General Takaful

In the past 5 years, insurance premium increased by 400% and the Company's capital increased by 630% while return on investment increased to reach 70% this year.

Investments

The investment policy of the Group in the next stage will be to continue to diversify income sources and risks of the portfolio geographically and through the use of liquid investment tools.

As part of the Group's strategic drive to develop its real estate portfolio, the Group is making the final touches in the development of the World Trade Center Qatar Tower project on the Doha Corniche which will be one of the most distinctive business centers in the State, and the Group is also in its last stages for tenders in order to commence the building of the Asian Towers.

Regional Expansion

The Group adopted an expansion strategy outside of the State of Qatar in the insurance, banking and real estate fields to enhance its position regionally. The Group participated in a number of important investments in Syria, Algeria, Libya, Oman and Saudi Arabia.

The Company continues to provide technical and administrative support to its regional investee companies and improve the strategic alliances to benefit from the economic boom in the region. This comes from our belief in Qatar's wise strategy of supporting neighboring countries' economies.

Corporate Governance

The corporate governance rules and regulations must be followed according to the corporate governance system of listed companies in financial markets which is under the supervision of Qatar Financial Market Authority.

The Company has maintained its good rating of «B++» with the outlook that got upgraded recently to positive by the international credit rating agency «AM Best» that is specialized in evaluating insurance companies. This rating reflects the solid financial and technical position of the Company.

Human Capital Development

In its continuing efforts to employ Qatari staff, the Group worked on developing its human resources through attracting and training young Qatari talent that joined the Company in coordination with the Ministry of Labor. These efforts have led to maintain the advanced Qatarization percentage and the completion of training programs to prepare the future leaders of the Group.

On this occasion, the Board of Directors would like to convey its sincere gratitude and devotion to H.H. Sheikh Hamad Bin Khalifa Al Thani - The Emir of the State of Qatar, H.H. Sheikh Tamim Bin Hamad Al Thani - The Heir Apparent, H.E. Sheikh Hamad Bin Jassim Bin Jabor Al Thani - The Prime Minister and Minister of Foreign Affairs, for their continuous and generous support to all economic activities in the country.

The Board of Directors would like also to congratulate you for the continued success of the Company and its leading position in the local insurance market and international reinsurance markets. We would like to thank the Management of the Company and all staff members for their dedicated efforts to produce these results based on the Company's strategy.

We ask Allah to assist us in pleasing our shareholders and serving our clients to achieve more success.

Nasser Bin Ali Bin Saud Al Thani
Chairman and Managing Director

FINANCIAL SECTION



We Remain

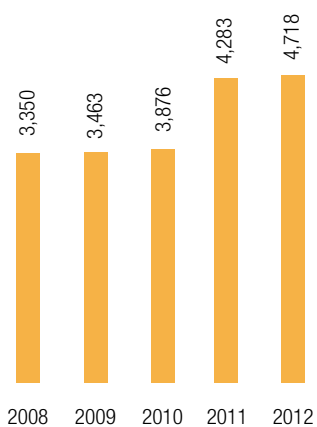
SOLID

**At 31 December
QAR “Millions”**

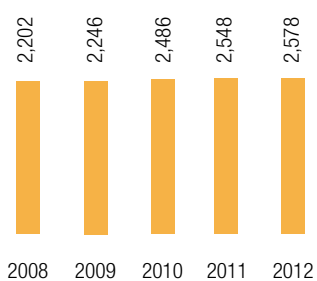
	2008	2009	2010	2011	2012
Total Assets	3,350	3,463	3,876	4,283	4,718
Total Equity	2,202	2,246	2,486	2,548	2,578

**For the year ended
QAR “Thousands”**

Net Underwriting revenue	82,927	74,339	100,164	117,686	90,990
Net Profit	226,267	136,222	119,444	170,322	175,560

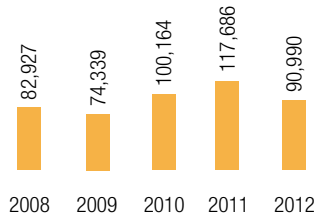


**TOTAL ASSETS
(QAR MILLIONS)**

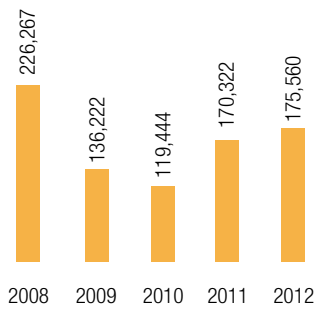


**TOTAL EQUITY
(QAR MILLIONS)**

FINANCIAL HIGHLIGHTS



**NET
UNDERWRITING
REVENUE
(QAR THOUSANDS)**



**NET
PROFIT
(QAR THOUSANDS)**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR GENERAL INSURANCE & REINSURANCE COMPANY S.A.Q.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Qatar General Insurance & 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 2012 and the consolidated statement of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these 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 from 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 the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

AUDITORS' REPORT

For the Year Ended
31 December 2012

policies used and the reasonableness of accounting estimates made by management, 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 financial position of the Group as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Group as at 31 December 2011 were audited by another auditor, whose report dated 1 February 2012, expressed an unqualified audit opinion on those consolidated financial statements.

Report on Legal and Other Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the Group and the consolidated financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Group or on its financial position.

