QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008

Consolidated Financial Statements
For the year ended 31 December 2008

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
Qatar Insurance Company S.A.Q.
Doha, State of Qatar

Report on the financial statements

We have audited the accompanying consolidated financial statements of Qatar Insurance Company S.A.Q. ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement and the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated 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 consolidated financial position of the Group as at 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In addition, in our opinion, the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the information contained thereon is consistent with consolidated financial statements. We are not aware of any violations of the provision of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Group or its consolidated financial position as of 31 December 2008. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

27 January 2009
Doha
State of Qatar

Ahmed Hussain
KPMG
Qatar Auditors' Registry No. 197

Qatar Insurance Company S.A.Q.

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

In thousands of Qatari Riyals

	Notes	**2008**	2007
ASSETS			
Cash and cash equivalents	4	1,541,872	1,387,062
Insurance and other receivables	5	439,943	404,705
Reinsurance contract assets	6	900,728	717,778
Investments	7	2,722,382	3,059,307
Investment properties	8	401,102	261,048
Property and equipment	9	33,153	30,786
TOTAL ASSETS		**6,039,180**	5,860,686
LIABILITIES			
Short term borrowings	10	956,600	486,200
Provisions, reinsurance and other payables	11	661,105	579,175
Insurance contract liabilities	6	1,732,081	1,299,630
TOTAL LIABILITIES		**3,349,786**	2,365,005
EQUITY			
Share capital	12	424,710	424,710
Legal reserve	13	601,854	565,498
General reserve	14	287,000	287,000
Fair value reserve	15	612,326	1,563,992
Retained earnings		637,301	555,950
Equity attributable to equity holders of the parent		2,563,191	3,397,150
Minority interests		126,203	98,531
TOTAL EQUITY		**2,689,394**	3,495,681
TOTAL LIABILITIES AND EQUITY		**6,039,180**	5,860,686

These financial statements were approved by the Board of Directors and were signed on their behalf by the following on 27 January 2009.

H. E. Sheikh Khalid Bin Mohammed Bin Ali Al-Thani
Chairman and Managing Director

Khalifa Abdulla Turki Al Subaey
President and Group Chief Executive Officer

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

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

In thousands of Qatari Riyals

	Notes	2008	2007 Restated
Gross premiums	16 (a)	1,972,307	1,518,385
Premiums ceded to reinsurers	16 (a)	(997,873)	(814,908)
Net premiums		974,434	703,477
Movement in unexpired premium	16 (a)	(106,998)	(86,650)
Net earned premiums		**867,436**	616,827
Gross claims paid	16 (a)	(672,101)	(462,053)
Reinsurance and other recoveries	16 (a)	312,522	242,355
Movement in outstanding claims	16 (a)	(142,503)	(148,166)
Net commission	16 (a)	(58,729)	(26,487)
Net underwriting results	16 (a)	**306,625**	222,475
Investment income	17	371,713	377,283
Rental income		34,057	27,645
Other income		2,077	1,860
Total income		**714,472**	629,263
General and administrative expenses	18	(154,352)	(118,763)
Impairment losses on doubtful receivables	5	(4,214)	(2,651)
Depreciation		(16,536)	(12,230)
Profit before contribution to social fund		**539,370**	495,619
Contribution to social fund		(9,287)	(12,782)
Profit for the year		**530,083**	482,837
Attributable to:			
Equity holders of the parent		510,799	472,682
Minority interest		19,284	10,155
Profit for the year		**530,083**	482,837
Basic and diluted earnings per share (QR)	19	**12.03**	11.13
Cash dividend per share (QR)	20	**3.00**	10.00

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

Qatar Insurance Company S.A.Q.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

In thousands of Qatari Riyals

	Share Capital	Legal reserve	General reserve	Fair value reserve	Retained earnings (restated)	Attributable to equity holders of the parent	Minority interest	Total equity
Balance as at 1 January 2007	424,710	512,420	287,000	1,012,593	382,160	2,618,883	22,887	2,641,770
Cumulative changes in fair value of available-for-sale financial assets	-	-		551,399	-	551,399	4,177	555,576
Net income recognized directly in equity	-	-		551,399	-	551,399	4,177	555,576
Profit for the year	-	-		-	471,983	471,983	10,854	482,837
Total recognized income and expenses for the year	-	-		551,399	471,983	471,983	15,031	1,038,413
Final dividends – 2006	-	-		-	(297,297)	(297,297)	-	(297,297)
Effect of acquisition of stake in subsidiary by minority	-	(59)	-	-	(69)	(128)	54,703	54,575
Share premium on subsidiary shares	-	52,310	-	-	-	52,310	5,910	58,220
Transfer to legal reserve	-	827	-	-	(827)	-	-	-
Balance at 31 December 2007	424,710	565,498	287,000	1,563,992	555,950	3,397,150	98,531	3,495,681
Balance as at 1 January 2008	424,710	565,498	287,000	1,563,992	555,950	3,397,150	98,531	3,495,681
Cumulative changes in fair value of available-for-sale financial assets	-	-	-	(951,666)	-	(951,666)	(7,709)	(959,375)
Net income recognized directly in equity	-	-	-	(951,666)	-	(951,666)	(7,709)	(959,375)
Profit for the year	-	-	-	-	510,799	510,799	19,284	530,083
Total recognized income and expenses for the year	-	-	-	(951,666)	510,799	(440,867)	11,575	(429,292)
Final dividends – 2007	-	-	-	-	(424,710)	(424,710)	-	(424,710)
Dividend paid to minority by subsidiary	-	-	-	-	-	-	(3,141)	(3,141)
Effect of acquisition of stake in subsidiary by minority	-	(2,660)	-	-	(2,047)	(4,707)	13,063	8,356
Share premium on subsidiary shares	-	36,325	-	-	-	36,325	6,175	42,500
Transfer to legal reserve	-	2,691	-	-	(2,691)	-	-	-
Balance at 31 December 2008	**424,710**	**601,854**	**287,000**	**612,326**	**637,301**	**2,563,191**	**126,203**	**2,689,394**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2008 In thousands of Qatari Riyals

