DOHA INSURANCE COMPANY Q.S.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2011

DOHA INSURANCE COMPANY Q.S.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2011

INDEX

Deloitte.

Deloitte & Touche
Al Ahli Bank Head Office Building
Sh. Suhaim Bin Hamad Street
Al Sadd Area
P.O. Box 431
Doha - Qatar

Tel : +974 44341112
Fax : +974 44422131
www.deloitte.com

QR. 99-8

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Doha Insurance Company Q.S.C.
Doha, Qatar

Report on the financial statements

We have audited the accompanying financial statements of Doha Insurance Company Q.S.C. (the "Company''), which comprise of the statement of financial position as at December 31, 2011 and the 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 information. The financial statements as at December 31, 2010, were audited by another auditor, whose report dated January 24, 2011 expressed an unqualified audit opinion on those statements.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Doha Insurance Company Q.S.C. as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on legal and other regulatory requirements

Furthermore, in our opinion the financial statements provide the information required by the Qatar Commercial Companies' Law No. (5) of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Commercial Companies Law or the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

For **Deloitte & Touche**

M. Salha

Midhat Salha
License No. 257

Doha - Qatar
January 24, 2012

DOHA INSURANCE COMPANY Q.S.C.

STATEMENT OF INCOME

For the year ended December 31, 2011

	Notes	**December 31, 2011 QR.**	December 31, 2010 QR.
Gross premiums	5	**419,357,813**	369,911,495
Reinsurers' share of gross premiums	5	**(323,742,070)**	(277,955,737)
Net premiums	5	**95,615,743**	91,955,758
Change in unexpired risk reserve	5	**(1,185,911)**	(1,088,171)
Earned insurance premiums	5	**94,429,832**	90,867,587
Commissions received	5	**23,155,680**	22,151,396
Change in deferred commissions	5	**(107,642)**	(541,868)
Total underwriting revenues	5	**117,477,870**	112,477,115
Claims paid	5	**(430,927,181)**	(46,742,413)
Reinsurers' share of claims	5	**396,127,230**	14,539,920
Change in outstanding claims reserve	5	**264,197**	(6,940,927)
Commissions paid	5	**(4,850,451)**	(4,202,582)
NET UNDERWRITING RESULTS		**78,091,665**	69,131,113
Dividend income		**9,075,817**	6,629,105
Interest income		**3,338,160**	7,385,736
Rental income from investment properties		**5,907,191**	6,340,156
Net gain on sale of financial investments	6	**5,476,257**	4,691,132
Profit distribution from unquoted funds and shares		**5,718,235**	2,260,244
Net gain on investments held for trading		**–**	1,551,251
Share of profit from an associate	12	**896,856**	283,511
Other income		**1,801,044**	1,406,647
INVESTMENTS AND OTHER INCOME		**32,213,560**	30,547,782
Salaries and other staff costs		**(30,764,824)**	(23,274,135)
General and administrative expenses	7	**(11,901,190)**	(9,996,431)
Impairment of financial investments	9	**(334,751)**	(421,650)
Depreciation of investment properties	13	**(1,375,890)**	(1,422,172)
Depreciation of property and equipment	14	**(739,400)**	(1,508,426)
TOTAL EXPENSES		**(45,116,055)**	(36,622,814)
PROFIT FOR THE YEAR BEFORE ALLOCATION TO TAKAFUL BRANCH POLICYHOLDERS		**65,189,170**	63,056,081
Net deficit/(surplus) attributable to Takaful branch policyholders		**656,309**	(2,385,715)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**65,845,479**	60,670,366
Basic/diluted earnings per share	22	**3.66**	3.37

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DOHA INSURANCE COMPANY Q.S.C.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2011

	December 31, 2011	December 31, 2010
	QR.	QR.
Profit attributable to shareholders	**65,845,479**	60,670,366
Other comprehensive income		
Net movement in fair value of available-for-sale investments	**(1,868,955)**	42,333,783
Exchange difference on translation of foreign operations	**(109,792)**	7,079
Other comprehensive income for the year	**(1,978,747)**	42,340,862
Total comprehensive income for the year	**63,866,732**	103,011,228

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DOHA INSURANCE COMPANY Q.S.C.

STATEMENT OF FINANCIAL POSITION

As at December 31, 2011

	Notes	December 31, 2011 QR.	December 31, 2010 QR.
ASSETS			
Cash and bank balances	8	**168,014,872**	162,475,181
Financial investments	9	**256,017,134**	254,567,662
Reinsurance contract assets	10	**667,398,559**	1,092,728,009
Insurance and other receivables	11	**119,199,029**	107,180,270
Investment in an associate	12	**4,736,854**	3,949,790
Investment properties	13	**27,935,438**	29,306,638
Property and equipment	14	**67,451,868**	57,834,496
TOTAL ASSETS		**1,310,753,754**	1,708,042,046
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**180,000,000**	180,000,000
Legal reserve	16	**96,405,928**	96,405,928
Cumulative changes in fair value		**59,156,622**	61,025,577
Foreign currency translation reserve		**(102,713)**	7,079
Retained earnings		**56,811,203**	46,611,861
Proposed cash dividends		--	45,000,000
Proposed bonus shares	18	**54,000,000**	--
Total equity		**446,271,040**	429,050,445
LIABILITIES			
Insurance contract liabilities	10	**766,225,483**	1,190,525,577
Provisions, insurance and other payables	19	**90,117,442**	82,971,976
Employees' end of service benefits	20	**8,139,789**	5,494,048
Total liabilities		**864,482,714**	1,278,991,601
TOTAL EQUITY AND LIABILITIES		**1,310,753,754**	1,708,042,046