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 5 February 2013
Doha

FINANCIAL STATEMENTS



We Provide Premium
RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 QR '000	2011 QR '000
ASSETS			
Cash and cash equivalents	4	55,055	149,790
Statutory deposits	4	6,000	6,000
Insurance and other receivables	5	421,470	361,487
Due from related parties	6	73,335	56,223
Reinsurance contract assets	7	432,619	369,544
Investments – held for trading	8	131,832	157,493
Investments – available-for-sale	8	878,455	891,320
Investment properties	9	2,139,178	1,857,446
Equity accounted investees	10	288,903	215,606
Property and equipment	11	99,999	103,946
Takaful participants' assets	12	191,185	114,113
TOTAL ASSETS		4,718,031	4,282,968
LIABILITIES AND EQUITIES			
LIABILITIES			
Accounts payable	13	187,525	157,412
Insurance contract liabilities	7	614,086	532,930
Loans and borrowings	14	897,315	631,111
Other liabilities	15	189,206	247,477
Employees' end of service benefits	16	26,875	20,073
Due to related parties	6	33,665	31,716
Takaful fund and participants' liabilities	12	191,185	114,113
Total liabilities		2,139,857	1,734,832
EQUITY			
Share capital	17	501,270	447,563
Legal reserve	18	117,843	100,811
Fair value reserve	19	506,897	578,446
Revaluation reserve	20	77,355	77,355
Foreign currency translation reserve	21	(26,661)	(16,537)
Cash flow hedge reserve	22	(51,029)	(49,752)
Retained earnings		1,451,204	1,409,516
Equity attributable to owners of the Parent		2,576,879	2,547,402
Non-controlling interests	25	1,295	734
Total equity		2,578,174	2,548,136
TOTAL LIABILITIES AND EQUITY		4,718,031	4,282,968

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

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended 31 December 2012

	Notes	2012 QR '000	2011 QR '000
Gross premiums	26	500,180	471,325
Premiums ceded to reinsurers	26	(297,646)	(285,156)
Net premiums	26	202,534	186,169
Movement in unearned premiums	26	(6,905)	12,666
Net earned premiums	26	195,629	198,835
Net commission income	26	22,876	23,503
Other income – technical	26	1,488	470
Total underwriting revenues		219,993	222,808
Gross claims paid		(217,924)	(242,663)
Claims ceded to reinsurers		100,097	117,500
Movement in outstanding claims and IBNR		(11,176)	20,041
Net claims incurred	26	(129,003)	(105,122)
NET UNDERWRITING REVENUES	26	90,990	117,686
Share of profit of associates	10	56,529	8,492
Investment income	27	104,974	160,771
Fair value gain on investment properties	9	39,860	30,376
Other income	28	32,979	18,422
TOTAL INCOME		325,332	335,747
Impairment loss on available-for-sale investments	19	(5,756)	(21,744)
Finance costs		(14,959)	(32,779)
General and administrative expenses	29	(129,057)	(110,902)
NET PROFIT FOR THE YEAR		175,560	170,322
Net profit attributable to:			
Equity holders of the Company		174,999	170,082
Non-controlling interests		561	240
		175,560	170,322
Basic and diluted earnings per share	30	3.50	3.39

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2012

	2012 QR '000	2011 QR '000
Net profit for the year	175,560	170,322
Other comprehensive income		
Foreign currency translation difference – foreign operations	(10,124)	(3,472)
Net changes in fair value of available-for-sale investments transferred to consolidated statement of income	(46,802)	(12,033)
Net changes in fair value of available-for-sale financial assets	(24,747)	9,010
Effective portion of changes in fair value of cash flow hedges	(1,277)	(49,752)
Other comprehensive loss for the year	(82,950)	(56,247)
Total comprehensive income for the year	92,610	114,075
Comprehensive income attributable to:		
Owners of the Parent	92,049	113,835
Non-controlling interests	561	240
Total comprehensive income for the year	92,610	114,075

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2012

Equity holders of the parent

	Share Capital QR '000	Legal reserve QR '000	Fair value reserve QR '000	Revaluation reserve QR '000
Balance at 1 January 2012	447,563	100,811	578,446	77,355
Total comprehensive income for the year				
Net profit for the year	-	-	-	-
Other comprehensive income				
Foreign currency translation differences	-	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	(24,747)	-
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	(46,802)	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	-
Total other comprehensive income for the year	-	-	(71,549)	-
Transactions with equity holders of the Group recognised directly in equity				
Issue of bonus shares – 2012	53,707	-	-	-
Dividends paid – 2012 (Note 23)	-	-	-	-
Contribution to social and sports fund – 2012 (Note 24)	-	-	-	-
Transfer to legal reserve – 2012 (Note 18)	-	17,032	-	-
Balance at 31 December 2012	501,270	117,843	506,897	77,355

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

Foreign currency translation reserve QR '000	Cash flow hedge reserve QR '000	Retained earnings QR '000	Total QR '000	Non-controlling interests QR '000	Total equity QR '000
(16,537)	(49,752)	1,409,516	2,547,402	734	2,548,136
-	-	174,999	174,999	561	175,560
(10,124)	-	-	(10,124)	-	(10,124)
-	-	-	(24,747)	-	(24,747)
-	-	-	(46,802)	-	(46,802)
-	(1,277)	-	(1,277)	-	(1,277)
(10,124)	(1,277)	174,999	92,049	561	92,610
-	-	(53,707)	-	-	-
-	-	(58,183)	(58,183)	-	(58,183)
-	-	(4,389)	(4,389)	-	(4,389)
-	-	(17,032)	-	-	-
(26,661)	(51,029)	1,451,204	2,576,879	1,295	2,578,174