	Notes	**2008**	2007 Restated
OPERATING ACTIVITIES			
Profit for the year		530,083	482,837
Adjustments for :			
Depreciation on investment properties, property & equipment		16,536	12,230
Interest income and Investment income	17	(574,059)	(370,544)
Provision for impairment on investments		156,652	13,242
Unrealised loss/ (gains) on investments		45,694	(19,981)
Provision for employees' end of service benefits		3,928	3,538
Impairment losses on doubtful receivables		4,214	2,651
Loss on sale of property and equipment		157	(35,000)
Operating profit before working capital changes		183,205	88,973
Increase in insurance and other receivables		(39,452)	(190,370)
Increase in insurance reserves – net		249,674	234,817
Increase in provisions, reinsurance and other payables		78,112	195,503
Cash generated from operations		471,539	328,923
Employees' end of service benefits paid		(315)	(440)
Net cash from operating activities		**471,224**	328,483
INVESTING ACTIVITIES			
Net cash movement in investments		(817,087)	(209,627)
Acquisition of property and equipment		(9,942)	(9,034)
Acquisition of investment properties		(149,231)	(187,582)
Proceeds from sale of property & equipment		59	-
Interest and investment income		574,059	370,544
Proceeds from sale of investment properties and property & equipment		-	77,667
Cash flows from investing activities		**(402,142)**	41,968
FINANCING ACTIVITIES			
Net movement in minority interest		3,713	8,175
Subsidiary Share Premium		36,325	52,310
Proceeds from short term borrowings		470,400	486,200
Dividends paid		(424,710)	(297,297)
Cash flows used in financing activities		**85,728**	249,388
Increase in cash and cash equivalents		**154,810**	619,839
Cash and cash equivalents at 1 January		1,387,062	767,223
Cash and cash equivalents at 31 December (Note 4)		**1,541,872**	1,387,062

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

1 STATUS AND OPERATIONS

Qatar Insurance Company S.A.Q. (the Company) is a public shareholding company incorporated in the State of Qatar in 1964 under Commercial Regulation No. 20 and governed by the provisions of the Qatar Companies' Law. The Company and its subsidiaries ("the Group") are engaged in business of insurance, re-insurance, real estate and financial advisory services.

The Group operates in the State of Qatar, United Arab Emirates, Sultanate of Oman, Kuwait and Malta.

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

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
QIC International L.L.C. ("QICI")*	85.47% (2007- 90.05%)	State of Qatar	Primarily engaged in insurance and reinsurance. QICI manages the international operations of the Group and has 3 overseas branches in Dubai (United Arab Emirates), Abu Dhabi (United Arab Emirates) and Al Khobar (Kingdom of Saudi Arabia), a representative office in Malta, and two subsidiaries as detailed below:
Oman Qatar Insurance Company ("OQIC")	55% (owned through QICI)	Sultanate of Oman	Primarily engaged in insurance and reinsurance
Kuwait Qatar Insurance Company ("KQIC")**	40% (owned through QICI)	Kingdom of Kuwait	Primarily engaged in insurance and reinsurance
Qatar Insurance Company Real Estate	100%	State of Qatar	Primarily engaged in Real Estate activities in State of Qatar
Qatar Economic Advisors	100%	State of Qatar	Primarily engaged in financial and other advisory services

*During 2008, the Group's management has decided to close operations in Al Khobar (Kingdom of Saudi Arabia). The assets and liabilities of Al Khobar operations were taken over by QICI.

**KQIC is considered to be a subsidiary in preparation of the consolidated financial statements on the basis that the Group has the power to govern the financial and operating policies of the Kuwait Qatar Insurance Company (KQIC) through a management agreement.

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Qatar Commercial Companies Law No. 5 of 2002.

2 BASIS OF PREPARATION (CONTINUED)

b) Basis of measurement

The accompanying consolidated financial statements are prepared under the historical cost convention, except for the measurement of investments classified at fair value through profit or loss, certain available-for-sale investments and derivative financial instruments that are recorded at fair value.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet 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 are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals (QR), and rounded to the nearest thousand (QR '000), unless otherwise indicated.

d) Significant accounting judgements, estimates and assumptions

The Group makes judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent liabilities, at the reporting date. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates is revised and in any future years affected.

e) New Standards and interpretations not yet adopted

The following IASB Standards and IFRIC interpretations issued, but are not mandatory for the year ended 31 December 2008, have not yet been adopted by the Group:

- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term "total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Group's 2009 financial statements, is expected to have an impact on the presentation of the financial statements. The Group is currently in the process of evaluating the potential effect of this amendment in the presentation of the financial statements.

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 consolidated financial statements, will require a change in the presentation and disclosure of segment information. Currently the Group presents segment information in respect of its business and geographical segments.

- The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements projects. The effective dates for these amendments vary by standard and will be applicable mostly to the Group's 2009 financial statements. The Group does not expect these amendments to have any significant impact on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

a) Consolidation, translation and financial instruments

i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Qatar Insurance Company S.A.Q and its subsidiary companies as at 31 December each year. The financial statements of the subsidiary companies are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

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

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

ii) Foreign currency

Foreign operations

The individual financial statements of the subsidiary companies and branches in the group are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each entity are expressed in the functional currency of the parent company.