Sheikh Nawaf Bin Nasser Bin Khaled Al Thani
Chairman

Mr. Bassam Hussein
General Manager

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2011

	Share capital QR.	Legal reserve QR.	Cumulative changes in fair value QR.	Foreign currency translation reserve QR.	Proposed cash dividends QR.	Proposed bonus shares QR.	Retained earnings QR.	Total QR.
Balance at January 1, 2011	**180,000,000**	**96,405,928**	**61,025,577**	**7,079**	**45,000,000**	--	**46,611,861**	**429,050,445**
Total comprehensive income for the year	--	--	**(1,868,955)**	**(109,792)**	--	--	**65,845,479**	**63,866,732**
Social and sports fund contribution	--	--	--	--	--	--	**(1,646,137)**	**(1,646,137)**
Proposed issue of bonus shares (note 18)	--	--	--	--	--	**54,000,000**	**(54,000,000)**	--
Dividends paid	--	--	--	--	**(45,000,000)**	--	--	**(45,000,000)**
Balance at December 31, 2011	**180,000,000**	**96,405,928**	**59,156,622**	**(102,713)**	--	**54,000,000**	**56,811,203**	**446,271,040**

	Share capital QR.	Legal reserve QR.	Cumulative changes in fair value QR.	Foreign currency translation reserve QR.	Proposed cash dividends QR.	Proposed bonus shares QR.	Retained earnings QR.	Total QR.
Balance at January 1, 2010	180,000,000	96,405,928	18,691,794	--	45,000,000	--	32,458,254	372,555,976
Total comprehensive income for the year	--	--	42,333,783	7,079	--	--	60,670,366	103,011,228
Social and sports fund contribution	--	--	--	--	--	--	(1,516,759)	(1,516,759)
Dividends paid	--	--	--	--	(45,000,000)	--	--	(45,000,000)
Proposed dividends	--	--	--	--	45,000,000	--	(45,000,000)	--
Balance at December 31, 2010	180,000,000	96,405,928	61,025,577	7,079	45,000,000	--	46,611,861	429,050,445

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

DOHA INSURANCE COMPANY Q.S.C.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

	Note	**December 31, 2011**	December 31, 2010
		QR.	QR.
OPERATING ACTIVITIES			
Profit attributable to shareholders		**65,845,479**	60,670,366
Adjustments for:			
Depreciation of property and equipment		**739,400**	1,508,426
Depreciation of investment properties		**1,375,890**	1,422,172
Provision for employees' end of service benefits		**2,645,741**	919,169
Impairment of financial investments		**334,751**	421,650
Net gain on investments held for trading		**--**	(1,551,251)
Reinsurers' share of unearned premium		**(14,920,629)**	(20,797,804)
Movement in unearned premium		**16,106,540**	21,885,975
Net gain from sale of financial investments		**(5,476,257)**	(4,691,132)
Dividend income		**(9,075,817)**	(6,629,105)
Finance income		**(3,338,160)**	(7,385,736)
Profit distribution from unquoted funds and shares		**(5,718,235)**	(2,260,244)
Share of profit of an associate		**(896,856)**	(283,511)
Gain on disposal of property and equipment		**(28,700)**	(59,891)
Operating profit before changes in operating assets and liabilities		**47,593,147**	43,169,084
Increase in insurance and other receivables		**(12,018,759)**	(24,210,006)
Decrease/ Increase in insurance reserves		**(156,555)**	8,123,204
Increase in provisions, insurance and other payables		**8,311,236**	33,592,135
Cash generated from operations		**43,729,069**	60,674,417
Employees' end of service benefits paid		**--**	(489,203)
Net cash from operating activities		**43,729,069**	60,185,214
INVESTING ACTIVITIES			
Purchase of financial investments		**(41,707,422)**	(43,759,357)
Proceeds from disposal of financial investments		**43,441,085**	36,884,490
Dividend received		**9,075,817**	6,629,105
Interest received		**3,427,576**	7,385,736
Profit distribution from unquoted investment funds		**5,718,235**	2,260,244
Purchase of investment properties		**(4,690)**	(427,250)
Purchase of property and equipment		**(10,356,772)**	(10,992,715)
Proceed from sale of property and equipment		**28,700**	346,814
Net cash from/ (used in) investing activities		**9,622,529**	(1,672,933)
FINANCING ACTIVITY			
Payment of social and sports activities contribution		**(1,516,759)**	--
Dividends paid		**(46,295,148)**	(47,666,331)
Net cash used in financing activities		**(47,811,907)**	(47,666,331)
INCREASE IN CASH AND CASH EQUIVALENTS		**5,539,691**	10,845,950
Cash and cash equivalents at the beginning of the year		**162,475,181**	151,629,231
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**168,014,872**	162,475,181

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. ACTIVITIES

Doha Insurance Company Q.S.C. (the "Company") is a Qatari shareholding company registered and incorporated in the State of Qatar under Emiri Decree No. 30 issued on 2 October 1999, listed on Qatar Exchange, and is engaged in the business of insurance and re-insurance.

During 2006, the Company established an Islamic Takaful branch under the brand name Doha Takaful (the "Branch") to carry out insurance and re-insurance activities in accordance with Islamic Sharia principles on a non-usury basis in all areas of insurance.

The financial statements for the year ended December 31, 2011 include the results of the Company and the Branch. The financial statements were authorised for issue in accordance with a resolution of the directors on January24, 2012.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretations effective in the current period

At the date of authorization of these financial statements, the following standards and interpretations were effective:

(i) Revised standards

- IFRS 1 (Revised) — *First time adoption of International Financial Reporting Standards*
- IFRS 3 (Revised) — *Business combinations*
- IFRS 7 (Revised) — *Financial Instruments: Disclosures*
- IAS 1 (Revised) — *Presentation of Financial Statements.*
- IAS 24 (Revised) — *Related Party Disclosures*
- IAS 27 (Revised) — *Consolidated and Separate Financial Statements*
- IAS 32 (Revised) — *Financial Instruments: Presentation*
- IAS 34 (Revised) — *Interim Financial Reporting*

(ii) Revised Interpretations

- IFRIC 13 — *Customer Loyalty Programmes*
- IFRIC 14 — *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- IFRIC 19 — *Extinguishing Financial Liabilities with Equity Instruments*

The adoption of these standards and Interpretations had no significant effect on the financial statements of the Company for the year ended December 31, 2011, other than certain presentation and disclosure changes.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