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2011

	Equity holders of the parent			
	Share Capital QR '000	Legal reserve QR '000	Fair value reserve QR '000	Revaluation reserve QR '000
Balance at 1 January 2011	319,688	88,867	581,469	77,355
Total comprehensive income for the year				
Net profit for the year	-	-	-	-
Other comprehensive income				
Foreign currency translation differences	-	-	-	-
Net change in fair value of available-for-sale financial assets	-	-	9,010	-
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	(12,033)	-
Effective portion of changes in fair value of cash flow hedges	-	-	-	-
Total other comprehensive income for the year	-	-	(3,023)	-
Transactions with equity holders of the Group recognised directly in equity				
Issue of bonus shares – 2011	127,875	-	-	-
Dividends paid – 2011 (Note 23)	-	-	-	-
Contribution to social and sports fund – 2011 (Note 24)	-	-	-	-
Transfer to legal reserve – 2011 (Note 18)	-	11,944	-	-
Increase in minority interest	-	-	-	-
Balance at 31 December 2011	447,563	100,811	578,446	77,355

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

Foreign currency translation reserve QR '000	Cash flow hedge reserve QR '000	Retained earnings QR '000	Total QR '000	Non-controlling interests QR '000	Total equity QR '000
(13,065)	-	1,431,465	2,485,779	414	2,486,193
-	-	170,082	170,082	240	170,322
(3,472)	-	-	(3,472)	-	(3,472)
-	-	-	9,010	-	9,010
-	-	-	(12,033)	-	(12,033)
-	(49,752)	-	(49,752)	-	(49,752)
(3,472)	(49,752)	170,082	113,835	240	114,075
-	-	(127,875)	-	-	-
-	-	(47,954)	(47,954)	-	(47,954)
-	-	(4,258)	(4,258)	-	(4,258)
-	-	(11,944)	-	-	-
-	-	-	-	80	80
(16,537)	(49,752)	1,409,516	2,547,402	734	2,548,136

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2012

	Notes	2012 QR '000	2011 QR '000
OPERATING ACTIVITIES			
Profit for the year		175,560	170,322
<i>Adjustments for :</i>			
Depreciation		4,847	4,803
Gain on sale of property and equipment		(2)	-
Gain on sale of investments		(55,059)	(33,739)
Interest income		(8,176)	(6,619)
Interest expense		14,959	30,145
Revaluation loss (gain) on investment securities		11,241	(19,538)
Change in fair value of investment property	9	(39,860)	(30,375)
Share of profit of equity accounted investees	10	(56,529)	(8,486)
Impairment loss on insurance and other receivables	33	6,555	176
Impairment loss on investment securities		5,756	21,744
Provision for employees' end of service benefits	16	7,232	1,856
Gain on sale of investment property		-	(51,264)
<i>Operating profit in before changes in operating assets and liabilities</i>		66,524	79,025
Insurance and other receivables		(49,554)	(5,223)
Due from related parties		(34,182)	4,119
Reinsurance contract assets		(63,075)	32,798
Accounts payable		30,113	(15,048)
Insurance contract liabilities		81,156	(65,504)
Other liabilities		(63,850)	70,924
Due to related parties		1,949	2,568
Cash (used in) generated from operations		(30,919)	103,659
Employees' end of service benefits paid	16	(430)	(681)
Net cash (used in) from operations		(31,349)	102,978
INVESTING ACTIVITIES			
Acquisition of property and equipment	11	(900)	(3,099)
Acquisition of investment securities		(166,621)	(112,349)
Investment in equity accounted investees		(38,590)	22,482
Additions to investment properties	9	(241,951)	(305,229)
Proceeds from sale of investment securities		171,660	71,537
Proceeds from sale of investment property		-	110,000
Dividends from equity accounted investees		11,698	5,073
Proceeds from sale of property and equipment		2	19
Interest received		8,341	5,795
Net movement in non-controlling interests		-	320
Net cash used in investing activities		(256,361)	(205,451)
FINANCING ACTIVITIES			
Dividends paid		(58,183)	(47,954)
Interest paid		(15,046)	(28,153)
Net movement in loans and borrowings		266,204	273,968
Net cash from financing activities		192,975	197,861
Net (decrease) increase in cash and cash equivalents		(94,735)	95,388
Cash and cash equivalents at the beginning of the year		149,790	54,402
Cash and cash equivalents at the end of the year		55,055	149,790

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

1 CORPORATE INFORMATION

Qatar General Insurance and Reinsurance Company S.A.Q. (“the Company” or “the Parent 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 5 of 2002. The Company and its subsidiaries (together referred to as “the Group”) are engaged in the business of general insurance including Islamic takaful insurance, 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 United Arab Emirates (in Dubai). The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and the Group’s interest in the associates. 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 investments of the Group
General Takaful Company S.P.C.	100%	State of Qatar	Primarily engaged in Islamic insurance
General Real Estate Company S.P.C.	100%	State of Qatar	Primarily engaged in real estate investment and management
World Trade Center S.P.C.	100%	State of Qatar	Official recognized licensee of World Trade Center Association.
Mazoon Insurance Marketing Services S.P.C.	100%	State of Qatar	Insurance marketing services
Mazoon Real Estate Company W.L.L.	50%	State of Qatar	Real estate investment and development
Arab Danish Dairy W.L.L.	60%	State of Qatar	Manufacturing and processing of dairy products

These consolidated financial statements of the Group for the year then ended 31 December 2012 were authorized for issue by the Board of Directors on 5 February 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

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

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 which are carried at fair value:

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

The methods used to measure fair values are discussed further in Note 3.

Functional and presentation currency

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 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.

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.

2.3 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

Standard	Content
IAS 12	IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
IFRS 1	IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7
IFRS 7	Financial Instruments: Disclosures (Amendments)
	Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

The impact of adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and have no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

The Group is currently considering the implications of the new IFRSs which are effective for future accounting periods and has not early adopted any of the new Standards as listed below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified (for example, net loss or gain on available-for-sale financial assets). The amendment affects presentation only and is effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014 and are not expected to impact the Group's financial position or performance.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments become effective for annual periods beginning on or after 1 January 2013 and are not expected to impact the Group's financial position or performance.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2.5 Annual Improvements May 2012

These improvements are effective for annual periods beginning on or after 1 January 2013. These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.5 Annual Improvements May 2012 (continued)

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2012.

