Doha Insurance Company Q.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOHA INSURANCE COMPANY Q.S.C.

Report on the financial statements

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

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is 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 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 of 31 December 2009 and 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 proper financial records have been kept by the company and the contents of the directors' report which relate to the financial statements are in agreement with the company's financial records, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the company or on its financial position.

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date:
Doha

STATEMENT OF INCOME
Year ended 31 December 2009

	Notes	*2009* *QR*	*2008* *QR*
Gross premiums	4	**316,541,401**	316,049,758
Reinsurers' share of gross premiums	4	**(227,007,923)**	(232,413,289)
Net premiums	4	**89,533,478**	83,636,469
Change in unexpired risk reserve	4	**(2,290,859)**	(7,067,631)
Earned insurance premiums	4	**87,242,619**	76,568,838
Commissions received	4	**20,371,609**	18,816,746
Change in deferred commissions	4	**(209,479)**	(309,833)
Total underwriting revenues	4	**107,404,749**	95,075,751
Claims paid	4	**(59,190,664)**	(56,030,883)
Reinsurers' share of claims	4	**22,806,688**	27,076,530
Change in outstanding claims reserve	4	**(5,091,735)**	(12,482,124)
Commissions paid	4	**(3,929,847)**	(2,739,672)
NET UNDERWRITING RESULTS	4	**61,999,191**	50,899,602
Interest income		**8,903,860**	6,552,550
Dividend income		**8,415,627**	6,297,350
Rental income from investment properties		**5,972,052**	2,451,400
Net gain on sale of financial investments	5	**4,766,626**	17,552,005
Profit distribution from unquoted investment funds		**3,808,591**	3,699,158
Other income		**925,970**	1,116,168
INVESTMENT AND OTHER INCOME		**32,792,726**	37,668,631
Salaries and other staff costs		**21,413,235**	17,340,003
General and administrative expenses	6	**8,471,261**	8,200,647
Impairment of financial investments	8	**6,301,755**	4,532,180
Depreciation of property and equipment	12	**1,372,112**	1,280,093
Depreciation of investment properties	11	**1,266,585**	1,047,761
Net loss on investments held for trading		**523,365**	7,141,643
Loss on disposal of property and equipment		**-**	9,076
Finance costs		**-**	27,799
TOTAL EXPENSES		**39,348,313**	39,579,202
PROFIT FOR THE YEAR BEFORE ALLOCATION TO TAKAFUL BRANCH POLICYHOLDERS		**55,443,604**	48,989,031
Net surplus attributable to Takaful Branch policyholders		**(2,028,291)**	(620,756)
PROFIT FOR THE YEAR BEFORE PROVISION FOR SOCIAL AND SPORTS ACTIVITIES CONTRIBUTION		**53,415,313**	48,368,275
Provision for social and sports activities contribution		**(1,335,383)**	(1,209,207)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**52,079,930**	47,159,068
Basic Earnings Per Share	19	**2.89**	2.82
Diluted Earnings Per Share	19	**2.89**	2.82

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	*2008*
	QR	*QR*
Profit attributable to shareholders	**52,079,930**	47,159,068
Other comprehensive income		
Recognised gains and losses on available-for-sale investments during the year	**(1,835,595)**	(18,172,496)
Transfer to statement of income on impairment of available-for-sale investments during the year	**6,301,755**	4,532,180
Net movement in fair value of available-for-sale investments during the year	**(2,856,233)**	(67,057,741)
Other comprehensive income (loss) for the year	**1,609,927**	(80,698,057)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**53,689,857**	(33,538,989)

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	***2009 QR***	*2008 QR*
ASSETS			
Cash and bank balances	7	**151,629,231**	145,987,552
Financial investments	8	**199,538,279**	210,539,685
Reinsurance contract assets	9	**156,848,048**	138,128,591
Insurance and other receivables	10	**86,629,464**	72,730,952
Investment properties	11	**29,476,560**	25,293,870
Property and equipment	12	**49,462,130**	46,121,627
TOTAL ASSETS		**673,583,712**	638,802,277
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**180,000,000**	180,000,000
Legal reserve	14	**96,405,928**	96,405,928
Cumulative changes in fair value		**18,691,794**	17,081,867
Retained earnings		**31,249,047**	24,169,117
Proposed cash dividend	15	**45,000,000**	45,000,000
Total equity		**371,346,769**	362,656,912
LIABILITIES			
Insurance contract liabilities	9	**245,434,241**	219,122,712
Provisions, insurance and other payables	16	**51,738,620**	53,086,030
Employees' end of service benefits	17	**5,064,082**	3,936,623
Total liabilities		**302,236,943**	276,145,365
TOTAL EQUITY AND LIABILITIES		**673,583,712**	638,802,277

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Nawaf Bin Nasser Bin Khaled Al-Thani
Chairman