(i) <u>Revised Standards</u>

Effective for annual periods beginning on or after July 1, 2011

- IFRS 1 (Revised) — *First time adoption of International Financial Reporting Standards*
- IFRS 7 (Revised) — *Financial Instruments Disclosures*

Effective for annual periods beginning on or after January 1, 2012

- IAS 12 (Revised) — *Income Taxes*

Effective for annual periods beginning on or after July 1, 2012 (Early adoption allowed)

- IAS 1 (Revised) — *Presentation of Financial Statements*

Effective for annual periods beginning on or after January 1, 2013

- IAS 19 (Revised) — *Employee Benefits*
- IAS 27 (Revised) — *Consolidated and Separate Financial Statements (Early adoption allowed)*
- IAS 28 (Revised) — *Investments in Associates (Early adoption allowed)*

(ii) <u>New Standards</u>

Effective for annual periods beginning on or after January 1, 2013 (Early adoption allowed)

- IFRS 10 — *Consolidated Financial Statements*
- IFRS 11 — *Joint Arrangements*
- IFRS 12 — *Disclosure of Interests in Other Entities*
- IFRS 13 — *Fair Value Measurement*

Effective for annual periods beginning on or after January 1, 2015 (Early adoption allowed)

- IFRS 9 — *Financial Instruments –Classification and Measurement*

(iii) <u>New Interpretation</u>

Effective for annual periods beginning on or after January 1, 2013

- IFRIC 20 — *Stripping Costs in the Production Phase of a Surface Mine*

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company in the period of initial application, other than certain presentation and disclosure changes.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been presented in Qatar Riyals which is the functional currency of the Company.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale and held for trading investments.

Premiums earned
Premiums are taken into income over the terms of the policies to which they relate. Unearned premiums represent the portion of net premiums written relating to the unexpired period of coverage calculated at 40% of the net premium for all insurance classes except for marine cargo insurance which is calculated at 25%.

Commissions earned and paid
Commissions received and paid are taken into income over the terms of the policies to which they relate similar to premiums.

Deferred commissions
Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. Subsequent to initial recognition, these costs are amortised over the terms of the policies to which they relate similar to premiums. Amortisation is recorded in the statement of income.

Claims
Claims consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the end of the reporting period, whether reported or not. Provisions for reported claims not paid as at the end of the reporting period are made on the basis of individual case estimates. In addition, a provision based on the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the end of the reporting period. Any difference between the provisions at the end of the reporting period and settlements and provisions in the following year is included in the underwriting account for that year.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liabilities adequacy test
At the end of each reporting period, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future claims flows, the entire deficiency is immediately recognized in the statement of income.

Re-insurance
The Company cedes insurance risk in the normal course of business for all of its businesses. Re-insurance contract assets represent balances due from re-insurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the re-insurance contract.

Re-insurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the re-insurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of income.

Ceded re-insurance arrangements do not relieve the Company from its obligations to policyholders.

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

Re-insurance contract liabilities represent balances due to re-insurance companies. Amounts payable are estimated in a manner consistent with the associated re-insurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed re-insurance.

Interest income
Interest income is recognised as the interest accrues using the effective interest method.

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

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

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consists of cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of margins.

Financial investments
All investments are initially recognised at cost, being the fair value of the consideration given and including incremental acquisition charges. Premiums and discounts of "available-for-sale" are amortised using the effective interest rate method and taken to interest income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial investments (continued)

Available for sale
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

After initial recognition, investments which are classified as available-for-sale are measured at fair value unless fair value cannot be reliably measured, with unrealised gains or losses reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the statement of income for the period.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of income, is transferred from equity to the statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the statement of income. Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the statement of income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of income.

Held for Trading
Held for trading investments are initially recorded at fair value. Subsequent to initial recognition, these investments are measured at fair value. Fair value adjustments and realized gain and losses are recognized in the statement of income.

Held to Maturity
Held to Maturity investments are measured at amortised cost, less provision for impairment. In cases where objective evidence exists that a specific investment is impaired, the recoverable amount of that investment is determined and any impairment loss is recognized in the statement of income as a provision for impairment of investments.

Investment in an associate
The Company's investment in an associate is accounted for under the equity method of accounting. Associate is an entity over which the Company exercises significant influence and which is neither subsidiary nor joint venture. Investment in an associate is carried in the statement of financial position at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The statement of income reflects the Company's share of the results of its associate.

Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss of the Company's investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the statement of income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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

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

Property and equipment

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

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

Building	- 10 years
Furniture and fixtures	- 5 years
Computers	- 5 years
Vehicles	- 5 years
Office equipment	- 5 years

The building owned and used by the Company is being depreciated over a period of 10 years as it was acquired with around 10 years of actual usage.

The carrying amounts are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of income as the expense is incurred.

Impairment of financial assets

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

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation.

Employees' end of service benefits
End of service gratuity plans
The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension plan
The Company is also required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Net surplus attributable to Islamic Takaful policyholders
The net surplus attributable to Islamic Takaful policyholders represents accumulated profit on policyholders operation. Any surplus or deficit during the year is fully allocated to the policyholders.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies
Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income except when it relates to items where gains or losses are recognised directly in equity, where the gain or loss is then recognised net of the exchange component in equity.

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

For financial instruments where there is no active market, the fair value is determined by using discounted cash flow analysis or reference to broker or dealer price quotations. For discounted cash flow analysis, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

For unquoted investment funds, fair value is determined based on net asset values as advised by the fund manager.

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

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Following are the key assumptions concerning the future, and other key sources of estimation 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.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, or available-for-sale.

For those debts instruments deemed held to maturity, management ensures that the requirements of IAS 39 are met and in particular that the Company has the intent and ability to hold these to maturity.

Investments typically bought with the intention to sell in the near future are classified as held for trading.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Classification of investments (continued)

If the Company's objective is to maintain an investment portfolio that can generate a constant return in terms of dividend and capital appreciation and not for the purpose of making short term profit from market volatility, all other debt, investment funds, and equity investment securities are classified as available-for-sale.