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Investment in subsidiary companies (continued)

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 2012. 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 12. The Group manages the takaful funds on behalf of the policy holders under 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 premiums, in addition to the 70% 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.

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 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.

Foreign currency

Foreign operations

For the purpose of the 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-monetary 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-monetary 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 consolidated statement of income.

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.

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.

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

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 expenses balances pertaining to assets deemed to be uncollectible. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expires.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement (continued)

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 reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, provision for claims incurred but not reported and the provision for unearned premium.

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.

Provision for claims incurred but not reported are computed based on actuarial report after considering current assumptions, historical trends and empirical data which is not discounted for the time value of money.

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

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 borrowings are subsequently measured at amortised cost 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement (continued)

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 consolidated 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 consolidated statement of income.

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.

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.

Investments – held for trading and available for sale

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 mentioned, 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 to Note 32 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.

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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)

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.

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.

For assets carried at amortised cost, 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.

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.

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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

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.

Employee benefits

Local employees

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.

Expatriate employees

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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Income recognition

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 number of day's method (daily pro rata basis).

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.

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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims and related expenses

Gross claims paid

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

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

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.

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% to 15% 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 number 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 the consolidated statement of financial position.

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 the weighted number of ordinary shares outstanding during the year.

Segment reporting

Segment results that are reported to the Chief Executive Officer (CEO) includes items 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4 CASH AND CASH EQUIVALENTS

	2012 QR '000	2011 QR '000
Cash on hand	238	205
Cash at bank	54,817	149,585
	55,055	149,790

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

5 INSURANCE AND OTHER RECEIVABLES

	2012 QR '000	2011 QR '000
Due from policyholders	160,789	147,417
Due from insurance /reinsurance companies	116,686	85,584
Impairment allowance for doubtful insurance receivables (Note 33)	(49,156)	(42,601)
Insurance contract receivables	228,319	190,400
Advances for capital increase in an associate (i)	98,616	80,123
Accrued wakala fees	30,769	15,849
Advance paid to construction contractor	6,062	20,664
Staff loans	1,128	1,110
Prepayments and others (ii)	60,578	57,343
Impairment allowance for other receivables (Note 33)	(4,002)	(4,002)
	421,470	361,487

(i) These amounts represent advances for additional share in an associate.

(ii) Other receivables include an amount of QR 46.96 million (2011: QR 46.96 million) which represents balance due from the disposal of the Group's investment in Lebanese Canadian Bank in 2011.

5 INSURANCE AND OTHER RECEIVABLES (continued)

As at the reporting date, the aging of unimpaired trade receivables was as follows:

	Total QR '000	Neither past due nor impaired QR '000	Past due but not impaired		
			< 3 months QR '000	3 - 9 months QR '000	> 9 months QR '000
2012	228,319	62,851	111,220	42,310	11,938
2011	190,400	42,408	65,956	50,616	31,420

Unimpaired receivables are expected to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority is therefore unsecured.

6 RELATED PARTY DISCLOSURES

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

	2012 QR '000	2011 QR '000
a) Due from related parties:		
Trust Algeria Investment Company	37,064	26,770
Trust Insurance Company – Amman	22,460	20,945
Gulf Petroleum Limited W.L.L.	3,732	3,670
Trust Algeria Assurances and Reassurances	3,684	3,641
International Financial Securities	3,528	-
Al Sari Trading Company	2,003	580
Nest Investments	594	220
Trust Syria Insurance Company S.A.S.C.	270	270
Trust Insurance Company – Bahrain	-	127
	73,335	56,223
	2012 QR '000	2011 QR '000
b) Due to related parties:		
Trust Insurance Company – Cyprus	28,797	31,716
Trust Insurance Company – Bahrain	4,868	-
	33,665	31,716

6 RELATED PARTY DISCLOSURES (continued)

c) Compensation of key management personnel

The compensation of key management personnel during the year are as follows:

	2012 QR '000	2011 QR '000
Remuneration of Board of Directors	6,000	5,200
Salaries and other short-term benefits	24,664	22,360
End of service benefits	482	262
	31,146	27,822

7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2012 QR '000	2011 QR '000
Gross insurance contract liabilities		
Claims reported but outstanding	369,000	325,286
Claims incurred but not reported	55,615	44,379
Unearned premiums	189,471	163,265
	614,086	532,930
Reinsurers' share of insurance contract liabilities		
Claims reported but outstanding	304,707	267,338
Claims incurred but not reported	29,109	22,704
Unearned premiums	98,803	79,502
	432,619	369,544
Net insurance contract liabilities		
Claims reported but outstanding	64,293	57,948
Claims incurred but not reported	26,506	21,675
Unearned premiums	90,668	83,763
	181,467	163,386

7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

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

	31 December 2012			31 December 2011		
	Insurance contract liabilities QR '000	Reinsurance share of insurance contract liabilities QR '000	Net QR '000	Insurance contract liabilities QR '000	Reinsurance share of insurance contract liabilities QR '000	Net QR '000
At 1 January	163,265	(79,502)	83,763	208,911	(112,482)	96,429
Premiums written during the year	500,180	(297,646)	202,534	471,325	(285,156)	186,169
Premiums earned during the year	(473,974)	278,345	(195,629)	(516,971)	318,136	(198,835)
Net movements	26,206	(19,301)	6,905	(45,646)	32,980	(12,666)
At 31 December	189,471	(98,803)	90,668	163,265	(79,502)	83,763

Movements in claims provision during the year are as follows:

	31 December 2012			31 December 2011		
	Insurance contract liabilities QR '000	Reinsurance share of insurance contract liabilities QR '000	Net QR '000	Insurance contract liabilities QR '000	Reinsurance share of insurance contract liabilities QR '000	Net QR '000
At 1 January	369,665	(290,042)	79,623	389,524	(289,860)	99,664
Movements during the year	54,950	(43,774)	11,176	(19,859)	(182)	(20,041)
At 31 December	424,615	(333,816)	90,799	369,665	(290,042)	79,623

8 INVESTMENT IN SECURITIES

The carrying amounts of investment in securities were as follows:

	2012 QR '000	2011 QR '000
Held for trading investments		
Quoted shares	131,832	148,268
Bonds – debt instruments	-	9,225
	131,832	157,493
Available-for-sale investments		
Local portfolio – quoted	656,879	740,286
Local portfolio – unquoted	2,920	2,920
Foreign shares	30,549	30,302
Managed funds	43,408	33,047
Bonds – debt instruments	144,699	84,765
	878,455	891,320
	1,010,287	1,048,813

9 INVESTMENT PROPERTIES

	2012 QR '000	2011 QR '000
Investment properties	1,469,178	1,405,669
Investment properties under construction	670,000	451,777
	2,139,178	1,857,446

The movements in investment properties are as follows:

	2012 QR '000	2011 QR '000
At 1 January	1,857,446	1,667,832
Change in fair value	39,860	30,376
Addition to investment property	241,951	305,229
Reclassification made during the year	(79)	(3,303)
Transfer of investment property to property and equipment	-	(84,352)
Disposal	-	(58,336)
At 31 December	2,139,178	1,857,446

Investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent valuers, as at 31 December 2012 and 2011.

10 EQUITY ACCOUNTED INVESTEEES

The Group has the following investments in equity accounted investees:

	Shareholding	2012 QR '000	2011 QR '000
Trust Algeria Investment Company	20.00%	115,004	83,112
Trust Bank Algeria (a)	8.00%	63,511	50,023
Trust Algeria Assurances – Reassurances	22.50%	27,619	23,359
Trust Syria Insurance Company S.A.S.C	32.00%	16,389	21,412
Trust Insurance Company - Libya (a)	15.00%	3,705	3,432
Oman Reinsurance Company	24.60%	46,809	18,372
Arabian Insurance Institute – Syria (a)	16.52%	6,409	6,028
Gulf Assist B.S.C. (a)	8.00%	1,003	818
International Financial Securities Q.S.C. (a)	12.00%	6,906	7,245
Qatari Unified Insurance Bureau W.L.L.	25.00%	1,227	1,326
Gulf Petroleum Limited W.L.L.	20.00%	321	479
		288,903	215,606

(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.

Movements in investment in associates are as follows:

	2012 QR '000	2011 QR '000
At 1 January	215,606	238,386
Share of profits, net	56,529	8,492
Movements in capital investments	26,892	8,017
Disposal of investments	-	(35,817)
Foreign currency translation difference	(10,124)	(3,472)
At 31 December	288,903	215,606

The Group's share of income includes adjustments relating to prior period results of certain associates which were recorded during this year after finalisation of certain pending transactions and obtaining regulatory approvals in the local markets where the associates operate.

11 PROPERTY AND EQUIPMENT

	Freehold land QR '000	Building QR '000	Furniture & fixtures QR '000	Motor vehicle QR '000	Computers QR '000	Total 2012 QR '000	Total 2011 QR '000
Cost:							
At 1 January 2012	68,649	47,376	11,631	508	11,976	140,140	52,461
Transfer from (to) investment properties	-	-	-	-	-	-	84,352
Additions	-	-	268	24	608	900	3,099
Disposals	-	-	(27)	-	(6)	(33)	(357)
At 31 December 2012	68,649	47,376	11,872	532	12,578	141,007	139,555
Accumulated depreciation:							
At 1 January	-	17,408	10,484	466	7,836	36,194	31,144
Depreciation for the year	-	2,287	967	55	1,538	4,847	4,803
Disposals / transfers	-	-	(27)	-	(6)	(33)	(338)
At 31 December 2012	-	19,695	11,424	521	9,368	41,008	35,609
Net carrying amounts:							
At 31 December 2012	68,649	27,681	448	11	3,210	99,999	-
At 31 December 2011	68,649	29,968	1,147	42	4,140	-	103,946

12 TAKAFUL PARTICIPANTS' FUND accounts

Statement of financial position – policyholders

	2012 QR '000	2011 QR '000
ASSETS		
Cash and bank balances	100,254	55,022
Due from a related party	1,231	1,584
Insurance contract receivables	34,879	23,248
Reinsurance contract assets	17,730	8,107
Other receivables	2,627	1,247
Furniture and equipment	1,065	728
Available-for-sale investments	33,399	24,177
	191,185	114,113
LIABILITIES		
Accounts payable	28,072	14,789
Insurance contract liabilities	114,726	66,817
Other payables	34,840	18,045
Fair value reserve	(174)	(96)
	177,464	99,555
Surplus for the year	13,721	14,558
	191,185	114,113

12 TAKAFUL PARTICIPANTS' FUND ACCOUNTS (continued)

Statement of policyholders' revenues and expenses

	2012 QR '000	2011 QR '000
Gross contributions	152,803	75,917
Reinsurance cessions	(22,776)	(14,485)
Wakala fee	(30,561)	(15,183)
Retained premium	99,466	46,249
Unearned premium adjustment	(28,849)	(3,634)
Net commission (expense) income	(2,160)	1,502
Other income – technical	191	206
Net contributions	68,648	44,323
Claims paid	(61,068)	(47,414)
Claims recovered	443	7,263
Outstanding claims adjustment	(9,435)	(4,046)
Net claims	(70,060)	(44,197)
Insurance (loss) revenue	(1,412)	126
Other income	576	552
(Deficit) surplus for the year	(836)	678

