QATAR ISLAMIC INSURANCE COMPANY Q.S.C

FINANCIAL STATEMENTS

31 December 2009

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Independent auditors' report

To
The Shareholders
Qatar Islamic Insurance Company Q.S.C.
Doha
State of Qatar

Report on the financial statements
We have audited the accompanying financial statements of Qatar Islamic Insurance Company Q.S.C ("the Company"), which comprise the statement of financial position as at 31 December 2009 and the statement of income (policyholders and shareholders), statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements as of and for the year ended 31 December 2008 were audited by another auditor whose report dated 25 February 2009 expressed an unqualified opinion on those financial statements.

Directors' responsibility for the financial statements
The directors of the Company are responsible for the preparation and fair presentation of these 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 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 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 these financial statements are free of 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 our 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, we consider internal control relevant to the Company'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 principles used and the reasonableness of accounting estimates made by directors, 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.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and of its financial performance and its 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 Company has maintained proper accounting records and the 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 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 Company or its 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.

17 February 2010
Doha
State of Qatar

Ahmed Hussain
KPMG
Auditor's Registration No. 197

Qatar Islamic Insurance Company Q.S.C

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

	Notes	2009	2008
POLICYHOLDERS' ASSETS			
Cash and banks	6	42,564,136	21,370,881
Contributions receivable		14,540,741	16,117,022
Cheques under collection		7,811,936	3,967,779
Reinsurance contract assets	7	49,037,421	43,705,510
Reinsurance receivables		4,032,708	7,916,313
Available for sale investments	8	86,047,730	94,080,442
Prepayments and other assets		6,613,097	12,453,993
Investment properties	9	49,436,702	33,625,896
Property and equipment	10	7,379,293	7,278,344
Properties under construction	11	31,674,385	42,885,518
TOTAL POLICYHOLDERS' ASSETS		299,138,149	283,401,698
SHAREHOLDERS' ASSETS			
Cash and banks	6	69,979,185	83,149,494
Available for sale investments	8	84,632,564	92,787,287
Investments in associates	12	41,158,277	37,600,095
Investment properties	9	60,170,773	44,687,322
Property under construction	11	31,674,385	42,885,517
TOTAL SHAREHOLDERS' ASSETS		287,615,184	301,109,715
TOTAL ASSETS		**586,753,333**	584,511,413

The attached notes 1 to 29 form an integral part of these financial statements.

Qatar Islamic Insurance Company Q.S.C

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

	Notes	2009	2008
LIABILITIES AND SURPLUS OF POLICYHOLDERS			
Reinsurance payable		19,757,426	12,158,743
Insurance contract liabilities	7	131,348,715	122,444,734
Payables and other liabilities	13	19,126,991	20,882,114
Distributable surplus	15	12,065,495	11,076,705
Fair value reserve		601,941	9,625,115
Unclaimed surplus	16	27,205,395	23,008,835
Retained surplus		89,032,186	84,205,452
TOTAL LIALIBILITIES AND SURPLUS OF POLICY HOLDERS		299,138,149	283,401,698
SHAREHOLDERS' LIABILITIES			
Dividends payable		16,655,648	10,866,397
Provisions	14	7,526,382	6,923,743
TOTAL SHAREHOLDERS' LIABILITIES		24,182,030	17,790,140
SHAREHOLDERS' EQUITY			
Share capital	17	150,000,000	150,000,000
Legal reserve		61,878,445	58,452,568
General reserve		1,540,888	1,540,888
Fair value reserve		479,929	9,625,115
Retained earnings		49,533,892	63,701,004
Total equity		263,433,154	283,319,575
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		287,615,184	301,109,715
TOTAL LIABILITIES AND EQUITY		**586,753,333**	584,511,413

These financial statements were approved by the Board of Directors and were signed on their behalf by the following on 17 February 2010.

Sheikh.Abdulla Bin Thani Bin Abdulla Al Thani
Chairman

Mr. Jassim Ali AL-Sadi
General Manager

The attached notes 1 to 29 form an integral part of these financial statements.

STATEMENT OF INCOME (POLICYHOLDERS)
For the year ended 31 December 2009 In Qatari Riyals

	Notes	2009	2008
Gross contributions	18	159,138,836	167,989,667
Wakala fee	18	(27,038,720)	(27,668,120)
Reinsurers' share of gross contributions	18	(66,691,070)	(67,184,305)
Net contributions		65,409,046	73,137,242
Movement in unexpired contribution		350,529	(5,565,330)
Net earned contributions		65,759,575	67,571,912
Net commission	18	6,130,293	6,764,045
Underwriting income		71,889,868	74,335,957
Gross claims paid	18	(66,674,292)	(83,372,784)
Movement in outstanding claims		(3,922,599)	4,649,653
Reinsurance and other recoveries	18	10,619,336	21,105,833
Net claims incurred		(59,977,555)	(57,617,298)
Net underwriting results		11,912,313	16,718,659
Net Investment income	19	4,979,916	11,732,843
Impairment loss on available-for-sale investments		-	(12,392,569)
Total surplus for the year		**16,892,229**	16,058,933
Balance at January 1		84,205,452	79,223,224
Surplus for the year		16,892,229	16,058,933
Distributable surplus	15	(12,065,495)	(11,076,705)
Retained surplus balance at December 31		**89,032,186**	84,205,452

The attached notes 1 to 29 form an integral part of these financial statements.

