

**Al Khaleej Takaful Insurance &
Reinsurance Company Q.S.C.**
(Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2009

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL KHALEEJ TAKAFUL INSURANCE & REINSURANCE COMPANY Q.S.C.
(FORMERLY AL KHALEEJ INSURANCE & REINSURANCE COMPANY Q.S.C.)**

Report on the Consolidated Financial Statements

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

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on legal and other regulatory requirements

Furthermore, in our opinion, proper financial records have been kept by the Group and the contents of the directors' report which relate to the financial statements are in agreement with the Group'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 Group or on its financial position.

Firas Qoussous
Ernst & Young
Registration Auditor No. 236

Date: 18 February 2010
Doha

Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.)

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Gross premiums	26	281,899,004	267,276,723
Reinsurers' share of gross premiums	26	(151,764,464)	(148,856,704)
Net premiums	26	130,134,540	118,420,019
Change in unexpired risk reserve		(8,123,570)	(6,162,379)
Earned insurance premiums		122,010,970	112,257,640
Commissions received on ceded reinsurance	26	26,783,316	27,291,373
Claims incurred	4	(158,874,190)	(94,023,340)
Reinsurers' share of claims incurred	4	66,507,973	8,549,283
Commissions paid		(8,918,542)	(8,570,539)
NET UNDERWRITING RESULTS		47,509,527	45,504,417
Interest income		364,145	1,499,289
Dividend income		28,974,787	22,386,770
Net realised gains on available-for-sale investments	5	27,729,326	79,202,899
Gain on sale of investment properties		-	14,719,058
Rental income		6,957,861	5,596,488
Other income		644,599	972,095
TOTAL INVESTMENT AND OTHER INCOME		64,670,718	124,376,599
General and administrative expenses		(36,828,134)	(38,306,660)
Impairment of available-for-sale investments	8	(554,500)	(40,218,615)
Depreciation	6	(2,854,054)	(1,384,966)
TOTAL EXPENSES		(40,236,688)	(79,910,241)
PROFIT FOR THE YEAR BEFORE ALLOCATION TO TAKAFUL POLICYHOLDERS		71,943,557	89,970,775
Net surplus attributable to Takaful policyholders	22	(3,948,789)	(2,955,485)
PROFIT FOR THE YEAR BEFORE PROVISION FOR SOCIAL AND SPORTS ACTIVITIES CONTRIBUTION		67,994,768	87,015,290
Provision for social and sports activities contribution		(1,081,294)	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		66,913,474	87,015,290
Basic/Diluted Earnings Per Share	7	4.70	6.12

The attached notes 1 to 27 form part of these consolidated financial statements.

Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Profit for the year	<u>66,913,474</u>	<u>87,015,290</u>
Other comprehensive income (loss)		
Recognised gains and losses on available for sale investments	(27,729,326)	(79,202,899)
Transfer to consolidated statement of income on impairment of available-for-sale investments	554,500	40,218,615
Net movement in fair value of available for sale investments	<u>26,223,370</u>	<u>(115,110,724)</u>
Other comprehensive loss for the year	<u>(951,456)</u>	<u>(154,095,008)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>65,962,018</u>	<u>(67,079,718)</u>

The attached notes 1 to 27 form part of these consolidated financial statements.

Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	<i>Notes</i>	2009 QR	2008 QR
ASSETS			
Cash and cash equivalents		68,960,038	51,068,244
Time deposits		100,000	100,000
Available-for-sale investments	8	346,137,436	338,707,192
Investment in an associate	9	21,454,007	21,454,007
Receivable arising from insurance contracts	10	41,411,887	61,115,922
Reinsurance balances receivable	11	15,539,685	8,847,939
Reinsurers' share of unexpired risks	18	57,507,694	56,823,861
Reinsurers' share of outstanding claims	19	53,156,330	20,446,064
Other receivable and prepayments	12	11,833,793	3,387,029
Investment properties	13	178,028,497	162,634,288
Property and equipment	14	8,447,876	9,038,948
Capital work-in-progress		11,907,814	11,345,440
TOTAL ASSETS		814,485,057	744,968,934
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	142,296,000	142,296,000
Statutory reserve	16	72,241,531	71,711,531
General reserve		48,971	48,971
Proposed cash dividends	17	42,688,800	42,688,800
Cumulative changes in fair value		152,667,036	153,618,492
Retained earnings		88,225,616	64,530,942
Total equity		498,167,954	474,894,736
LIABILITIES			
Liabilities arising from insurance contracts:			
Unexpired risk	18	120,856,455	113,191,328
Gross outstanding claims	19	89,153,093	51,463,824
Claims incurred but not reported	19	5,711,349	13,447,235
		215,720,897	178,102,387
Surplus of takaful operations	22	10,403,604	8,722,818
Accounts payable and other liabilities	20	69,622,840	51,564,687
Reinsurance balances payable		15,755,592	27,577,535
Employees' end of service benefits	21	4,814,170	4,106,771
		90,192,602	83,248,993
Total liabilities		316,317,103	270,074,198
EQUITY AND LIABILITIES		814,485,057	744,968,934

Abdulla Bin Ahmed Al Ahmed Al-Thani
Deputy Chairman

Saoud Bin Abdulla Mohd J. Al-Thani
Managing Director

Jassim Ali Abdul Rahman Al Mofтах
General Manager

The attached notes 1 to 27 form part of these consolidated financial statements.

Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
OPERATING ACTIVITIES			
Profit attributable to shareholders		66,913,474	87,015,290
Adjustments for:			
Movement in unearned premium		6,981,294	5,611,451
Depreciation	6	2,854,054	1,384,966
Impairment of available-for-sale investments	8	554,500	40,218,615
Interest income		(364,145)	(1,499,289)
Gain on sale of available-for-sale investments	5	(27,729,326)	(79,202,899)
Dividend income		(28,974,787)	(22,386,770)
Rental income		(6,957,861)	(5,596,488)
Profit on sale of property and equipment		(13,250)	(4,025)
Profit on sale of investment properties		-	(14,719,058)
Provision for employee's end of service benefits	21	737,326	1,464,606
		14,001,279	12,286,399
Operating profit before changes in operating assets and liabilities		19,704,035	(10,848,067)
Receivable arising from insurance contracts		(6,691,746)	3,171,056
Reinsurance balances receivable		(32,710,266)	36,606,973
Reinsurers' share of outstanding claims		(8,446,764)	(986,729)
Other receivable and prepayments		37,689,269	(35,767,139)
Gross outstanding claims		(7,735,886)	4,695,426
Claims incurred but not reported		17,686,122	(14,952,329)
Accounts payable and other liabilities		(11,821,943)	12,209,882
Reinsurance balances payable		1,510,985	2,955,485
Net surplus attributable to Takaful policyholders		(29,927)	-
Employees' end of service benefits paid	21	(29,927)	-
		23,155,158	9,370,957
Net cash from operating activities		23,155,158	9,370,957
INVESTING ACTIVITIES			
Net movement in available-for-sale investments		18,962,927	4,650,370
Capital work-in-progress		(562,374)	(6,785,932)
Dividend received		28,974,787	22,386,770
Purchase of investment properties	13	(17,377,562)	(126,710,780)
Purchase of property and equipment	14	(298,378)	(1,288,377)
Proceeds from sale of property and equipment		31,999	13,236
Rental income		6,957,861	5,596,488
Interest received		364,145	1,499,289
Time deposit with maturities in excess of three months		-	21,932,089
Investment in associate		-	(21,454,007)
Proceeds from sale of investment properties		-	79,895,224
		37,053,405	(20,265,630)
Net cash from (used in) investing activities		37,053,405	(20,265,630)
FINANCING ACTIVITIES			
Dividends paid		(42,316,769)	(20,328,000)
Payment of Zakat		-	(182,141)
Proceeds from sale of fractional shares arising from bonus share issue		-	48,971
		(42,316,769)	(20,461,170)
Net cash used in financing activities		(42,316,769)	(20,461,170)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		17,891,794	(31,355,843)
Cash and cash equivalents at 1 January		51,068,244	82,424,087
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		68,960,038	51,068,244

The attached notes 1 to 27 form part of these consolidated financial statements.

Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	<i>Share Capital QR</i>	<i>Statutory reserve QR</i>	<i>General reserve QR</i>	<i>Proposed cash dividends QR</i>	<i>Cumulative changes in fair values QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2009	142,296,000	71,711,531	48,971	42,688,800	153,618,492	64,530,942	474,894,736
Profit for the year	-	-	-	-	-	66,913,474	66,913,474
Other comprehensive loss for the year	-	-	-	-	(951,456)	-	(951,456)
Total comprehensive income (loss) for the year	-	-	-	-	(951,456)	66,913,474	65,962,018
Transfer to legal reserve	-	530,000	-	-	-	(530,000)	-
Cash dividends	-	-	-	(42,688,800)	-	-	(42,688,800)
Proposed dividend (Note 17)	-	-	-	42,688,800	-	(42,688,800)	-
Balance at 31 December 2009	142,296,000	72,241,531	48,971	42,688,800	152,667,036	88,225,616	498,167,954

The attached notes 1 to 27 form part of these consolidated financial statements.

Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2009

	<i>Share capital QR</i>	<i>Statutory reserve QR</i>	<i>General reserve QR</i>	<i>Proposed cash dividends QR</i>	<i>Proposed issue of bonus shares QR</i>	<i>Cumulative changes in fair values QR</i>	<i>Retained earnings QR</i>	<i>Total QR</i>
Balance at 1 January 2008	101,640,000	71,200,000	-	20,328,000	40,656,000	307,713,500	20,898,124	562,435,624
Profit for the year	-	-	-	-	-	-	87,015,290	87,015,290
Other comprehensive loss for the year	-	-	-	-	-	(154,095,008)	-	(154,095,008)
Total comprehensive income (loss) for the year	-	-	-	-	-	(154,095,008)	87,015,290	(67,079,718)
Transfer to legal reserve	-	511,531	-	-	-	-	(511,531)	-
Bonus shares issued for 2007 (Note 15)	40,656,000	-	-	-	(40,656,000)	-	-	-
Gain on sale of fractional shares arising from bonus share issue	-	-	48,971	-	-	-	-	48,971
Cash dividends	-	-	-	(20,328,000)	-	-	-	(20,328,000)
Proposed dividend (Note 17)	-	-	-	42,688,800	-	-	(42,688,800)	-
Zakat paid	-	-	-	-	-	-	(182,141)	(182,141)
Balance at 31 December 2008	142,296,000	71,711,531	48,971	42,688,800	-	153,618,492	64,530,942	474,894,736

The attached notes 1 to 27 form part of these consolidated financial statements.

Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C. (Formerly Al Khaleej Insurance & Reinsurance Company Q.S.C.) (the "Company") is a Qatari shareholding company registered and incorporated in the State of Qatar under Emiri Decree No. 53 issued on 21 December 1978 and listed on Qatar Exchange. The Company and its subsidiaries (the "Group") are engaged in the business of insurance, reinsurance, life insurance (Takaful) and real estate investment.

Following the resolution issued in the Extraordinary General Meeting held on 20 October 2009, the Company modified its name to Al Khaleej Takaful Insurance and Reinsurance Company Q.S.C. effective 1 January 2010. The Company also modified its insurance and reinsurance activities in accordance with Islamic Sharia'a principles on a non-usury basis in all areas of insurance.

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

<i>Name of subsidiary</i>	<i>Ownership</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Qatar Takaful Company (QTC)	100%	Qatar	Primarily engaged in activities in accordance with Islamic Sharia'a principles on a non-usury basis in all areas of insurance.
Methaq Holding Company (MHC)	100%	Qatar	Primarily engaged in real estate investments.

The shareholders manage the participants' investment funds in QTC as a Mudarib and share in the realized gains with the policyholders' with following percentages:

- 70% share of shareholders
- 30% share of policyholders

In case of net realised loss on investments in a certain year, the loss is fully borne by the policyholders as approved by the Sharia'a Supervisory Committee.

The surplus attributable to Takaful policyholders' fund in the policyholders' fund in QTC represents accumulated profit on policyholders' operations. Any surplus during the year is fully allocated to the policyholders. QTC only shares through the Mudarib fee and as disclosed under the significant accounting policies and gains on investments attributable to policyholders.

The consolidated financial statements of Al Khaleej Takaful Insurance & Reinsurance Company Q.S.C. for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 18 February 2010.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement of available for sale investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2009. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

2.3 Changes in accounting policies

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

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

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

IAS 1 Presentation of Financial Statements (Revised)

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

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

Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

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

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

IFRS 8 - Operating Segments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies

Improvements to International Financial Reporting Standards (issued in 2008)

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

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

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

2.4 IASB standards and interpretations issued but not adopted

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

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

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

2.5 Summary of significant accounting policies

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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Commissions received and paid

Commissions received and paid are recognised at the time policies are written.

Claims

Claims incurred 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, but not settled as at the end of the reporting period, are made on the individual case estimates. In addition, a provision based on the Group'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 Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months from the end of the reporting period.

Liability adequacy test

At the end of each reporting period, the Group 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 consolidated statement of income.

Reinsurance

The Group enters into agreements with other parties for reinsurance purposes, in order to minimize financial exposure from large claims, in the normal course of business for all of its business classes. Reinsurance contract assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance assets are reviewed for impairment at the end of each reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group 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 Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income.

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

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

Interest income

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

Rental income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Dividend income

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

Cash and cash equivalents

For the purpose of the consolidated 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 outstanding bank overdrafts.

Available-for-sale investments

Available-for-sale investments are initially recognised at cost, being the fair value of the consideration given and including incremental acquisition charges.

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

After initial recognition, the investments 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 consolidated statement of income for the period.

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

Investment in associate

The Group’s investment in associate is accounted for under the equity method of accounting. An associate is an entity in which the Group exercises significant influence and which are neither a subsidiary nor joint venture.

Under the equity method of accounting, investment in the associate is carried in the consolidated statement of financial position at cost, plus post acquisition changes in the Group’s share of net assets of the associate, less any impairment in value. The consolidated statement of income reflects the Group’s share of the results of its associate.

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

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group’s investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Investment in associate (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognised in profit or loss.

Investment properties

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 consolidated statement of income in the period of derecognition.

Property and equipment

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

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

Building	-	20 years
Furniture and fixtures	-	5 years
Computers	-	5 years
Vehicles	-	5 years
Other assets	-	5 years

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 consolidated statement of income as the expense is incurred.

Impairment and uncollectibility of financial assets

An assessment is made at the end of each 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 consolidated 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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

Derecognition of financial instruments

Financial assets

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

Financial liabilities

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

Provisions

Provisions are recognised when the Group 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 is reported in the consolidated 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 consolidated 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 Group 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 Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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 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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Fair values

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

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, 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.

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

Comparative information

Certain figures of the previous year have been reclassified to conform to the presentation for the current year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group'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.

Impairment of investments

The Group 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 Group 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 (IBNR), on a quarterly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Reinsurance

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

Unearned premium reserve

The Group'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 Group 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 Group calculated the reserve on an actual basis.

Takaful contracts

Material judgement is required in determining the liabilities and in the choice of assumptions relating to takaful contracts. Such judgements are determined as appropriate and prudent estimates at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Mortality assumptions are based on past and industry experience. Assumptions are differentiated by sex, underwriting class and policy type. Morbidity assumptions are based on the English table A67-70 ultimate unadjusted.

Mortality and morbidity rates (continued)

For Takaful (life) insurance policies, increased mortality rates will lead to a large number of claims and claims occurring sooner than anticipated, increasing the expenditure and reducing the profits for the shareholders.

Investment return

The weighted average rate of return is derived based on assumptions consistent with the long-term asset allocation strategy as set out in the product descriptions given to the customers.

Discount rate

Discount rate relate to the time value of money. Discount rate assumptions are based on current observed rates in the market adjusted for default risk. The discount rate assumptions are varied depending on the asset assumed to back the life insurance provisions. The assumptions are revised at each end of the reporting period.

An individual actuarial valuation of Takaful (life) insurance contracts is carried out on an annual basis.