Impairment of investments

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Provision for outstanding claims

Considerable judgement by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainly and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Re-insurance

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

Unearned premium reserve

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

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment of property and equipment

At each reporting date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered from impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate rate.

5. NET UNDERWRITING RESULTS

	Motor		Marine and Aviation		Fire and General Accident		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	QR.	QR.	**QR.**	QR.	**QR.**	QR.	**QR.**	QR.
Gross premiums	**70,667,397**	68,198,722	**120,964,277**	97,399,946	**227,726,139**	204,312,827	**419,357,813**	369,911,495
Reinsurers' share of gross premiums	**(4,560,435)**	(6,081,073)	**(113,888,618)**	(88,740,025)	**(205,293,017)**	(183,134,639)	**(323,742,070)**	(277,955,737)
Net premiums	**66,106,962**	62,117,649	**7,075,659**	8,659,921	**22,433,122**	21,178,188	**95,615,743**	91,955,758
Change in unexpired risk reserve	**(1,595,726)**	(1,510,591)	**911,787**	(531,245)	**(501,972)**	953,665	**(1,185,911)**	(1,088,171)
Earned insurance premiums	**64,511,236**	60,607,058	**7,987,446**	8,128,676	**21,931,150**	22,131,853	**94,429,832**	90,867,587
Commissions received	**200,796**	220,078	**5,525,931**	5,368,013	**17,428,953**	16,563,305	**23,155,680**	22,151,396
Change in deferred commissions	**126,290**	256,681	**(34,868)**	(828,063)	**(199,064)**	29,514	**(107,642)**	(541,868)
Total underwriting revenues	**64,838,322**	61,083,817	**13,478,509**	12,668,626	**39,161,039**	38,724,672	**117,477,870**	112,477,115
Claims paid	**(30,609,298)**	(29,598,065)	**(4,474,396)**	(2,415,969)	**(395,843,487)**	(14,728,379)	**(430,927,181)**	(46,742,413)
Reinsurers' share of claims	**796,861**	741,252	**4,039,623**	2,244,528	**391,290,746**	11,554,140	**396,127,230**	14,539,920
Change in outstanding claims reserve	**(1,168,640)**	(6,000,076)	**354,185**	(186,367)	**1,078,652**	(754,484)	**264,197**	(6,940,927)
Commissions paid	**(1,158,191)**	(861,748)	**(261,437)**	(278,004)	**(3,430,823)**	(3,062,830)	**(4,850,451)**	(4,202,582)
Net underwriting results	**32,699,054**	25,365,180	**13,136,484**	12,032,814	**32,256,127**	31,733,119	**78,091,665**	69,131,113

6. NET GAIN ON SALE OF FINANCIAL INVESTMENTS

	2011	2010
	QR	QR
Net gain on sale of available-for-sale investments	**5,476,257**	2,358,079
Net gain on sale of investment held for trading	**--**	2,333,053
	5,476,257	4,691,132

7. GENERAL AND ADMINISTRATIVE EXPENSES

	2011	2010
	QR	QR
Board of Directors' remuneration	**5,500,000**	4,400,000
Rent, maintenance and office expenses	**1,741,903**	1,812,470
Advertisement and business promotion	**1,148,121**	1,000,993
Business travel	**498,461**	454,605
Legal and consultation fees	**345,319**	405,610
Printing and stationery	**334,013**	397,998
Government fees	**222,955**	211,325
Miscellaneous expenses	**2,110,418**	1,313,430
	11,901,190	9,996,431

8. CASH AND BANK BALANCES

	2011	2010
	QR	QR
Bank balances and short term deposits	**167,389,935**	162,402,612
Cash on hand	**624,937**	72,569
	168,014,872	162,475,181

9. FINANCIAL INVESTMENTS

	2011 QR.	2010 QR.
Held to maturity investments:		
Unquoted debt securities denominated in US Dollars with fixed interest rate	--	20,773,210
Held for trading:		
Quoted shares	--	8,898,649
Available-for-sale investments:		
- Quoted shares	**181,924,331**	150,153,233
- Unquoted funds and shares	**74,092,803**	74,742,570
	256,017,134	224,895,803
	256,017,134	254,567,662

During the year, the Company recognised an impairment loss on quoted shares of QR. 334,751 (2010: QR 421,650) during the year.

10. INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

	2011 QR.	2010 QR.
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**588,347,042**	1,029,227,317
Claims incurred but not reported	**9,561,575**	9,195,576
Unearned premiums	**161,518,054**	145,411,514
Deferred commissions	**6,798,812**	6,691,170
Total insurance contract liabilities	**766,225,483**	1,190,525,577
Recoverable from reinsurers:		
Claims reported unsettled	**543,568,569**	983,818,648
Unearned premiums	**123,829,990**	108,909,361
Total re-insurance contract assets	**667,398,559**	1,092,728,009
Net		
Claims reported unsettled	**44,778,473**	45,408,669
Claims incurred but not reported	**9,561,575**	9,195,576
Unearned premiums	**37,688,064**	36,502,153
Deferred commissions	**6,798,812**	6,691,170
	98,826,924	97,797,568

10. INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS (CONTINUED)

The movement in the provision for outstanding claims and related re insurers' share was as follows:

	2011			2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	QR.	QR.	QR.	QR.	QR.	QR.
At 1 January 2011						
Claims	1,029,227,317	(983,818,648)	45,408,669	106,806,053	(68,736,492)	38,069,561
Claims incurred but not reported	9,195,576	--	9,195,576	8,953,348	--	8,953,348
	1,038,422,893	(983,818,648)	54,604,245	115,759,401	(68,736,492)	47,022,909
Insurance claims paid in the year	(430,927,181)	396,127,230	(34,799,951)	(46,742,414)	14,539,920	(32,202,494)
Incurred during the year	(9,587,095)	44,122,849	34,535,754	969,405,906	(929,622,076)	39,783,830
At 31 December 2011	597,908,617	(543,568,569)	54,340,048	1,038,422,893	(983,818,648)	54,604,245

Analysis of outstanding claims as at December 31, 2011

	2011			2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	QR.	QR.	QR.	QR.	QR.	QR.
Claims outstanding	588,347,042	(543,568,569)	44,778,473	1,029,227,317	(983,818,648)	45,408,669
Claims incurred but not reported	9,561,575	--	9,561,575	9,195,576	--	9,195,576
At 31 December 2011	597,908,617	(543,568,569)	54,340,048	1,038,422,893	(983,818,648)	54,604,245

The amounts due from reinsurers are contractually due within a maximum of 3 months from the date of payment of the claims.

