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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

Consolidated financial statements
As at and for the year ended 31 December 2009

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

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Qatar General Insurance and Reinsurance Company S.A.Q. ("the Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements 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.

Responsibility of the directors for the consolidated financial statements
The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained thereon is consistent with the consolidated financial statements. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as of 31 December 2009. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

03 February 2010	Ahmed Hussain
Doha	KPMG
State of Qatar	Qatar Auditors' Registry No. 197

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009 In thousands of Qatari Riyals

	Note	2009	2008
ASSETS			
Cash and cash equivalents	5	110,007	162,328
Statutory deposits	6	6,000	6,000
Insurance and other receivables	7	191,805	159,211
Due from related parties	8 (a)	116,395	20,057
Reinsurance contract assets	9	354,822	435,683
Investments - Held for trading	10	44,991	42,298
Investments - Available for sale	10	709,907	744,711
Investment property	11	452,944	455,238
Investment in associates	12	231,524	183,669
Takaful participants' assets	13	56,675	25,945
Buildings under construction	14	75,308	55,433
Property and equipment	15	20,959	17,826
TOTAL ASSETS		**2,371,337**	2,308,399
LIABILITIES			
Accounts payables	16	167,103	139,073
Insurance contract liabilities	9	558,721	645,966
Short term borrowings	17	262,962	158,385
Other liabilities	18	137,240	158,506
Employees' end of service benefits	19	20,284	19,294
Due to related parties	8 (b)	11,167	1,137
Takaful fund and participants' liabilities	13	56,675	25,945
TOTAL LIABILITIES		1,214,152	1,148,306
EQUITY			
Share capital	20	255,750	204,600
Legal reserve	21	80,260	57,633
Fair value reserve	22	383,178	410,536
Revaluation reserve		77,355	77,355
Foreign currency translation reserve		(1,663)	(924)
Retained earnings		361,805	410,893
Total equity attributable to equity holders		1,156,685	1,160,093
Non-controlling interest	24	500	-
TOTAL EQUITY		1,157,185	1,160,093
TOTAL LIABILITIES & EQUITY		**2,371,337**	2,308,399

These consolidated financial statements were approved by the Board of Directors and were signed on their behalf by the following on 03 February 2010.

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

Member of the Board

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2009 In thousands of Qatari Riyals

	Note	2009	2008
Gross premiums	4	504,550	719,130
Premiums ceded to reinsurers	4	(295,067)	(477,372)
Net premiums		209,483	241,758
Movement in unearned premiums	9	5,820	(2,019)
Net earned premiums	4	215,303	239,739
Net commission income	4	27,144	35,741
Other income – technical	4	1,068	1,249
Underwriting revenue		243,515	276,729
Gross claims paid		(292,327)	(251,487)
Claims recovered from reinsurers		122,587	84,332
Movement in outstanding claims	9	564	(26,647)
Net claims incurred	4	(169,176)	(193,802)
Net underwriting revenue	4	74,339	82,927
Net investment income	25	111,618	250,739
Other income	26	6,209	3,734
Total income		192,166	337,400
Finance costs		(15,030)	(12,197)
General and administration expenses	27	(88,860)	(98,936)
Net profit before contribution to social and sports fund		**88,276**	226,267
Provision for contribution to social and sports activities		(2,207)	-
Net profit for the year		**86,069**	226,267
Basic and diluted earnings per share (QR)	28	**3.37**	8.85

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009 In thousands of Qatari Riyals

	2009	2008
Profit for the year	86,069	226,267
Other comprehensive income		
Share of revaluation surplus recognised directly from associates equity	-	77,355
Foreign currency translation difference for foreign operations	(739)	(924)
Net changes in fair value of available-for-sale financial assets	4,582	(68,526)
Net changes in fair value of available-for-sale financial assets transferred to profit or loss	(31,940)	(163,363)
Total comprehensive income for the year	**57,972**	70,809

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009 In thousands of Qatari Riyals

	Share capital	Legal reserve	Fair value reserve	Revaluation surplus	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2009	204,600	57,633	410,536	77,355	(924)	410,893	1,160,093	-	1,160,093
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	86,069	86,069	-	86,069
Other comprehensive income									
Transfers to income statement on account of disposal of available for sale investments	-	-	(31,940)	-	-	-	(31,940)	-	(31,940)
Change in fair value	-	-	4,582	-	-	-	4,582	-	4,582
Foreign currency translation differences	-	-	-	-	(739)	-	(739)	-	(739)
	204,600	57,633	383,178	77,355	(1,663)	496,962	1,218,065	-	1,218,065
Transactions with owners directly recorded in equity									
Issue of bonus shares – 2008	51,150	-	-	-	-	(51,150)	-	-	-
Dividends paid – 2008	-	-	-	-	-	(61,380)	(61,380)	-	(61,380)
Transfer to legal reserve	-	22,627	-	-	-	(22,627)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	-	-	500	500
Balance at 31 December 2009	**255,750**	**80,260**	**383,178**	**77,355**	**(1,663)**	**361,805**	**1,156,685**	**500**	**1,157,185**

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended 31 December 2009 In thousands of Qatari Riyals