Qatar Islamic Insurance Company Q.S.C

STATEMENT OF INCOME (SHAREHOLDERS)
For the year ended 31 December 2009 In Qatari Riyals

	Notes	2009	2008
Income			
Income from shareholders' investments		10,832,777	34,965,596
Share of profit in associates	12	3,904,182	5,470,095
Wakala fee		27,038,720	27,668,120
Rental income		5,252,640	6,603,370
Shareholders' share in policyholders' investment income	19	9,248,416	21,789,563
Total income		56,276,735	96,496,744
Depreciation of investment properties – apportioned		(1,237,662)	(1,535,216)
General and administrative expenses – apportioned	20	(18,460,527)	(16,267,650)
Building maintenance		(153,900)	(59,898)
Impairment loss on available for sale investments		-	(8,553,858)
Board of directors' remuneration		(1,395,000)	(1,575,000)
Total expenses		(21,247,089)	(27,991,622)
Profit before contribution to social and sports fund		**35,029,646**	68,505,122
Contribution to social and sports fund		(770,881)	-
Profit for the year		**34,258,765**	68,505,122
Basic and diluted earnings per share (QR)	21	**2.28**	4.57
Cash dividends per share (QR)	22	**2.50**	3.00

The attached notes 1 to 29 form an integral part of these financial statements.

Qatar Islamic Insurance Company Q.S.C

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

In Qatari Riyals

	2009	2008
Profit for the year	34,258,765	68,505,122
Other comprehensive income		
Net unrealised change in fair value of available for sale investments	(9,145,186)	(19,642,753)
Total comprehensive income for the year	**25,113,579**	48,862,369

The attached notes 1 to 29 form an integral part of these financial statements.

Qatar Insurance Company S.A.Q.

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

	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Total equity
Balance as at 1 January 2008	150,000,000	51,602,056	1,540,888	29,267,868	54,546,394	286,957,206
Total comprehensive income for the year						
Profit for the year	-	-	-	-	68,505,122	68,505,122
Other comprehensive income						
Net unrealised change in fair value of available-for-sale investments	-	-	-	(19,642,753)	-	(19,642,753)
Total other comprehensive income	-	-	-	(19,642,753)	-	(19,642,753)
Total comprehensive income for the year	**-**	**-**	**-**	(19,642,753)	68,505,122	48,862,369
Transfer to legal reserve	-	6,850,512	-	-	(6,850,512)	-
Final dividends – 2007	-	-	-	-	(52,500,000)	(52,500,000)
Balance at 31 December 2008	150,000,000	58,452,568	1,540,888	9,625,115	63,701,004	283,319,575
Balance as at 1 January 2009	150,000,000	58,452,568	1,540,888	9,625,115	63,701,004	283,319,575
Total comprehensive income for the year						
Profit for the year	-	-	-	-	34,258,765	34,258,765
Other comprehensive income						
Net unrealised change in fair value of available-for-sale investments	-	-	-	(9,145,186)	-	(9,145,186)
Total other comprehensive income	-	-	-	(9,145,186)	-	(9,145,186)
Total comprehensive income for the year	-	-	-	(9,145,186)	34,258,765	25,113,579
Transfer to legal reserve	-	3,425,877	-	-	(3,425,877)	-
Final dividends – 2008	-	-	-	-	(45,000,000)	(45,000,000)
Balance at 31 December 2009	**150,000,000**	**61,878,445**	**1,540,888**	**479,929**	**49,533,892**	**263,433,154**

The attached notes 1 to 29 form an integral part of these financial statements.

Qatar Islamic Insurance Company Q.S.C

STATEMENT OF CASH FLOWS
For the year ended 31 December 2009 In Qatari Riyals

	2009	2008
OPERATING ACTIVITIES		
Profit for the year	34,258,765	68,505,122
Surplus from insurance operations	16,892,229	16,058,933
	51,150,994	84,564,055
Adjustments for :		
Depreciation of property and equipment and investment properties	2,622,394	3,132,766
Gain on disposal of investment properties	-	(23,056,188)
Investment income	(21,238,939)	(51,921,467)
Loss on disposal of property and equipment	49,500	-
Provision for employees end of service benefits	464,957	930,386
Share of profit of associates	(3,904,183)	(5,470,095)
Provision for doubtful contribution receivables	200,000	200,000
Operating profit before working capital changes	29,344,723	8,379,457
Change in contribution receivables	1,376,281	(633,894)
Change in cheque under collection	(3,844,157)	(1,088,589)
Change in prepayments and other assets	10,470,214	2,294,968
Change in insurance reserves	3,572,070	915,677
Change in reinsurance receivables	3,883,605	51,526
Change in reinsurance payables	7,598,683	3,344,280
Change in provisions	683,731	584,838
Change in payables and other liabilities	(1,755,123)	2,965,893
Cash from operating activities	**51,330,027**	16,814,156
End of service benefits paid	(546,049)	(51,155)
Net cash from operating activities	**50,783,978**	16,763,001
INVESTING ACTIVITIES		
Acquisition of property and equipments	(624,875)	(183,087)
Acquisition of investing properties	(33,442,225)	(14,817,307)
Investment income received	16,609,621	50,150,228
Proceeds on sale of investment properties	-	45,150,000
Net movement in properties under construction	22,422,265	(35,943,750)
Net investment in associates	346,001	(7,132,230)
Net movement in investments	(1,980,925)	(8,885,739)
Net cash flows from in investing activities	**3,329,862**	28,338,115
FINANCING ACTIVITIES		
Movement in policyholders' surplus	(6,880,145)	(11,224,357)
Movement in deposits	39,941,441	13,437,807
Dividends paid	(39,210,749)	(42,938,435)
Cash flows used in financing activities	**(6,149,453)**	(40,724,985)
Increase in cash and cash equivalents during the year	**47,964,387**	4,376,131
Cash and cash equivalents at the beginning of the year	11,524,367	7,148,236
Cash and cash equivalents at the end of the year (Note 6)	**59,488,754**	11,524,367

The attached notes 1 to 29 form an integral part of these financial statements.