Amounts due from reinsurers relating to claims already paid by the Company are included in insurance and other receivables (Refer note 11).

10. INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS (CONTINUED)

Claims development 2011

The following table shows the estimated cumulative incurred claims, excluding IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date:

	Accident year					
	Before 2008	2008	2009	2010	2011	**Total**
	QR	QR	QR	QR	QR	**QR**
Estimate of cumulative claims						
At end of the accident year	164,962,504	67,075,639	91,952,945	985,393,654	79,783,854	
One year later	166,040,183	67,855,285	89,741,021	998,297,100		
Two years later	166,273,639	68,776,684	90,587,774			
Three years later	166,931,595	69,152,618				
Four years later	166,978,358					
Current estimate of cumulative claims	166,978,358	69,152,618	90,587,774	998,297,100	79,783,854	1,404,799,704
Cumulative payments to date	(158,043,781)	(60,439,961)	(67,229,582)	(509,460,593)	(21,278,745)	(816,452,662)
Total cumulative claims recognized in the statement of financial position as of December 31, 2011	**8,934,577**	**8,712,657**	**23,358,192**	**488,836,507**	**58,505,109**	**588,347,042**

10. INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS (CONTINUED)

Claims development 2010

The following table show the estimated cumulative incurred claims, excluding IBNR, for each successive accident year at the end of each reporting period, together with cumulative payments to date:

	Accident year					
	Before 2007	2007	2008	2009	2010	**Total**
	QR.	QR.	QR.	QR.	QR.	**QR.**
Estimate of cumulative claims						
At end of the accident year	126,311,198	41,819,805	69,175,817	98,382,539	993,381,228	
One year later	127,600,088	41,608,594	69,955,463	96,170,615	--	
Two years later	128,044,755	41,397,383	70,876,862	--	--	
Three years later	127,857,866	42,242,228	--	--	--	
Four years later	128,888,978	--	--	--	--	
Current estimate of cumulative claims	128,888,978	42,242,228	70,876,862	96,170,615	993,381,228	1,331,559,911
Cumulative payments to date	(116,628,315)	(31,685,108)	(48,904,690)	(57,886,415)	(47,228,066)	(302,332,594)
Total cumulative claims recognized in the statement of financial position as of December 31, 2010	**12,260,663**	**10,557,120**	**21,972,172**	**38,284,200**	**946,153,162**	**1,029,227,317**

11. INSURANCE AND OTHER RECEIVABLES

	2011	2010
	QR.	QR.
Due from policyholders	**83,668,406**	74,174,890
Reinsurers – amounts due in respect of claims paid	**29,496,293**	27,926,389
Prepayments and others	**6,034,330**	5,078,991
	119,199,029	107,180,270

Due from policy holders comprise a large number of customers mainly within Qatar. Three companies accounted for 46% of receivable balances as of December 31, 2011 (2010: 45%). Due from policyholders is net of provision for bad and doubtful debts of QR. 1,500,000 (2010: 1,500,000).

Insurance and other receivables are stated net of any required provision and are short term in nature. The reinsurer's shares of claims not paid by the Company at the end of the reporting period are disclosed in Note 10.

12. INVESTMENT IN AN ASSOCIATE COMPANY

The Company has the following investment in an associate:

	Country of incorporation	Ownership	
		2011	2010
Yemeni Qatari Insurance Company	Republic of Yemen	**40%**	40%

The associate company is incorporated and registered in the Republic of Yemen and is engaged in the business of insurance and re-insurance.

Movements in investment in an associate are as follows:

	2011	2010
	QR.	QR.
At 1 January	**3,949,790**	--
Transfer from advances for investment	--	3,659,200
Share of profits	**896,856**	283,511
Foreign currency translation difference	**(109,792)**	7,079
At 31 December	**4,736,854**	3,949,790

12. INVESTMENT IN AN ASSOCIATE COMPANY (CONTINUED)

The summarized financial information of the Company's investment in Yemeni Qatari Insurance Company are as follows:

	2011	2010
	QR.	QR.
Share of the associate's statement of financial position:		
Current assets	**5,702,384**	5,116,712
Non-current assets	**95,793**	72,842
Current liabilities	**(1,061,323)**	(1,239,764)
Net assets	**4,736,854**	3,949,790
Share of the associate's revenues and results:		
Revenues	**2,242,140**	529,998
Share of profit or loss	**896,856**	283,511

13. INVESTMENT PROPERTIES

	2011	2010
	QR.	QR.
Cost:		
At January 1	**37,763,384**	36,511,134
Additions	**4,690**	427,250
Transfer	**--**	825,000
	37,768,074	37,763,384
Accumulated depreciation:		
At January 1	**8,456,746**	7,034,574
Provided during the year	**1,375,890**	1,422,172
	9,832,636	8,456,746
Net carrying value	**27,935,438**	29,306,638

At December 31, 2011, the fair value of investment properties as estimated by management was QR 82,774,319 (2010: QR 88,916,980).