Bassam Hussein
General Manager

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2009

	Notes	*2009* *QR*	2008 *QR*
OPERATING ACTIVITIES			
Profit attributable to shareholders		**52,079,930**	47,159,068
Adjustments for:			
Depreciation of property and equipment	12	**1,372,112**	1,280,093
Depreciation of investment properties	11	**1,266,585**	1,047,761
Provision for employees' end of service benefits	17	**1,136,626**	2,046,407
Impairment of financial investments	8	**6,301,755**	4,532,180
Net loss on investments held for trading		**523,365**	7,141,643
Reinsurers' share of unearned premium		**1,270,620**	(16,719,484)
Movement in unearned premium		**1,020,239**	23,787,115
Net gain from sale of financial investments	5	**(4,766,626)**	(17,552,005)
Dividend income		**(8,415,627)**	(6,297,350)
Interest income		**(8,903,860)**	(6,552,550)
Profit distribution from unquoted investment funds		**(3,808,591)**	(3,699,158)
Loss on disposal of property and equipment		**-**	9,076
Interest expense		**-**	27,799
Operating profit before changes in operating assets and liabilities		**39,076,528**	36,210,595
Increase in insurance and other receivables		**(13,898,512)**	(10,009,255)
Increase in insurance reserves		**5,301,213**	12,791,958
Increase in provisions, insurance and other payables		**392,916**	12,082,435
Margin against letters of guarantee		**1,383,026**	(459,733)
Cash generated from operations		**32,255,171**	50,616,000
Employees' end of service benefits paid	17	**(9,167)**	(335,167)
Interest paid		**-**	(27,799)
Net cash from operating activities		**32,246,004**	50,253,034
INVESTING ACTIVITIES			
Purchase of financial investments		**(18,437,625)**	(127,778,710)
Proceeds from disposal of financial investments		**28,990,464**	60,201,685
Dividend received		**8,415,627**	6,297,350
Interest received		**8,903,860**	6,552,550
Profit distribution from unquoted investment funds		**3,808,591**	3,699,158
Purchase of investment properties		**(77,400)**	(160,000)
Purchase of property and equipment	12	**(10,084,490)**	(17,950,049)
Proceeds from sale of property and equipment		**-**	45,800
Net cash from (used in) investing activities		**21,519,027**	(69,092,216)
FINANCING ACTIVITIES			
Repayments of bank term loan		**-**	(1,290,515)
Proceeds from rights issue		**-**	131,710,446
Dividends paid	15	**(46,740,326)**	(35,502,686)
Net cash (used in) from financing activities		**(46,740,326)**	94,917,245
INCREASE IN CASH AND CASH EQUIVALENTS		**7,024,705**	76,078,063
Cash and cash equivalents at 1 January		**144,604,526**	68,526,463
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**151,629,231**	144,604,526

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Share capital QR	*Legal reserve QR*	*Cumulative changes in fair values QR*	*Proposed cash dividends QR*	*Retained earnings QR*	*Total QR*
Balance at 1 January 2009	180,000,000	96,405,928	17,081,867	45,000,000	24,169,117	362,656,912
Profit attributable to shareholders	-	-	-	-	52,079,930	52,079,930
Other comprehensive income for the year	-	-	1,609,927	-	-	1,609,927
Total comprehensive income for the year	-	-	1,609,927	-	52,079,930	53,689,857
Cash dividends	-	-	-	(45,000,000)	-	(45,000,000)
Proposed cash dividends (Note 15)	-	-	-	45,000,000	(45,000,000)	-
Balance at 31 December 2009	**180,000,000**	**96,405,928**	**18,691,794**	**45,000,000**	**31,249,047**	**371,346,769**

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2009

	Share capital QR	*Legal reserve QR*	*Cumulative changes in fair values QR*	*Proposed cash dividends QR*	*Retained earnings QR*	*Total QR*
Balance at 1 January 2008	127,240,000	17,455,482	97,779,924	38,172,000	22,010,049	302,657,455
Profit attributable to shareholders	-	-	-	-	47,159,068	47,159,068
Other comprehensive loss for the year	-	-	(80,698,057)	-	-	(80,698,057)
Total comprehensive (loss) income for the year	-	-	(80,698,057)	-	47,159,068	(33,538,989)
Increase in share capital through rights issue (Note 13)	52,760,000	-	-	-	-	52,760,000
Cash dividends	-	-	-	(38,172,000)	-	(38,172,000)
Increase in share premium through rights issue (Note 13)	-	78,950,446	-	-	-	78,950,446
Proposed cash dividends (Note 15)	-	-	-	45,000,000	(45,000,000)	-
Balance at 31 December 2008	**180,000,000**	**96,405,928**	**17,081,867**	**45,000,000**	**24,169,117**	**362,656,912**

The attached notes 1 to 24 form 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 reinsurance.

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

The financial statements for the year ended 31 December 2009 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 24 January 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conformity with the Qatar Commercial Companies' Law No. 5 of 2002.

