

**Doha Insurance Company Q.S.C.**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2010**

## **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 2010 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, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 2010 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: 24 January 2010  
Doha

# Doha Insurance Company Q.S.C.

## STATEMENT OF INCOME

Year ended 31 December 2010

	<i>Notes</i>	<b>2010 QR</b>	<b>2009 QR Restated</b>
Gross premiums	4	<b>369,911,495</b>	316,541,401
Reinsurers' share of gross premiums	4	<b>(277,955,737)</b>	(227,007,923)
Net premiums	4	<b>91,955,758</b>	89,533,478
Change in unexpired risk reserve	4	<b>(1,088,171)</b>	(2,290,859)
Earned insurance premiums	4	<b>90,867,587</b>	87,242,619
Commissions received	4	<b>22,151,396</b>	20,371,609
Change in deferred commissions	4	<b>(541,868)</b>	(209,479)
Total underwriting revenues	4	<b>112,477,115</b>	107,404,749
Claims paid	4	<b>(46,742,413)</b>	(59,190,664)
Reinsurers' share of claims	4	<b>14,539,920</b>	22,806,688
Change in outstanding claims reserve	4	<b>(6,940,927)</b>	(5,091,735)
Commissions paid	4	<b>(4,202,582)</b>	(3,929,847)
<b>NET UNDERWRITING RESULTS</b>	4	<b>69,131,113</b>	61,999,191
Interest income		<b>7,385,736</b>	8,903,860
Dividend income		<b>6,629,105</b>	8,415,627
Rental income from investment properties		<b>6,340,156</b>	5,972,052
Net gain on sale of financial investments	5	<b>4,691,132</b>	4,766,626
Profit distribution from unquoted investment funds		<b>2,260,244</b>	3,808,591
Net gain on investments held for trading		<b>1,551,251</b>	-
Share of profit of an associate	11	<b>283,511</b>	-
Gain on disposal of property and equipment		<b>59,891</b>	-
Other income		<b>1,346,756</b>	925,970
<b>INVESTMENT AND OTHER INCOME</b>		<b>30,547,782</b>	32,792,726
Salaries and other staff costs		<b>23,274,135</b>	21,413,235
General and administrative expenses	6	<b>9,996,431</b>	8,471,261
Depreciation of property and equipment	13	<b>1,508,426</b>	1,372,112
Depreciation of investment properties	12	<b>1,422,172</b>	1,266,585
Impairment of financial investments	8	<b>421,650</b>	6,301,755
Net loss on investments held for trading		<b>-</b>	523,365
<b>TOTAL EXPENSES</b>		<b>36,622,814</b>	39,348,313
<b>PROFIT FOR THE YEAR BEFORE ALLOCATION TO TAKAFUL BRANCH POLICYHOLDERS</b>		<b>63,056,081</b>	55,443,604
Net surplus attributable to Takaful Branch policyholders		<b>(2,385,715)</b>	(2,028,291)
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>60,670,366</b>	53,415,313
Basic Earnings Per Share	21	<b>3.37</b>	2.97
Diluted Earnings Per Share	21	<b>3.37</b>	2.97

The attached notes 1 to 26 form part of these financial statements.

Doha Insurance Company Q.S.C.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i> <i>Restated</i>
<b>Profit attributable to shareholders</b>	<u><b>60,670,366</b></u>	<u>53,415,313</u>
<b>Other comprehensive income</b>		
Recognised gains and losses on available-for-sale investments during the year	<b>(2,358,079)</b>	(1,835,595)
Transfer to statement of income on impairment of available-for-sale investments during the year	<b>421,650</b>	6,301,755
Exchange difference on translation of foreign operations	<b>7,079</b>	-
Net movement in fair value of available-for-sale investments during the year	<u><b>44,270,212</b></u>	<u>(2,856,233)</u>
<b>Other comprehensive income for the year</b>	<u><b>42,340,862</b></u>	<u>1,609,927</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u><b>103,011,228</b></u>	<u>55,025,240</u>

The attached notes 1 to 26 form part of these financial statements.

# Doha Insurance Company Q.S.C.

## STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 QR	2009 QR Restated	As at 1 January 2009 QR Restated
<b>ASSETS</b>				
Cash and bank balances	7	162,475,181	151,629,231	145,987,552
Financial investments	8	254,567,662	199,538,279	210,539,685
Re-insurance contract assets	9	1,092,728,009	156,848,048	138,128,591
Insurance and other receivables	10	85,714,076	86,629,464	72,730,952
Investment in an associate	11	3,949,790	-	-
Investment properties	12	29,306,638	29,476,560	25,293,870
Property and equipment	13	57,834,496	49,462,130	46,121,627
<b>TOTAL ASSETS</b>		<b>1,686,575,852</b>	<b>673,583,712</b>	<b>638,802,277</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	14	180,000,000	180,000,000	180,000,000
Legal reserve	15	96,405,928	96,405,928	96,405,928
Cumulative changes in fair value		61,025,577	18,691,794	17,081,867
Foreign currency translation reserve	11	7,079	-	-
Retained earnings		46,611,861	32,458,254	25,378,324
Proposed cash dividend	17	45,000,000	45,000,000	45,000,000
<b>Total equity</b>		<b>429,050,445</b>	<b>372,555,976</b>	<b>363,866,119</b>
<b>LIABILITIES</b>				
Insurance contract liabilities	9	1,190,525,577	245,434,241	219,122,712
Provisions, insurance and other payables	18	61,505,782	50,529,413	51,876,823
Employees' end of service benefits	19	5,494,048	5,064,082	3,936,623
<b>Total liabilities</b>		<b>1,257,525,407</b>	<b>301,027,736</b>	<b>274,936,158</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,686,575,852</b>	<b>673,583,712</b>	<b>638,802,277</b>

.....  
Nawaf Bin Nasser Bin Khaled Al-Thani  
Chairman

.....  
Bassam Hussein  
General Manager

The attached notes 1 to 26 form part of these financial statements.