13 ACCOUNTS PAYABLES

	2012 QR '000	2011 QR '000
Due to policy holders	28,473	30,411
Due to insurance and reinsurance companies	159,052	127,001
	187,525	157,412

14 LOANS AND BORROWINGS

	2012 QR '000	2011 QR '000
Term loan 1 (i)	-	174,408
Term loan 2 (ii)	412,183	-
Term loan 3 (iii)	456,250	439,825
Other credit facilities (iv)	28,882	16,878
	897,315	631,111

14 LOANS AND BORROWINGS (continued)

- i. 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.
- ii. In 2012, the Group obtained a loan that replaced the term 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.
- iii. The loan carries Interest at LIBOR + margin and is repayable in a bullet payment.
- iv. These are other credit facilities which carry interest rate at LIBOR + margin for investment purposes.

15 OTHER LIABILITIES

	2012 QR '000	2011 QR '000
Interest rate swap liability (i)	51,029	49,752
Retention on construction project	49,132	31,783
Amount payable for investment properties	28,159	103,511
Provision for Board of Directors remuneration	6,000	5,200
Provision for contribution to social and sports fund	4,389	4,258
Accrued expenses	2,621	2,589
Rent received in advance	898	2,173
Miscellaneous	46,978	48,211
	189,206	247,477

- i. The Group entered into interest rate swap contracts designated as hedge of expected future LIBOR interest rate payable. Under the terms of the interest rate swap contracts, the Group 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 2012, the measurement of the fair value of the hedge resulted in an amount of QR 51.03 million (2011: QR 49.75 million) being recognised in equity as a cash flow hedge reserve.

16 EMPLOYEES' END OF SERVICE BENEFITS

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

	2012 QR '000	2011 QR '000
At 1 January	20,073	18,898
Provided during the year	7,232	1,856
End of service benefits paid	(430)	(681)
At 31 December	26,875	20,073

17 SHARE CAPITAL

Authorized, issued and fully paid up share capital of 50,127,000 shares of QR 10 each (2011: 44,756,300 shares of QR 10 each)

2012 QR '000	2011 QR '000
501,270	447,563

During the year, the Group issued 5,370,700 bonus shares of QR 10 each (2011: 12,787,500 shares of QR 10 each).

18 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 an amount of QR 17.032 million (2011: 11.944 million) from retained earnings to legal reserve.

19 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:

	2012 QR '000	2011 QR '000
At 1 January	578,446	581,469
Fair value change during the year	(24,747)	9,010
Transferred to consolidated statement of income for impairment	5,756	21,744
Transferred to consolidated statement of income on sale of investments	(52,558)	(33,777)
At 31 December	506,897	578,446

20 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.

21 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.

22 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.

23 DIVIDEND PAID AND PROPOSED

The Board of Directors has proposed a cash dividend of 10% of the nominal share value (QR 1 per share) and a bonus share of 15% of the share capital for the year ended 31 December 2012 (2011: cash dividend of 13% of the nominal share value (QR 1.3 per share) and a bonus share of 12% of the share capital were approved and paid). The amounts are subject to the approval of the general assembly.

24 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 4.389 million (2011: QR 4.258 million).

25 NON-CONTROLLING INTERESTS

The non-controlling interests relate to the subsidiaries Mazoon Real Estate Company W.L.L and Arab Danish Dairy W.L.L.

26 OPERATING SEGMENTS

The Group has four major reportable segments 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 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.

26 OPERATING SEGMENTS (continued)

Insurance

	General accident		Fire		War and Marine		Engineering and others		Investments and others		Total		Total 2012	
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
Gross premiums	173,991	38,709	26,281	261,199	-	-	-	500,180	-	-	-	-	-	500,180
Premium ceded to reinsurers	(15,876)	(36,226)	(22,385)	(223,159)	-	-	-	(297,646)	-	-	-	-	-	(297,646)
Net premiums	158,115	2,483	3,896	38,040	-	-	-	202,534	-	-	-	-	-	202,534
Movement in unearned premium	(9,999)	(278)	(126)	3,498	-	-	-	(6,905)	-	-	-	-	-	(6,905)
Net earned premium	148,116	2,205	3,770	41,538	-	-	-	195,629	-	-	-	-	-	195,629
Net commission	(3,364)	6,971	5,450	13,819	-	-	-	22,876	-	-	-	-	-	22,876
Other income – technical	536	27	19	906	-	-	-	1,488	-	-	-	-	-	1,488
Net claims incurred	(118,598)	(1,059)	(752)	(8,594)	-	-	-	(129,003)	-	-	-	-	-	(129,003)
Net underwriting revenue	26,690	8,144	8,487	47,669	-	-	-	90,990	-	-	-	-	-	90,990
Finance cost	-	-	-	-	(4,930)	-	-	(4,930)	(10,029)	-	-	-	-	(14,959)
Share of profit of associates	-	-	-	-	381	-	-	381	56,148	-	-	-	-	56,529
Income from other investments	-	-	-	-	49,276	-	-	49,276	42,776	12,922	-	-	-	104,974
Fair value gain on investment properties	-	-	-	-	-	-	-	1,810	-	38,050	-	-	-	39,860
Impairment loss	-	-	-	-	(4,431)	-	-	(4,431)	(1,325)	-	-	-	-	(5,756)
Other income	-	-	-	-	32,601	-	-	32,601	378	-	-	-	-	32,979
Depreciation	-	-	-	-	(3,528)	-	-	(3,528)	(33)	(1,286)	-	-	-	(4,847)
General and administrative expenses	-	-	-	-	(96,786)	-	-	(96,786)	(21,338)	(6,086)	-	-	-	(124,210)
Net profit for the year	26,690	8,144	8,487	47,669	(25,607)	8,487	47,669	65,383	66,577	43,600	43,600	43,600	175,560	175,560