Impairment of accounts receivable

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

At the end of the reporting period, trade accounts receivable were QR 41,411,887 (2008: QR 61,115,922). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Useful life of assets

The Group's estimate of useful economic lives of its property and equipment and investment properties takes into account the renovation frequency of the asset and the future plans of the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 CLAIMS INCURRED

	<i>2009</i>			<i>2008</i>		
	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>
Claims paid	128,920,807	(33,797,707)	95,123,100	125,095,053	(45,156,256)	79,938,797
Changes in provision for outstanding claims	29,953,383	(32,710,266)	(2,756,883)	(31,071,713)	36,606,973	5,535,260
Claims recorded in consolidated statement of income	158,874,190	(66,507,973)	92,366,217	94,023,340	(8,549,283)	85,474,057

For the details of the movement in the provision for outstanding claims and related reinsurers' share, please refer to Note 19.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 NET REALISED GAINS ON SALE OF AVAILABLE-FOR-SALE INVESTMENTS

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Realised gain on sale of available-for-sale investments	30,457,495	80,015,027
Realised losses on sale of available-for-sale investments	<u>(2,728,169)</u>	<u>(812,128)</u>
	<u>27,729,326</u>	<u>79,202,899</u>

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Salaries and benefits	<u>17,713,129</u>	<u>17,349,080</u>
Board of Directors' remuneration	<u>5,820,000</u>	<u>6,600,000</u>

The Board of Directors proposed the distribution of QR 5,820,000 as remuneration to the Board members for the year 2009 (2008: QR 6,600,000). The above-mentioned remuneration is included under general and administrative expenses in the consolidated consolidated statement of income.

The depreciation charge in the consolidated statement of income has been calculated as follows:

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Property and equipment	870,701	825,249
Investment properties	<u>1,983,353</u>	<u>559,717</u>
	<u>2,854,054</u>	<u>1,384,966</u>

7 EARNING PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. In 2008, the Group issued bonus shares for the year 2007.

	<i>2009</i>	<i>2008</i>
Profit for the year attributable to the shareholders (QR)	<u>66,913,474</u>	<u>87,015,290</u>
Weighted average number of shares (i)	<u>14,229,600</u>	<u>14,229,600</u>
Basic earnings per share (QR)	<u>4.70</u>	<u>6.12</u>

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7 EARNING PER SHARE (continued)

Notes:

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

	<i>2009</i> <i>Number</i>	<i>2008</i> <i>Number</i>
Qualifying shares at 1 January	14,229,600	10,164,000
Effect of bonus shares issued	<u>-</u>	<u>4,065,600</u>
Weighted average number of share at 31 December	<u>14,229,600</u>	<u>14,229,600</u>

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

8 AVAILABLE-FOR-SALE INVESTMENTS

The carrying amounts of the Group's investments as at 31 December were as follows:

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Quoted investments		
Local equity share	296,328,601	290,247,635
Foreign equity shares	1,198,922	3,790,106
Debt securities	3,912,450	2,784,600
Unquoted investments		
Local equity shares	27,288,487	27,591,487
Foreign equity shares	16,311,171	11,121,784
Managed investment portfolio	<u>1,097,805</u>	<u>3,171,580</u>
	<u>346,137,436</u>	<u>338,707,192</u>

Included under available-for-sale investments are unquoted equity investments and managed portfolios with a value of QR 44,697,463 (2008 : QR 41,884,851) which are carried at cost, less impairment, due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value.

The Group recognized an impairment loss on its available for sale investments amounting to QR 554,500 (2008: QR 40,218,615) during the year.

9 INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

	<i>Country of incorporation</i>	<i>Ownership</i>	
		<i>2009</i>	<i>2008</i>
The Bahrain National Life Assurance Company BSC	Kingdom of Bahrain	25%	25%

The associate company is primarily engaged in life insurance business. The investment has been carried at cost as the Company's share of profit is not considered to be material.

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10 RECEIVABLES ARISING FROM INSURANCE CONTRACTS

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Due from companies	35,332,293	48,987,295
Due from individuals	2,971,874	2,035,322
Due from Government	1,360,950	4,354,892
Others	<u>1,746,770</u>	<u>5,738,413</u>
	<u>41,411,887</u>	<u>61,115,922</u>

All the above amounts are due within twelve months from the end of the reporting period.

11 REINSURANCE BALANCES RECEIVABLE

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Due from local reinsurers	10,491,899	6,481,694
Due from foreign reinsurers	<u>5,047,786</u>	<u>2,366,245</u>
	<u>15,539,685</u>	<u>8,847,939</u>

The balance represents the amounts due from reinsurers relating to claims already paid by the Group and substantially all of the amounts are expected to be received within twelve months from the end of the reporting period.

12 OTHER RECEIVABLE AND PREPAYMENTS

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Refundable deposits	2,368,980	901,990
Employee advances	1,051,861	513,857
Prepaid expenses	457,646	207,408
Advances for investment	5,050,000	-
Others	<u>2,905,306</u>	<u>1,763,774</u>
	<u>11,833,793</u>	<u>3,387,029</u>

Advances for investment represent the amount paid for the Company's share capital in a company which will be incorporated in the State of Qatar.

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13 INVESTMENT PROPERTIES

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Cost:		
At 1 January	163,886,858	102,352,244
Additions	17,377,562	126,710,780
Disposals	<u>-</u>	<u>(65,176,166)</u>
	<u>181,264,420</u>	<u>163,886,858</u>
Depreciation:		
At 1 January	1,252,570	692,853
Provided during the year	<u>1,983,353</u>	<u>559,717</u>
	<u>3,235,923</u>	<u>1,252,570</u>
	<u>178,028,497</u>	<u>162,634,288</u>

As at 31 December 2009, the fair value of investment properties as determined by the management was QR 163,137,978 (2008: QR 163,886,858).