14. PROPERTY AND EQUIPMENT

	Freehold land	Advances for purchase of land	Building	Furniture and fixtures	Computers	Vehicles	Office equipment	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Cost:								
At January 1, 2011	2,350,000	53,198,036	8,259,347	1,959,282	2,304,325	1,161,410	562,226	69,794,626
Additions	--	9,821,172	19,900	90,304	79,662	305,000	40,734	10,356,772
Disposal	--	--	--	--	--	(200,910)	--	(200,910)
At December 31, 2011	**2,350,000**	**63,019,208**	**8,279,247**	**2,049,586**	**2,383,987**	**1,265,500**	**602,960**	**79,950,488**
Depreciation:								
At January 1, 2011	--	--	7,644,593	1,740,276	1,901,618	356,316	317,327	11,960,130
Provided during the year	--	--	153,755	92,827	171,076	237,851	83,891	739,400
Disposal	--	--	--	--	--	(200,910)	--	(200,910)
At December 31, 2011	--	--	**7,798,348**	**1,833,103**	**2,072,694**	**393,257**	**401,218**	**12,498,620**
Net carrying amount								
At December 31, 2011	**2,350,000**	**63,019,208**	**480,899**	**216,483**	**311,293**	**872,243**	**201,742**	**67,451,868**

14. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land	Advance for purchase of land	Building	Capital work-in-progress	Furniture and fixtures	Computers	Vehicles	Office equipment	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Cost:									
At January 1, 2010	2,350,000	43,376,864	8,241,762	825,000	2,138,956	2,206,667	907,910	413,852	60,461,011
Additions	--	9,821,172	17,585	--	61,426	97,658	846,500	148,374	10,992,715
Disposals	--	--	--	--	(241,100)	--	(593,000)	--	(834,100)
Transfer	--	--	--	(825,000)	--	--	--	--	(825,000)
At 31 December 2010	2,350,000	53,198,036	8,259,347	--	1,959,282	2,304,325	1,161,410	562,226	69,794,626
Depreciation:									
At January 1, 2010	--	--	6,819,684	--	1,686,001	1,623,293	630,501	239,402	10,998,881
Provided during the year	--	--	824,909	--	169,297	278,325	157,970	77,925	1,508,426
Disposals	--	--	--	--	(115,022)	--	(432,155)	--	(547,177)
At December 31, 2010	--	--	7,644,593	--	1,740,276	1,901,618	356,316	317,327	11,960,130
Net carrying amount At December 31, 2010	2,350,000	53,198,036	614,754	--	219,006	402,707	805,094	244,899	57,834,496

Amount of land under development represents 96% (2010: 77%) advance payment from the purchase price of land at Marina Project – Lusail Qatar for a total amount of QR 65,474,510. (Refer note 27).

15. SHARE CAPITAL

	Authorised capital	**Issued and fully paid up 2011**	Issued and fully paid up 2010
Share capital (QR.)	180,000,000	**180,000,000**	180,000,000
Number of shares of QR 10 each	18,000,000	**18,000,000**	18,000,000

16. LEGAL RESERVE

As required by Qatar Commercial Companies Law No 5 of 2002 and the Company's articles of association, 10% of the profit for the year should be transferred to a legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. This reserve is not available for distribution except in circumstances stipulated in the Law. No transfer has been made for the year 2011 as the reserve has reached the 50% of the Company's capital.

17. SOCIAL AND SPORTS FUND

During the year, the Company made an appropriation from retained earnings of QR 1,646,137 to the Social and Sports Development Fund of Qatar. This amount represents 2.5% of the net profit attributable to shareholders for the year ended December 31, 2011. The appropriation for the year ended December 31, 2010 has been remitted to the Public Revenues and Taxes Department during the year.

18. DISTRIBUTION OF BONUS SHARES

The Board of Directors decided in its meeting held on January 24, 2012 to propose to the forthcoming General Assembly to approve the distribution of 5,400,000 bonus shares for the year 2011 of QR. 10 each totalling QR. 54,000,000 and representing 30% of issued share capital. The above is subject to the approval of the shareholders in the forthcoming general assembly and completion of legal formalities to increase the authorised capital.

19. PROVISIONS, INSURANCE AND OTHER PAYABLES

	2011	2010
	QR.	QR.
Due to insurance and re-insurance companies	**23,441,417**	30,943,440
Dividends payable	**5,431,683**	6,726,831
Trade payables	**42,170,976**	28,128,285
accruals Staff related	**6,445,181**	5,275,424
Board of directors' remuneration payable	**5,500,000**	4,400,000
Net surplus attributable to Islamic Takaful policyholders	**4,389,554**	5,045,863
Provision for social and sports activities contribution	**1,646,137**	1,516,759
Accrued expenses	**1,092,494**	935,374
	90,117,442	82,971,976

20. EMPLOYEES' END OF SERVICE BENEFITS

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

	2011	2010
	QR.	QR.
Provision as at January 1,	**5,494,048**	5,064,082
Provided during the year	**2,645,741**	919,169
End of service benefits paid	--	(489,203)
Provision as at December 31,	**8,139,789**	5,494,048

21. DIRECTORS' REMUNERATION

The Board of Directors proposed the distribution of QR 5,500,000 as remuneration to board members for the year 2011 (2010: QR 4,400,000). The above mentioned remuneration is included under general and administrative expenses in the statement of income.

22. EARNINGS PER SHARE

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

	2011	2010
	QR.	QR.
Profit attributable to the shareholders (QR.)	**65,845,479**	60,670,366
Weighted average number of shares outstanding during the year	**18,000,000**	18,000,000
Basic earnings per share (QR.)	**3.66**	3.37

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

23. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

	2011		2010	
	Premiums QR.	**Claims QR.**	Premiums QR.	Claims QR.
Major shareholders	**4,534,358**	**409,573**	3,921,142	539,212

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

	2011		2010	
	Receivables QR.	**Claims and payables QR.**	**Receivables** QR.	**Claims and payables** QR.
Major shareholders	**10,501,334**	**8,758,200**	10,204,778	7,755,716

23. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2011	2010
	QR	QR
Board of directors' remuneration	**5,500,000**	4,400,000
Short-term benefits	**3,388,000**	3,336,000
End of service and other benefits	**3,264,000**	2,830,400

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include deposits, cash, investment securities, receivables, payables, and certain other assets and liabilities.