	Share capital	Legal reserve	Fair value reserve	Revaluation surplus	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2008	136,400	44,887	642,425	-	-	338,646	1,162,358	-	1,162,358
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	226,267	226,267	-	226,267
Other comprehensive income									
Transfers to income statement on account of disposal of available for sale investments	-	-	(68,526)	-	-	-	(68,526)	-	(68,526)
Change in fair value	-	-	(163,363)	-	-	(38,974)	(202,337)	-	(202,337)
Foreign currency translation differences	-	-	-	-	(924)	-	(924)	-	(924)
Share of associates' revaluation surplus recognised directly in equity (note 23)	-	-	-	77,355	-	-	77,355	-	77,355
	136,400	44,887	410,536	77,355	(924)	525,939	1,194,193	-	1,194,193
Transactions with owners directly recorded in equity									
Issue of bonus shares – 2007	68,200	-	-	-	-	(68,200)	-	-	-
Dividends paid – 2007	-	-	-	-	-	(34,100)	(34,100)	-	(34,100)
Transfer to legal reserve	-	12,746	-	-	-	(12,746)	-	-	-
Balance at 31 December 2008	204,600	57,633	410,536	77,355	(924)	410,893	1,160,093	-	1,160,093

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009 In thousands of Qatari Riyals

	2009	2008
OPERATING ACTIVITIES		
Net profit for the year	86,069	226,267
Adjustments for :		
Depreciation	5,082	3,000
Increase in translation reserve	(739)	-
Profit / (loss) on sale of property and equipment	(24)	4
Profit on sale of investment property	-	(126,712)
Profit on sale of investments	(31,154)	(80,139)
Revaluation (gain) / loss on trading securities	(3,089)	8,734
Income from investment in associate companies	(19,679)	(5,914)
Impairment loss on investments	628	7,425
Changes in operating assets and liabilities:		
Statutory deposits	-	(1,500)
Insurance and other receivables	(159,662)	25,138
Reinsurance contract assets	80,861	(61,572)
Insurance contracts liabilities	(87,245)	90,238
Accounts payables	28,030	(8,900)
Other liabilities	20,484	139,003
Net cash (used in) / from operating activities	**(80,438)**	215,072
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,838)	(1,504)
Purchase of investment securities	(39,898)	(89,146)
Purchase of shares in associate companies	(28,175)	(6,883)
Purchase of investment property	(323)	(187,253)
Investment in subsidiary	(500)	
Additions to buildings under construction	(22,636)	(19,074)
Proceeds from sale of investment securities	79,266	147,854
Proceeds from sale of investment properties	-	128,500
Proceeds from sale of property and equipment	24	14
Cash flows used in investing activities	**(15,080)**	(27,492)
FINANCING ACTIVITIES		
Dividends paid	(61,380)	(34,100)
Movement in short term borrowings	104,577	(43,144)
Cash flows from / (used in) financing activities	**43,197**	(77,244)
(Decrease) / increase in cash and cash equivalents	**(52,321)**	110,336
Cash and cash equivalents at the beginning of the year	162,328	51,992
Cash and cash equivalents at the end of the year (note 5)	**110,007**	162,328

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

1 LEGAL STATUS AND OPERATIONS

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

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

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

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

2 BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), along with the requirements of the Qatar Commercial Companies Law No. 5 of 2002 and are consistent with prevailing practices within the insurance industry.

b) Basis of measurement

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

- Derivative financial instruments are measured at fair value
- Financial instruments at fair value through profit or loss are measured at fair value
- Available for sale financial instruments are measured at fair value

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

c) Functional and presentation currency

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

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgements

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

Information about significant areas of estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included under note 32 and 33.

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

e) Changes in accounting policies

Starting as of 1 January 2009, the group has changed its accounting policies in the following areas:

- Computation of unexpired premium
- Determination and presentation of operating segments

Computation of unexpired premium:
During the period, the Group changed the policy for computation of unexpired premium from 60:40 method and adopted 1/365 method (actual number of days method). This is a voluntary change in the accounting policy as it will provide more relevant and reliable information. Since it is impracticable to determine the cumulative effect at the beginning of the current period due to the change in accounting policy, the change has been made effective prospectively. The Group has an additional expense charge to the consolidated statement of income by QR 6.95 million due to this change in policy.

Determination of operating segments:
As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Group CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share or retained earnings.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Standards, amendments and interpretations effective on or after 1 January 2009

i) IAS 1 (revised) - *Presentation of Financial Statements*

Revised IAS 1 "Presentation of Financial Statements" introduces the term "total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either:

- A single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or
- In a statement of income and a separate statement of comprehensive income

The Group has opted to present the total comprehensive income in two separate statements - a statement of income and a separate statement of comprehensive income.