1 STATUS AND OPERATIONS

Qatar Islamic Insurance Company (Q.S.C.) ("the Company") was incorporated in the State of Qatar on 30 October 1993 as a closed Qatari shareholder company under Qatar Companies Law No. 11 of 1981 with Registration No: 16584. On 12 December 1999 the Company changed its status to a public listed company and accordingly listed its shares on the Qatar Exchange (formerly known as Doha Securities Market) and the Company is governed Qatar Commercial Companies' Law No. 5 of 2002.

The Company is primarily engaged in the business of underwriting general, Takaful (Life) and health non-interest insurance in accordance with the provisions of Islamic Sharia. The Company also invests its capital and other resources in all related activities.

2 Basis of preparation

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

Basis of measurement
The accompanying financial statements are prepared under the historical cost convention, except for the investments classified as available-for-sale investments which are measured at fair value.

Functional and presentation currency
These financial statements are presented in Qatari Riyals (QR), which is the Company's functional currency. All financial information presented in Qatari Riyals has been rounded to the nearest Qatari Riyals.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the Notes 26 and 27.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as explain in note 2 which address changes in accounting policies and disclosure.

(a) Revenue

Gross contributions
Gross contributions (premiums) represent policies underwritten during the year, net of refunds and discounts granted. Gross contributions from insurance are recognised when due. Income from investments in portfolios and shares is recognised when the right to received is established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Revenue (Continued)

Income from deposits
Income from deposits with Islamic banks is accounted for on the basis of profits advised by Islamic banks taking into account the principal outstanding.

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

Investment income
Rental income from investment property is recognised in statement of income on a straight line basis over the period of the lease.

Wakala fee (Agency commission)
The Wakala fee is provided to shareholders' at the rate of 25% of gross insurance premium for the year after deducting the share of local co-insurers.

(b) Unexpired risks reserve

The reserve for unexpired risks represents the estimated portion of net Contribution income after deduction of the reinsurance share which relates to the period subsequent to the balance sheet date.

The reserve is calculated at 35% of net retained annual contributions on motor, 40% of net retained annual contributions on fire and general accidents, 25% of net retained annual contributions of marine and aviation.

For Takaful (Life) business the unexpired risks reserve is determined based on actuarial valuation.

(c) 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 (Fire claims) and management best estimate. The method for making such estimates and for establishing the resulting liability is continually reviewed by the management of the Company.

(d) Foreign currency transactions

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

(e) Financial Instruments

Financial instruments represent the Company's financial assets and liabilities. Financial assets include cash and cash equivalents, reinsurance contract assets, contributions and other receivables and investments. Financial liabilities include insurance contract liabilities, reinsurance payables, surpluses and other payables.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

De-recognition
The Company derecognizes a 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. Any interest in the transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Measurement (Non-derivative financial instruments)

Non-derivative financial instruments comprise investments in equity securities, cash and cash equivalents, reinsurance contract assets, contributions and other receivables, insurance contract liabilities, reinsurance payables, surpluses 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:

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, savings and current account balances and investment deposits with banks having a maturity of less than three months.

Available for sale financial assets
Available-for-sale investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the available-for-sale investments.

(i) Available for sale – Quoted
After initial recognition, investments which are classified “available for sale – quoted” are remeasured at fair value. The unrealised gains and losses on remeasurement to fair value are reported as a separate component of shareholders’ equity for shareholders’ investments and policyholders’ liabilities for policyholders’ investments until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss included in the statement of income for the year.

(ii) Available for sale – Unquoted
The fair value of these investments cannot be reliably measured due to the nature of their cash flows. These investments are therefore carried at cost less any provision for impairment losses.

Insurance and other receivables
Insurance and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. After initial measurement, insurance and other receivables are measured at amortised cost, as deemed appropriate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (Continued)

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

Reinsurance and other payables
Reinsurance and other payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. After initial measurement, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

Insurance contract liabilities
Amounts payable for 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 Company during the period.

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

(f) Investment in associates

The Company's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, the investment in associate is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate, less any impairment in value, if any. The income statement reflects the Company's share of the results of its associates.

(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.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. 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 Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property and equipment (Continued)

Depreciation

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

Building	4 %
Motor vehicles	25 %
Furniture and Fixture	25 %
Office Equipment	25 %

The assets' residual values, and useful lives and method are reviewed and adjusted if appropriate at each financial year end.

(h) Investment properties

Land and buildings are considered as investment properties only when they are being held to earn rentals or for long term capital appreciation or both.

Investment properties are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. The cost of property includes all directly attributable costs including the borrowing costs that are directly attributable to the construction of the assets and excludes the cost of day-to-day servicing of an investment property.

Depreciation on buildings is calculated on a straight line basis over the estimated useful life of 25 years.