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.

Changes in accounting policies
The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The Company has adopted the following new and amended IFRS during the year:

- *IAS 1 Presentation of Financial Statements (Revised)*
- *Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
- *IFRS 8 Operating Segments*
- *Improvements to International Financial Reporting Standards (issued in 2008)*

IAS 1 Presentation of Financial Statements (Revised)
This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented in either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Company has elected to present comprehensive income in two separate statements of income and comprehensive income. Information about the individual components of comprehensive income have been disclosed in the notes to the financial statements. The Company has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has made a retrospective restatement or retrospectively reclassified items in the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

Certain of the comparative information have been restated although this is not strictly required by the transition provisions of the amendment.

IFRS 8 - Operating Segments
The new standard, which replaced IAS 14 Segment Reporting, requires a 'management approach' under which segment information is presented on the same basis that is used for internal reporting purposes provided to the chief operating decision-maker of the Company. Disclosures required under IFRS 8 are shown in Note 23 to the financial statements.

Improvements to International Financial Reporting Standards (issued in 2008)
In May 2008, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company.

The following amendments and interpretation became effective in 2009, but did not have any impact on the accounting policies, financial position or performance of the Company:

- *IFRS 2 Share-based Payment*
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Error*
- *IAS 23 Borrowing Cost*
- *IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*
- *IAS 39 Financial Instruments: Recognition and Measurement*
- *IAS 40 Investment Properties*
- *IFRIC 9 Reassessment of Embedded Derivatives*
- *IFRIC 13 Customer Loyalty Programmes*
- *IFRIC 16 Hedge of a Net Investment in a Foreign Operation*

IASB standards and interpretations issued but not adopted

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Company:

- *IFRIC 17- Distributions of Non-Cash Assets to Owners effective for financial periods beginning on or after 1 July 2009*
- *Improvements to International Financial Reporting Standards (issued in 2009) effective for financial periods beginning on or after 1 January 2010*
- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendments) effective for financial periods beginning on or after 1 July 2009*
- *IFRS 9 Financial Instruments effective for financial periods beginning on or after 2013*
- *IAS 24 Related Party Disclosures (Revised) effective for financial periods beginning on or after 2011*
- *IAS 32 Classification of Rights Issues (Amendments) effective for financial periods beginning on or after 1 February 2010*
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective for financial periods beginning on or after 1 July 2010*

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IASB standards and interpretations issued but not adopted (continued)

The application of the above standards and interpretations is not expected to have a material impact on the financial position or performance of the Company, except IFRS 9, which will result in changes to the accounting policies regarding financial instruments. The management does not intend to early adopt the standard. It has not been practical to reliably assess the effect of such changes at this stage.

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.

Liabilities adequacy test
At each end of the 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.

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

Reinsurance 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 reinsurance 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 reinsurance arrangements do not relieve the Company from its obligations to policyholders.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance (continued)
Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance contract liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

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 are amortised using the effective interest rate method and taken to interest income.

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” and 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 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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
Other assets	-	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 and uncollectibility 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.

2 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 asset‟s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset‟s 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
Under the Law No. 14 of 2004, 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
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.

Deficiency in participants’ fund
The deficiency in participants’ fund in the Branch represents accumulated losses on policyholders’ operations and is tested each year for impairment. In the event, that all or a portion of the deficiency in participants’ fund is not considered to be recoverable from future surpluses from Takaful operations within a five years period, the portion that is considered to be impaired is taken to the statement of shareholders’ income.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 can not be measured reliably, these financial instruments are measured at cost.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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 the Company has the intention 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.

As 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.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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:

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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for outstanding claims (continued)
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.

Reinsurance
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 ascertain that difference between the estimated 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.

At the end of the reporting period, trade accounts receivable were QR 54,973,452 (2008: QR 47,640,964). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.

Useful life of property and equipment
The Company's estimate of useful economic lives of its property and equipment takes into account the renovation frequency of the asset and the future plans of the Company.