The adoption of revised IAS 1 impacted the type and amount of disclosures made in the financial statements, but had no impact on the retained earnings of the Group. In accordance with the transitional requirements of the standard, the Group has provided full comparative information.

ii) Amendments to IFRS 7 - *Financial Instruments: Disclosures*

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.

g) Standard and interpretations issued but not yet effective

During the year the following standards, interpretations and amendments to standards were issued, but not yet effective for the year ended 31 December 2009 and have not been applied in preparing the financial statements of the Group. These are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later periods and are expected to be relevant to the Group.

i) IFRS 9 - *Financial instruments part 1: Classification and measurement*

IFRS 9 was issued in November 2009 and is applicable for reporting period beginning on or after 1 January 2013. This standard replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Standard and interpretations issued but not yet effective (continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

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

ii) Amendments to IAS 7 : *Statement of cash flows*

These amendments are applicable for reporting period beginning on or after 1 January 2010 and explicitly require that only expenditures that results in the recognition of an asset can be classified as a cash flow from investing activities. Currently, this amendment will not have any impact on the presentation in the statement of cash flows of the Group.

iii) Amendments to IAS 16 : *Property, plant and equipment*

These amendments are applicable for reporting period beginning on or after 1 January 2010. These amendments replace the term “net selling price” with “fair value less costs to sell”. This amendment is not expected to result in any change in the Group’s financial position.

iv) IAS 24 : *Related party disclosures (revised 2009)*

The revised standard is applicable for reporting period beginning on or after 1 January 2011. The revised IAS 24 - Related party disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard will result into changes in certain disclosure relating to related parties.

h) Early adoption of standards

The Group did not early adopt new or amended standards in 2009.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Group consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies. Certain comparative amounts have been reclassified to conform with the current year’s presentation (see note 34).

a. Basis of consolidation

Investment in subsidiary companies

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Basis of consolidation (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 2009. The financial statements of the subsidiary companies are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

One of the Group's subsidiaries, General Takaful Company S.P.C, is an operator of Islamic insurance business operating under Islamic shari'a principles. In accordance with applicable Shari'a principles, participants' (policyholders') funds are maintained distinct from the operator's (shareholders') funds. Accordingly, the participants' assets and liabilities including the fund balances are shown separately as 'Takaful participants' assets' and 'Takaful fund and participants' liabilities' respectively in the consolidated statement of financial position.

Takaful participants' fund accounts comprising of statement of financial position and statement of policyholders' revenues and expenses is set out in note 13. The Group manages the takaful funds on behalf of the policy holders as a Mudarib.

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

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

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

b. Foreign currency

Foreign operations
For the purpose of consolidated financial statements, the results and financial position of the foreign branch is expressed in the functional currency of the parent company at the exchange rate prevailing at the reporting date. Income and expenses are translated at the average exchange rates for the year unless exchange rates fluctuated significantly during the year in which case the exchange rates at the dates of the transactions are used.

Foreign currency translation differences are recognised directly in equity. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

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

c. Financial instruments

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

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

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

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

iii) Measurement

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

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

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 comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in comprehensive income is transferred to profit or loss. All purchases and sales of investments are recognised at the settlement date.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Financial instruments (continued)

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

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

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

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

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

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

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

iv) Fair values

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv) Fair values (continued)

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

The fair value of separable embedded derivatives is based on the market value of the underlying equity instrument. If the fair value cannot be measured reliably using any of the methods given above, then these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability until a reliable measure of the fair value is available. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. (Refer note 29 for fair value hierarchy).

d. Impairment

Financial assets

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

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

Non-financial assets

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

e. Other assets and liabilities

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

f. Investment property

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 cost model and are stated at cost of acquisition less depreciation and impairment losses. These are depreciated using the straight -line method over their estimated useful lives of 20 years.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Property and equipment

Recognition and measurement

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

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

Subsequent costs

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

Depreciation

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

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

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

h. Buildings under construction

Buildings under construction includes cost of self-constructed assets, which includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. On completion of the construction, the asset is transferred to respective asset classes mentioned in note 3(g) and depreciated accordingly.

i. Provisions

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Employee benefits

i) Local employees (Defined contribution plans)

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

ii) Expatriate employees (Defined benefit plan)

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

k. Share capital

Ordinary share capital

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

Dividends on ordinary share capital

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

l. 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.

m. Income recognition

(i) Gross premiums

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Income recognition (continued)

(ii) Reinsurance arrangements

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

In the ordinary course of business, the Group assumes and cedes reinsurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. The amounts payable to reinsurance companies are accrued on the basis of reinsurance premium payable on individual policy basis.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the statement of financial position date and are deferred over the term of the underlying direct insurance policies.

(iii) Net commission income

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

(iv) Fees (other income - technical)

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

(v) Investment income

Rental income from investment property 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.

n. Claims and related expenses

(i) Gross claims paid

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Claims and related expenses (continued)

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

(ii) Reinsurance and other recoveries

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

(iii) Movement in outstanding claims

Claims reported but not settled (RBNS)

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

Claims incurred but not reported (IBNR)

Claims provision also includes liability for claims incurred but not reported as at the statement of financial position date. The liability is generally calculated at the reporting date which is within the range of 15% of claims outstanding, after considering a range of historic trends, empirical data and current assumptions that may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Reserve for unexpired risks

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

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

o. Earnings per share

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

p. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (Refer note 2(e)).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Events after the reporting period

The consolidated financial statements are adjusted to reflect events that occurred between the statement of financial position date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the statement of financial position date. There were no subsequent events which require neither adjustments nor disclosures in the consolidated financial statements except for the proposed dividend as per note 23.