The carrying values of investment properties 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.

An item of investment property is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

(i) Provisions

The Company recognizes provisions in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the income statement for any obligations or contingent liabilities as per the calculated value for these obligations and the expectation of their realization at the balance sheet date.

(j) Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the Company entities, whichever is higher, and is calculated using the employee's salary and period of service at the balance sheet date.

Under Law No. 24 of 2002 on Retirement and Pension, the Company is 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.

(k) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Contribution to social fund

Qatar Law No. 13 of 2008 requires all Qatari listed shareholding companies with publicly traded shares to pay 2.5% of their annual adjusted profit to a state social fund and sports. This contribution is recognised in the statement of income..

(m) Legal reserve

Legal reserve is to be computed in accordance with the provisions of the Qatar Commercial Companies' Law No. 5 of 2002 and the company's Articles of Association at 10% of the net profit for the year. This reserve is to be maintained until it equals 50% of the paid up capital and is not available for distribution except in circumstances specified in the Qatar Commercial Companies' law. Since the company exceeded the 50% limit, no transfer has been made during this year.

(n) Earnings per share

The Company 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 Company by weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the dividing the profit attributable to ordinary shareholders of the Company and weighted number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(o) Fair values of financial instruments

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

Underlying the definition of fair value is a presumption that an enterprise is in a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Fair values of marketable investments are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair value of the Company's other financial assets and financial liabilities are not materially different from their carrying values.

(p) Impairment

Financial assets

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

For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income. For an investment in equity security classified under available for sale, a significant or prolonged decline in its fair value below its cost is an objective evidence of impairment. Reversal of impairment losses in respect of equity investments classified as available for sale are treated as increase in fair value through statement of comprehensive income.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment (Continued)

Non-financial assets
The carrying amounts of the Company'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.

4 STANDARD AND INTERPRETATIONS

(a) New Standards and interpretations not yet adopted
The following IASB Standards and IFRIC interpretations issued, but are not mandatory for the year ended 31 December 2009, have not yet been adopted by the Company:

IFRS 9 Financial Instruments was issued to replace IAS 39. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after 1 January 2013. The Company is currently in the process of evaluating the potential effect of this amendment in the presentation of the financial statements.

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2009 have not been applied in preparing these financial statements. The Company does not expect the proposed amendments which become mandatory for the 2010 financial statements to have a significant impact on the financial statements.

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

The Company has adopted the following new and revised IFRS as of 1 January 2009.

- IFRS 8 - Operating segments
- IAS 1 (Revised) - Presentation of financial statements
- IFRS 7 (amendments) - Financial Instruments: Disclosures

Operating segments
IFRS 8 replaced IAS 14 Segment Reporting with effect from 1 January 2009. The Company concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 16.

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.

Presentation of financial statements
This revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

4 STANDARD AND INTERPRETATIONS (CONTINUED)

(b) Standards, amendments and interpretations effective on or after 1 January 2009 (Continued)

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 Company.

5 OPERATING SEGMENTS

The Company has six major reportable segments, Marine and Aviation, Motor, Fire and General, Takaful and health, Real estate and Investments, which are the Company'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 Company's Director reviews internal management reports at least on a quarterly basis.

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 Company's Director. 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.

6 CASH AND BANKS

	2009	2008
Policyholders		
Cash on hand	159,425	77,243
Investment deposits (Islamic banks)	18,607,750	9,846,514
Saving accounts (Islamic banks)	23,796,961	11,447,124
Policyholders Total	**42,564,136**	21,370,881
Shareholders		
Investment deposits	69,979,185	83,149,494
Shareholders Total	**69,979,185**	83,149,494
Total cash and banks	**112,543,321**	104,520,375
Less: deposits maturity over three months	(53,054,567)	(92,996,008)
Total cash and cash equivalents	**59,488,754**	11,524,367

The investment deposits are accrued within three months and have income rate between 5 to 5.75 %. (2008: 5 to 5.75 %.)

7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2009	2008
Gross insurance contract liabilities		
Claims reported unsettled	48,921,795	42,498,603
Unearned contributions	82,426,920	79,946,131
Total	131,348,715	122,444,734
Reinsurers' share of Insurance liabilities		
Claims reported unsettled	16,735,716	14,235,123
Unearned contributions	32,301,705	29,470,387
Total	49,037,421	43,705,510
Net insurance liabilities		
Claims reported unsettled	32,186,079	28,263,480
Unearned contributions	50,125,215	50,475,744
Total	**82,311,294**	78,739,224

8 AVAILABLE FOR SALE INVESTMENTS

	2009	2008
Available for sale investments		
Quoted shares	84,320,732	99,908,051
Fair value reserve	1,081,870	19,250,236
Total available for sale investments	85,402,602	119,158,287
Unquoted shares	85,277,692	67,709,442
Total available for sale investments –net	**170,680,294**	186,867,729

	Policyholders	Shareholders	Totals
Quoted shares	42,806,944	41,513,788	84,320,732
Fair value reserve	601,941	479,929	1,081,870
Total Quoted share at fair value	43,408,885	41,993,717	85,402,602
Unquoted shares	42,638,845	42,638,847	85,277,692
2009			
Total available for sale investments	**86,047,730**	**84,632,564**	**170,680,294**
2008			
Total available for sale investments –net	94,080,442	92,787,287	186,867,729