# Doha Insurance Company Q.S.C.

## STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	<i>Notes</i>	<b>2010 QR</b>	2009 <i>QR</i> <i>Restated</i>
<b>OPERATING ACTIVITIES</b>			
Profit attributable to shareholders		<b>60,670,366</b>	53,415,313
Adjustments for:			
Depreciation of property and equipment	13	<b>1,508,426</b>	1,372,112
Depreciation of investment properties	12	<b>1,422,172</b>	1,266,585
Provision for employees' end of service benefits	19	<b>919,169</b>	1,136,626
Impairment of financial investments	8	<b>421,650</b>	6,301,755
Net (gain) loss on investments held for trading		<b>(1,551,251)</b>	523,365
Reinsurers' share of unearned premium		<b>(20,797,804)</b>	1,270,620
Movement in unearned premium		<b>21,885,975</b>	1,020,239
Net gain from sale of financial investments	5	<b>(4,691,132)</b>	(4,766,626)
Dividend income		<b>(6,629,105)</b>	(8,415,627)
Interest income		<b>(7,385,736)</b>	(8,903,860)
Profit distribution from unquoted investment funds		<b>(2,260,244)</b>	(3,808,591)
Share of profit of an associate	11	<b>(283,511)</b>	-
Gain on disposal of property and equipment		<b>(59,891)</b>	-
Operating profit before changes in operating assets and liabilities		<b>43,169,084</b>	40,411,911
Increase in insurance and other receivables		<b>(2,743,812)</b>	(13,898,512)
Increase in insurance reserves		<b>8,123,204</b>	5,301,213
Increase in provisions, insurance and other payables		<b>12,125,941</b>	(942,467)
Margin against letters of guarantee		-	1,383,026
Cash generated from operations		<b>60,674,417</b>	32,255,171
Employees' end of service benefits paid	19	<b>(489,203)</b>	(9,167)
Net cash from operating activities		<b>60,185,214</b>	32,246,004
<b>INVESTING ACTIVITIES</b>			
Purchase of financial investments		<b>(43,759,357)</b>	(18,437,625)
Proceeds from disposal of financial investments		<b>36,884,490</b>	28,990,464
Dividend received		<b>6,629,105</b>	8,415,627
Interest received		<b>7,385,736</b>	8,903,860
Profit distribution from unquoted investment funds		<b>2,260,244</b>	3,808,591
Purchase of investment properties	12	<b>(427,250)</b>	(77,400)
Purchase of property and equipment	13	<b>(10,992,715)</b>	(10,084,490)
Proceeds from sale of property and equipment		<b>346,814</b>	-
Net cash used in investing activities		<b>(1,672,933)</b>	21,519,027
<b>FINANCING ACTIVITY</b>			
Dividends paid	17	<b>(47,666,331)</b>	(46,740,326)
Net cash used in financing activity		<b>(47,666,331)</b>	(46,740,326)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>10,845,950</b>	7,024,705
Cash and cash equivalents at 1 January		<b>151,629,231</b>	144,604,526
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>7</b>	<b>162,475,181</b>	151,629,231

The attached notes 1 to 26 form part of these financial statements.

Doha Insurance Company Q.S.C.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Notes	Share capital QR	Legal reserve QR	Cumulative changes in fair values QR	Foreign currency translation reserve QR	Proposed cash dividends QR	Retained earnings QR	Total QR
Balance at 1 January 2010 as previously reported		180,000,000	96,405,928	18,691,794	-	45,000,000	31,249,047	371,346,769
Restatement of 2008 provision on social and sports activities contribution	16	-	-	-	-	-	1,209,207	1,209,207
Balance at 1 January 2010 ( <i>Restated</i> )		<u>180,000,000</u>	<u>96,405,928</u>	<u>18,691,794</u>	<u>-</u>	<u>45,000,000</u>	<u>32,458,254</u>	<u>372,555,976</u>
Profit attributable to shareholders		-	-	-	-	-	60,670,366	60,670,366
Other comprehensive income for the year		-	-	42,333,783	7,079	-	-	42,340,862
Total comprehensive income for the year		-	-	42,333,783	7,079	-	60,670,366	103,011,228
Social and sports fund appropriation	16	-	-	-	-	-	(1,516,759)	(1,516,759)
Cash dividends		-	-	-	-	(45,000,000)	-	(45,000,000)
Proposed cash dividends	17	-	-	-	-	45,000,000	(45,000,000)	-
<b>Balance at 31 December 2010</b>		<b><u>180,000,000</u></b>	<b><u>96,405,928</u></b>	<b><u>61,025,577</u></b>	<b><u>7,079</u></b>	<b><u>45,000,000</u></b>	<b><u>46,611,861</u></b>	<b><u>429,050,445</u></b>

The attached notes 1 to 26 form part of these financial statements.