4 OPERATING SEGMENTS

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

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

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

For the year ended 31 December 2009 In thousands of Qatari Riyals

4 OPERATING SEGMENTS (CONTINUED)

	Insurance								
	General accident	Fire	War and Marine	Engineering and others	**Total insurance**	**Investments**	**Real estate**	**Others**	**2009**
Gross premiums	190,901	25,380	17,254	271,015	504,550	-	-	-	504,550
Premium ceded to reinsurers	(15,956)	(22,963)	(13,320)	(242,828)	(295,067)	-	-	-	(295,067)
Net premium	174,945	2,417	3,934	28,187	209,483	-	-	-	209,483
Movement in unearned premium	7,757	(410)	1,612	(3,139)	5,820	-	-	-	5,820
Net earned premium	182,702	2,007	5,546	25,048	215,303	-	-	-	215,303
Net commission	(69)	5,317	3,043	18,853	27,144	-	-	-	27,144
Other income – technical	560	4	59	445	1,068	-	-	-	1,068
Net claims incurred	(149,046)	(3,015)	(2,432)	(14,683)	(169,176)	-	-	-	(169,176)
Net underwriting revenue	34,147	4,313	6,216	29,663	74,339	-	-	-	74,339
Interest expense	-	-	-	-	(1,330)	(2,243)	(11,457)	-	(15,030)
Share of profit of associates	-	-	-	-	-	19,679	-	-	19,679
Income from other investments	-	-	-	-	56,492	24,408	11,040	-	91,940
Other income	-	-	-	-	1,817	123	-	4,269	6,209
Depreciation	-	-	-	-	(2,434)	(4)	(2,590)	(54)	(5,082)
General and administration expenses	-	-	-	-	(65,338)	(8,362)	(3,975)	(6,104)	(83,779)
Net profit before provision for social and sports contribution	-	-	-	-	63,546	33,601	(6,982)	(1,889)	88,276
Provision for contribution to social and sports fund	-	-	-	-	(2,207)	-	-	-	(2,207)
Net profit during the year	-	-	-	-	**61,339**	**33,601**	**(6,982)**	**(1,889)**	**86,069**

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4 OPERATING SEGMENTS (CONTINUED)

	Insurance								
	General accident	Fire	War and Marine	Engineering and others	Total insurance	Investments	Real estate	Others	2008
Gross premiums	215,961	25,622	36,819	440,728	719,130	-	-	-	719,130
Premium ceded to reinsurers	(18,119)	(23,523)	(30,939)	(404,791)	(477,372)	-	-	-	(477,372)
Net premium	197,842	2,099	5,880	35,937	241,758	-	-	-	241,758
Movement in unearned premium	(3,173)	(182)	(86)	1,422	(2,019)	-	-	-	(2,019)
Net earned premium	194,669	1,917	5,794	37,359	239,739	-	-	-	239,739
Net commission	(1,400)	5,427	8,309	23,405	35,741	-	-	-	35,741
Other income – technical	337	24	605	283	1,249	-	-	-	1,249
Net claims incurred	(179,533)	(2,644)	(2,732)	(8,893)	(193,802)	-	-	-	(193,802)
Net underwriting revenue	14,073	4,724	11,976	52,154	82,927	-	-	-	82,927
Interest expense	-	-	-	-	(1,079)	(1,820)	(9,298)	-	(12,197)
Share of profit of associates	-	-	-	-	-	15,446	-	-	15,446
Income from other investments	-	-	-	-	22,020	78,027	135,246	-	235,293
Other income	-	-	-	-	-	-	-	3,734	3,734
Depreciation	-	-	-	-	(2,141)	-	(859)	-	(3,000)
General and administration expenses	-	-	-	-	(58,255)	(24,512)	(12,509)	(660)	(95,936)
Net profit before provision for social and sports contribution	-	-	-	-	43,472	67,141	112,580	3,074	226,267
Provision for contribution to social and sports fund	-	-	-	-	-	-	-	-	-
Net profit during the year	-	-	-	-	43,472	67,141	112,580	3,074	226,267

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4 OPERATING SEGMENTS (CONTINUED)

Segmental assets and liabilities:

	Assets		Liabilities & equity	
	2009	2008	**2009**	2008
Insurance				
- Conventional insurance	1,102,058	1,545,208	1,102,058	1,545,208
- Islamic insurance	56,675	25,945	56,675	25,945
Investments	718,563	612,809	718,563	612,809
Real estate	492,127	122,283	492,127	122,283
Others	1,914	2,154	1,914	2,154
Total	**2,371,337**	2,308,399	**2,371,337**	2,308,399

5 CASH AND CASH EQUIVALENTS

	2009	2008
Cash on hand	330	798
Cash at bank	109,677	161,530
Total cash and cash equivalents	**110,007**	162,328

6 STATUTORY DEPOSITS

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

7 INSURANCE AND OTHER RECEIVABLES

	2009	2008
Due from policy holders	174,112	152,639
Due from insurance / reinsurance companies	62,241	49,830
Impairment allowance for doubtful receivables	(59,717)	(54,807)
Insurance contract receivables	**176,636**	147,662
Staff loans	5,287	2,841
Accrued rental income	8,973	4,848
Prepayments and others	5,166	8,149
Impairment allowance for doubtful receivables	(4,257)	(4,289)
Total insurance and other receivables	**191,805**	159,211