9 INVESTMENT PROPERTIES

(a) Policyholders

	2009	2008
Cost		
Balance as at 1 January	36,323,499	37,374,380
Additions during the year	16,721,112	7,405,154
Disposals during the year	-	(8,456,035)
Balance at 31 December	53,044,611	36,323,499
Accumulated depreciation		
Balance as at 1 January	2,697,603	3,438,807
Charge for the year	910,306	1,146,038
Disposal during the year	-	(1,887,242)
Balance at 31 December	3,607,909	2,697,603
Net book value at 31 December	**49,436,702**	33,625,896

9 INVESTMENT PROPERTIES (CONTINUED)

(b) Shareholders

	2009	2008
Cost		
Balance as at 1 January	47,335,447	57,945,184
Additions during the year	16,721,113	7,412,153
Disposals during the year	-	(18,021,890)
Balance at 31 December	64,056,560	47,335,447
Accumulated depreciation		
Balance as at 1 January	2,648,125	3,609,780
Charge for the year	1,237,662	1,535,216
Disposal during the year	-	(2,496,871)
Balance at 31 December	3,885,787	2,648,125
Net book value at 31 December	**60,170,773**	44,687,322

(c) Total

	2009	2008
Cost		
Balance as at 1 January	83,658,946	95,319,564
Additions during the year	33,442,225	14,817,307
Disposals during the year	-	(26,477,925)
Balance at 31 December	117,101,171	83,658,946
Accumulated depreciation		
Balance as at 1 January	5,345,728	7,048,587
Charge for the year	2,147,968	2,681,254
Disposal during the year	-	(4,384,113)
Balance at 31 December	7,493,696	5,345,728
Net book value at 31 December	**109,607,475**	78,313,218

As at 31 December 2009, the management has internally valued the investment properties by QR 192,000,000 (2008: QR 212,000,000).

10 PROPERTY AND EQUIPMENT

	Freehold land	**Building**	**Furniture and fixtures**	**Motor vehicle**	**Total 2009**	Total 2008
Cost:						
At 1 January	2,097,093	6,230,678	3,463,984	304,000	12,095,755	11,912,668
Additions during the year	-	-	424,875	200,000	624,875	183,087
Disposals	-	-	-	(264,000)	(264,000)	-
At 31 December	2,097,093	6,230,678	3,888,859	240,000	12,456,630	12,095,755
Accumulated Depreciation:						
At 1 January	-	1,433,058	3,146,356	237,997	4,817,411	4,365,899
Provided during the year	-	249,230	183,694	41,500	474,424	451,512
Disposals	-	-	-	(214,498)	(214,498)	-
At 31 December	-	1,682,288	3,330,050	64,999	5,077,337	4,817,411
Net book values:						
At 31 December 2009	**2,097,093**	**4,548,390**	**558,809**	**175,001**	**7,379,293**	**-**
At 31 December 2008	2,097,093	4,797,620	317,628	66,003	-	7,278,344

11 PROPERTY UNDER CONSTRUCTION

	2009	**2008**
At 1 January	85,771,035	49,827,285
Additions	11,019,960	58,407,270
Transfer	(33,442,225)	(22,463,520)
At 31 December	**63,348,770**	85,771,035
Policyholders	**31,674,385**	42,885,518
Shareholders	**31,674,385**	42,885,517

12 INVESTMENT IN ASSOCIATES

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Name of Associate	**Principal Activity**	**Place of incorporation**	**Capital**	**2009**	2008
Tashelaat Islamic Co. W.L.L	Islamic Financing	Qatar	62,000,000	51%	51%
Al Muqawel Co. W.L.L.	Construction	Qatar	3,000,000	51%	51%

The following table illustrates summarised financial information of the Company's investment in the associate company shareholder listed:

	2009	2008
The Company's Share of net assets of associates	**41,158,277**	37,600,095
Profit for the year of the associate company	7,655,260	10,725,677
Company's share of profits from associates	**3,904,182**	5,470,095

Al Muqawel Co. W.L.L. has not commenced its operations yet.

13 ACCOUNTS PAYABLES (POLICYHOLDERS)

	2009	2008
Accounts payables	15,762,278	18,621,157
Takaful invest savings	2,759,520	1,116,148
Other payables	605,193	1,144,809
Total	**19,126,991**	20,882,114

14 PROVISIONS (SHAREHOLDERS)

	2009	2008
Staff incentive provision	2,300,000	2,207,150
Employees' end of service benefits (14.1)	3,060,501	3,141,593
Board of directors remuneration payable	1,395,000	1,575,000
Other payables	770,881	-
Total	**7,526,382**	6,923,743

14.1 EMPLOYEES' END OF SERVICE BENEFITS

	2009	2008
Provision at 1 January	3,141,593	2,262,362
Expenses recognised for the year	464,957	930,386
Payment made during the year	(546,049)	(51,155)
Provision at 31 December	**3,060,501**	3,141,593

15 DISTRIBUTABLE SURPLUS – POLICYHOLDERS

The Board of directors have allocated QR 12,065,495 (2008: QR 11,076,705) out of the results of insurance operations for the year as distributable surplus to policyholders. The balance of the results of insurance operations was transferred to retained surplus, which will be distributed to the policyholders in future years in accordance with the decision of the Sharia' Supervisory Board. The unclaimed balance in the distribution amount, if any, can be retained by management for charitable purposes.