The fair values of the financial assets and liabilities, with the exception of certain available-for-sale investments carried at cost, are not materially different from their carrying values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
December 31, 2011	**QR.**	**QR.**	**QR.**	**QR.**
Financial assets				
Financial investments	**181,924,331**	**72,742,803**	--	**254,667,134**
Total	**181,924,331**	**72,742,803**	--	**254,667,134**

	Level 1	Level 2	Level 3	Total
December 31, 2010	QR.	QR.	QR.	QR.
Financial assets				
Financial investments	159,051,882	72,342,570	--	231,394,452
Total	159,051,882	72,342,570	--	231,394,452

During the year ending December 31, 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

25. RISK MANAGEMENT

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of re-insurance arrangements.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and general accident, motor and marine and aviation risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Fire and general accident - Property

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property insurance contracts, the main risks are fire and business interruption. In recent years, the Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has re-insurance cover for such damage to limit losses for any individual claim to QR 200,000 (2010: QR 200,000) during the year.

Motor

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

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has mainly underwritten comprehensive polices for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals. The Company has re-insurance cover to limit losses for any individual claim to QR 200,000 (2010: QR 200,000) during the year.

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

25. RISK MANAGEMENT (CONTINUED)

Insurance risk (continued)

Marine

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

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has entered into re-insurance agreements to limit losses for any individual claim to QR 200,000 (2010: QR 150,000) during the year.

Re-insurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for re-insurance purposes. Such re-insurance 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 re-insurance is effected under treaty, facultative and excess-of-loss re-insurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

Re-insurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the re-insurance agreements.

Concentration of risks

The Company's insurance risk relates to policies directly written in the State of Qatar only. The segmental concentration of insurance risk is set out in Note 26.

Sensitivity of changes in assumption

The Company does not have any single insurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the statement of income.

Financial risk

The Company's principal instruments are available-for-sale investments, receivables arising from insurance and re-insurance contracts and cash and cash equivalents.

The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, market price risk and liquidity risk.

25. RISK MANAGEMENT (CONTINUED)

The board reviews and agrees policies for managing each of these risks which are summarised below:

Regulatory framework risk

Regulators are primarily interested in protecting the rights of the policyholders and monitor these rights closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

Other than balances in United States Dollars, to which the Qatari Riyal is pegged, there are no significant foreign currency financial assets due in foreign currencies included under re-insurance balances receivable.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on certain of its bank deposits. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments are denominated. During the year, the Company disposed the interest bearing investments classified as held to maturity and retained only interest bearing short term bank deposits.

The following table demonstrates the sensitivity of the statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at December 31, 2011.

There is no impact on the Company's equity.

	Increase/decrease in basis points	Effect on profit for the year
		QR.
2011	**+25**	**269,644**
	-50	**(539,288)**
2010		
	+25	372,075
	-50	(744,150)

25. RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the statement of financial position.

The Company seeks to limit its credit risk with respect to customers by monitoring outstanding receivables. Premium receivables comprise a large number of customers mainly within the State of Qatar. Three companies account for 46% of the accounts receivable as of December 31, 2011 (2010: 23%). Two re-insurance companies account for 54% of the re-insurance receivables as of December 31, 2011 (2010: 54%)

The Company manages credit risk on its investments by ensuring that investments are only made with counter-parties that have a good credit rating. The Company does not have an internal credit rating of counter-parties and considers all counter-parties to be of the same credit quality.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting.

	2011	2010
	QR.	QR.
Bank balances (note 8)	**167,389,935**	162,402,612
Financial investment (note 9)	**--**	20,773,210
Re-insurance contract assets (note 10)	**667,398,559**	1,092,728,009
Insurance and other receivables (note 11)	**119,199,029**	107,180,270
Total	**953,987,523**	1,383,084,101

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

			Past due but not impaired			
	Total	Neither past due nor impaired	< 4 months	4 – 6 months	7 – 9 months	>9 months
	QR.	QR.	QR.	QR.	QR.	QR.
2011	**953,987,523**	**840,822,824**	**36,461,872**	**15,775,877**	**16,997,114**	**43,929,836**
2010	1,383,084,101	1,311,165,292	17,977,944	27,327,551	8,281,791	18,331,523

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

Liquidity risk

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

Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in local quoted securities.

The majority of time deposits held by the Company at the end of the reporting period had original maturity periods not exceeding three months.

25. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

Liquidity risk (continued)
The table below summarises, the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	December 31, 2011				December 31, 2010			
	Less than one year	**More than one year**	**No term**	**Total**	Less than one year	More than one year	No term	Total
	QR.	**QR.**	**QR.**	**QR.**	QR.	QR.	QR.	QR.
Insurance contract liabilities	**168,316,866**	**--**	**597,908,617**	**766,225,483**	152,102,684	--	1,038,422,893	1,190,525,577
Provisions, insurance and other payables	**90,117,442**	**--**	**--**	**90,117,442**	61,505,782	--	--	61,505,782
Total liabilities	**258,434,308**	**--**	**597,908,617**	**856,342,925**	213,608,466	--	1,038,422,893	1,252,031,359

25. RISK MANAGEMENT (CONTINUED)

Financial risk (continued)

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The Company limits equity price risk by maintaining a diversified portfolio and by monitoring the developments in equity markets. The majority of the Company's equity investments comprise securities quoted on the Qatar Exchange.

The following table demonstrates the sensitivity of the effect of cumulative changes in fair value of the Company to reasonably possible changes in the prices of equities, with all other variables held constant. The effect of decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

	Changes in equity prices	Effect on equity QR.	Effect on profit QR.
2011			
Held for trading	**+5%**	**--**	**--**
Available-for-sale investments	**+5%**	**12,800,857**	**--**
2010			
Held for trading	+5%	--	444,932
Available-for-sale investments	+5%	11,239,599	--

Capital management

Capital requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

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

26. SEGMENT INFORMATION

For management purposes, the Company is organised into three business segments, marine and aviation, motor and fire and general. These segments are the basis on which the Company reports its primary segment information. Other operations of the Company comprise investment and cash management for the Company's own account. There are no transactions between segments.

The data with respect to segment information is as disclosed in note 5 to the financial statements.

The Company operates in the State of Qatar only.