4 NET UNDERWRITING RESULTS

	Motor		*Marine and Aviation*		*Fire and General Accident*		*Total*	
	2009	*2008*	***2009***	*2008*	***2009***	*2008*	***2009***	*2008*
	QR	*QR*	***QR***	*QR*	***QR***	*QR*	***QR***	*QR*
Gross premiums	**68,530,139**	63,734,415	**86,522,422**	82,258,435	**161,488,840**	170,056,908	**316,541,401**	316,049,758
Reinsurers' share of gross premiums	**(10,188,967)**	(8,326,776)	**(78,892,468)**	(73,246,878)	**(137,926,488)**	(150,839,635)	**(227,007,923)**	(232,413,289)
Net premiums	**58,341,172**	55,407,639	**7,629,954**	9,011,557	**23,562,352**	19,217,273	**89,533,478**	83,636,469
Change in unexpired risk reserve	**(1,173,414)**	(5,031,343)	**620,586**	(911,744)	**(1,738,031)**	(1,124,544)	**(2,290,859)**	(7,067,631)
Earned insurance premiums	**57,167,758**	50,376,296	**8,250,540**	8,099,813	**21,824,321**	18,092,729	**87,242,619**	76,568,838
Commissions received	**434,574**	403,954	**3,095,695**	3,031,152	**16,841,340**	15,381,640	**20,371,609**	18,816,746
Change in deferred commissions	**30,153**	29,054	**(49,407)**	257,787	**(190,225)**	(596,674)	**(209,479)**	(309,833)
Total underwriting revenues	**57,632,485**	50,809,304	**11,296,828**	11,388,752	**38,475,436**	32,877,695	**107,404,749**	95,075,751
Claims paid	**(36,099,986)**	(28,148,347)	**(2,035,387)**	(1,931,151)	**(21,055,291)**	(25,951,385)	**(59,190,664)**	(56,030,883)
Reinsurers' share of claims	**2,528,914**	1,151,808	**1,884,924**	1,765,597	**18,392,850**	24,159,125	**22,806,688**	27,076,530
Change in outstanding claims reserve	**(2,554,063)**	(11,659,493)	**(51,289)**	(300,831)	**(2,486,383)**	(521,800)	**(5,091,735)**	(12,482,124)
Commissions paid	**(434,541)**	(328,537)	**(228,227)**	(128,193)	**(3,267,079)**	(2,282,942)	**(3,929,847)**	(2,739,672)
Net underwriting results	**21,072,809**	11,824,735	**10,866,849**	10,794,174	**30,059,533**	28,280,693	**61,999,191**	50,899,602

5 NET GAIN ON SALE OF FINANCIAL INVESTMENTS

	2009 QR	*2008 QR*
Net gain on sale of available for sale investments	**1,835,595**	18,172,496
Net gain (loss) from sale of investment held for trading	**2,931,031**	(620,491)
	4,766,626	17,552,005

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 QR	*2008 QR*
Board of director’s remuneration (Note 18)	**3,300,000**	2,750,000
Rent, maintenance and office expenses	**1,334,907**	1,181,928
Advertisement and business promotion	**1,069,526**	1,855,877
Business travel	**527,218**	453,863
Printing and stationery	**408,773**	306,060
Legal and consultation fees	**359,756**	435,468
Government fees	**267,719**	203,914
Miscellaneous expenses	**1,203,362**	1,013,537
	8,471,261	8,200,647

7 CASH AND CASH EQUIVALENTS

	2009 QR	*2008 QR*
Cash and bank balances	**151,629,231**	145,987,552
Less: Margin against letters of guarantee	**-**	(1,383,026)
	151,629,231	144,604,526

8 FINANCIAL INVESTMENTS

	2009 *QR*	*2008* *QR*
Held to maturity investments:		
Unquoted debt securities in US Dollar with fixed interest rate	**26,719,631**	29,752,452
Held for trading:		
Quoted shares	**8,128,729**	20,085,054
Available for sale investments:		
- Quoted shares	**102,149,403**	114,581,064
- Unquoted investment funds	**62,540,516**	46,121,115
	164,689,919	160,702,179
	199,538,279	210,539,685

The market value of held to maturity investments amounted to QR 28,760,396 as of 31 December 2009 (2008: QR 27,343,772).

In accordance with IAS 39, the Company recognised an impairment loss on quoted shares of QR 6,301,755 (2008 : QR 4,532,180) during the year.

9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2009 *QR*	*2008* *QR*
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**106,806,053**	82,313,942
Claims incurred but not reported	**8,953,348**	8,363,647
Unearned premiums	**123,525,538**	122,505,299
Deferred commissions	**6,149,302**	5,939,824
Total insurance contract liabilities	**245,434,241**	219,122,712
Recoverable from reinsurers:		
Claims reported unsettled	**68,736,492**	48,746,415
Unearned premiums	**88,111,556**	89,382,176
Total reinsurance contract assets	**156,848,048**	138,128,591
Net		
Claims reported unsettled	**38,069,561**	33,567,527
Claims incurred but not reported	**8,953,348**	8,363,647
Unearned premiums	**35,413,982**	33,123,123
Deferred commissions	**6,149,302**	5,939,824
	88,586,193	80,994,121