16 UNCLAIMED SURPLUS

	2009	2008
Balance at the beginning of year	23,008,835	23,433,192
Transferred during the year	11,076,705	10,800,000
Payment made during the year	(6,880,145)	(11,224,357)
Balance at the end of year	**27,205,395**	23,008,835

17 SHARE CAPITAL

The authorised, issued and fully paid share capital consists of 15,000,000 (2008: 15,000,000) shares of QR.10 each.

18 OPERATING SEGMENTS

a) Segment information

For management purposes, the Company is organised into six business segments- Marine and Aviation, Motor, General accident, Takaful and health, real estate and Investments. These segments are the basis on which the Company reports its operating primary segment information.

18 OPERATING SEGMENTS (CONTINUED)

a) Segment information (Continued)

Segment income statement for the year ended 31 December 2009

	Policyholders				Shareholders			
	Insurance	**Investment**	**Real estate**	**Total**	**Investments**	**Real estate**	**Unallocated income /expenses**	**Total**
Gross contributions	159,138,836	-	-	159,138,836	-	-	-	-
Less: Wakala Fees	(27,038,720)	-	-	(27,038,720)	-	-	-	-
Reinsurers' contribution	(66,691,070)	-	-	(66,691,070)	-	-	-	-
Net contributions	65,409,046	-	-	65,409,046	-	-	-	-
Movement in unexpired contribution	350,529	-	-	350,529	-	-	-	-
Net earned contributions	65,759,575	-	-	65,759,575	-	-	-	-
Commissions, net	6,130,293	-	-	6,130,293	-	-	-	-
Net underwriting income	71,889,868	-	-	71,889,868	-	-	-	-
Gross claims	(66,674,292)	-	-	(66,674,292)	-	-	-	-
Reinsurance recoveries	10,619,336	-	-	10,619,336	-	-	-	-
Movement in outstanding claims	(3,922,599)	-	-	(3,922,599)	-	-	-	-
Net claims incurred	(59,977,555)	-	-	(59,977,555)	-	-	-	-
Net underwriting income	11,912,313	-	-	11,912,313	-	-	-	-
Wakala fee	-	-	-	-	-	-	27,038,720	27,038,720
Investment income	-	3,642,157	-	3,642,157	10,832,777	-	-	10,832,777
Share in profit in associates	-	-	-	-	3,904,182	-	-	3,904,182
Net rental income	-	-	1,337,759	1,337,759	-	5,252,640	-	5,252,640
Shareholders' share in policyholders' investment income	-	-	-	-	9,248,416	-	-	9,248,416
Total income	11,912,313	3,642,157	1,337,759	16,892,229	23,985,375	5,252,640	27,038,720	56,276,735
Operating and administrative expenses	-	-	-	-	-	(1,391,563)	(19,855,526)	(21,247,089)
Contribution to social fund	-	-	-	-	-	-	(770,881)	(770,881)
Segment results	**11,912,313**	**3,642,157**	**1,337,759**	**16,892,229**	**23,985,375**	**3,861,077**	**6,412,313**	**34,258,765**

18 OPERATING SEGMENTS (CONTINUED)

(a) Segment information (Continued)

Segment income statement for the year ended 31 December 2008

	Policyholders				Shareholders			
	Insurance	Investment	Real estate	Total	Investments	Real estate	Unallocated income /expenses	Total
Gross contributions	167,989,667	-	-	167,989,667	-	-	-	-
Less: Wakala Fees	(27,668,120)	-	-	(27,668,120)	-	-	-	-
Reinsurers' contribution	(67,184,305)	-	-	(67,184,305)	-	-	-	-
Net contributions	73,137,242	-	-	73,137,242	-	-	-	-
Movement in unexpired contribution	(5,565,330)	-	-	(5,565,330)	-	-	-	-
Net earned contributions	67,571,912	-	-	67,571,912	-	-	-	-
Commissions, net	6,764,045	-	-	6,764,045	-	-	-	-
Net underwriting income	74,335,957	-	-	74,335,957	-	-	-	-
Gross claims	(83,372,784)	-	-	(83,372,784)	-	-	-	-
Reinsurance recoveries	21,105,833	-	-	21,105,833	-	-	-	-
Movement in outstanding claims	4,649,653	-	-	4,649,653	-	-	-	-
Net claims incurred	(57,617,298)	-	-	(57,617,298)	-	-	-	-
Net underwriting income	16,718,659	-	-	16,718,659	-	-	-	-
Wakala fee	-	-	-	-	-	-	27,668,120	27,668,120
Investment income	-	10,271,955	-	10,271,955	34,965,596	-	-	34,965,596
Impairment loss on investment	-	(12,392,569)	-	(12,392,569)	-	-	-	(12,392,569)
Share in profit in associates	-	-	-	-	5,470,095	-	-	5,470,095
Net rental income	-	-	1,460,888	1,460,888	-	6,603,370	-	6,603,370
Shareholders' share in policyholders' investment income	-	-	-	-	21,789,563	-	-	21,789,563
Total income	16,718,659	(2,120,614)	1,460,888	16,058,933	62,225,254	6,603,370	27,668,120	96,496,744
Operating and administrative expenses	-	-	-	-	-	(1,595,114)	(26,396,508)	(27,991,622)
Segment results	16,718,659	(2,120,614)	1,460,888	16,058,933	62,225,254	**5,008,256**	**1,271,612**	**68,505,122**

18 OPERATING SEGMENTS (CONTINUED)

(a) Segment information (Continued)

Segment balance sheet

Assets and liabilities of the Company are commonly used across the operating segments.

b) Geographic Information

Geographically, the Company operates in Qatar and all incomes are generated in Qatar.