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14 PROPERTY AND EQUIPMENT

	<i>Land QR</i>	<i>Building QR</i>	<i>Furniture and fixtures QR</i>	<i>Computers QR</i>	<i>Vehicles QR</i>	<i>Others QR</i>	<i>Total QR</i>
Cost:							
At 1 January 2009	6,251,500	12,104,321	4,502,087	3,095,533	1,264,000	95,989	27,313,430
Additions	-	9,135	68,070	139,173	82,000	-	298,378
Disposals	-	-	(9,480)	(66,805)	(60,000)	-	(136,285)
At 31 December 2009	<u>6,251,500</u>	<u>12,113,456</u>	<u>4,560,677</u>	<u>3,167,901</u>	<u>1,286,000</u>	<u>95,989</u>	<u>27,475,523</u>
Depreciation:							
At 1 January 2009	-	11,557,433	3,138,043	2,695,879	787,138	95,989	18,274,482
Provided during the year	-	41,100	421,604	236,045	171,952	-	870,701
Disposals	-	-	(9,480)	(66,805)	(41,251)	-	(117,536)
At 31 December 2009	<u>-</u>	<u>11,598,533</u>	<u>3,550,167</u>	<u>2,865,119</u>	<u>917,839</u>	<u>95,989</u>	<u>19,027,647</u>
Net carrying amount							
At 31 December 2009	<u>6,251,500</u>	<u>514,923</u>	<u>1,010,510</u>	<u>302,782</u>	<u>368,161</u>	<u>-</u>	<u>8,447,876</u>

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14 PROPERTY AND EQUIPMENT (continued)

	<i>Land QR</i>	<i>Building QR</i>	<i>Furniture and fixtures QR</i>	<i>Computers QR</i>	<i>Vehicles QR</i>	<i>Others QR</i>	<i>Total QR</i>
Cost:							
At 1 January 2008	6,251,500	12,104,321	3,585,771	2,983,635	1,236,000	95,989	26,257,216
Additions	-	-	920,144	213,233	155,000	-	1,288,377
Disposals	-	-	(3,828)	(101,335)	(127,000)	-	(232,163)
At 31 December 2008	<u>6,251,500</u>	<u>12,104,321</u>	<u>4,502,087</u>	<u>3,095,533</u>	<u>1,264,000</u>	<u>95,989</u>	<u>27,313,430</u>
Depreciation:							
At 1 January 2008	-	11,428,205	2,879,538	2,582,276	686,177	95,989	17,672,185
Provided during the year	-	129,228	260,355	207,705	227,961	-	825,249
Disposals	-	-	(1,850)	(94,102)	(127,000)	-	(222,952)
At 31 December 2008	<u>-</u>	<u>11,557,433</u>	<u>3,138,043</u>	<u>2,695,879</u>	<u>787,138</u>	<u>95,989</u>	<u>18,274,482</u>
Net carrying amount							
At 31 December 2008	<u>6,251,500</u>	<u>546,888</u>	<u>1,364,044</u>	<u>399,654</u>	<u>476,862</u>	<u>-</u>	<u>9,038,948</u>

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15 SHARE CAPITAL

	<i>Authorised capital</i>	<i>Issued and fully paid up 2009</i>	<i>Issued and fully paid up 2008</i>
Share capital of QR 10 each (QR)	<u>142,296,000</u>	<u>142,296,000</u>	<u>142,296,000</u>
No. of shares of QR 10 each (Nos.)	<u>14,229,600</u>	<u>14,229,600</u>	<u>14,229,600</u>

In 2008, 4,065,600 bonus shares amounting to QR 40,656,000 relating to 2007 were issued.

16 STATUTORY RESERVE

As required by Qatar Commercial Companies' Law No 5 of 2002 and the Group's Articles of Association, 10% of the net profit for the year should be transferred to statutory reserve. The Group 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.

17 DIVIDENDS

The Board of Directors decided in its meeting held on 18 February 2010 to propose on the forthcoming General Assembly to approve the distribution of cash dividends for the year 2009 of QR 3 per share totalling QR 42,688,800 (2008: QR 3 per share totalling to QR 42,688,800). Total dividends paid during the year amounted to QR 42,316,769 (2008: QR 20,328,000).

18 RESERVE FOR UNEXPIRED RISK

	<u>2009</u>			<u>2008</u>		
	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>
Unearned premiums Takaful Policies Reserve	107,962,656	(57,507,694)	50,454,962	101,894,390	(56,823,861)	45,070,529
	<u>12,893,799</u>	<u>-</u>	<u>12,893,799</u>	<u>11,296,938</u>	<u>-</u>	<u>11,296,938</u>
	<u>120,856,455</u>	<u>(57,507,694)</u>	<u>63,348,761</u>	<u>113,191,328</u>	<u>(56,823,861)</u>	<u>56,367,467</u>

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19 OUTSTANDING CLAIMS

The movements in the provision for outstanding claims and related reinsurers' share were as follows:

	2009			2008		
	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>
At 1 January						
Claims	51,463,824	(20,446,064)	31,017,760	87,230,963	(57,053,037)	30,177,926
Claims incurred but not reported	13,447,235	-	13,447,235	8,751,809	-	8,751,809
	64,911,059	(20,446,064)	44,464,995	95,982,772	(57,053,037)	38,929,735
Insurance claims paid in the year	(128,920,807)	33,797,707	(95,123,100)	(125,095,053)	45,156,256	(79,938,797)
Incurred during the year	158,874,190	(66,507,973)	92,366,217	94,023,340	(8,549,283)	85,474,057
At 31 December	<u>94,864,442</u>	<u>(53,156,330)</u>	<u>41,708,112</u>	<u>64,911,059</u>	<u>(20,446,064)</u>	<u>44,464,995</u>

Analysis of outstanding claims at 31 December

	2009			2008		
	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>
Claims outstanding	89,153,093	(53,156,330)	35,996,763	51,463,824	(20,446,064)	31,017,760
Claims incurred but not reported	5,711,349	-	5,711,349	13,447,235	-	13,447,235
At 31 December	<u>94,864,442</u>	<u>(53,156,330)</u>	<u>41,708,112</u>	<u>64,911,059</u>	<u>(20,446,064)</u>	<u>44,464,995</u>

There are no material amounts for which amount and timing of claims payments is not resolved within one year from the end of the reporting period. The amounts due from reinsurers are contractually due within a maximum of three months from the date of payment of the claims.

The Group estimates its insurance liabilities and reinsurance assets principally based on previous experience. Claims requiring court of arbitration decisions are estimated individually. Independent loss adjusters generally estimate property claims.

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19 OUTSTANDING CLAIMS (continued)

Claims development

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

	<i>Underwriting year</i>					<i>Total</i>
	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	
	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>	<i>QR</i>
Estimate of cumulative claims						
At end of the underwriting year	74,458,792	104,826,477	113,648,248	124,270,678	75,388,038	
One year later	75,833,607	107,611,850	113,235,534	123,985,512	-	
Two years later	77,709,681	105,646,579	113,382,931	-	-	
Three years later	75,825,930	106,230,849	-	-	-	
Four years later	76,762,432	-	-	-	-	
Current estimate of cumulative claims	76,762,432	106,230,849	113,382,931	123,985,512	75,388,038	495,749,762
Cumulative payments to date	(66,267,697)	(93,765,526)	(102,795,398)	(89,974,729)	(48,081,970)	(400,885,320)
Total cumulative claims recognized in the statement of financial position	10,494,735	12,465,323	10,587,533	34,010,783	27,306,068	94,864,442

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20 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Due to companies	36,766,766	7,060,494
Accruals and provision	8,719,378	7,296,183
Premiums withheld from reinsurers	6,576,541	8,181,182
Board of directors' remuneration payable	5,820,000	6,600,000
Provision for social and sports activities contribution	1,081,294	-
Dividends payable	1,677,689	1,305,658
Premiums received in advance	1,311,716	1,645,392
Other payables	7,669,456	19,475,778
	<u>69,622,840</u>	<u>51,564,687</u>

Net change in accounts payable and other liabilities in the statement of cash flows is net of the effect of increase in dividends payable as it was accrued from retained earnings.

21 EMPLOYEES' END OF SERVICE BENEFITS

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

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Provision as at 1 January	4,106,771	2,642,165
Provided during the year	737,326	1,464,606
End of service benefits paid	(29,927)	-
Provision as at 31 December	<u>4,814,170</u>	<u>4,106,771</u>

22 TAKAFUL POLICYHOLDERS' FUND

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

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Balance at 1 January	8,722,818	5,767,333
Surplus for the year	3,948,789	2,955,485
Surplus distribution for the year	(2,268,003)	-
Balance as at 31 December	<u>10,403,604</u>	<u>8,722,818</u>

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23 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, directors and key management personnel of the Group. Pricing policies and terms of these transactions are approved by the Group's management.

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

	<u>2009</u>		<u>2008</u>	
	<i>Premiums</i> <i>QR</i>	<i>Claims</i> <i>QR</i>	<i>Premiums</i> <i>QR</i>	<i>Claims</i> <i>QR</i>
Major shareholders	376,723	184,098	1,064,183	171,781
Directors and key management personnel	498,320	26,890	624,671	11,375
	<u>875,043</u>	<u>210,988</u>	<u>1,688,854</u>	<u>183,156</u>

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

	<u>2009</u>		<u>2008</u>	
	<i>Receivables</i> <i>QR</i>	<i>Claims and</i> <i>payables</i> <i>QR</i>	<i>Receivables</i> <i>QR</i>	<i>Claims</i> <i>and</i> <i>payables</i> <i>QR</i>
Major shareholders	2,069,262	1,081,038	2,180,845	-
Directors and key management personnel	414,934	3,250	304,057	166,584
	<u>2,484,196</u>	<u>1,084,288</u>	<u>2,484,902</u>	<u>166,584</u>

Balances due to and from related parties are reported on a net basis as the Group has the legal right to offset these amounts and intends to settle on a net basis.

Compensation of key management personnel

The remuneration of directors during the year were as follows:

	<u>2009</u> <i>QR</i>	<u>2008</u> <i>QR</i>
Board of Directors' remuneration	5,820,000	6,600,000
Short-term benefits	5,294,176	5,491,213
	<u>11,114,176</u>	<u>12,091,213</u>

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

The fair values of the financial assets and liabilities, with the exception of certain available-for-sale investments carried at cost (see Note 8), are not materially different from their carrying values.

