QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2012

QATAR INSURANCE GROUP S.A.Q.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2012

INDEX

QR. 31247

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Qatar Insurance Company S.A.Q.
Doha, Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar Insurance Company S.A.Q. (the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year the ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 consolidated financial statements are free from 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 the auditor's 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, the auditor considers 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2011 were audited by another auditor whose report dated January 24, 2012 expressed an unmodified opinion on these financial statements.

Other Legal and Regulatory Requirements

We are also of the opinion that proper books of account were maintained by the Parent Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Commercial Companies Law No. 5 of 2002 or the Articles of Association were committed during the year which would materially affect the Group's activities or its financial position.

For **Deloitte & Touche**

Doha - Qatar
…………, 2013

Muhammad Bahemia
License No. 103

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

	Notes	2012 (QR '000)	2011 (QR '000)
ASSETS			
Cash and cash equivalents	5	**2,123,876**	2,080,720
Insurance and other receivables	6	**703,395**	629,737
Reinsurance contract assets	7	**1,950,278**	1,805,429
Equity accounted investments	8	**70,403**	63,797
Investments	9	**2,933,103**	2,718,172
Investment properties	10	**438,636**	453,223
Property and equipment	11	**31,890**	26,142
TOTAL ASSETS		**8,251,581**	7,777,220
LIABILITIES			
Short term borrowings	12	**--**	182,000
Provisions, reinsurance and other payables	13	**817,982**	806,658
Insurance contract liabilities	7	**3,640,986**	3,259,701
TOTAL LIABILITIES		**4,458,968**	4,248,359
EQUITY			
Share capital	14	**891,891**	743,243
Legal reserve	15	**464,360**	473,121
General reserve	16	**287,000**	287,000
Fair value reserve	17	**663,496**	674,163
Catastrophe special reserve	18	**159,090**	129,498
Retained earnings		**1,154,517**	1,032,335
Equity attributable to owners of the parent		**3,620,354**	3,339,360
Non-controlling interests		**172,259**	189,501
TOTAL EQUITY		**3,792,613**	3,528,861
TOTAL LIABILITIES AND EQUITY		**8,251,581**	7,777,220

These consolidated financial statements were approved by the Board of Directors and signed on its behalf by the following signatories on January 22, 2013.

H.E. Sheikh Khalid Bin Mohammed Bin Ali Al-Thani	Khalifa Abdulla Turki Al Subaey
Chairman and Managing Director	***Group President and Chief Executive Officer***

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2012

	Notes	2012	2011
		(QR '000)	(QR '000)
Gross premiums	19 (a)	**2,558,597**	2,383,051
Premiums ceded to reinsurers	19 (a)	**(1,007,518)**	(999,662)
Net premiums		**1,551,079**	1,383,389
Movement in unexpired risk reserve	19 (a)	**(56,440)**	(62,491)
Net earned premiums		**1,494,639**	1,320,898
Gross claims paid	19 (a)	**(1,404,971)**	(1,122,652)
Reinsurance recoveries	19 (a)	**563,630**	531,522
Movement in outstanding claims	19 (a)	**(179,996)**	(268,267)
Net commission	19 (a)	**(130,079)**	(123,072)
Net underwriting result	19 (a)	**343,223**	338,429
Investment income	20	**440,019**	435,241
Advisory fee income		**56,233**	21,736
Rental income		**49,125**	46,625
Other income		**3,384**	3,038
Total income		**891,984**	845,069
Operating and administrative expenses	21	**(255,966)**	(220,922)
Depreciation		**(22,969)**	(22,993)
Profit before share of results from equity accounted investments		**613,049**	601,154
Share of profit from equity accounted investments		**6,606**	1,902
Profit for the year		**619,655**	603,056
Attributable to:			
Owners of the parent		**610,323**	591,843
Non-controlling interests		**9,332**	11,213
		619,655	603,056
Earnings per share			
Basic and diluted earnings per share in Qatari Riyals (2011: Restated as a result of bonus issue)	22	**6.84**	6.64
Cash dividend per share in Qatari Riyals	23	**2.50**	4.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2012