# Doha Insurance Company Q.S.C.

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2010

	<i>Notes</i>	<i>Share capital QR</i>	<i>Legal reserve QR</i>	<i>Cumulative changes in fair values QR</i>	<i>Proposed cash dividends QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2009 as previously reported		180,000,000	96,405,928	17,081,867	45,000,000	24,169,117	362,656,912
Restatement of 2008 provision on social and sports activities contribution	16	-	-	-	-	1,209,207	1,209,207
Balance at 1 January 2009 <i>(Restated)</i>		<u>180,000,000</u>	<u>96,405,928</u>	<u>17,081,867</u>	<u>45,000,000</u>	<u>25,378,324</u>	<u>363,866,119</u>
Profit attributable to shareholders		-	-	-	-	53,415,313	53,415,313
Other comprehensive income for the year		-	-	1,609,927	-	-	1,609,927
Total comprehensive income for the year <i>(Restated)</i>		-	-	1,609,927	-	53,415,313	55,025,240
Social and sports fund appropriation	16	-	-	-	-	(1,335,383)	(1,335,383)
Cash dividends		-	-	-	(45,000,000)	-	(45,000,000)
Proposed cash dividends	17	-	-	-	45,000,000	(45,000,000)	-
Balance at 31 December 2009 <i>(Restated)</i>		<u><u>180,000,000</u></u>	<u><u>96,405,928</u></u>	<u><u>18,691,794</u></u>	<u><u>45,000,000</u></u>	<u><u>32,458,254</u></u>	<u><u>372,555,976</u></u>

The attached notes 1 to 26 form part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 1 ACTIVITIES

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

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

The financial statements for the year ended 31 December 2010 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 2011.

### 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 and disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

The adoption of the standards or interpretations is described below:

#### **IFRS 2 *Share-based Payment (Revised)***

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Company adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Company.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Changes in accounting policies and disclosures (continued)**

**IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)***

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company.

**IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items***

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company.

**IFRIC 17 *Distribution of Non-cash Assets to Owners***

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position nor performance of the Company.

**Improvements to IFRSs**

In May 2008 and April 2009, 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 following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

**Issued in May 2008**

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction.

**Issued in April 2009**

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 *Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 7 *Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- IAS 36 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Changes in accounting policies and disclosures (continued)**

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

***Issued in April 2009***

- IFRS 2 *Share-based Payment*
- IAS 1 *Presentation of Financial Statements*
- IAS 17 *Leases*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

**Standards, amendments and interpretations issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

***IAS 24 Related Party Disclosures (Amendment)***

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

***IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)***

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

***IFRS 9 Financial Instruments: Classification and Measurement***

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

***IFRIC 14 Prepayments of a minimum funding requirement (Amendment)***

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Company.

***IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments***

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Standards, amendments and interpretations issued but not yet effective (continued)**

***Improvements to IFRSs (issued in May 2010)***

The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below:

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programmes*

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

**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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Re-insurance**

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

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

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

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

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

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

**Interest income**

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

**Rental income**

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

**Dividend income**

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

**Cash and cash equivalents**

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

**Financial investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including incremental acquisition charges. Premiums and discounts 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” 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial investments (continued)**

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 as 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.

**Investment in an associate**

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

Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

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

**Investment properties**

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

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and equipment**

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

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

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

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

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

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

**Impairment 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.

**Impairment of non-financial assets**

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

**Derecognition of financial instruments**

*Financial assets*

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

*Financial liabilities*

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Net surplus attributable to Islamic Takaful policyholders**

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

**Foreign currencies**

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

**Fair values**

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**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 uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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

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

*Re-insurance*

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

*Unearned premium reserve*

The Company's estimate of the unearned premium reserve is based on current insurance industry practices in Qatar, the Ministry of Economy and Trade directives, and other analysis. The Company monitors its premium growth periodically and 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

**Estimation uncertainty (continued)**

*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 52,708,696 (2009: QR 54,973,452). 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.

Doha Insurance Company Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

4 NET UNDERWRITING RESULTS

	<i>Motor</i>		<i>Marine and Aviation</i>		<i>Fire and General Accident</i>		<i>Total</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Gross premiums	<b>68,198,722</b>	68,530,139	<b>97,399,946</b>	86,522,422	<b>204,312,827</b>	161,488,840	<b>369,911,495</b>	316,541,401
Reinsurers' share of gross premiums	<b>(6,081,073)</b>	(10,188,967)	<b>(88,740,025)</b>	(78,892,468)	<b>(183,134,639)</b>	(137,926,488)	<b>(277,955,737)</b>	(227,007,923)
Net premiums	<b>62,117,649</b>	58,341,172	<b>8,659,921</b>	7,629,954	<b>21,178,188</b>	23,562,352	<b>91,955,758</b>	89,533,478
Change in unexpired risk reserve	<b>(1,510,591)</b>	(1,173,414)	<b>(531,245)</b>	620,586	<b>953,665</b>	(1,738,031)	<b>(1,088,171)</b>	(2,290,859)
Earned insurance premiums	<b>60,607,058</b>	57,167,758	<b>8,128,676</b>	8,250,540	<b>22,131,853</b>	21,824,321	<b>90,867,587</b>	87,242,619
Commissions received	<b>220,078</b>	434,574	<b>5,368,013</b>	3,095,695	<b>16,563,305</b>	16,841,340	<b>22,151,396</b>	20,371,609
Change in deferred commissions	<b>256,681</b>	30,153	<b>(828,063)</b>	(49,407)	<b>29,514</b>	(190,225)	<b>(541,868)</b>	(209,479)
Total underwriting revenues	<b>61,083,817</b>	57,632,485	<b>12,668,626</b>	11,296,828	<b>38,724,672</b>	38,475,436	<b>112,477,115</b>	107,404,749
Claims paid	<b>(29,598,065)</b>	(36,099,986)	<b>(2,415,969)</b>	(2,035,387)	<b>(14,728,379)</b>	(21,055,291)	<b>(46,742,413)</b>	(59,190,664)
Reinsurers' share of claims	<b>741,252</b>	2,528,914	<b>2,244,528</b>	1,884,924	<b>11,554,140</b>	18,392,850	<b>14,539,920</b>	22,806,688
Change in outstanding claims reserve	<b>(6,000,076)</b>	(2,554,063)	<b>(186,367)</b>	(51,289)	<b>(754,484)</b>	(2,486,383)	<b>(6,940,927)</b>	(5,091,735)
Commissions paid	<b>(861,748)</b>	(434,541)	<b>(278,004)</b>	(228,227)	<b>(3,062,830)</b>	(3,267,079)	<b>(4,202,582)</b>	(3,929,847)
<b>Net underwriting results</b>	<b><u>25,365,180</u></b>	<u>21,072,809</u>	<b><u>12,032,814</u></b>	<u>10,866,849</u>	<b><u>31,733,119</u></b>	<u>30,059,533</u>	<b><u>69,131,113</u></b>	<u>61,999,191</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**5 NET GAIN ON SALE OF FINANCIAL INVESTMENTS**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Net gain on sale of available-for-sale investments	2,358,079	1,835,595
Net gain on sale of investment held for trading	<u>2,333,053</u>	<u>2,931,031</u>
	<u><u>4,691,132</u></u>	<u><u>4,766,626</u></u>