9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

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

	2009			*2008*		
	Gross QR	***Reinsurers' share QR***	***Net QR***	*Gross QR*	*Reinsurers' share QR*	*Net QR*
At 1 January						
Claims	**82,313,942**	**(48,746,415)**	**33,567,527**	62,923,210	(40,016,780)	22,906,430
Claims incurred but not reported	**8,363,647**	**-**	**8,363,647**	6,542,620	-	6,542,620
	90,677,589	**(48,746,415)**	**41,931,174**	69,465,830	(40,016,780)	29,449,050
Insurance claims paid in the year	**(59,190,664)**	**22,806,688**	**(36,383,976)**	(56,030,883)	27,076,530	(28,954,353)
Incurred during the year	**84,272,476**	**(42,796,765)**	**41,475,711**	77,242,642	(35,806,165)	41,436,477
At 31 December	**115,759,401**	**(68,736,492)**	**47,022,909**	90,677,589	(48,746,415)	41,931,174

Analysis of outstanding claims at 31 December

	2009			*2008*		
	Gross QR	***Reinsurers' share QR***	***Net QR***	*Gross QR*	*Reinsurers' share QR*	*Net QR*
Claims outstanding	**106,806,053**	**(68,736,492)**	**38,069,561**	82,313,942	(48,746,415)	33,567,527
Claims incurred but not reported	**8,953,348**	**-**	**8,953,348**	8,363,647	-	8,363,647
At 31 December	**115,759,401**	**(68,736,492)**	**47,022,909**	90,677,589	(48,746,415)	41,931,174

There are no material amounts for which amount and timing of claims payments is not resolved within one year of the end of the reporting period. 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 (See Note 10).

10 INSURANCE AND OTHER RECEIVABLES

	2009	*2008*
	QR	*QR*
Due from policy holders	**54,973,452**	47,640,964
Reinsurers – amounts due in respect of claims paid	**16,985,364**	16,309,327
Advances for investment	**8,709,200**	-
Receivable from sale of financial investments	**-**	3,973,587
Prepayments and others	**5,961,448**	4,807,074
	86,629,464	72,730,952

Due from policy holders comprise a large number of customers mainly within Qatar. Three companies accounted for 21% of receivable balances as of 31 December 2009 (2008: 49%).

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 9.

Advances for investment represent the amount paid for the Company's share capital in two companies which will be incorporated in the State of Qatar and Republic of Yemen.

11 INVESTMENT PROPERTIES

	2009	*2008*
	QR	*QR*
Cost:		
At 1 January	**31,061,859**	30,901,859
Additions	**77,400**	160,000
Transfer	**5,371,875**	-
	36,511,134	31,061,859
Accumulated depreciation:		
At 1 January	**5,767,989**	4,720,228
Provided during the year	**1,266,585**	1,047,761
	7,034,574	5,767,989
Net carrying value	**29,476,560**	25,293,870

At 31 December 2009, the fair value of investment properties as determined by management was QR 88,916,980 (2008: QR 75,000,000).

12 PROPERTY AND EQUIPMENT

	Freehold land QR	*Land under development QR*	*Building QR*	*Capital work-in-progress QR*	*Furniture and fixtures QR*	*Computers QR*	*Vehicles QR*	*Office equipment QR*	*Total QR*
Cost:									
At 1 January 2009	2,350,000	36,010,985	8,109,812	4,211,636	1,862,958	1,961,578	907,910	333,517	55,748,396
Additions	-	7,365,879	131,950	1,985,239	275,998	245,089	-	80,335	10,084,490
Transfer	-	-	-	(5,371,875)	-	-	-	-	(5,371,875)
At 31 December 2009	2,350,000	43,376,864	8,241,762	825,000	2,138,956	2,206,667	907,910	413,852	60,461,011
Depreciation:									
At 1 January 2009	-	-	6,005,088	-	1,559,706	1,372,991	499,102	189,882	9,626,769
Provided during the year	-	-	814,596	-	126,295	250,302	131,399	49,520	1,372,112
At 31 December 2009	-	-	6,819,684	-	1,686,001	1,623,293	630,501	239,402	10,998,881
Net carrying amount									
At 31 December 2009	**2,350,000**	**43,376,864**	**1,422,078**	**825,000**	**452,955**	**583,374**	**277,409**	**174,450**	**49,462,130**

Amount of land under development represents 66% (2008: 55%) advance payment from the purchase price of land at Marina Project – Lusail Qatar for a total amount of QR 65,474,510. (See Note 24).

12 PROPERTY AND EQUIPMENT (continued)

	Freehold land QR	*Land under development QR*	*Building QR*	*Capital work-in-progress QR*	*Furniture and fixtures QR*	*Computers QR*	*Vehicles QR*	*Office equipment QR*	*Total QR*
Cost:									
At 1 January 2008	2,350,000	22,916,085	8,073,067	-	1,635,683	1,793,770	879,910	293,497	37,942,012
Additions	-	13,094,900	60,410	4,211,636	227,275	167,808	148,000	40,020	17,950,049
Disposals	-	-	(23,665)	-	-	-	(120,000)	-	(143,665)
At 31 December 2008	2,350,000	36,010,985	8,109,812	4,211,636	1,862,958	1,961,578	907,910	333,517	55,748,396
Depreciation:									
At 1 January 2008	-	-	5,213,272	-	1,488,777	1,148,702	434,505	150,209	8,435,465
Provided during the year	-	-	808,079	-	70,929	224,289	137,123	39,673	1,280,093
Disposals	-	-	(16,263)	-	-	-	(72,526)	-	(88,789)
At 31 December 2008	-	-	6,005,088	-	1,559,706	1,372,991	499,102	189,882	9,626,769
Net carrying amount									
At 31 December 2008	**2,350,000**	**36,010,985**	**2,104,724**	**4,211,636**	**303,252**	**588,587**	**408,808**	**143,635**	**46,121,627**