19 INVESTMENT INCOME

	2009	2008
Income from investment of policyholders	14,228,332	33,522,406
Shareholders share in policyholders income	(9,248,416)	(21,789,563)
Total	**4,979,916**	11,732,843

This represents management fee payable to the shareholders by the policyholders for managing the investments. The fees are calculated at a rate of 65% (2007: 55%) of the net income received on the investments of the policyholders. The actual rate for each year is determined by the Sharia Supervisory Board with co-ordination with Company's Board of Directors.

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Employee related costs	14,634,798	12,203,295
Depreciation of property and equipment	474,424	451,512
Other operating expenses	3,351,305	3,612,843
Total	**18,460,527**	16,267,650

21 BASIC AND DILUTED EARNINGS PER SHARE

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

	2009	2008
Profit attributable to the shareholders	34,258,765	68,505,122
Weighted average number of ordinary shares	15,000,000	15,000,000
Basic and diluted earnings per share (QR)	**2.28**	4.57

22 CASH DIVIDENDS PER SHARE

	2009	2008
Final cash dividends	37,500,000	45,000,000
Number of ordinary shares	15,000,000	15,000,000
Cash dividend per share (QR)	**2.50**	3.00

The Board of directors proposed a final dividend distribution of QR. 2.50 per share for the year 2009 (2008: QR 3.00). The proposed final dividend amounting to QR. 37,500,000 will be submitted for formal approval at the Annual General Meeting.

23 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2009	2008
Bank guarantees	**6,530,803**	1,668,000

Operating leases

Future minimum lease rentals payables under non-cancellable operating leases as at 30 June are insignificant and immaterial.

24 REATED PARTIES

(a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Company and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Company's management and are negotiated under normal commercial terms. Significant transactions were:

	2009	2008
Net contribution	**3,129,720**	3,852,268

	2009	2008
(b) Compensation of key management personnel		
Salaries and other short term benefits	4,390,808	3,930,350
Employees' end of service benefits	292,720	112,750
Total	**4,683,528**	4, 043,100

Outstanding related party balances at reporting date are unsecured and interest free.

In respect of related party balances there was no provision for doubtful debts at the reporting date and no bad debt expense in the period (2008: Nil).

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- Insurance risk,
- credit risk,
- liquidity risk,
- market risks and
- operational risks

Governance framework
The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors meets regularly to assess and identify the Company's risk, to review structure to ensure the appropriate quality and diversification of assets, and to ensure that underwriting and reinsurance are in align with the Company's strategy and goals, and. The Company's Board of Directors has overall responsibility to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Capital management framework

The Company'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 Company's objectives when managing capital is:

- To safeguard the Company'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 Capital Structure of the Company consists of issued capital, reserves and retained earnings.

Regulatory framework
Regulators are primarily interested in protecting the rights of the policyholders and monitor them 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.

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 Company manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Company principally issues general insurance contracts which constitute mainly Marine and aviation, Motor, Fire and general, and Takaful and health. The concentration of insurance risk exposure is mitigated by diversifying the risks underwritten are across a large portfolio in terms of type, level of insured benefits, amount of risk and industry.

The Company, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. 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 effected under treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

The Company has in place strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

Insurance risk

Key assumptions
The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Sensitivities
The general insurance claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

		31 December 2009		31 December 2008	
	Change in assumptions	**Impact on Liabilities**	**Impact on Profit and Equity**	Impact on Liabilities	Impact on Profit and Equity
Incurred claim cost	+ 10%	**7,059,689**	**(7,059,689)**	7,872,313	(7,872,313)
Incurred claim cost	- 10%	**(7,059,689)**	**7,059,689**	(7,872,313)	7,872,313

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

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.

The following policies and procedures are in place to mitigate the Company’s exposure to credit risk:

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company has been established and policies and procedures are in place to mitigate the Company’s exposure to credit risk:

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Company, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

Reinsurance arrangements are effected with reinsurers whose creditworthiness is assessed on the basis of satisfying minimum rating and financial strength criteria. Reinsurance is made with different reinsurance companies in order to reduce the risk of concentration. The Company’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:

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Age analysis of financial assets
31 December 2009

	<30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Above 121days**	**Total**
Cash and cash equivalents	59,329,229	-	-	53,054,667	-	112,383,896
Contributions receivable	-	6,259,440	-	8,281,301	-	14,540,741
Cheques under collection	7,811,936	-	-	-	-	7,811,936
Reinsurance contract assets	49,037,421	-	-	-	-	49,037,421
Reinsurance receivables	4,032,708	-	-	-	-	4,032,708
Total	**120,211,294**	**6,259,440**	**-**	**61,335,968**	-	**187,806,702**

31 December 2008

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
Cash and cash equivalents	11,447,124	-	-	92,996,008	-	104,443,132
Contributions receivable	-	6,294,447	-	9,822,575	-	16,117,022
Cheques under collection	3,967,779	-	-	-	-	3,967,779
Reinsurance contract assets	43,705,510	-	-	-	-	43,705,510
Reinsurance receivables	7,916,313	-	-	-	-	7,916,313
Total	67,036,726	6,294,447	-	102,818,583	-	176,149,756

Impaired financial assets
As at 31 December 2009 there is an allowance for impaired contribution receivables of QR 1,096,190 (2008: QR 896,190).