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24 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The Group 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 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>	<i>Total QR'000</i>
31 December 2009				
Financial assets				
Available-for-sale investments	297,527,523	-	3,912,450	301,439,973
Total	297,527,523	-	3,912,450	301,439,973
	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>	<i>Total QR'000</i>
31 December 2008				
Financial assets				
Available-for-sale investments	294,037,741	-	2,784,600	296,822,341
Total	294,037,741	-	2,784,600	296,822,341

During the year ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

25 RISK MANAGEMENT

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

Insurance risk

The principal risk the Group 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 Group is to ensure that sufficient reserves are available to cover these liabilities.

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

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group 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.

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25 RISK MANAGEMENT (continued)

Insurance risk (continued)

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 Group 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 Group has reinsurance cover for such damage to limit losses for any individual claim to QR 300,000 (2008: QR 300,000) 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 Group has mainly underwritten comprehensive policies for owner/drivers over 21 years of age. Substantially, all of the motor contracts relate to private individuals. The Group has reinsurance cover to limit losses for any individual claim to QR 200,000 (2008: 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.

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

Reinsurance risk

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

To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. The two largest reinsurer account for 32% of the maximum credit exposure at 31 December 2009 (2008: 45%).

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25 RISK MANAGEMENT (continued)

Insurance risk (continued)

Concentration of risks

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

Sensitivity of changes in assumption

The Group 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 Group to multiple insurance risks. The Group 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 consolidated statement of income (2008: same).

Financial risk

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

The Group does not enter into derivative transactions.

The main risks arising from the Group'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 and they are summarised below:

Regulatory framework risk

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

The operations of the Group 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 minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Foreign currency risk

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

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

Other than balances in United States Dollars, to which the Qatari Riyal is pegged, there is no significant foreign currency financial asset due in foreign currencies included under reinsurance balances receivable.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future profitability or the fair value of financial instruments. The Group is exposed to interest rate risk on certain of its investment securities and deposits. The Group 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 consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2009.

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25 RISK MANAGEMENT (continued)

Financial risk (continued)

Interest rate risk (continued)

There is no impact on the Group's equity.

	<i>Increase/decrease in basis points</i>	<i>Effect on profit for the year QR</i>
2009	+25	125,090
	-50	(250,180)
2008	+25	80,493
	-50	(160,986)

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 Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The Group 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 14% of the receivable arising from insurance contracts as of 31 December 2009 (2008: 26%). Two reinsurance companies account for 32% of the reinsurance balances receivable as of 31 December 2009 (2008: 45%).

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

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

	<i>2009 QR</i>	<i>2008 QR</i>
Cash and cash equivalents	68,487,387	50,785,974
Available for sale investments	3,912,450	2,784,600
Reinsurance contract assets	126,203,709	86,117,864
Receivable arising from insurance contracts and other receivable	53,338,681	64,502,951
	<u>251,942,227</u>	<u>204,191,389</u>

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>	<i>Past due but not impaired</i>			
			<i>< 4 months QR</i>	<i>5 – 8 months QR</i>	<i>9 – 12 months QR</i>	<i>>12 months QR</i>
2009	251,942,227	215,587,791	22,059,162	5,422,589	3,785,183	5,087,502
2008	204,191,389	167,460,799	12,793,056	11,111,558	6,992,436	5,833,540

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

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25 RISK MANAGEMENT (continued)

Liquidity risk

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

Liquidity requirements are monitored on regular 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 Group at the end of the reporting period had original maturity periods not exceeding one year.

The table below summarises the maturity profile of the financial liabilities of the Group 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 2009</i>				<i>31 December 2008</i>			
	<i>Less than one year QR</i>	<i>More than one year QR</i>	<i>No term QR</i>	<i>Total QR</i>	<i>Less than one year QR</i>	<i>More than one year QR</i>	<i>No term QR</i>	<i>Total QR</i>
Liabilities arising from insurance contracts	107,962,656	-	104,111,004	212,073,660	101,894,390	-	76,207,997	178,102,387
Reinsurance balance payable	15,755,592	-	-	15,755,592	27,577,535	-	-	27,577,535
Provisions, insurance and other payables	81,416,756	-	-	81,416,756	64,394,276	-	-	64,394,276
	205,135,004	-	104,111,004	309,246,008	193,866,201	-	76,207,997	270,074,198

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25 RISK MANAGEMENT (continued)

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

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

The Group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of its investments. The majority of the Group's equity investments comprise securities quoted on the Qatar Exchange.

A 5% change in the prices of equities, with all other variables held constant, would impact equity by QR 14,876,376 (2008: QR 14,701,887). There would be no impact on the consolidated statement of income as all equity investments are classified as "available for sale", unless impaired.

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 Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group 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 Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders or issue capital securities.

The Group fully 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 Group monitors capital on the basis of the carrying amount of equity less cash and bank balances as follows:

	<i>2009</i> <i>QR</i>	<i>2008</i> <i>QR</i>
Total equity	498,167,954	474,894,736
Cash and bank balances	(69,060,038)	(51,168,244)
	<u>429,107,916</u>	<u>423,726,492</u>

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26 SEGMENT INFORMATION

For management purposes, the Group is organised into five business segments, Marine and aviation, Fire, General accidents, Motor, and Takaful (Life Insurance). These segments are the basis on which the Group reports its primary segment information. Other operations of the Group comprise investment and cash management for the Group's own account. There are no transactions between segments. The data with respect to segment information is disclosed below:

	<i>Year ended 31 December 2009</i>						
	<i>Marine and aviation QR</i>	<i>Fire QR</i>	<i>General Accident QR</i>	<i>Motor QR</i>	<i>Takaful (life) QR</i>	<i>Unallocated income (expenses) QR</i>	<i>Total QR</i>
Gross premiums	13,998,238	29,474,837	113,709,181	115,426,824	9,289,924	-	281,899,004
Reinsurers' share of gross premiums	<u>(11,829,044)</u>	<u>(28,031,535)</u>	<u>(102,548,333)</u>	<u>(6,116,549)</u>	<u>(3,239,003)</u>	-	<u>(151,764,464)</u>
Net premiums	2,169,194	1,443,302	11,160,848	109,310,275	6,050,921	-	130,134,540
Change in unexpired risk reserve	<u>(48,178)</u>	<u>(284,555)</u>	<u>342,919</u>	<u>(5,394,619)</u>	<u>(2,739,137)</u>	-	<u>(8,123,570)</u>
Earned insurance premiums	2,121,016	1,158,747	11,503,767	103,915,656	3,311,784	-	122,010,970
Commissions received	4,605,989	4,387,964	13,920,015	3,760,036	109,312	-	26,783,316
Claims incurred	(3,243,270)	(8,077,544)	(52,522,245)	(93,178,793)	(1,852,338)	-	(158,874,190)
Reinsurer's share of claims incurred	2,946,546	7,608,969	49,984,089	4,507,479	1,460,890	-	66,507,973
Commissions paid	<u>(559,233)</u>	<u>(880,365)</u>	<u>(2,447,216)</u>	<u>(4,259,450)</u>	<u>(772,278)</u>	-	<u>(8,918,542)</u>
Segment underwriting results	5,871,048	4,197,771	20,438,410	14,744,928	2,257,370	-	47,509,527
Total investment and other income	-	-	-	-	-	64,670,718	64,670,718
General and administrative expenses	-	-	-	-	-	(36,828,134)	(36,828,134)
Impairment of available-for-sale investments	-	-	-	-	-	(554,500)	(554,500)
Depreciation	-	-	-	-	-	(2,854,054)	(2,854,054)
Net surplus attributable to Takaful policyholders	-	-	-	-	-	(3,948,789)	(3,948,789)
Provision for social and sports activities contribution	-	-	-	-	-	(1,081,294)	(1,081,294)
Segment results	<u>5,871,048</u>	<u>4,197,771</u>	<u>20,438,410</u>	<u>14,744,928</u>	<u>2,257,370</u>	<u>19,403,947</u>	<u>66,913,474</u>

As the Group's activities are performed on an integrated basis, a segmental analysis of assets and liabilities between these segments would not be meaningful.

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26 SEGMENT INFORMATION (continued)

	<i>Year ended 31 December 2008</i>						<i>Unallocated income (expenses) QR</i>	<i>Total QR</i>
	<i>Marine and aviation QR</i>	<i>Fire QR</i>	<i>General Accident QR</i>	<i>Motor QR</i>	<i>Takaful (life) QR</i>	<i>Unallocated income (expenses) QR</i>		
Gross premiums	18,394,027	23,611,759	112,272,876	104,869,413	8,128,648	-	267,276,723	
Reinsurers' share of gross premiums	<u>(16,096,154)</u>	<u>(22,798,168)</u>	<u>(100,403,448)</u>	<u>(6,904,312)</u>	<u>(2,654,622)</u>	-	<u>(148,856,704)</u>	
Net premiums	2,297,873	813,591	11,869,428	97,965,101	5,474,026	-	118,420,019	
Change in unexpired risk reserve	<u>48,276</u>	<u>169,246</u>	<u>(1,027,432)</u>	<u>(1,550,611)</u>	<u>(3,801,858)</u>	-	<u>(6,162,379)</u>	
Earned insurance premiums	2,346,149	982,837	10,841,996	96,414,490	1,672,168	-	112,257,640	
Commissions received	5,175,269	3,960,014	15,356,007	2,797,615	2,468	-	27,291,373	
Claims incurred	<u>(2,798,780)</u>	<u>469,527</u>	<u>(31,390,555)</u>	<u>(57,478,016)</u>	<u>(1,430,346)</u>	-	<u>(92,628,170)</u>	
Reinsurer's share of claims incurred	2,276,275	(452,619)	28,528,692	(24,386,782)	1,188,547	-	7,154,113	
Commissions paid	<u>(505,066)</u>	<u>(678,367)</u>	<u>(2,901,357)</u>	<u>(3,885,600)</u>	<u>(600,149)</u>	-	<u>(8,570,539)</u>	
Segment underwriting results	6,493,847	4,281,392	20,434,783	13,461,707	832,688	-	45,504,417	
Total investment and other income	-	-	-	-	-	124,376,599	124,376,599	
General and administrative expenses	-	-	-	-	-	(38,306,660)	(38,306,660)	
Impairment of available-for-sale investments	-	-	-	-	-	(40,218,615)	(40,218,615)	
Depreciation	-	-	-	-	-	(1,384,966)	(1,384,966)	
Net surplus attributable to Takaful policyholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,955,485)</u>	<u>(2,955,485)</u>	
Segment results	<u>6,493,847</u>	<u>4,281,392</u>	<u>20,434,783</u>	<u>13,461,707</u>	<u>832,688</u>	<u>41,510,873</u>	<u>87,015,290</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

27 COMMITMENTS AND CONTINGENCIES

Guarantees

At 31 December 2009 the Group 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 1,916,978 (2008: QR 389,246).

Legal claims

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