13 SHARE CAPITAL

	Authorised capital	***Issued and fully paid up 2009***	*Issued and fully paid up 2008*
Share capital of QR 10 each (QR)	180,000,000	**180,000,000**	180,000,000
No. of shares of QR 10 each (Nos.)	18,000,000	**18,000,000**	18,000,000

Following the resolution issued in the Extraordinary General Meeting held on 3 March 2008, the Company offered its existing shareholders the right to subscribe for up to 5,276,000 shares. The proceeds received net of any directly attributable transaction costs are directly credited to share capital (nominal value) and the legal reserve (share premium) when shares have been issued higher than their nominal value as per Article 154 of Qatar Commercial Companies Law No. 5 of 2002.

Each share was offered for subscription at a nominal share price of QR 10 and a share premium of QR 15 per share, resulting in an increase of QR 52,760,000 and QR 78,950,446 in share capital and legal reserve, respectively.

14 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 Companies' Law.

No transfer has been made for the year 2009 as the reserve has reached the 50% limit as per the requirements of Law No. 5 of 2002.

15 DIVIDENDS

The Board of Directors decided in its meeting held on 24 January 2010 to propose to the forthcoming General Assembly to approve the distribution of cash dividends for the year 2009 of QR 2.50 per share totalling QR 45,000,000 and representing 25% of share capital (2008: QR 2.50 per share totalling QR 45,000,000 and representing 25% of share capital). Total dividends paid during the year amounted to QR 46,740,326 (2008: QR 35,502,686).

16 PROVISIONS, INSURANCE AND OTHER PAYABLES

	2009	*2008*
	QR	*QR*
Due to insurance and reinsurance companies	**23,266,800**	30,798,456
Dividends payable	**9,393,162**	11,133,488
Trade payables	**5,703,244**	2,878,188
Staff related accruals	**4,347,329**	3,571,129
Board of directors’ remuneration payable	**3,300,000**	2,750,000
Net surplus attributable to Islamic Takaful policyholders	**2,660,148**	631,857
Provision for social and sports activities contribution	**2,544,590**	1,209,207
Accrued expenses	**523,347**	113,705
	51,738,620	53,086,030

Net change in provisions, insurance and other payables in the statement of cash flows is net of the effect of increase in dividends payable as it was accrued for from retained earnings.

17 EMPLOYEES’ END OF SERVICE BENEFITS

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

	2009	*2008*
	QR	*QR*
Provision as at 1 January	**3,936,623**	2,225,383
Provided during the year	**1,136,626**	2,046,407
End of service benefits paid	**(9,167)**	(335,167)
Provision as at 31 December	**5,064,082**	3,936,623

18 DIRECTORS’ REMUNERATION

The Board of Directors proposed the distribution of QR 3,300,000 as remuneration to board members for the year 2009 (2008: QR 2,750,000). The abovementioned remuneration is included under general and administrative expenses in the statement of income (See Note 6).

19 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. In 2008, the Company made a rights issue.

	2009 ***QR***	*2008* *QR*
Profit attributable to the shareholders (QR)	**52,079,930**	47,159,068
Weighted average number of shares outstanding during the year (i)	**18,000,000**	16,742,682
Basic earnings per share (QR)	**2.89**	2.82

Notes

(i) The weighted average number of shares has been calculated as follows:

	2009 ***Numbers***	*2008* *Numbers*
Qualifying shares at 1 January	**18,000,000**	12,724,000
Effect of rights issue	**-**	4,018,682
Weighted average number of shares at 31 December	**18,000,000**	16,742,682

(ii) 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.

20 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company. 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:

	2009		*2008*	
	Premiums ***QR***	***Claims*** ***QR***	*Premiums* *QR*	*Claims* *QR*
Major shareholders	**5,043,155**	**1,073,971**	7,346,558	1,961,308

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

	2009		*2008*	
	Receivables ***QR***	***Claims and payables*** ***QR***	*Receivables* *QR*	*Claims and payables* *QR*
Major shareholders	**9,729,362**	**6,731,105**	9,234,492	5,823,377

Balances due to and from related parties are reported on a net basis as the Company has the legal right to set off these amounts and intends to settle them on a net basis.