**6 GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Board of director's remuneration (Note 20)	4,400,000	3,300,000
Rent, maintenance and office expenses	1,812,470	1,334,907
Advertisement and business promotion	1,000,993	1,069,526
Business travel	454,605	527,218
Legal and consultation fees	405,610	359,756
Printing and stationery	397,998	408,773
Government fees	211,325	267,719
Miscellaneous expenses	<u>1,313,430</u>	<u>1,203,362</u>
	<u><u>9,996,431</u></u>	<u><u>8,471,261</u></u>

**7 CASH AND CASH EQUIVALENTS**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Bank balances	162,402,612	151,529,341
Cash on hand	<u>72,569</u>	<u>99,890</u>
	<u><u>162,475,181</u></u>	<u><u>151,629,231</u></u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**8 FINANCIAL INVESTMENTS**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Held to maturity investments:		
Unquoted debt securities denominated in US Dollars with fixed interest rate	<u>20,773,210</u>	<u>26,719,631</u>
Held for trading:		
Quoted shares	<u>8,898,649</u>	<u>8,128,729</u>
Available-for-sale investments:		
- Quoted shares	<u>150,153,233</u>	102,149,403
- Unquoted investment funds	<u>74,742,570</u>	<u>62,540,516</u>
	<u>224,895,803</u>	<u>164,689,919</u>
	<u>254,567,662</u>	<u>199,538,279</u>

The market value of held to maturity investments amounted to QR 25,639,680 as of 31 December 2010 (2009: QR 28,760,396).

In accordance with IAS 39, the Company recognised an impairment loss on quoted shares of QR 421,650 (2009 : QR 6,301,755) during the year.

**9 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
<b>Gross</b>		
Insurance contract liabilities:		
Claims reported unsettled	1,029,227,317	106,806,053
Claims incurred but not reported	9,195,576	8,953,348
Unearned premiums	145,411,514	123,525,538
Deferred commissions	<u>6,691,170</u>	<u>6,149,302</u>
Total insurance contract liabilities	<u>1,190,525,577</u>	<u>245,434,241</u>
<b>Recoverable from reinsurers:</b>		
Claims reported unsettled	983,818,648	68,736,492
Unearned premiums	<u>108,909,361</u>	<u>88,111,556</u>
Total re-insurance contract assets	<u>1,092,728,009</u>	<u>156,848,048</u>
<b>Net</b>		
Claims reported unsettled	45,408,669	38,069,561
Claims incurred but not reported	9,195,576	8,953,348
Unearned premiums	36,502,153	35,413,982
Deferred commissions	<u>6,691,170</u>	<u>6,149,302</u>
	<u>97,797,568</u>	<u>88,586,193</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**9 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS (continued)**

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

	2010			2009		
	Gross QR	Reinsurers' share QR	Net QR	Gross QR	Reinsurers' share QR	Net QR
At 1 January						
Claims	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
	115,759,401	(68,736,492)	47,022,909	90,677,589	(48,746,415)	41,931,174
Insurance claims paid in the year	(46,742,414)	14,539,920	(32,202,494)	(59,190,664)	22,806,688	(36,383,976)
Incurred during the year	969,405,906	(929,622,076)	39,783,830	84,272,476	(42,796,765)	41,475,711
At 31 December	1,038,422,893	(983,818,648)	54,604,245	115,759,401	(68,736,492)	47,022,909

**Analysis of outstanding claims at 31 December**

	2010			2009		
	Gross QR	Reinsurers' share QR	Net QR	Gross QR	Reinsurers' share QR	Net QR
Claims outstanding	1,029,227,317	(983,818,648)	45,408,669	106,806,053	(68,736,492)	38,069,561
Claims incurred but not reported	9,195,576	-	9,195,576	8,953,348	-	8,953,348
At 31 December	1,038,422,893	(983,818,648)	54,604,245	115,759,401	(68,736,492)	47,022,909

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).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**9 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS (continued)**

**Claims development 2010**

The following table show the estimate cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date:

	<i>Accident year</i>					<b>Total QR</b>
	<i>Before 2007 QR</i>	<i>2007 QR</i>	<i>2008 QR</i>	<i>2009 QR</i>	<i>2010 QR</i>	
Estimate of cumulative claims						
At end of the accident year	126,311,198	41,819,805	69,175,817	98,382,539	1,002,576,804	
One year later	127,600,088	41,608,594	69,955,463	96,170,615	-	
Two years later	128,044,755	41,397,383	70,876,862	-	-	
Three years later	127,857,866	42,242,228	-	-	-	
Four years later	128,888,978	-	-	-	-	
Current estimate of cumulative claims	128,888,978	42,242,228	70,876,862	96,170,615	1,002,576,804	1,340,755,487
Cumulative payments to date	<u>(116,628,315)</u>	<u>(31,685,108)</u>	<u>(48,904,690)</u>	<u>(57,886,415)</u>	<u>(47,228,066)</u>	<u>(302,332,594)</u>
Total cumulative claims recognized in the statement of financial position as of 31 December 2010	<b><u>12,260,663</u></b>	<b><u>10,557,120</u></b>	<b><u>21,972,172</u></b>	<b><u>38,284,200</u></b>	<b><u>955,348,738</u></b>	<b><u>1,038,422,893</u></b>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**9 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS (continued)**