26 OPERATING SEGMENTS (continued)

	Insurance											
	General accident		Fire		War and Marine		Engineering and others		Investments and others		Total	
	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000	QR '000
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 premiums	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)	-	(3,336)	-	(18,674)	(10,769)	-	(32,779)
Share of profit of associates	-	-	-	-	-	-	-	-	8,492	-	-	8,492
Income from other investments	-	-	-	-	47,447	-	47,447	47,447	50,076	63,248	-	160,771
Fair value gain on investment properties	-	-	-	-	-	-	-	-	-	30,376	-	30,376
Impairment loss	-	-	-	-	-	-	-	-	(21,744)	-	-	(21,744)
Other income	-	-	-	-	16,571	-	16,571	16,571	145	1,706	-	18,422
Depreciation	-	-	-	-	(3,447)	-	(3,447)	(3,447)	(74)	(1,282)	-	(4,803)
General and administrative expenses	-	-	-	-	(82,872)	-	(82,872)	(82,872)	(22,898)	(329)	-	(106,099)
Net profit for the year	55,976	7,367	8,890	45,453	(25,637)	-	92,049	(4,677)	82,950	-	-	170,322

26 OPERATING SEGMENTS (continued)

	31 December 2012				
	Conventional insurance QR '000	Islamic insurance QR '000	Investments QR '000	Real estate QR '000	Total QR '000
Assets					
Reinsurance funds	432,619	17,730	-	-	450,349
Assets (other than reinsurance funds)	977,269	220,097	842,711	2,227,605	4,267,682
Liabilities					
Insurance funds	(614,086)	(114,726)	-	-	(728,812)
Liabilities (other than insurance funds)	(776,499)	(76,813)	(14,138)	(543,595)	(1,411,045)
Net assets	19,303	46,288	828,573	1,684,010	2,578,174

	31 December 2011				
	Conventional Insurance QR '000	Islamic insurance QR '000	Investments QR '000	Real estate QR '000	Total QR '000
Assets					
Reinsurance funds	369,544	8,107	-	-	377,651
Assets (other than reinsurance funds)	976,028	135,375	832,964	1,960,950	3,905,317
Liabilities					
Insurance funds	(532,930)	(66,817)	-	-	(599,747)
Liabilities (other than insurance funds)	(712,766)	(47,300)	(11,842)	(363,177)	(1,135,085)
Net assets	99,876	29,365	821,122	1,597,773	2,548,136

Geographic information

Gross premiums from external customers

	2012 QR '000	2011 QR '000
Qatar	449,190	446,486
United Arab Emirates	50,990	24,839
	500,180	471,325

The gross premium information above is based on the locations of the customers.

Non-current assets

	2012 QR '000	2011 QR '000
Qatar	2,229,247	1,953,111
United Arab Emirates	9,930	8,281
	2,239,177	1,961,392

Non-current assets for this purpose consist of property and equipment and investment properties.

27 INVESTMENT INCOME

	2012 QR '000	2011 QR '000
Gain on sale of investments	55,059	33,739
Dividend income	37,525	38,521
Rental income	11,842	10,904
Interest income	8,176	5,957
Fair value (loss) gains on held for trading investment	(11,241)	19,538
Gain on sale of investment property	-	51,264
Others	3,613	848
	104,974	160,771

28 OTHER INCOME

	2012 QR '000	2011 QR '000
Shareholders' income from takaful operations	31,952	16,844
Foreign exchange loss	(39)	(410)
Miscellaneous income	1,066	1,988
	32,979	18,422

29 GENERAL AND ADMINISTRATION EXPENSES

	2012 QR '000	2011 QR '000
Employee related costs	87,534	69,763
Impairment allowance on receivables	6,555	176
Remuneration to Board of Directors	6,000	5,200
Depreciation	4,847	4,803
Others	24,121	30,960
	129,057	110,902

30 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding as at the statement of financial position date. The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2012 QR '000	2011 QR '000
Profit for the period	175,560	170,082
Weighted average number of shares (in '000s)	50,127	50,127
Earnings per share (in Qatar Riyal)	3.50	3.39

During the year, the Company has increased the share capital by issuing bonus shares (see Note 17), accordingly, the previously reported earnings per share have been restated for the bonus share issue made during the year.

31 CONTINGENT LIABILITIES AND CONTRACT COMMITMENTS

Contingent liabilities:

	2012 QR '000	2011 QR '000
Letters of guarantee	13,833	2,654

Legal claims

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

Contract commitments:

The Group had entered into a construction contract for the construction of World Trade Centre Tower in the State of Qatar. The total contract commitment is QR 520 million, of which QR 407 million (31 December 2011: QR 313.36 million) has been paid as at the reporting date. The outstanding commitment as at the reporting date amounted to QR 113 million (31 December 2011: QR 206.64 million).

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, carrying values of certain 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)

	Level 1 QR '000	Level 2 QR '000	Level 3 QR '000	Total QR '000
31 December 2012				
Financial assets				
Investments - Available for sale	832,127	43,408	2,920	878,455
Investments - Held for trading	131,832	-	-	131,832
	963,959	43,408	2,920	1,010,287
Financial liability				
Derivative liability	-	51,029	-	51,029
31 December 2011				
Financial assets				
Investments - Available for sale	855,353	33,047	2,920	891,320
Investments - Held for trading	157,493	-	-	157,493
	1,012,846	33,047	2,920	1,048,813
Financial liability				
Derivative liability	-	49,752	-	49,752

33 RISK MANAGEMENT

The Group, in the normal course of 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.

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 when 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 of 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.

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.