	2012	2011
	(QR '000)	(QR '000)
Profit for the year	**619,655**	603,056
Other comprehensive income		
Net unrealized gain/ (loss) on available-for-sale financial assets	**860**	(109,341)
Total comprehensive income for the year	**620,515**	493,715
Total comprehensive income attributable to:		
Owners of the parent	**599,656**	485,839
Non-controlling interests	**20,859**	7,876
Total comprehensive income for the year	**620,515**	493,715

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2012

	Share capital	Legal reserve	General reserve	Fair value reserve	Catastrophe special reserve	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Balance as at January 1, 2011	743,243	463,462	287,000	780,130	100,000	964,781	3,338,616	183,532	3,522,148
Profit for the year	--	--	--	--	--	591,843	591,843	11,213	603,056
Net unrealized loss on available for sale investments	--	--	--	(106,004)	--	-	(106,004)	(3,337)	(109,341)
Total comprehensive income for the year	--	--	--	(106,004)	--	591,843	485,839	7,876	493,715
Dividend for the year 2010	--	--	--	--	--	(483,108)	(483,108)	(22,047)	(505,155)
Effect of shares issued by subsidiary	--	7,935	--	37	--	1,238	9,210	20,140	29,350
Transfer to legal reserve	--	1,724	--	--	--	(1,724)	--	--	--
Contribution to social and sports fund	--	--	--	--	--	(11,197)	(11,197)	--	(11,197)
Transfer to catastrophe special reserve	--	--	--	--	29,498	(29,498)	--	--	--
Balance at December 31, 2011	743,243	473,121	287,000	674,163	129,498	1,032,335	3,339,360	189,501	3,528,861
Total profit for the year	--	--	--	--	--	610,323	610,323	9,332	619,655
Net unrealized gain on available for sale investments	--	--	--	(10,667)	--	-	(10,667)	11,527	860
Total comprehensive income for the year	--	--	--	(10,667)	--	610,323	599,656	20,859	620,515
Dividend for the year 2011	--	--	--	--	--	(297,297)	(297,297)	(8,164)	(305,461)
Issuance of bonus shares	148,648	--	--	--	--	(148,648)	--	--	--
Effects of acquiring part of non-controlling interests in a subsidiary	--	--	--	--	--	(11,052)	(11,052)	(29,937)	(40,989)
Transfer from legal reserve	--	(85,103)	--	--	--	85,103	--	--	--
Transfer to legal reserve	--	76,342	--	--	--	(76,342)	--	--	--
Contribution to social and sports fund	--	--	--	--	--	(10,313)	(10,313)	--	(10,313)
Transfer to catastrophe special reserve	--	--	--	--	29,592	(29,592)	--	--	--
Balance at December 31, 2012	**891,891**	**464,360**	**287,000**	**663,496**	**159,090**	**1,154,517**	**3,620,354**	**172,259**	**3,792,613**