**Claims development 2009**

The following table show the estimate cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date:

	<i>Accident year</i>					<b>Total QR</b>
	<i>Before 2006 QR</i>	<i>2006 QR</i>	<i>2007 QR</i>	<i>2008 QR</i>	<i>2009 QR</i>	
Estimate of cumulative claims						
At end of the accident year	112,124,946	57,541,328	48,989,638	79,761,796	87,914,056	
One year later	113,269,079	57,250,716	49,541,775	77,968,520	-	
Two years later	113,663,804	56,960,103	50,194,301	-	-	
Three years later	113,497,905	58,122,554	-	-	-	
Four years later	114,413,211	-	-	-	-	
Current estimate of cumulative claims	114,413,211	58,122,554	50,194,301	77,968,520	87,914,056	388,612,642
Cumulative payments to date	<u>(108,755,903)</u>	<u>(47,808,903)</u>	<u>(38,042,210)</u>	<u>(45,039,145)</u>	<u>(33,207,080)</u>	<u>(272,853,241)</u>
Total cumulative claims recognized in the statement of financial position as of 31 December 2009	<u>5,657,308</u>	<u>10,313,651</u>	<u>12,152,091</u>	<u>32,929,375</u>	<u>54,706,976</u>	<u>115,759,401</u>



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**10 INSURANCE AND OTHER RECEIVABLES**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Due from policy holders	<b>52,708,696</b>	54,973,452
Reinsurers – amounts due in respect of claims paid	<b>27,926,389</b>	16,985,364
Advances for investment	-	8,709,200
Prepayments and others	<b>5,078,991</b>	5,961,448
	<b><u>85,714,076</u></b>	<b><u>86,629,464</u></b>

Due from policy holders comprise a large number of customers mainly within Qatar. Three companies accounted for 23% of receivable balances as of 31 December 2010 (2009: 21%).

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. In 2010, an advance for investment amounting to QR 3,659,200 was transferred to the Company's share capital of an associate company in the Republic of Yemen (See Note 11). The Company refunded QR 5,050,000 representing the advance for investment relating to the company which will be incorporated in the State of Qatar.

**11 INVESTMENT IN AN ASSOCIATE COMPANY**

The Company has the following investment in an associate:

	<i>Country of incorporation</i>	<i>Ownership</i>	<i>2010</i>	<i>2009</i>
Yemeni Qatari Insurance Company	Republic of Yemen	40%	-	-

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

Movements in investment in an associate are as follows:

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
At 1 January	-	-
Transfer from advances for investment (Note 10)	<b>3,659,200</b>	-
Share of profits	<b>283,511</b>	-
Foreign currency translation difference	<b>7,079</b>	-
At 31 December	<b><u>3,949,790</u></b>	<b><u>-</u></b>

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At 31 December 2010

**11 INVESTMENT IN AN ASSOCIATE COMPANY (continued)**

The following table illustrates summarised financial information of the Company's investment in Yemeni Qatari Insurance Company:

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Share of the associate's statement of financial position:		
Current assets	5,116,712	-
Non-current assets	72,842	-
Current liabilities	<u>(1,239,764)</u>	<u>-</u>
Net assets	<u>3,949,790</u>	<u>-</u>
Share of the associate's revenues and results:		
Revenues	<u>529,998</u>	<u>-</u>
Results	<u>283,511</u>	<u>-</u>

**12 INVESTMENT PROPERTIES**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Cost:		
At 1 January	36,511,134	31,061,859
Additions	427,250	77,400
Transfer	<u>825,000</u>	<u>5,371,875</u>
	<u>37,763,384</u>	<u>36,511,134</u>
Accumulated depreciation:		
At 1 January	7,034,574	5,767,989
Provided during the year	<u>1,422,172</u>	<u>1,266,585</u>
	<u>8,456,746</u>	<u>7,034,574</u>
Net carrying value	<u>29,306,638</u>	<u>29,476,560</u>

At 31 December 2010, the fair value of investment properties as determined by management was QR 88,916,980 (2009: QR 88,916,980).

Doha Insurance Company Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**13 PROPERTY AND EQUIPMENT**

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

Amount of land under development represents 77% (2009: 66%) advance payment from the purchase price of land at Marina Project – Lusail Qatar for a total amount of QR 65,474,510. (See Note 26).

Doha Insurance Company Q.S.C.

NOTES TO THE FINANCIAL STATEMENTS

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**13 PROPERTY AND EQUIPMENT (continued)**

	<i>Freehold land QR</i>	<i>Land under development QR</i>	<i>Building QR</i>	<i>Capital work-in- progress QR</i>	<i>Furniture and fixtures QR</i>	<i>Computers QR</i>	<i>Vehicles QR</i>	<i>Office equipment QR</i>	<i>Total QR</i>
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	<u>2,350,000</u>	<u>43,376,864</u>	<u>8,241,762</u>	<u>825,000</u>	<u>2,138,956</u>	<u>2,206,667</u>	<u>907,910</u>	<u>413,852</u>	<u>60,461,011</u>
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	<u>-</u>	<u>-</u>	<u>6,819,684</u>	<u>-</u>	<u>1,686,001</u>	<u>1,623,293</u>	<u>630,501</u>	<u>239,402</u>	<u>10,998,881</u>
Net carrying amount									
At 31 December 2009	<u>2,350,000</u>	<u>43,376,864</u>	<u>1,422,078</u>	<u>825,000</u>	<u>452,955</u>	<u>583,374</u>	<u>277,409</u>	<u>174,450</u>	<u>49,462,130</u>

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**14 SHARE CAPITAL**

	<i>Authorised capital</i>	<i>Issued and fully paid up 2010</i>	<i>Issued and fully paid up 2009</i>
Share capital of QR 10 each (QR)	<u>180,000,000</u>	<u><b>180,000,000</b></u>	<u>180,000,000</u>
No. of shares of QR 10 each (Nos.)	<u>18,000,000</u>	<u><b>18,000,000</b></u>	<u>18,000,000</u>

**15 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 2010 as the reserve has reached the 50% limit as per the requirements of Law No. 5 of 2002.