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8 RELATED PARTY TRANSACTIONS

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

Name of the related party	Nature of relationship	Type of transaction	2009	2008
General Takaful Company S.P.C.	Subsidiary	Expenses incurred on behalf of the Parent	349	-
		Expenses incurred on behalf of the subsidiary	-	1,558
		Transfer of end of service benefits of employees transferred	696	-
Qatar General Holding Company S.A.Q.	Subsidiary	Transfer of investments at fair value to the subsidiary from the Parent	-	375,516
		Transfer of project under progress to subsidiary	60,668	-
		Transfer of investment property at cost from the parent	234,766	122,276
		Transfer of associate companies at cost from the parent	-	114,416
		Transfer of balances due from related parties to the subsidiary	-	15,404
Trust Bank Algeria	Associate	Amount paid for increase in share capital	23,752	-
		Amount paid for increase in share capital subject to approval of Central Bank of Algeria	85,748	-

The related party balances were as follows:

a) Due from related parties:

	2009	2008
Trust Syria Insurance Company S.A.S.C.	270	3,745
Trust Algeria Investment Company	17,221	2,323
Trust Algeria Assurances and Reassurances	3,680	3,680
Gulf Petroleum Limited W.L.L.	3,650	3,650
Lebanese Canadian Bank	-	39
Trust Bank Algeria	85,748	-
Trust Insurance Company – Amman	5,326	6,620
Al Sari Trading Company	500	-
	116,395	20,057

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8 RELATED PARTY TRANSACTIONS (CONTINUED)

	2009	2008
b) Due to related parties:		
Lebanese Canadian Bank	9,220	-
Trust Insurance Company - Bahrain	1,476	1,137
Nest investments	471	-
	11,167	1,137
c) Compensation paid to key management personnel		
Salaries and other short term benefits	**13,196**	29,065
End of service benefits	**109**	197

9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2009	2008
Gross insurance contract liabilities		
Claims reported but outstanding	394,724	313,204
Claims incurred but not reported	34,667	47,256
Unearned premiums	129,330	285,506
Total insurance contract liabilities	**558,721**	645,966
Reinsures' share of insurance contract liabilities		
Claims reported but outstanding	292,861	208,602
Claims incurred but not reported	22,992	37,756
Unearned premiums	38,969	189,325
Total reinsurance contract assets	**354,822**	435,683
Net insurance contract liabilities		
Claims reported but outstanding	101,863	104,602
Claims incurred but not reported	11,675	9,500
Unearned premiums	90,361	96,181
Total net insurance contract liabilities	203,899	210,283

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9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

Movements in claims provision during the year are as follows:

	2009			2008		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
At 1 January	360,460	(246,358)	114,102	228,378	(140,923)	87,455
Movements during the year	68,931	(69,495)	(564)	132,082	(105,435)	26,647
At 31 December	429,391	(315,853)	113,538	360,460	(246,358)	114,102

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

	2009			2008		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
At 1 January	285,506	(189,325)	96,181	327,349	(233,187)	94,162
Premiums written in the year	504,550	(295,067)	209,483	719,130	(477,372)	241,758
Premiums earned during the year	(660,726)	445,423	(215,303)	(760,973)	521,234	(239,739)
At 31 December	129,330	(38,969)	90,361	285,506	(189,325)	96,181

10 INVESTMENT IN SECURITIES

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

	2009	2008
Held for trading securities		
Quoted securities	44,991	42,298
Total held for trading securities	44,991	42,298
Available-for-sale investments		
Local portfolio – quoted	555,975	603,332
Local portfolio – unquoted	14,450	10,458
Foreign shares	44,981	63,751
Managed funds	32,531	29,670
Bonds- Debt instruments	61,970	37,500
Total available for sale investments	709,907	744,711
Total investment in securities	**754,898**	787,009

Out of the above investments, the Group has offered investment amounting to QR 150.75 million (2008: 245.48 million) as securities for various facilities availed by it.

For the year ended 31 December 2009 In thousands of Qatari Riyals

11 INVESTMENT PROPERTY

	Land	Buildings	Total	
			2009	2008
Balance as at 1 January	416,653	38,585	455,238	236,064
Transfer from building under construction	-	-	-	34,018
Transfer from property (net)	-	71	71	551
Additions during the year	-	323	323	187,253
Disposals during the year	-	-	-	(1,789)
Depreciation for the year	-	(2,688)	(2,688)	(859)
Balance at:				
31 December 2009	**416,653**	**36,291**	**452,944**	-
31 December 2008	416,653	38,585	-	455,238

Investment property	Land	Buildings	Total	
			2009	2008
At cost	416,653	62,047	478,700	478,306
Accumulated depreciation	-	(25,756)	(25,756)	(23,068)
Net carrying value	**416,653**	**36,291**	**452,944**	455,238

The investment properties of 2009 were valued as on 31 December 2009 at QR: 1,533 million (2008: 1,488.60 million) by independent valuers not connected with the Group, by reference to market evidence of recent transactions for similar properties.

Direct operating expenses recognised in the consolidated statement of income that generated rental income are QR: 2.5 million (2008 QR: 0.71 million), and the rental income recognised during the year is QR: 11.04 million (2008: QR 8.6 million). There are no restrictions pertaining to realisation of the properties or remittance of rental income. The properties are classified as non-current.