The assets and liabilities of foreign operations are translated to Qatari Riyals using exchange rates prevailing at the balance sheet date. Income and expenses are also translated to Qatari Riyals at the exchange rates prevailing at the balance sheet date, which do not significantly vary from the average exchange rates for the year. Foreign currency translation reserve is not shown separately under equity due to insignificance of the amount.

Foreign currency transactions

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

iii) Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables and investments. Financial liabilities include short term borrowings and other payables.

The financial asset or liability is initially measured at fair value plus transaction costs that are attributable to its acquisition or issue.

Recognition

The Group initially recognizes cash and cash equivalents, insurance and other receivables, short term borrowings and other payables on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date or settlement date at which the Group becomes a party to the contractual provisions of the instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
a) Consolidation, translation and financial instruments (continued)

iii) Financial instruments (continued)

De-recognition
The Group derecognizes a financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Measurement
The measurement of financial assets and liabilities is disclosed under accounting policy for respective financial assets and liabilities.

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

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

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated income statement as they arise.

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

Identification and measurement of impairment
At each balance sheet date, the Group assesses whether there is objective evidence that any financial asset is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a customer or insurer or reinsurer, indications that the customer or insurer or reinsurer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment loss on assets are recognised in consolidated income statement and reflected as an allowance against receivables or investments.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance operations

i) Insurance and other receivables

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

ii) Reinsurance contract assets

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

iii) Reinsurance and other payables

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

iv) Gross premiums

Premium on insurance contracts are recognized as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is reported as the unearned premium liability.

v) Insurance contract liabilities

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management's best estimate.

Claims provision also includes liability for claims incurred but not reported as at the balance sheet date. The liability is calculated at the reporting date using a range of historic trends, empirical data and current assumptions that may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Reserve for unexpired risks

The reserve for unexpired risk represents the estimated portion of net premium income after deduction of the reinsurance share which relates to periods of insurance subsequent to the balance sheet date. The reserve is calculated at 40 percent of the net premium for all non-marine class of business, 25 percent for marine class of business and on actual basis of all incoming international facultative business. In case of the subsidiary company in Oman, as required by local statute, the reserve is calculated at 45 percent for all classes.

The insurance contract liabilities are derecognised when the contract expires is discharged or is cancelled.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Insurance operations (continued)

vi) Gross claims paid

Gross claims include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

vii) Commission earned and paid

Commissions earned and paid are recognized at the time policies are written.

d) Investment activities

The Group classifies its investments into financial assets at fair value through profit or loss, held-to-maturity financial assets and available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

i) Non-derivative financial instruments

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Financial assets at fair value through profit or loss (Held for trading)

These investments are carried at fair value (marked to market) with any gain or loss arising from the change in fair value included in the consolidated income statement in the year in which it arises.

Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement held-to-maturity financial assets are measured at amortised cost,as deemed appropriate.

Available for sale – Quoted

After initial recognition, investments which are classified “available for sale - quoted” are re-measured at fair value. The unrealised gains and losses on re-measurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement for the year.

Available for sale – Unquoted shares and private equity

The fair value of these investments cannot be reliably measured due to the nature of their cash flows. These investments are therefore carried at cost less any provision for impairment.

ii) Derivative financial instruments

Derivatives are initially recognized at cost, being fair value of the consideration given or received on the date of acquisition and are subsequently remeasured at their fair value.

Outstanding forward foreign exchange contracts are revalued at forward rates prevailing at the balance sheet date. Gains and losses arising on such revaluations are taken to the consolidated income statement.

The resultant gains and losses from derivatives held for trading purposes are included in the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

iii) Fair value reserve

This represents the unrealised gain or loss on year-end fair valuation of available for sale investments. In the event of sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are included in consolidated income statement for the year.

iv) Investment income

Interest income

Interest income is recognised on a time proportionate basis taking account of the principal invested and the interest rate applicable.

Dividend income

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

v) Fee income

Initial and other front-end fees received for rendering financial and other advisory services are deferred and recognised as revenue when the related services are rendered.

vi) Rental income

Rental income from investment properties is recognised in consolidated income statement on a straight line basis over the term of lease or rental period and the unearned portion of the rental income is recognised as a liability.

e) General

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less in the balance sheet. The cash equivalents are readily convertible to cash.

ii) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation.

Investment properties are derecognised when either they have been disposed-off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

iii) Property and equipment

Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation. Subsequent costs included in the asset’s carrying amount are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) General (continued)

iv) Depreciation

Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Investment properties	-	15 to 20 years
Building	-	20 years
Furniture & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

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

v) Impairment of non-financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the consolidated income statement.

vi) Provisions

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

vii) Employees' end of service benefits

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

viii) Contribution to social fund

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

ix) Other assets and liabilities

All other assets and liabilities which are financial instruments are stated at cost, being the fair value and recognized at amounts to be received or to be paid in the future.

x) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the dividing the profit attributable to ordinary shareholders of the Group and weighted number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

For the year ended 31 December 2008 In thousand of Qatari Riyals

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) General (continued)

xi) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. The Group's primary format for segment reporting is based on business segments.

4 CASH AND CASH EQUIVALENTS

	2008	2007
Cash and demand deposits	99,615	219,474
Time deposits	1,442,257	1,167,588
Total	**1,541,872**	1,387,062

Time deposits amounting to QR 6,722 thousands (2007: QR 5,488 thousands) are held by banks as security against guarantees given on behalf of the Group.