20 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:

	2009 ***QR***	*2008* *QR*
Board of directors' remuneration	**3,300,000**	2,750,000
Short-term benefits	**2,604,800**	1,973,604
End of service and other benefits	**2,780,550**	1,625,333
	8,685,350	6,348,937

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include deposits, cash, investment securities, receivables, payables, bank term loan, 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 (See Note 8), 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:

31 December 2009	***Level 1*** ***QR'000***	***Level 2*** ***QR'000***	***Level 3*** ***QR'000***	***Total*** ***QR'000***
Financial assets				
Financial investments	**110,278,132**	**59,520,516**	**-**	**169,798,648**
Total	**110,278,132**	**59,520,516**	**-**	**169,798,648**

31 December 2008	*Level 1* *QR'000*	*Level 2* *QR'000*	*Level 3* *QR'000*	*Total* *QR'000*
Financial assets				
Financial investments	134,666,118	43,101,115	-	177,767,233
Total	134,666,118	43,101,115	-	177,767,233

During the year ending 31 December 2009, 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.

22 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 reinsurance 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 reinsurance cover for such damage to limit losses for any individual claim to QR 150,000 (2008 : QR 150,000) 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 reinsurance cover to limit losses for any individual claim to QR 200,000 (2008: QR 175,000) 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.

22 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 mainly reinsurance to limit losses for any individual claim to QR150,000 (2008: QR 150,000) during the year.

Reinsurance 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 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.

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.

Reinsurance 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 reinsurance agreements.

Concentration of risks
The Company's insurance risk relates to policies written in the State of Qatar only.

Financial risk
The Company's principal instruments are available-for-sale investments, receivables arising from insurance and reinsurance 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. 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.

22 RISK MANAGEMENT (continued)

Financial risk (continued)

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 asset due in foreign currencies included under reinsurance 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. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company is exposed to interest rate risk on certain of its investment securities and 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.

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 31 December 2009.

There is no impact on the Company's equity.

	Increase/decrease in basis points	*Effect on profit for the year QR*
2009	**+25**	**407,505**
	-50	**(815,010)**
2008		
	+25	425,980
	-50	(851,959)

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. Premiums and receivables comprise a large number of customers mainly within the State of Qatar. Three companies account for 21% of the accounts receivables as of 31 December 2009 (2008: 49%). Two reinsurance companies account for 58% of the reinsurance receivables as of 31 December 2009 (2008: 60%)

The Company manages credit risk on its investments by ensuring that investments are only made in 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.

22 RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk (continued)
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.

	Notes	***2009 QR***	*2008 QR*
Bank balances		**151,529,341**	144,511,706
Financial investments	8	**26,719,631**	29,752,452
Reinsurance contract assets	9	**156,848,048**	138,128,591
Insurance and other receivables	10	**86,629,464**	72,730,592
Total		**421,726,484**	385,123,341

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

			Past due but not impaired			
	Total QR	*Neither past due nor impaired QR*	*< 4 months QR*	*4 – 6 months QR*	*7 – 9 months QR*	*>9 months QR*
2009	**421,726,484**	**375,332,863**	**23,234,682**	**16,951,050**	**3,330,924**	**2,876,965**
2008	385,123,341	353, 026,404	13,841,377	8,106,879	3,560,807	6,587,874

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.

22 RISK MANAGEMENT (continued)

Financial risk (continued)

Liquidity risk (continued)

The table below summarises, in QR, 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.

	31 December 2009				*31 December 2008*			
	Less than one year	***More than one year***	***No term***	***Total***	*Less than one year*	*More than one year*	*No term*	*Total*
Insurance contract liabilities	**129,674,840**	**-**	**115,759,401**	**245,434,241**	128,445,123	-	90,677,589	219,122,712
Provisions, insurance and other payables	**51,738,620**	**-**	**-**	**51,738,620**	53,086,030	-	-	53,086,030
TOTAL LIABILITIES	**181,413,460**	**-**	**115,759,401**	**297,172,861**	181,531,153	-	90,677,589	272,208,742

22 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*
2009			
Held for trading	**+5%**	-	406,436
Available for sale investments	**+5%**	8,234,496	-
2008			
Held for trading	+5%	-	1,004,253
Available for sale investments	+5%	8,035,109	-

Capital management
Capital requirements are set and regulated by the Qatar Commercial Companies Law and Qatar Exchange. These 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.

The Company complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies and processes from the previous year.

The Company monitors capital on the basis of the carrying amount of shareholders' equity less cash and bank balances as follows:

	2009 QR	*2008 QR*
Total shareholders' equity	**371,346,769**	362,656,912
Cash and bank balances	**(151,629,231)**	(145,987,552)
	219,717,538	216,669,360

23 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 4 to the financial statements.

The Company operates in the State of Qatar only.