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12 INVESTMENT IN ASSOCIATES

The Group has the following investments in associate companies:

	Ownership	**2009**	2008
Qatari United Insurance Bureau W.L.L.	25.00%	644	705
International Financial Securities Q.S.C.*	12.00%	7,578	8,177
Gulf Petroleum Limited W.L.L.	20.00%	903	981
Trust Algeria Assurances – Reassurances	22.50%	24,662	23,272
Trust Algeria Investment Company	20.00%	87,799	88,459
Trust Bank Algeria * #	8.00%	43,070	8,127
Trust Syria Insurance Company S.A.S.C	32.00%	22,713	21,377
Trust Insurance Company - Libya *	15.00%	1,666	2,631
Oman Reinsurance Company*	10.00%	4,614	4,712
Gulf Assist B.S.C. (c)	8.00%	2,508	722
Lebanese Canadian Bank S.A.L.* #	3.00%	30,769	24,506
Arabian Insurance Institute – Syria	16.52%	3,014	-
Tabadul shares and bonds L.L.C.	3.00%	1,584	-
Total investment in associates		**231,524**	183,669

* The Group has accounted for these investments under equity method, though the ownership percentages are less than 20%, as it has representatives in the board of directors for these associate companies and have significant influence over the financial and operating policies of the companies. During the year the Group has recognized income from associates amounting to QR 19.679 million (2008: QR 15.446 million).

The Group acquired 3% equity stake in Lebanese Canadian Bank by way of an asset swap agreement where in 4.3% equity stake in Trust Bank Algeria was exchanged and the balance settled in cash. This asset swap agreement was revoked by Central Bank of Algeria during the year and the Group has recognised corresponding market value of shares given as consideration (QR 9.2 million) as amounts due to Lebanese Canadian Bank as per note 9 (b).

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13 TAKAFUL PARTICIPANTS' FUND ACCOUNTS

STATEMENT OF FINANCIAL POSITION

	2009	2008
ASSETS		
Cash and bank	34,136	13,024
Insurance contract receivables	15,535	10,081
Reinsurance contract assets	2,484	24
Other assets	3,164	1,230
Furniture and equipment	1,356	1,586
	56,675	25,945
LIABILITIES		
Accounts payable	9,284	3,777
Due to a related party	1,210	1,559
Insurance contract payables	15,308	5,125
Unearned contributions	23,339	15,213
Other payables	1,157	325
	50,298	25,999
Surplus / (deficit) for the year	6,377	(54)
	56,675	25,945

STATEMENT OF POLICYHOLDERS' REVENUES AND EXPENSES

	2009	2008
Gross contributions	54,419	30,860
Reinsurance cessions	(7,785)	(3,985)
Retained premium	46,634	26,875
Unearned premium adjustment	(8,126)	(15,213)
Net commission income	1,582	1,061
Other income – technical	1,062	41
Net contributions	**41,152**	12,764
Claims	(25,910)	(4,035)
Claims recovered	4,857	524
Outstanding claims adjustment	(7,722)	(5,102)
Net claims	**(28,775)**	(8,613)
Insurance revenue	12,377	4,151
Other income	221	-
General and administrative expenses	(6,167)	(4,205)
Surplus / (deficit) for the year	**6,431**	(54)

14 BUILDINGS UNDER CONSTRUCTION

	2009	2008
At 1 January	55,433	70,377
Additions during the year	22,636	19,074
Transfer to property	(2,761)	(34,018)
At 31 December	**75,308**	55,433

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15 PROPERTY AND EQUIPMENT

	Freehold land	Building	Furniture & fixtures	Motor vehicle	Computers	Total 2009	Total 2008
Cost:							
At 1 January	7,230	20,172	9,016	670	6,656	43,744	44,068
Transfer to investment property	-	(71)	-	-	-	(71)	(1,670)
Additions during the year	-	2,772	812	119	1,881	5,584	1,504
Disposals	-	-	-	(138)	(30)	(168)	(158)
At 31 December	7,230	22,873	9,828	651	8,507	49,089	43,744
Accumulated depreciation:							
At 1 January	-	13,072	7,464	622	4,760	25,918	25,037
Provided during the year	-	938	764	43	649	2,394	2,141
Disposals / transfers	-	(22)	(22)	(138)	-	(182)	(1,260)
At 31 December 2009	-	13,988	8,206	527	5,409	28,130	25,918
Net book values:							
As at 31 December 2009	**7,230**	**8,885**	**1,622**	**124**	**3,098**	**20,959**	-
At 31 December 2008	7,230	7,100	1,552	48	1,896	-	17,826

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16 ACCOUNTS PAYABLES

	2009	2008
Due to policy holders	73,735	24,208
Due to insurers and reinsurance companies	93,368	114,865
Total accounts payables	**167,103**	139,073

17 SHORT TERM BORROWINGS

	2009	2008
Short term borrowings	**262,962**	158,385

These are short term borrowings from banks for tenures less than 12 months at an average interest rate of 7.79% (2008: 5.4%). The Group has pledged part of its investment portfolio amounting to QR 150.75 million (2008: QR 344 million including deposits amounting to QR 98.41million) to secure the above facilities as per note 10.