5 INSURANCE AND OTHER RECEIVABLES

	2008	2007
Insurance Receivables		
Due from policy holders	199,666	158,966
Impairment losses on doubtful receivables	(5,958)	(4,599)
	193,708	154,367
Due from insurance companies	228,739	236,836
Impairment losses on doubtful receivables	(15,099)	(12,244)
	213,640	224,592
Other Receivables		
Advances against indemnity	12,851	11,042
Prepayments and others	19,744	14,704
	32,595	25,746
Total	**439,943**	404,705

For the year ended 31 December 2008 In thousand of Qatari Riyals

6 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2008	2007
Gross insurance contract liabilities		
Claims reported but outstanding	952,928	702,930
Claims incurred but not reported	57,698	47,815
Unearned premiums	721,455	548,885
Total	**1,732,081**	1,299,630
Reinsures' share of insurance contract liabilities		
Claims reported but outstanding	530,740	415,668
Claims incurred but not reported	13,722	11,416
Unearned premiums	356,266	290,694
Total	**900,728**	717,778
Net insurance contract liabilities		
Claims reported but outstanding	422,188	287,262
Claims incurred but not reported	43,976	36,399
Unearned premiums	365,189	258,191
Total	**831,353**	581,852

Movements in claims provision during the year are as follows:

	2008			2007		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
At 1 January	750,745	427,084	323,661	541,741	366,246	175,495
Claims incurred and other movements during the year	931,982	429,900	502,082	671,057	303,193	367,864
Claims paid during the year	(672,101)	(312,522)	(359,579)	(462,053)	(242,355)	(219,698)
At 31 December	**1,010,626**	**544,462**	**466,164**	750,745	427,084	323,661

Movement in provision for unearned premiums during the year are as follows:

	2008			2007		
	Insurance contract liabilities	**Reinsurance of insurance contract liabilities**	**Net**	Insurance contract liabilities	Reinsurance of insurance contract liabilities	Net
At 1 January	548,885	290,694	258,191	455,327	283,786	171,541
Premiums written in the year	1,972,307	997,873	974,434	1,518,385	814,908	703,477
Premiums earned during the year	(1,799,737)	(932,301)	(867,436)	(1,424,827)	(808,000)	(616,827)
At 31 December	**721,455**	**356,266**	**365,189**	548,885	290,695	258,191

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7 INVESTMENTS

The carrying amounts of investments at 31 December were as follows:

	2008	**2008**	2007	2007
Held for trading investments				
Managed Funds		**178,310**		382,770
Held-to-maturity investments				
Bonds	102,828			
Less : Repo borrowings	(30,540)	**72,288**		-
Available-for-sale investments				
Qatari public shareholding Companies		1,351,987		1,777,131
Bonds	815,251		818,307	
Less : Repo borrowings	(461,371)	353,880	(401,937)	416,370
Quoted shares		473,766		155,635
Unquoted shares and private equity		448,803		340,643
Total available for sale investments		2,628,436		2,689,779
Less: Impairment loss recognised		(156,652)		(13,242)
Total available for sale investments –net		**2,471,784**		2,676,537
Total		**2,722,382**		3,059,307

8 INVESTMENT PROPERTIES

	2008	2007
Balance as at 1 January	261,048	122,886
Additions during the year	149,231	187,582
Disposals during the year	-	(42,552)
Depreciation for the year	(9,177)	(6,868)
Balance at 31 December, net of accumulated depreciation	**401,102**	261,048

Investment property		
At cost	425,007	275,775
Accumulated depreciation	(23,905)	(14,728)
Net carrying value	**401,102**	261,048

The management has internally valued the investment properties and estimates that the fair value of the investment properties as at 31 December 2008 is QAR 616 million.

The investment properties of 2006 were valued by an independent valuer during 2006.

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8 INVESTMENT PROPERTIES (CONTINUED)

The rental income arising during the year amounted to QR 34,057 thousands (2007: QR 27,645 thousands and the direct operating expenses (included within general and administrative expenses) arising in respect of such properties during the year was QR 4,456 thousands (2007: QR 1,861 thousands.

9 PROPERTY AND EQUIPMENT

	Freehold land	**Building**	**Furniture & fixtures**	**Motor vehicle**	**Total 2008**	Total 2007
Cost:						
At 1 January	9,709	39,762	30,376	6,659	86,506	79,215
Additions during the year	-	590	6,166	3,190	9,946	9,034
Disposals	-	-	(2,067)	(355)	(2,422)	(1,743)
At 31 December	9,709	40,352	34,475	9,494	94,030	86,506
Accumulated Depreciation:						
At 1 January	-	31,751	20,057	3,912	55,720	51,986
Provided during the year	-	1,147	4,319	1,893	7,359	5,362
Disposals	-	-	(1,906)	(296)	(2,202)	(1,628)
At 31 December 2008	-	32,898	22,470	5,509	60,877	55,720
Net book values:						
At 31 December 2008	**9,709**	**7,454**	**12,005**	**3,985**	**33,153**	**-**
At 31 December 2007	9,709	8,011	10,319	2,747	-	30,786

10 SHORT TERM BORROWINGS

	2008	2007
Short term borrowings	**956,600**	486,200

Short term borrowings for 2008 include borrowings from banks in Qatar for tenures ranging from one to three months in local currency amounting to QR 265 million and in foreign currency amounting to USD 190 million.

Short term borrowings also include a Tawarouq facility with an Islamic bank for tenure of one year, which expires on 5th January 2009.