26. SEGMENT INFORMATION (CONTINUED)

Revenues, expenses, assets and liabilities of the Company and its Islamic Takaful Branch are as follows:

	2011			2010		
	Conventional Insurance	**Takaful Insurance**	**Total**	Conventional Insurance	Takaful Insurance	Total
	QR.	**QR.**	**QR.**	QR.	QR.	QR.
Gross premiums	**383,216,867**	**36,140,946**	**419,357,813**	351,077,808	18,833,687	369,911,495
Reinsurers' share of gross premiums	**(298,925,648)**	**(24,816,422)**	**(323,742,070)**	(264,179,797)	(13,775,940)	(277,955,737)
Net premiums	**84,291,219**	**11,324,524**	**95,615,743**	86,898,011	5,057,747	91,955,758
Change in unexpired risk reserve	**1,319,924**	**(2,505,835)**	**(1,185,911)**	(676,581)	(411,590)	(1,088,171)
Earned insurance premiums	**85,611,143**	**8,818,689**	**94,429,832**	86,221,430	4,646,157	90,867,587
Commissions received	**22,299,601**	**856,079**	**23,155,680**	21,599,957	551,439	22,151,396
Change in deferred commissions	**(138,968)**	**31,326**	**(107,642)**	(558,358)	16,490	(541,868)
Wakalah fee	**4,385,038**	**(4,385,038)**	**--**	--	--	--
Total underwriting revenues	**112,156,814**	**5,321,056**	**117,477,870**	107,263,029	5,214,086	112,477,115
Claims paid	**(427,764,220)**	**(3,162,961)**	**(430,927,181)**	(44,658,517)	(2,083,896)	(46,742,413)
Reinsurers' share of claims	**396,140,674**	**(13,444)**	**396,127,230**	14,026,095	513,825	14,539,920
Change in outstanding claims reserve	**2,467,260**	**(2,203,063)**	**264,197**	(6,213,763)	(727,164)	(6,940,927)
Commission paid	**(4,375,583)**	**(474,868)**	**(4,850,451)**	(4,112,141)	(90,441)	(4,202,582)
Net underwriting results	**78,624,945**	**(533,280)**	**78,091,665**	66,304,703	2,826,410	69,131,113
Investment and other income	**31,965,605**	**247,955**	**32,213,560**	30,088,772	459,010	30,547,782
Total expenses	**(44,745,071)**	**(370,984)**	**(45,116,055)**	(35,723,109)	(899,705)	(36,622,814)
Profit for the year	**65,845,479**	**(656,309)**	**65,189,170**	60,670,366	2,385,715	63,056,081
Assets						
Total assets	**1,278,348,294**	**32,405,460**	**1,310,753,754**	1,665,737,597	20,838,255	1,686,575,852
Liabilities						
Insurance contract liabilities	**(748,314,531)**	**(17,910,952)**	**(766,225,483)**	(1,181,708,390)	(8,817,187)	(1,190,525,577)
Net surplus attributable to Islamic Takaful policyholders	**--**	**(4,389,554)**	**(4,389,554)**	--	(5,045,863)	(5,045,863)
Liabilities (other than insurance funds)	**(88,762,723)**	**(5,104,954)**	**(93,867,677)**	(59,978,762)	(1,975,205)	(61,953,967)
Net assets	**441,271,040**	**5,000,000**	**446,271,040**	424,050,445	5,000,000	429,050,445

27. COMMITMENTS AND CONTINGENCIES

Guarantees

At December 31, 2011, the Company had contingent liabilities in respect of tender guarantees and other guarantees from which it is anticipated that no material liabilities will arise, amounting to QR. 541,763(2010: QR 1,176,424).

Legal claims

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

Capital expenditure commitments

	2011	2010
	QR.	QR.
Land under development	**2,455,302**	12,276,474

The Company entered into a contract to acquire a plot of land at Marina Project – Lusail Qatar for a total value of QR 65,474,510. As of December 31, 2011, the Company had paid a total amount of QR 63,019,208 (2010: QR 53,198,036). The remaining payments under the contract are:

	2011	2010
	QR.	QR.
Not later than one year	**2,455,302**	9,821,172
Later than one year and not later than 3 years	--	2,455,302
	2,455,302	12,276,474

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

ISLAMIC TAKAFUL BRANCH OF DOHA INSURANCE COMPANY Q.S.C.

The statement of financial position and statement of income of the branch are presented below:

(i) Statement of financial position as at December 31, 2011

	2011	2010
	QR.	QR.
POLICYHOLDERSS' OPERATIONS ASSETS		
Cash on hand	**177,166**	19,462
Bank balances (Islamic banks)	**18,785,300**	11,975,782
Reinsurance contract assets	**9,636,561**	5,220,368
Due from policy holders	**1,066,165**	2,571,933
Reinsurers – amounts due in respect of claims paid	**2,416,429**	949,305
Prepayments and others	**61,736**	95,075
Property and equipment	**262,103**	6,330
TOTAL ASSETS	**32,405,460**	20,838,255
PARTICIPANTS' FUND AND LIABILITIES		
PARTICIPANTS' FUND		
Participants' account	**9,389,554**	10,045,863
Liabilities		
Insurance contract liabilities	**17,910,952**	8,817,187
Provisions, insurance and other payables	**5,104,954**	1,975,205
TOTAL LIABILITIES	**23,015,906**	10,792,392
TOTAL PARTICIPANTS' FUND AND LIABILITIES	**32,405,460**	20,838,255

ISLAMIC TAKAFUL BRANCH OF DOHA INSURANCE COMPANY Q.S.C. (CONTINUED)

(ii) Statement of income for the year ended December 31, 2011

	2011	2010
	QR.	QR.
PARTICIPANTS' REVENUES AND EXPENSES		
REVENUE		
Net Takaful revenue	**(533,280)**	2,826,410
Other income	**247,955**	459,010
	(285,325)	3,285,420
EXPENSES		
Salaries and other staff costs	--	(577,293)
General and administrative expenses	**(318,587)**	(314,972)
Depreciation expense	**(52,397)**	(7,440)
TOTAL TAKAFUL EXPENSES	**(370,984)**	(899,705)
NET (DEFICIT)/ SURPLUS FOR THE YEAR TRANSFERRED TO PARTICIPANTS' FUND	**(656,309)**	2,385,715