**16 SOCIAL AND SPORTS FUND**

Pursuant to Law No. 13 of 2008, the Company recorded provisions for social and sports activities contribution directly to the statement of income amounting to QR 1,335,383 and QR 1,209,207 in 2009 and 2008, respectively. In accordance with the clarifications of the law issued in 2010, the provisions shall be an appropriation from retained earnings rather than recording it through the statement of income. The provisions in 2009 and 2008 have been considered as a restatement of the 2009 retained earnings.

During the year, the Company made an appropriation from retained earnings of QR 1,516,759 to the Social and Sports Development Fund of Qatar. This amount represents 2.5% of the net profit attributable to shareholders for the year ended 31 December 2010. The 2009 appropriation has been remitted to the Public Revenues and Taxes Department during the year.

**17 DIVIDENDS**

The Board of Directors decided in its meeting held on 24 January 2011 to propose to the forthcoming General Assembly to approve the distribution of cash dividends for the year 2010 of QR 2.50 per share totalling QR 45,000,000 and representing 25% of share capital (2009: 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 47,666,331 (2009: QR 46,740,326).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**18 PROVISIONS, INSURANCE AND OTHER PAYABLES**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i> <i>Restated</i>	<i>2008</i> <i>QR</i> <i>Restated</i>
Due to insurance and re-insurance companies	<b>30,943,440</b>	23,266,800	30,798,456
Dividends payable	<b>6,726,831</b>	9,393,162	11,133,488
Trade payables	<b>6,662,091</b>	5,703,244	2,878,188
Staff related accruals	<b>5,275,424</b>	4,347,329	3,571,129
Board of directors' remuneration payable	<b>4,400,000</b>	3,300,000	2,750,000
Net surplus attributable to Islamic Takaful policyholders	<b>5,045,863</b>	2,660,148	631,857
Provision for social and sports activities contribution	<b>1,516,759</b>	1,335,383	-
Accrued expenses	<b>935,374</b>	523,347	113,705
	<b><u>61,505,782</u></b>	<u>50,529,413</u>	<u>51,876,823</u>

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.

**19 EMPLOYEES' END OF SERVICE BENEFITS**

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

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Provision as at 1 January	<b>5,064,082</b>	3,936,623
Provided during the year	<b>919,169</b>	1,136,626
End of service benefits paid	<b>(489,203)</b>	(9,167)
Provision as at 31 December	<b><u>5,494,048</u></b>	<u>5,064,082</u>

**20 DIRECTORS' REMUNERATION**

The Board of Directors proposed the distribution of QR 4,400,000 as remuneration to board members for the year 2010 (2009: QR 3,300,000). The abovementioned remuneration is included under general and administrative expenses in the statement of income (See Note 6).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**21 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.

	<b>2010</b> <b>QR</b>	<b>2009</b> <b>QR</b> <i>Restated</i>
Profit attributable to the shareholders (QR)	<u>60,670,366</u>	<u>53,415,313</u>
Weighted average number of shares outstanding during the year	<u>18,000,000</u>	<u>18,000,000</u>
Basic earnings per share (QR)	<u>3.37</u>	<u>2.97</u>

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.

**22 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:

	<u>2010</u>		<u>2009</u>	
	<i>Premiums</i> <b>QR</b>	<i>Claims</i> <b>QR</b>	<i>Premiums</i> <b>QR</b>	<i>Claims</i> <b>QR</b>
Major shareholders	<u>3,921,142</u>	<u>539,212</u>	<u>5,043,155</u>	<u>1,073,971</u>

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

	<u>2010</u>		<u>2009</u>	
	<i>Receivables</i> <b>QR</b>	<i>Claims and payables</i> <b>QR</b>	<i>Receivables</i> <b>QR</b>	<i>Claims and payables</i> <b>QR</b>
Major shareholders	<u>10,204,778</u>	<u>7,755,716</u>	<u>9,729,362</u>	<u>6,731,105</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**22 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:

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
Board of directors' remuneration	4,400,000	3,300,000
Short-term benefits	3,336,000	2,604,800
End of service and other benefits	<u>2,830,400</u>	<u>2,780,550</u>
	<u><b>10,566,400</b></u>	<u><b>8,685,350</b></u>

**23 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

The fair values of the financial assets and liabilities, with the exception of certain available-for-sale investments carried at cost (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:

	<i>Level 1</i> <i>QR</i>	<i>Level 2</i> <i>QR</i>	<i>Level 3</i> <i>QR</i>	<i>Total</i> <i>QR</i>
<b>31 December 2010</b>				
<b>Financial assets</b>				
Financial investments	<u>159,051,882</u>	<u>72,342,570</u>	<u>-</u>	<u>231,394,452</u>
<b>Total</b>	<u><b>159,051,882</b></u>	<u><b>72,342,570</b></u>	<u><b>-</b></u>	<u><b>231,394,452</b></u>
<i>31 December 2009</i>	<i>Level 1</i> <i>QR</i>	<i>Level 2</i> <i>QR</i>	<i>Level 3</i> <i>QR</i>	<i>Total</i> <i>QR</i>
Financial assets				
Financial investments	<u>110,278,132</u>	<u>59,520,516</u>	<u>-</u>	<u>169,798,648</u>
Total	<u>110,278,132</u>	<u>59,520,516</u>	<u>-</u>	<u>169,798,648</u>

During the year ending 31 December 2010, 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.



NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**24 RISK MANAGEMENT**

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

*Insurance risk*

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

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

*Frequency and amounts of claims*

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

*Fire and general accident - Property*

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

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

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has re-insurance cover for such damage to limit losses for any individual claim to QR 200,000 (2009 : 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 policies for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals. The Company has re-insurance cover to limit losses for any individual claim to QR 200,000 (2009: QR 200,000) during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**24 RISK MANAGEMENT (continued)**

*Insurance risk (continued)*

*Marine*

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

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has entered into re-insurance agreements to limit losses for any individual claim to QR 200,000 (2009: QR 150,000) during the year.

*Re-insurance risk*

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for re-insurance purposes. Such re-insurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the re-insurance is effected under treaty, facultative and excess-of-loss re-insurance contracts.

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

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

*Concentration of risks*

The Company's insurance risk relates to policies written in the State of Qatar only. The segmental concentration of insurance risk is set out in Note 25.

*Sensitivity of changes in assumption*

The Company does not have any single insurance contract or a small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that may involve significant litigation. A 5% change in the average claims ratio will have no material impact on the statement of income (2009: same).

**Financial risk**

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

The Company does not enter into derivative transactions.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**24 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 re-insurance balances receivable.

*Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 2010.

There is no impact on the Company's equity.

	<i>Increase/decrease in basis points</i>	<i>Effect on profit for the year QR</i>
<b>2010</b>	<b>+25</b>	<b>372,075</b>
	<b>-50</b>	<b>(744,150)</b>
2009	+25	407,505
	-50	(815,010)

*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 23% of the accounts receivables as of 31 December 2010 (2009: 21%). Two re-insurance companies account for 54% of the re-insurance receivables as of 31 December 2010 (2009: 58%)

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**24 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.

	<i>Notes</i>	<b>2010 QR</b>	<b>2009 QR</b>
Bank balances	7	<b>162,402,612</b>	151,529,341
Financial investments	8	<b>20,773,210</b>	26,719,631
Re-insurance contract assets	9	<b>1,092,728,009</b>	156,848,048
Insurance and other receivables	10	<b>85,714,079</b>	86,629,464
<b>Total</b>		<b><u>1,361,617,910</u></b>	<b><u>421,726,484</u></b>

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

	<i>Total QR</i>	<i>Neither past due nor impaired QR</i>	<b><i>Past due but not impaired</i></b>			
			<i>&lt; 4 months QR</i>	<i>4 – 6 months QR</i>	<i>7 – 9 months QR</i>	<i>&gt;9 months QR</i>
<b>2010</b>	<b>1,361,617,910</b>	<b>1,311,165,292</b>	<b>16,229,331</b>	<b>26,369,751</b>	<b>6,859,241</b>	<b>994,295</b>
2009	421,726,484	375,332,863	23,234,682	16,951,050	3,330,924	2,876,965

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**24 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.

	<i>31 December 2010</i>				<i>31 December 2009</i>			
	<i>Less than one year</i>	<i>More than one year</i>	<i>No term</i>	<i>Total</i>	<i>Less than one year</i>	<i>More than one year</i>	<i>No term</i>	<i>Total</i>
Insurance contract liabilities	<b>152,102,684</b>	-	<b>1,038,422,893</b>	<b>1,190,525,577</b>	129,674,840	-	115,759,401	245,434,241
Provisions, insurance and other payables	<b>61,505,782</b>	-	-	<b>61,505,782</b>	50,529,413	-	-	50,529,413
<b>TOTAL LIABILITIES</b>	<b>213,608,466</b>	-	<b>1,038,422,893</b>	<b>1,252,031,359</b>	180,204,253	-	115,759,401	295,963,654

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**24 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.

	<i>Changes in equity prices</i>	<i>Effect on equity QR</i>	<i>Effect on profit QR</i>
<b>2010</b>			
Held for trading	+5%	-	444,932
Available-for-sale investments	+5%	11,239,599	-
<b>2009</b>			
Held for trading	+5%	-	406,436
Available-for-sale investments	+5%	8,234,496	-

***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:

	<b>2010</b> <b>QR</b>	2009 QR <i>Restated</i>	2008 QR <i>Restated</i>
Total shareholders' equity	<b>429,050,445</b>	372,555,976	363,866,119
Cash and bank balances	<b>(162,475,181)</b>	(151,629,231)	(145,987,552)
	<b><u>266,575,264</u></b>	<u>220,926,745</u>	<u>217,878,567</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**25 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.