The outstanding borrowings incur an interest expense ranging from 3.4% to 5.75% p.a (2007: 4.75% to 5.56% p.a)

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11 PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2008	2007
Trade payables	90,366	61,901
Due to reinsurance companies	382,145	354,982
Other payables:		
Accrued expenses	71,765	34,302
Employees' end of service benefits (see note 11.1)	26,234	22,621
Board of directors remuneration payable	28,038	26,819
Other credit balances	62,557	78,550
Total	**661,105**	579,175

11.1EMPLOYEES' END OF SERVICE BENEFITS

	2008	2007
Provision at 1 January	22,621	19,919
Expenses recognised in the consolidated income statement	3,928	3,142
Payment made during the year	(315)	(440)
Provision at 31 December	**26,234**	22,621

12 SHARE CAPITAL

The authorised, issued and fully paid share capital at 31 December 2008 consists of 42,471,000 shares of QR 10 each (31 December 2007: 42,471,000 shares of QR. 10 each).

13 LEGAL RESERVE

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

Legal reserve also includes the legal reserve of the subsidiary companies. Moreover, according to Article No. 192 of the Qatar Companies Commercial Law No. 5 of 2002, share premium amounting to QR. 618,590,000 was credited to legal reserve on the rights issue in 2005 and on issuance of QICI shares during the year and prior year.

14 GENERAL RESERVE

During the year no amount has been transferred to the general reserve.

15 FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of investment available for sale.

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16 SEGMENTAL INFORMATION

a) Primary Segment information

For management purposes, the Group is organised into two business segments Marine & Aviation and Fire & General. These segments are the basis on which the Group reports its primary segment information.

Segment income statement

	Marine & Aviation		Fire & General		Total	
	2008	2007	**2008**	2007	**2008**	2007
Gross premium	246,570	229,939	1,725,737	1,288,446	1,972,307	1,518,384
Premium ceded to reinsure's	(137,604)	(120,012)	(860,269)	(694,896)	(997,873)	(814,908)
Net premium	108,966	109,927	865,468	593,550	974,434	703,477
Movement in unexpired premium	(6,875)	2,650	(100,123)	(89,300)	(106,998)	(86,,650)
Net earned premium	**102,091**	112,577	**765,345**	504,250	**867,436**	616,827
Gross claims paid	(128,105)	(105,556)	(543,996)	(356,861)	(672,101)	(462,417)
Reinsurance and other recoveries	81,290	54,616	231,232	188,102	312,522	242,718
Movement in outstanding claims	(6,417)	(34,492)	(136,086)	(113,674)	(142,503)	(148,166)
Net commission	(7,631)	(6,776)	(51,098)	(19,711)	(58,729)	(26,487)
Net underwriting results	**41,228**	20,369	**265,397**	202,106	**306,625**	222,475

Segment balance sheet

Assets and liabilities of the Group are commonly used across the primary segments.

b) Secondary segment information

The Group operates in two geographic markets; the domestic market in Qatar and the international markets. The following table shows the distribution of the Group's total assets and liabilities by geographical segment:

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16 SEGMENTAL INFORMATION (CONTINUED)

b) Secondary Segment information (continued)

Segment income statement

	Qatar 2008	**International 2008**	**Total 2008**	Qatar 2007	International 2007	Total 2007
Gross premium	1,075,847	896,460	1,972,307	920,693	597,692	1,518,385
Premium ceded to reinsurer's	(592,718)	(405,155)	(997,873)	(535,279)	(279,629)	(814,908)
Net premium	483,129	491,305	974,434	385,,414	318,063	703,477
Movement in unexpired premium	(50,437)	(56,561)	(106,998)	(52,633)	(34,017)	(86,650)
Net earned premium	**432,692**	**434,744**	**867,436**	332,781	284,046	616,827
Gross claims paid	(294,052)	(378,049)	(672,101)	(233,036)	(229,017)	(462,053)
Reinsurance and other recoveries	102,294	210,228	312,522	103,811	138,544	242,355
Movement in outstanding claims	(94,394)	(48,109)	(142,503)	(99,124)	(49,042)	(148,166)
Net commission	26,947	(85,676)	(58,729)	21,945	(48,432)	(26,487)
Net underwriting results	**173,487**	**133,138**	**306,625**	126,377	96,098	222,475

Segment balance sheet

	Assets		**Liabilities & Equity**	
	2008	2007	**2008**	2007
Qatar	4,686,080	4,840,288	4,824,627	4,982,438
International	1,353,100	1,020,398	1,214,553	878,248
Total	**6,039,180**	5,860,686	**6,039,180**	5,860,686

17 INVESTMENT INCOME

	2008	2007
Interest income	107,563	97,129
Dividends	86,757	64,346
Profit on sale of investments	364,680	149,066
Income from sale of investment properties	-	35,000
Unrealised (loss) / gain on investments	(45,694)	19,981
Others	15,059	25,003
	528,365	390,525
Impairment loss recognized on investments	(156,652)	(13,242)
Total	**371,713**	377,283

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18 GENERAL AND ADMINISTRATIVE EXPENSES

	2008	2007 Restated
Employee related costs	73,880	49,426
Other operating expenses	52,434	42,518
Board of Directors remuneration	28,038	26,819
	154,352	118,763

19 BASIC AND DILUTED EARNINGS PER SHARE

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

	2008	2007
Profit attributable to equity holders of the parent	510,799	472,682
Weighted average number of ordinary shares	42,471	42,471
Basic and diluted earnings per share (QR)	**12.03**	11.13

20 DIVIDENDS AND BONUS SHARES

	2008	2007
Final cash dividends	127,413	424,710
Weighted average number of ordinary shares	42,471	42,471
Cash Dividend per share (QR)	**3.00**	10.00

The Board of Directors proposed a final cash dividend distribution of QR 3.00 (2007: Dividend of QR 10.00 per share) per share and also a proposed bonus share issue of three share for every four shares held for the year (75% of share capital). The proposed final cash dividend amounting to QR 127,413 thousands (2007: QR 424,710 thousands) and the proposed bonus share of 75% (QR. 318,532.5 thousands will be placed for formal approval at the Annual General Meeting.