33 RISK MANAGEMENT (continued)

Insurance risks (continued)

Even though the Group has reinsurance arrangements, the direct obligation to its policy holders is shown as 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.

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.

33 RISK MANAGEMENT (continued)

Insurance risks (continued)

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

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.

Claims Development

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

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	2012		2011	
		Impact on net profit QR '000	Impact on equity QR '000	Impact on net profit QR '000	Impact on equity QR '000
Loss ratio	+5%	(9,781)	(9,781)	(9,942)	(9,942)
	-5%	9,781	9,781	9,942	9,942

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

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.

33 RISK MANAGEMENT (continued)

Credit risk (continued)

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 2012 there are impaired insurance and reinsurance assets of QR 49,156 thousand (2011: QR 42,601 thousand) and impaired other assets of QR 4,002 thousand (2011: QR 4,002 thousand). 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 receivables	
	2012 QR '000	2011 QR '000	2012 QR '000	2011 QR '000
At 1 January	42,601	64,084	4,002	4,289
Charge for the year	6,555	176	-	-
Amounts written off	-	(21,659)	-	(287)
At 31 December	49,156	42,601	4,002	4,002

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.

33 RISK MANAGEMENT (continued)

Liquidity risks (continued)

Contractual maturity of the Group's liabilities as at 31 December 2012 are summarised below:

	Current			Non-current			Total QR '000
	Within 6 months QR '000	6 to 12 months QR '000	Total Current QR '000	1 to 5 years QR '000	More than 5 years QR '000	Total non- current QR '000	
Accounts payable	93,762	75,011	168,773	18,752	-	18,752	187,525
Derivative liability - Interest rate swap	-	-	-	-	51,029	51,029	51,029
Insurance contract liabilities	187,767	154,105	341,872	234,112	38,102	272,214	614,086
Due to related parties	-	33,665	33,665	-	-	-	33,665
Loan and borrowings	-	-	-	897,315	-	897,315	897,315
	281,529	262,781	544,310	1,150,179	89,131	1,239,310	1,783,621

This compares to the maturity of the Group's financial liabilities as at 31 December 2011:

	Current			Non-current			Total QR '000
	Within 6 months QR '000	6 to 12 months QR '000	Total Current QR '000	1 to 5 years QR '000	More than 5 years QR '000	Total non- current QR '000	
Accounts payable	78,706	62,965	141,671	15,741	-	15,741	157,412
Derivative liability - Interest rate swap	-	-	-	-	49,752	49,752	49,752
Insurance contract liabilities	162,952	133,739	296,691	203,172	33,067	236,239	532,930
Due to related parties	-	31,716	31,716	-	-	-	31,716
Loan and borrowings	-	-	-	456,703	174,408	631,111	631,111
	241,658	228,420	470,078	675,616	257,227	932,843	1,402,921

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.

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.

33 RISK MANAGEMENT (continued)

Currency risk (continued)

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

	2012		2011	
	Euro	Other	Euro	Other
Nominal amounts				
Financial assets	-	991	-	2,671
Financial liabilities	742	(204)	(389)	(23,470)
Short-term exposure	742	787	(389)	(20,799)
Financial assets	9,369	299,250	9,122	255,631
Financial liabilities	(10,158)	-	(9,384)	-
Long-term exposure	(789)	299,250	(262)	255,631

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.

	Changes in variables	31 December 2012		31 December 2011	
		Impact on profit	Impact on equity	Impact on profit	Impact on equity
Currency					
EUR	+10%	(5)	81	13	13
Others	+10%	79	30,018	244	22,930
Total		74	30,099	257	22,943
EUR	-10%	5	(81)	(13)	(13)
Others	-10%	(79)	(30,018)	(244)	(22,930)
Total		(74)	(30,099)	(257)	(22,943)

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.

Fixed and variable rate instruments	Carrying amounts	
	2012	2011
Financial assets	21,000	104,000
Financial liabilities	897,315	631,111

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.

33 RISK MANAGEMENT (continued)

Market risks (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 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.

	Profit or loss	
	50 bps increase	50 bps decrease
31 December 2012		
Variable rate instruments	(4,487)	4,487
Interest rate swap	2,061	(2,061)
Cash flow sensitivity (net)	(2,426)	2,426
31 December 2011		
Variable rate instruments	(1,345)	1,345
Interest rate swap	1,345	(1,345)
Cash flow sensitivity (net)	-	-

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:

	Changes in variables	31 December 2012		31 December 2011	
		Impact on profit	Impact on other comprehensive income	Impact on profit	Impact on other comprehensive income
Qatar Market	+10%	12,909	65,602	14,563	74,539
International Markets	+10%	44	18,737	961	12,415
Qatar Market	-10%	(12,909)	(65,602)	(14,563)	(74,539)
International Markets	-10%	(44)	(18,737)	(961)	(12,415)

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.

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.

33 RISK MANAGEMENT (continued)

Capital management (continued)

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:

	2012 QR '000	2011 QR '000
Equity excluding cash flow hedge reserve	2,527,145	2,597,154
Less : Cash and cash equivalents	(55,055)	(149,790)
Capital	2,472,090	2,447,364
Equity	2,578,174	2,597,154
Add: Loan and borrowings	897,315	631,111
Overall financing	3,475,489	3,228,265
Capital to overall financing	1:1.41	1:1.32

34 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

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

Classification of investments

Quoted securities could be classified either as available for sale or at fair value through profit or loss account. The Group invests substantially in 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.

Impairment of financial assets

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

35 KEY SOURCES OF ESTIMATES AND UNCERTAINTY

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

Claims made under insurance contracts

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

Unearned premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Unearned premiums are calculated on a daily pro rata basis.

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 2012 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.

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 the 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.

36 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.