18 OTHER LIABILITIES

	2009	2008
Rent received in advance	1,844	2,144
Amount payable for investment property	106,957	129,062
Accrued expenses	2,692	620
Provision for Board of Directors remuneration	4,000	4,000
Others	21,747	22,680
Total other liabilities	**137,240**	158,506

19 EMPLOYEES' END OF SERVICE BENEFITS

	2009	2008
Balance at 1 January 2009	19,294	15,365
Charge for the year	2,579	5,049
Payments made during the year	(1,589)	(1,120)
Balance at 31 December	**20,284**	19,294

20 SHARE CAPITAL

Authorized, issued and fully paid up share capital (25,750,000 shares of QR 10 each) (2008: 20,460,000 shares of QR 10 each)

	2009	2008
Balance at 31 December	**255,750**	204,600

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21 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.

22 FAIR VALUE RESERVE

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

	2009	2008
Balance at 1 January	410,536	642,425
Fair value adjustments during the year	4,582	(163,363)
Transferred to statement of income on sale of investments	(31,940)	(68,526)
Balance at 31 December	**383,178**	410,536

23 DIVIDEND PAID AND PROPOSED

The Board of Directors have proposed a cash dividend of 25% of the nominal share value (QR 2.5 per share) and a bonus share of 25% of the share capital for the year ended 31 December 2009 (2008: cash dividend of 30% of the nominal value (QR 3 per share) and a bonus share of 25% of the share capital were approved and paid). The amounts are subject to the approval of the general assembly.

24 NON-CONTROLLING INTERESTS

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

25 INVESTMENT INCOME

	2009	2008
Rent	10,294	8,534
Dividends	42,188	25,779
Profit on sale of investments	31,940	206,851
Income from associates	19,679	15,446
Impairment losses on available for sale investment	(628)	(7,425)
Fair value movements – trading securities	3,089	(8,734)
Others	5,056	10,288
Net investment income	**111,618**	250,739

26 OTHER INCOME

	2009	2008
Shareholders’ income from takaful operations	893	560
Foreign exchange (loss) / income	(354)	1,608
Miscellaneous income	5,670	1,566
Total other income	**6,209**	3,734

27 GENERAL AND ADMINISTRATION EXPENSES

	2009	2008
Employee related costs	55,978	69,024
Depreciation	5,082	3,000
Remuneration to Board of Directors	4,000	4,000
Others	23,800	22,912
Total general and administration expenses	**88,860**	98,936

28 BASIC AND DILUTED EARNINGS PER SHARE

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

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2009	2008 (restated)
Net profit attributable to equity holders of the parent	86,069	226,267
Weighted average number of ordinary shares (‘000s)	25,575	25,575
Basic and diluted earnings per share (QR)	**3.37**	8.85

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29 CLASSIFICATIONS AND FAIR VALUES

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

	31 December 2009		31 December 2008	
	Total carrying amount	**Fair value**	Total carrying amount	Fair value
Assets				
Cash and cash equivalents	110,007	110,007	162,238	162,238
Insurance and other receivables	191,805	191,805	159,211	159,211
Reinsurance contract assets	354,822	354,822	435,683	435,683
Investment – held for trading	44,991	44,991	42,298	42,298
Investments – available for sale	709,907	709,907	744,711	744,711
	1,411,532	**1,411,532**	1,544,141	1,544,141
Liabilities				
Accounts payables	167,103	167,103	139,073	139,073
Insurance contract liabilities	558,721	558,721	645,966	645,966
Short term borrowings	262,962	262,962	158,385	158,385
	988,786	**988,786**	943,424	943,424

Fair value hierarchy:

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

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

	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2009				
Investments - Available for sale	44,991	-	-	44,991
Investments - Held for trading	662,926	-	46,981	709,907
	707,917	**-**	**46,981**	**754,898**
31 December 2008				
Investments - Available for sale	42,298	-	-	42,298
Investments - Held for trading	704,583	-	40,128	744,711
	746,881	-	40,128	787,009

30 RISK MANAGEMENT

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

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

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

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

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

a) Insurance risks

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

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

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

30 RISK MANAGEMENT (CONTINUED)

a) Insurance risks (continued)

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

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

Frequency and severity of claims

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

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

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

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

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

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

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30 RISK MANAGEMENT (CONTINUED)

a) Insurance risks (continued)

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

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

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks as at the statement of financial position date.