21 CONTINGENT LIABILITIES AND COMMITMENTS

	2008	2007
Bank guarantees	9,147	10,050
Authorized future investment commitments	132,419	161,629
Capital commitments	6,464	6,200
Total	**148,030**	177,879

Operating leases

Future minimum lease rentals payables under non-cancellable operating leases as at 31 December are as follows:

	2008	2007
Within one year	4,244	-
After one year but not more than five years	15,207	-
Total	**19,451**	-

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22 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forward contracts and options.

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

31 December 2008

	Notional amount	With in 3 months	3 to 12 months
Bond options:			
Put options sold	21,495	21,495	-
Call options sold	(15,225)	(15,225)	-
Exchange-traded options:			
Equity put options sold	30,800	30,800	-
Equity call options sold	(37,094)	(36,779)	(315)
Equity call options bought	2,913	969	1,944
FX options:			
FX put options sold	4,425	4,425	-
FX call options sold	(16,337)	(16,337)	-

31 December 2007

	Notional amount	With in 3 months	3 to 12 months
Bond options:			
Put options sold	71,263	71,263	-
Call options sold	(51,754)	(51,754)	-
Exchange-traded options:			
Equity put options sold	80,570	53,583	26,987
Equity call options sold	(7,064)	(6,672)	(392)
Equity put options bought	(2,978)	(978)	(2,000)
Equity call options bought	2,171	1,947	224
FX options:			
FX put options sold	37,106	37,106	-
FX call options sold	(11,347)	(11,347)	-

Various option strategies are employed for hedging, risk management and income enhancement. All calls sold are on assets held by the Group.

The Group enters in to financial contracts with various financial institutions through off-balance sheet swap agreements whereby the Group promises to pay a floating rate or a spread over a predetermined benchmark on over a notional amount and receive a fixed rate based on the same notional amount subject to certain conditions being fulfilled.

These contracts are subject to regulations under ISDA (International Swaps & Derivative Association). The notional value of the outstanding swaps as of 31 December 2008 is QR 375 million (2007: QR 349 million).

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23 RELATED PARTY DISCLOSURES

a) Transactions with related parties

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

	2008	2007
Premium	26,586	20,334
Claims	5,677	11,032
Purchase of services	13,735	8,832
Total	**45,998**	40,198

	2008	2007
(b) Due from related parties	**6,749**	5,771
(c) Due to related parties	-	-
(d) Compensation of key management personnel		
Salaries and other short term benefits	18,569	11,058
End of service benefits	542	514
Total	**19,111**	11,572

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

In respect of related party balances there was no provision for doubtful debts at the balance sheet date and no bad debt expense in the year (2007: Nil).

24 RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments. Through a robust governance structure, risk and return are evaluated to produce sustainable revenues to reduce earnings volatility and increase shareholders' return. The Group's lines of business are mainly exposed to the following risks;

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risks and
- Operational risks

a) Governance framework

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

24 RISK MANAGEMENT (CONTINUED)

a) Governance framework (continued)

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A group risk management policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place.

b) Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them 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 shocks or natural 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 minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

e) 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 compensation 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.

24 RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

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

The Group principally issues general insurance contracts which constitutes mainly marine & aviation, fire & general risks.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

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

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

Key assumptions

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

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

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24 RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

Sensitivities

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

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

31 December 2008

	Change in assumptions	**Impact on Liabilities**	**Impact on Net Profit**	**Impact on equity**
Incurred claim cost	+ 10%	50,208	(50,208)	(50,208)
Incurred claim cost	- 10%	(50,208)	50,208	50,208

31 December 2007

	Change in assumptions	**Impact on Liabilities**	**Impact on Net Profit**	**Impact on equity**
Incurred claim cost	+ 10%	36,787	(36,787)	(36,787)
Incurred claim cost	- 10%	(36,787)	36,787	36,787

Claims Development

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

f) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

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

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

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

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

Reinsurance is placed with reinsurers approved by the management, which are generally international securities that are rated by international rating agencies or other GCC securities.

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24 RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

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

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Credit exposure is limited to the carrying values of the financial assets at the balance sheet date.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

31 December 2008

Non-derivative financial assets	**Neither past due nor impaired**	**Past due but not impaired**	**Past due and impaired**	**Total**
Held for trading-Investments	178,310	-	-	178,310
Held-to-maturity- Investments	72,288	-	-	72,288
Available-for-sale financial assets				
Equity securities	2,218,272	-	56,284	2,274,556
Debt securities	253,512	-	100,368	353,880
Insurance receivables	303,353	136,590	21,057	461,000
Reinsurance contract assets	900,728	-	-	900,728
Cash and cash equivalents	1,541,872	-	-	1,541,872
Total	**5,468,335**	**136,590**	**177,709**	**5,782,634**

31 December 2007

Non- derivative financial assets	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Held for trading-Investments	382,770	-	-	382,770
Available-for-sale financial assets				
Equity securities	2,273,409	-	-	2,273,409
Debt securities	403,128	-	13,242	416,370
Insurance receivables	289,437	115,268	16,843	421,548
Reinsurance contract assets	717,778	-	-	717,778
Cash and cash equivalents	1,387,062	-	-	1,387,062
Total	5,453,584	115,268	30,085	5,598,937

For the year ended 31 December 2008 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