# Doha Insurance Company Q.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 25 SEGMENT INFORMATION (continued)

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

	2010			2009		
	<i>Conventional Insurance QR</i>	<i>Takaful Insurance QR</i>	<i>Total QR</i>	<i>Conventional Insurance QR</i>	<i>Takaful Insurance QR</i>	<i>Total QR</i>
Gross premiums	351,077,808	18,833,687	369,911,495	297,123,487	19,417,914	316,541,401
Reinsurers' share of gross premiums	(264,179,797)	(13,775,940)	(277,955,737)	(211,616,080)	(15,391,843)	(227,007,923)
Net premiums	86,898,011	5,057,747	91,955,758	85,507,407	4,026,071	89,533,478
Change in unexpired risk reserve	(676,581)	(411,590)	(1,088,171)	(1,250,370)	(1,040,489)	(2,290,859)
Earned insurance premiums	86,221,430	4,646,157	90,867,587	84,257,037	2,985,582	87,242,619
Commissions received	21,599,957	551,439	22,151,396	19,842,967	528,642	20,371,609
Change in deferred commissions	(558,358)	16,490	(541,868)	(33,444)	(176,035)	(209,479)
Total underwriting revenues	107,263,029	5,214,086	112,477,115	104,066,560	3,338,189	107,404,749
Claims paid	(44,658,517)	(2,083,896)	(46,742,413)	(58,911,343)	(279,321)	(59,190,664)
Reinsurers' share of claims	14,026,095	513,825	14,539,920	22,750,159	56,529	22,806,688
Change in outstanding claims reserve	(6,213,763)	(727,164)	(6,940,927)	(4,511,484)	(580,251)	(5,091,735)
Commission paid	(4,112,141)	(90,441)	(4,202,582)	(3,906,003)	(23,844)	(3,929,847)
Net underwriting results	66,304,703	2,826,410	69,131,113	59,487,889	2,511,302	61,999,191
Investment and other income	30,088,772	459,010	30,547,782	32,712,639	80,087	32,792,726
Total expenses	(35,723,109)	(899,705)	(36,622,814)	(38,785,215)	(563,098)	(39,348,313)
<b>Profit for the year</b>	<b>60,670,366</b>	<b>2,385,715</b>	<b>63,056,081</b>	<b>53,415,313</b>	<b>2,028,291</b>	<b>55,443,604</b>
<b>Assets</b>						
Total assets	1,665,737,597	20,838,255	1,686,575,852	654,893,044	18,690,668	673,583,712
<b>Liabilities</b>						
Insurance contract liabilities	(1,181,708,390)	(8,817,187)	(1,190,525,577)	(237,112,697)	(8,321,544)	(245,434,241)
Net surplus attributable to Islamic Takaful policyholders	-	(5,045,863)	(5,045,863)	-	(2,660,148)	(2,660,148)
Liabilities (other than insurance funds)	(59,978,762)	(1,975,205)	(61,953,967)	(50,224,371)	(2,708,976)	(52,933,347)
<b>Net assets</b>	<b>424,050,445</b>	<b>5,000,000</b>	<b>429,050,445</b>	<b>367,555,976</b>	<b>5,000,000</b>	<b>372,555,976</b>



NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

**26 COMMITMENTS AND CONTINGENCIES**

***Guarantees***

At 31 December 2010 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 1,176,424 (2009: QR 1,681,585).

***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***

	<b>2010</b>	<b>2009</b>
	<b>QR</b>	<b>QR</b>
Land under development	<b><u>12,276,474</u></b>	<b><u>22,097,646</u></b>

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 2010, the Company had paid a total amount of QR 53,198,036 (2009: QR 43,376,864). The remaining payments under the contract are:

	<b>2010</b>	<b>2009</b>
	<b>QR</b>	<b>QR</b>
Not later than one year	<b>9,821,172</b>	9,821,172
Later than one year and not later than 3 years	<b><u>2,455,302</u></b>	<u>12,276,474</u>
	<b><u>12,276,474</u></b>	<b><u>22,097,646</u></b>

Doha Insurance Company Q.S.C.

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2010

**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 2010**

	<i>2010</i>	<i>2009</i>
	<i>QR</i>	<i>QR</i>
<b>POLICYHOLDERS' OPERATIONS ASSETS</b>		
Cash on hand	19,462	-
Bank balances (Islamic Banks)	11,975,782	10,872,198
Re-insurance contract assets	5,220,368	5,846,988
Due from policy holders	2,571,933	1,572,986
Reinsurers – amounts due in respect of claims paid	949,305	348,878
Prepayments and others	95,075	35,847
Property and equipment	<u>6,330</u>	<u>13,770</u>
<b>TOTAL ASSETS</b>	<b><u>20,838,255</u></b>	<b><u>18,690,668</u></b>
<b>PARTICIPANTS' FUND AND LIABILITIES</b>		
<b>PARTICIPANTS' FUND</b>		
Participants' account	<u>10,045,863</u>	<u>7,660,148</u>
<b>LIABILITIES</b>		
Insurance contract liabilities	8,817,187	8,321,544
Provisions, insurance and other payables	<u>1,975,205</u>	<u>2,708,976</u>
<b>Total liabilities</b>	<b><u>10,792,392</u></b>	<b><u>11,030,520</u></b>
<b>TOTAL PARTICIPANTS' FUND AND LIABILITIES</b>	<b><u>20,838,255</u></b>	<b><u>18,690,668</u></b>

Doha Insurance Company Q.S.C.

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SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS  
For the Year Ended 31 December 2010

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

**(ii) Statement of Income for the year ended 31 December 2010**

	<i>2010</i> <i>QR</i>	<i>2009</i> <i>QR</i>
<b>PARTICIPANTS' REVENUES AND EXPENSES</b>		
<b>REVENUE</b>		
Net Takaful revenue	<b>2,826,410</b>	2,511,302
Other income	<b>459,010</b>	80,087
	<b><u>3,285,420</u></b>	<b><u>2,591,389</u></b>
<b>EXPENSES</b>		
Salaries and other staff costs	<b>577,293</b>	446,867
General and administrative expenses	<b>314,972</b>	108,791
Depreciation expense	<b>7,440</b>	7,440
<b>Total Takaful expenses</b>	<b><u>899,705</u></b>	<b><u>563,098</u></b>
<b>SURPLUS FOR THE YEAR TRANSFERRED TO PARTICIPANTS' FUND</b>	<b><u>2,385,715</u></b>	<b><u>2,028,291</u></b>