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

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	**2009**		2008	
		Impact on Net Profit	**Impact on equity**	Impact on Net Profit	Impact on equity
Loss ratio	+ 5%	**(10,474)**	**(10,474)**	(12,088)	(12,088)
	- 5%	**10,474**	**10,474**	12,088	12,088

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30 RISK MANAGEMENT (CONTINUED)

a) Insurance risks (continued)

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

i) Credit risk

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

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

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

31 December 2008	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
Cash and cash equivalents	2,216	127,299	30,142	2,671	-	162,328
Statutory deposits	-	-	-	-	6,000	6,000
Insurance and other receivables	38,298	33,784	12,098	28,403	46,628	159,211
Reinsurance contract assets	31,033	35,584	30,141	39,071	299,854	435,683
Total	71,547	196,667	72,381	70,145	352,482	763,222

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

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30 RISK MANAGEMENT (CONTINUED)

i) Credit risk (continued)

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

Impaired financial assets
At 31 December 2009 there are impaired insurance and reinsurance assets of QR 59,716 (2008: QR 54,807), impaired investments of QR 628 (2008: QR 7,425) and impaired other assets of QR 4,257 (2008: QR 4,289).The Group records all impairment allowances in separate impairment allowances accounts. A reconciliation of all the allowances for impairment losses are as follows:

	Impairment on insurance and reinsurance assets		Impairment on investments		Impairment on other assets	
	2009	2008	**2009**	2008	**2009**	2008
At 1 January	54,807	49,168	-	-	4,289	3,970
Charge for the year	5,048	5,639	628	7,425	-	319
Amounts written off	(139)	-	(628)	(7,425)	(32)	-
At 31 December	**59,716**	54,807	**-**	**-**	**4,257**	4,289

ii) Liquidity risks

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

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 90-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell medium to long-term financial assets. Contractual maturity of the Group's liabilities as at 31 December 2009 are summarised below:

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

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30 RISK MANAGEMENT (CONTINUED)

ii) Liquidity risk (continued)

This compares to the maturity of the Group's financial liabilities as at 31 December 2008:

	Current		Non-current		
	Within 6 months	6 to12 months	1 to 5 years	More than 5 years	Total
Short term borrowings	90,762	67,623	-	-	158,385
Accounts payables	38,830	43,822	56,421	-	139,073
Insurance contract liabilities	188,838	185,545	224,327	47,256	645,966
Other liabilities	65,107	9,084	84,315	-	158,506
	383,537	306,074	365,063	47,256	1,101,930

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

iii) Market risks

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

Currency risk

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

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

	2009			2008		
Nominal amounts	**US $**	**Euro**	**Other**	US $	Euro	Other
Financial assets	752	425	34,101	927	-	-
Financial liabilities	(471)	-	-	-	-	-
Short -term exposure	**281**	**425**	**34,101**	927	**-**	**-**
Financial assets	215,113	10,704	58,596	68,937	10,202	51,711
Financial liabilities	(9,249)	(9,962)	-	**-**	(9,705)	
Long-term exposure	**205,864**	**742**	**58,596**	68,937	497	51,711

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30 RISK MANAGEMENT (CONTINUED)

iii) Market risks (continued)

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

		31 December 2009		31 December 2008	
	Changes in variables	**Impact on profit**	**Impact on equity**	Impact on profit	Impact on equity
Currency					
EUR	+10%	74	74	50	50
Others	+10%	5,860	5,860	5,171	5,171
Total		**5,934**	**5,934**	5,221	5,221
EUR	-10%	(74)	(74)	(50)	(50)
Others	-10%	(5,860)	(5,860)	(5,171)	(5,171)
Total		**(5,934)**	**(5,934)**	(5,221)	(5,221)

Interest rate risks

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

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

Cash flow sensitivity analysis for variable rate instruments:

	2009		2008	
	+1%	-1%	+1%	-1%
Net results for the year	(1,533)	1,533	(31)	31
Equity	(1,533)	1,533	(31)	31

Equity price risks

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

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30 RISK MANAGEMENT (CONTINUED)

iii) Market risks (continued)

		31 December 2009		31 December 2008	
	Changes in variables	Impact on profit	Impact on equity	Impact on profit	Impact on equity
Qatar Market	+10%	4,438	60,035	4,173	64,470
International Markets	+10%	61	10,756	93	5,264
Qatar Market	-10%	(4,438)	(60,035)	(4,173)	(64,470)
International Markets	-10%	(61)	(10,756)	(93)	(5,264)

iv) Operational risk

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

v) Capital Management

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

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

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

	2009	2008
Equity	1,156,685	1,160,093
Less : Cash and cash equivalents	(110,007)	(162,328)
Capital	1,046,678	997,765
Equity	1,156,685	1,160,093
Add: Borrowings	262,962	158,385
Overall financing	1,419,647	1,318,478
Capital to overall financing	**1:1.36**	1:1.32

31 CONTINGENT LIABILITIES

	2009	2008
Letters of guarantee	**5,261**	3,461

32 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of preparing these consolidated financial statements, management has made use of a number of judgments relating to the application of accounting policies which are described in note 2 (d). Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below (apart from those involving estimations which are dealt with in note 33).

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

- **Classification of investment**

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

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss.

- **Impairment of financial assets**

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

33 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.

33 KEY SOURCES OF ESTIMATES AND UNCERTAINTY (CONTINUED)

- **Impairment of Insurance and other receivables**

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

- **Liability adequacy test**

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

34 RECLASSIFICATION OF COMPARATIVE AMOUNTS

The Group during 2008 presented its insurance contract liabilities net of the reinsurers' share of the liabilities. However, during the year the Group recognises the gross insurance contract liabilities in the consolidated statement of financial position and presents the reinsurers' share on outstanding claims as reinsurance contract assets as per note 9.

Further, certain corresponding figures for 2008 have been reclassified where necessary, to preserve comparability with the current year presentation. Such reclassifications have no effect on the net profit or shareholders equity for the year 2008.