Age analysis of financial assets
31 December 2008

	<30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Above 121days**	**Total**
Cash and cash equivalents	1,281,530	101,555	158,787	-	-	1,541,872
Insurance receivables	132,154	98,212	46,233	31,352	131,992	439,943
Total	**1,413,684**	**199,767**	**205,020**	**31,352**	**131,992**	**1,954,815**

31 December 2007

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
Cash and cash equivalents	1,313,934	44,634	28,494	-	-	1,387,062
Insurance receivables	84,068	81,068	61,337	38,163	140,069	404,705
Total	1,398,002	125,702	89,831	38,163	140,069	1,791,767

Impaired financial assets
At 31 December 2008 there are impaired reinsurance assets of QR 15,099 thousands (2007: QR 12,244 thousands), impaired insurance and other receivables of QR 5,958 thousands (2007: QR 4,599 thousands) and impaired investments of QR 156,652 thousands (2007: QR13,242 thousands).

The Group records all impairment allowances in separate impairment allowances accounts. A reconciliation of all the allowances for impairment losses are is as follows:

	Impairment on insurance and reinsurance receivables		**Impairment on investments**	
	2008	2007	**2008**	2007
At 1 January	16,843	14,192	-	-
Charge for the year	4,214	2,651	156,652	13,242
Amounts written off	-	-	-	(13,242)
Total	**21,057**	16,843	**156,652**	-

For the year ended 31 December 2008 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

g) Liquidity risk

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

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

Maturity profiles

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

31 December 2008

	Up to a year	Over 5 years	Total
Financial assets			
Non-derivative financial assets			
Held for trading Investments	178,310	-	178,310
Held-to-maturity Investments	-	72,288	72,288
Available-for-sale financial assets			
Equity securities	2,218,272		2,218,272
Debt securities	253,512	-	253,512
Insurance receivables	439,943	-	439,943
Reinsurance contract assets	900,728	-	900,728
Cash and cash equivalents	1,541,872	-	1,541,872
Total	**5,532,637**	**72,288**	**5,604,925**

31 December 2008

	Up to a year	Over 5 years	Total
Financial liabilities			
Non-derivative financial liabilities			
Trade and other payables	278,960	-	278,960
Insurance payables	382,145	-	382,145
Reinsurance contract liabilities	1,732,081	-	1,732,081
Short term borrowings	956,600	-	956,600
Total	**3,349,786**	**-**	**3,349,786**

For the year ended 31 December 2008 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

g) Liquidity risk (continued)

31 December 2007

	Up to a year	Over 5 years	Total
Financial assets			
Non-derivative financial assets			
Held for trading Investments	382,770	-	382,770
Held-to-maturity-Investments	-	-	-
Available-for-sale financial assets			
Equity securities	2,260,167	-	2,260,167
Debt securities	416,370	-	416,370
Insurance and other receivables	404,705	-	404,705
Reinsurance contract assets	717,778	-	717,778
Cash and cash equivalents	1,387,062	-	1,387,062
Total	5,568,852	-	5,568,852

31 December 2007

	Up to a year	Over 5 years	Total
Financial liabilities			
Non-derivative financial liabilities			
Trade and other payables	224,193	-	224,193
Insurance payables	354,982	-	354,982
Reinsurance contract liabilities	1,299,630	-	1,299,630
Short term borrowings	486,200	-	486,200
Total	2,365,005	-	2,365,005

h) Market risk

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

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group uses various off balance sheet financial instruments, including forward foreign exchange contracts and options, to manage certain foreign currency investment exposures and for trading.

For the year ended 31 December 2008 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

i) *Currency risk (continued)*

The table below summarises the Group's exposure to foreign currency exchange rate risk at balance sheet date by categorising assets and liabilities by major currencies.

31 December 2008

	USD	**EURO**	**GBP**	**Others**	**Total**
Cash and cash equivalents	323,418	21,180	2,727	1,194,547	1,541,872
Insurance and other receivables	272,449	14,161	3,799	149,534	439,943
Reinsurance contract assets	-	-	-	900,728	900,728
Investments	1,149,945	110,254	37,733	1,424,450	2,722,382
Investment property	-	-	-	401,102	401,102
Property and equipment	-	-	-	33,153	33,153
TOTAL ASSETS	**1,745,812**	**145,595**	**44,259**	**4,103,514**	**6,039,180**
Short term borrowing	691,600	-	-	265,000	956,600
Insurance contract liabilities	-	-	-	1,732,081	1,732,081
Provisions, reinsurance and other payables	162,764	4,665	2,039	491,637	661,105
TOTAL LIABILITIES	**854,364**	**4,665**	**2,039**	**2,488,718**	**3,349,786**

31 December 2007

	USD	EURO	GBP	Others	Total
Cash and cash equivalents	166,279	4,794	10,333	1,205,656	1,387,062
Insurance and other receivables	130,241	4,516	438	269,511	404,705
Reinsurance contract assets	-	-	-	717,778	717,778
Investments	974,764	99,577	31,930	1,953,036	3,059,307
Investment property	-	-	-	261,048	261,048
Property and equipment	-	-	-	30,786	30,786
TOTAL ASSETS	1,271,284	108,887	42,701	4,437,815	5,860,686
Insurance contract liabilities	-	-	-	1,299,630	1,299,630
Provisions, reinsurance and other payables	181,342	11,763	5,525	380,545	579,175
Short term borrowings	291,200	-	-	195,000	486,200
TOTAL LIABILITIES	472,542	11,763	5,525	1,875,175	2,365,005

For the year ended 31 December 2008 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

(h) Market risk (continued)

i. Currency risk (continued)

The Group has no significant concentration of currency risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities.