A reconciliation of the allowances for impairment losses are as follows:

	Impairment on contribution receivables	
	2009	2008
As at 1 January	896,190	696,190
Charge for the year	200,000	200,000
As at 31 December	**1,096,190**	896,190

25 FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles
The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

	Up to a year	Over 5 years	Total
31 December 2009			
Financial assets			
Available-for-sale investments	170,680,294	-	170,680,294
Contribution receivables	14,540,741	-	14,540,741
Cheques under collection	7,811,936	-	7,811,936
Reinsurance contract assets	49,037,421	-	49,037,421
Reinsurance receivables	4,032,708	-	4,032,708
Cash and cash equivalents	112,543,321	-	112,543,321
Total	**358,646,421**	**-**	**358,646,421**

31 December 2009

	Up to a year	Over 5 years	Total
Financial liabilities			
Reinsurance payable	19,757,426	-	19,757,426
Insurance contract liabilities	131,348,715	-	131,348,715
Payables and other liabilities	35,782,639	-	35,782,639
Total	**186,888,780**	**-**	**186,888,780**

25 FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

	Up to a year	Over 5 years	Total
31 December 2008			
Financial assets			
Available-for-sale financial assets	186,867,729	-	186,867,729
Contribution receivables	16,117,022	-	16,117,022
Cheques under collection	3,967,779		3,967,779
Reinsurance contract assets	43,705,510	-	43,705,510
Reinsurance receivables	7,916,313	-	7,916,313
Cash and cash equivalents	104,520,375	-	104,520,375
Total	363,094,728	-	363,094,728

	Up to a year	Over 5 years	Total
31 December 2008			
Financial liabilities			
Reinsurance payable	12,158,743	-	12,158,743
Insurance contract liabilities	122,444,734	-	122,444,734
Payables and other liabilities	31,748,511	-	31,748,511
Total	166,351,988	-	166,351,988

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

i. Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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 Company's exposure to currency risk is minimal, since most of the transactions are either in Qatari Riyals or in US Dollars.

ii. Interest rate risk
The Company does not expose to interest rate risk as the Company does not have any interest sensitive financial instruments.

25 FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

iii. Price risk

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 and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on net profit and equity.

		31 December 2009		31 December 2008	
	Changes in variables	**Impact on profit**	**Impact on equity**	Impact on profit	Impact on equity
Available-for-sale investments	+10%	**-**	**8,540,260**	-	11,915,828
Available-for-sale investments	-10%	**-**	**(8,540,260)**	-	(11,915,828)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

i) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company manages operational risk through appropriate controls with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

25 FINANCIAL INSTRUMENT AND RISK MANAGEMENT (CONTINUED)

CLASSIFICATIONS AND FAIR VALUES

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

	31-Dec-09		31-Dec-08	
	Carrying Amount	**Fair value**	Carrying Amount	Fair value
Cash and cash equivalents	**112,543,321**	**112,543,321**	104,520,375	104,520,375
Cheques under collection	**7,811,936**	**7,811,936**	3,967,779	3,967,779
Contributions receivable	**14,540,741**	**14,540,741**	16,117,022	16,117,022
Reinsurance contract assets	**49,037,421**	**49,037,421**	43,705,510	43,705,510
Reinsurance receivables	**4,032,708**	**4,032,708**	7,916,313	7,916,313
Available –for-sale Investments – quoted	**170,680,294**	**170,680,294**	186,867,729	186,867,729
Reinsurance payable	**19,757,426**	**19,757,426**	12,158,743	12,158,743
Insurance contract liabilities	**131,348,715**	**131,348,715**	122,444,734	122,444,734
Payables and other liabilities	**35,782,639**	**35,782,639**	31,748,511	31,748,511

Determination of fair value and fair values 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	85,402,602	-	85,277,692	170,680,294
	85,402,602		**85,277,692**	**170,680,294**
31 December 2008				
Investments - Available for sale	119,158,287	-	67,709,442	186,867,729
	119,158,287		67,709,442	186,867,729

26 CRITICAL JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

In the process of preparing these financial statements, Management has made use of a number of judgments relating to the application of accounting policies which are described in note 2. Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below.

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.

- **Impairment of financial assets**

  The Company determines whether available for sale equity financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

27 KEY SOURCES OF ESTIMATES UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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 Company and management estimations for the claims incurred but not reported. 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 income statement in the year of settlement. As of 31 December 2009, estimate for unpaid claims amounted to QR 32,186,079 (31 December 2008: 28,263,480).

- **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 Company evaluating, the credit and liquidity position of the policy holders and the insurance companies, and historical recovery rates. The difference between the estimated collectible amount and the book amount is recognized as an expense in the statement of income statement. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the statement of income at the time of collection. As of 31 December 2009, the carrying values of contribution receivables and reinsurance receivables amounted to QR 14,540,741 (2008: 16,117,022) and QR 4,032,708 (2008: 7,916,313) respectively and provision for impairment on contribution receivable amounted to QR 1,096,190 (2008: 896,190).

- **Liability Adequacy Test**

  At each balance sheet, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company 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 income statements.

28 ZAKAT

The Articles of Association of the Company do not authorise Management to pay Zakat on behalf of the shareholders. The responsibility of paying Zakat rests with the shareholders.

29 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation in the current year's financial statements.

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