23 SEGMENT INFORMATION (continued)

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

	2009			*2008*		
	Conventional Insurance QR	***Takaful Insurance QR***	***Total QR***	*Conventional Insurance QR*	*Takaful Insurance QR*	*Total QR*
Gross premiums	297,123,487	19,417,914	316,541,401	313,739,792	2,309,966	316,049,758
Reinsurers' share of gross premiums	(211,616,080)	(15,391,843)	(227,007,923)	(231,530,089)	(883,200)	(232,413,289)
Net premiums	85,507,407	4,026,071	89,533,478	82,209,703	1,426,766	83,636,469
Change in unexpired risk reserve	(1,250,370)	(1,040,489)	(2,290,859)	(6,497,990)	(569,641)	(7,067,631)
Earned insurance premiums	84,257,037	2,985,582	87,242,619	75,711,713	857,125	76,568,838
Commissions received	19,842,967	528,642	20,371,609	18,741,409	75,337	18,816,746
Change in deferred commissions	(33,444)	(176,035)	(209,479)	(359,634)	49,801	(309,833)
Total underwriting revenues	104,066,560	3,338,189	107,404,749	94,093,488	982,263	95,075,751
Claims paid	(58,911,343)	(279,321)	(59,190,664)	(53,583,105)	(2,447,778)	(56,030,883)
Reinsurers' share of claims	22,750,159	56,529	22,806,688	24,628,339	2,448,191	27,076,530
Change in outstanding claims reserve	(4,511,484)	(580,251)	(5,091,735)	(12,339,447)	(142,677)	(12,482,124)
Commission paid	(3,906,003)	(23,844)	(3,929,847)	(2,728,998)	(10,674)	(2,739,672)
Net underwriting results	59,487,889	2,511,302	61,999,191	50,070,277	829,325	50,899,602
Investment and other income	32,712,639	80,087	32,792,726	37,666,855	1,776	37,668,631
Total expenses	(38,785,215)	(563,098)	(39,348,313)	(39,989,613)	(210,345)	(40,199,958)
Profit for the year	**53,415,313**	**2,028,291**	**55,443,604**	**47,747,519**	**620,756**	**48,368,275**
Assets						
Total assets	660,961,842	12,621,870	673,583,712	634,663,644	4,138,633	638,802,277
Liabilities						
Insurance contract liabilities	(245,032,814)	(401,427)	(245,434,241)	(219,014,573)	(108,139)	(219,122,712)
Net surplus attributable to Islamic Takaful policyholders	-	(2,660,148)	(2,660,148)	-	(631,857)	(631,857)
Liabilities (other than insurance funds)	(49,582,259)	(4,560,295)	(54,142,554)	(53,493,317)	(2,897,479)	(56,390,796)
Net assets	**366,346,769**	**5,000,000**	**371,346,769**	**362,155,754**	**501,158**	**362,656,912**

24 COMMITMENTS AND CONTINGENCIES

Guarantees
At 31 December 2009 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 1,681,585 (2008: QR 14,770,773).

Legal claims
The Company, in common with the significant majority of insurers, 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

	2009	*2008*
	QR	*QR*
Land under development	**22,097,646**	29,463,525

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 31 December 2009, the Company had paid a total amount of QR 43,376,864 (2008: QR 36,010,985). The remaining payments under the contract are:

	2009	*2008*
	QR	*QR*
Not later than one year	**9,821,172**	13,094,900
Later than one year and not later than 3 years	**12,276,474**	16,368,625
	22,097,646	29,463,525

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

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 31 December 2009

	2009	*2008*
	QR	*QR*
POLICYHOLDERS' OPERATIONS ASSETS		
Cash and bank balances	**10,872,198**	2,825,864
Insurance and other receivables	**1,735,902**	1,289,919
Property and equipment	**13,770**	22,850
TOTAL ASSETS	**12,621,870**	4,138,633
PARTICIPANTS' FUND AND LIABILITIES		
PARTICIPANTS' FUND		
Participants' account	**7,660,148**	1,133,015
LIABILITIES		
Provisions, insurance and other payables	**4,560,295**	2,897,479
Deferred Commission	**401,427**	108,139
Total liabilities	**4,961,722**	3,005,618
TOTAL PARTICIPANTS' FUND AND LIABILITIES	**12,621,870**	4,138,633

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

Islamic Takaful Branch of Doha Insurance Company Q.S.C.

(ii) Statement of Income for the year ended 31 December 2009

	2009	*2008*
	QR	*QR*
PARTICIPANTS' REVENUES AND EXPENSES		
REVENUE		
Net Takaful revenue	**2,511,302**	829,325
Other income	**80,087**	1,776
	2,591,389	831,101
EXPENSES		
Salaries and other staff costs	**446,867**	175,406
General and administrative expenses	**108,791**	27,499
Depreciation expense	**7,440**	7,440
Total Takaful expenses	**563,098**	210,345
SURPLUS FOR THE YEAR TRANSFERRED TO PARTICIPANTS' FUND	**2,028,291**	620,756