		31 December 2008		31 December 2007	
	Changes in variables	**Impact on profit**	**Impact on equity**	Impact on profit	Impact on equity
Currency					
Euro	+10%	14,093	14,093	9,398	9,398
GBP	+10%	4,222	4,222	3,723	3,723
Others	+10%	250,625	250,625	297,419	297,419
Total		**268,940**	**268,940**	310,540	310,540
Euro	-10%	(14,093)	(14,093)	(9,398)	(9,398)
GBP	-10%	(4,222)	(4,222)	(3,723)	(3,723)
Others	-10%	(250,625)	(250,625)	(297,419)	(297,419)
Total		**(268,940)**	**(268,940)**	(310,540)	(310,540)

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

ii) Interest rate risk

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

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

For the year ended 31 December 2008 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

(h) Market risk (continued)

ii) Interest rate risk (continued)

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

		31 December 2008		31 December 2007	
	Changes in variables	**Impact on profit**	**Impact on equity**	Impact on profit	Impact on equity
Currency					
Qatari Riyal	+50 basis points	545	23,269	984	12,074
Qatari Riyal	-50 basis points	(545)	(23,269)	(984)	(12,074)

The Group's interest rate risk based on contractual arrangements is as follows:

31 December 2008

	Up to 6 months	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Effective interest rate (%)**
Cash and Cash equivalents	1,541,872	-	-	-	1,541,872	7.65
Investments	-	3,249	18,974	895,856	918,079	9.2
Total	**1,541,872**	**3,249**	**18,974**	**895,856**	**2,459,951**	

31 December 2007

	Up to 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total	Effective interest rate (%)
Cash and Cash equivalents	1,387,062	-	-	-	1,387,062	5.24
Investments	81,733	6,800	21,312	708,462	818,307	12.06
Total	1,468,795	6,800	21,312	708,462	2,205,369	

iii) Price risk

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

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

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

The Group has no significant concentration of price risk.

For the year ended 31 December 2008 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

(h) Market risk (continued)

iii. Price risk (continued)

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

		31 December 2008		31 December 2007	
	Changes in variables	**Impact on profit**	**Impact on equity**	Impact on profit	Impact on equity
Qatar Market	+10%	-	157,230	2,763	175,747
International Markets	+10%	17,741	20,235	37,406	18,269
Qatar Market	-10%	-	(157.230)	(2,763)	(175,747)
International Markets	-10%	(17,741)	(20,235)	(37,406)	(18,269)

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

i) Operational risks

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

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

j) Capital management

Externally imposed capital requirements are set and regulated by the Qatar Commercial Companies Law and Doha Securities Market 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. The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

The required capital for the Company as at 31 December 2008 was QR. 11,500 thousands (31 December 2007: QR. 11,500 thousands).

For the year ended 31 December 2008 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

Classification and fair values

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

	31 December 2008		31 December 2007	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	1,541,872	1,541,872	1,387,062	1,387,062
Loans and receivables:				
Insurance receivables	439,943	439,943	404,705	404,705
Reinsurance contract assets	900,728	900,728	717,778	717,778
Investments held for trading	178,310	178,310	382,770	382,770
Held-to-maturity investments	72,288	51,218	-	-
Available –or-sale Investments	2,471,784	2,471,784	2,676,537	2,676,537
	5,604,925	5,583,855	5,568,852	5,568,852
Loans and receivables:				
Short term borrowings	956,600	956,600	486,200	486,200
Insurance and other payables	661,105	661,105	579,175	579,175
Insurance contract liabilities	1,732,081	1,732,081	1,299,630	1,299,630
	3,349,786	3,349,786	2,365,005	2,365,005

25 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of preparing these consolidated financial statements, Management has made use of a number of judgments relating to the application of accounting policies which are described in note 2 (d). Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below (apart from those involving estimations which are dealt with in note 26).

These judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the following discussion addresses the accounting policies that require judgments.

- **Classification of investments**

Quoted securities are classified either as held for trading, held-to -maturity or as available for sale. The group invests substantially on quoted securities either locally or overseas and management has primarily decided to account for them on their potential for long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale and held-to-maturity rather than at fair value through profit or loss.

Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss.

The group invests in managed and Managed funds for trading purpose.

25 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (COUNTINUED)

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

26 KEY SOURCES OF ESTIMATES UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year , are discussed below;

- **Claims made under insurance contracts**
  Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the income statement in the year of settlement. As of 31 December 2008, estimate for unpaid claims amounted to QR 466,164 thousands (31 December 2007, QR 323,661 thousands).

- **Impairment of Insurance and other receivables**
  An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired, entails the Group evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2008 and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the consolidated income statement. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the consolidated income statement at the time of collection. As of 31 December 2008, the carrying values of insurance receivable and reinsurance receivables amounted to QR 199,665 thousands (31 December 2007: 158,996 thousands) and QR 228,739 thousands (31 December 2007: 236,836) respectively and provision for impairment on insurance receivable and reinsurance receivable amounted to QR 5,958 thousands (31 December 2007: 4,599 thousands) and QR 15,099 thousands (31 December 2007:12,244 thousands) respectively.

Liability Adequacy Test

At each balance sheet, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated income statement.

27 RESTATEMENT OF COMPARATIVE FIGURES

During 2008, Board of Directors' remuneration and contribution to social fund pertaining to 2007 totalling QR 26,819 thousands and QR 12,782 thousands have been reclassified from appropriation in consolidated statement of changes in equity to charge in consolidated income statement. Consequently, the profit for 2007 has decreased by QR 39,601 thousands. There is no change in consolidated equity position.