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

	Note	2012 (QR '000)	2011 (QR '000)
OPERATING ACTIVITIES			
Profit for the year		**619,655**	603,056
Adjustments for :			
Depreciation of property & equipment and investment properties		**22,969**	22,993
Share of profit from equity accounted investments		**(6,606)**	(1,902)
Investment income and other finance income		**(543,821)**	(513,726)
Provision for employees' end of service benefits		**6,972**	21,567
Impairment loss on doubtful receivables		**(6,756)**	1,264
Net unrealised (gain)/ loss on investments		**(1,556)**	10,124
Operating profit before working capital changes		**90,857**	143,376
Working capital changes			
Change in insurance and other receivables		**(66,902)**	(81,854)
Change in insurance reserves – net		**236,436**	330,758
Change in provisions, insurance and other payables		**5,512**	38,914
Cash generated from operations		**265,903**	431,194
Payment of social and sports fund		**(11,197)**	(9,655)
Employees' end of service benefits paid		**(372)**	(1,362)
Net cash from operating activities		**254,334**	420,177
INVESTING ACTIVITIES			
Net cash movements in investments		**(212,515)**	22,744
Purchase of shares by non-controlling interest		**--**	29,350
Acquisition of non-controlling interests in a subsidiary		**(40,989)**	--
Purchase of property and equipment		**(14,526)**	(6,670)
Purchase of investment properties		**--**	(83,074)
Interest income and other finance income		**543,821**	513,726
Proceeds from sale of property and equipment		**396**	705
Cash flow from investing activities		**276,187**	476,781
FINANCING ACTIVITIES			
Dividends paid to non-controlling interests		**(8,164)**	(22,047)
Repayment of short term borrowings		**(182,000)**	(47,200)
Dividends paid		**(297,201)**	(483,108)
Net cash used in financing activities		**(487,365)**	(552,355)
Net increase in cash and cash equivalents		**43,156**	344,603
Cash and cash equivalents at the beginning of the year		**2,080,720**	1,736,117
Cash and cash equivalents at the end of the year	**5**	**2,123,876**	2,080,720

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

1 STATUS AND OPERATIONS

Qatar Insurance Company S.A.Q. (the "Parent 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 the 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, Bermuda and Malta. The consolidated financial statements incorporate the financial information of the Company and its subsidiaries all of which having a December 31, financial year end. The subsidiaries are:

Name of the subsidiary	Ownership	Country of incorporation	Principal activities
QIC International L.L.C. ("QICI")	84.60%	State of Qatar	Primarily engaged in insurance and reinsurance. QICI manages the international operations of the Group and has 2 overseas branches in Dubai (United Arab Emirates), and Abu Dhabi (United Arab Emirates), a representative office in Malta, and two subsidiaries as detailed below:
Oman Qatar Insurance Company ("OQIC")	70% (owned through QICI)	Sultanate of Oman	Primarily engaged in insurance and reinsurance.
Kuwait Qatar Insurance Company ("KQIC")	82..04% (2011:40%) (owned through QICI)	Kingdom of Kuwait	Primarily engaged in insurance and reinsurance.
Q-Re L.L.C.	55.64% directly (39.74% owned through QICI)	State of Qatar	Primarily engaged in reinsurance.
QANIT Ltd.	100% (owned through QICI)	UAE	Primarily engaged in Real Estate activities in the UAE.
Qatar Insurance Company Real Estate	100%	State of Qatar	Primarily engaged in Real Estate activities in the State of Qatar.
Qatar Economic Advisors	100%	State of Qatar	Primarily engaged in financial and other advisory services.
Qatar Insurance Group	100%	State of Qatar	Primarily engaged in the management of QIC Group entities.
CATCo Investment Management Ltd.	100%	Bermuda	Primarily engaged in providing investment management services.
CATCo-Re Ltd.	100%	Bermuda	Primarily engaged in issuance of fully collateralised reinsurance contracts for CATCo Re Fund.
Q Life & Medical Insurance Company L.L.C.	100%	State of Qatar	The Company is engaged in life and medical insurance business.
Epicure Managers Qatar Ltd.	100%	BVI	Primarily engaged in providing investment management services.
QIC International	84.6%	State of Qatar	The subsidiary is incorporated under the Ministry of Trade and Business regime and is inoperative at the moment
QIC Capital	100%	State of Qatar	The subsidiary is incorporated under the QFCRA regime and is inoperative at the moment.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The revised standards issued by IASB and IFRIC interpretations which are effective from the accounting period commencing January 1, 2012, had no significant effect on the consolidated financial statements of the Group for the year ended December 31, 2012.

The following IASB Standards and IFRIC interpretations issued, but are not mandatory for the year ended December 31, 2012, have not yet been adopted by the Group:

1. IFRS 9 Financial Instruments was issued to replace IAS 39. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after January 1 2015.

2. In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after January 1 2013.

The Group is currently in the process of evaluating the potential effect of these amendments in the presentation of the consolidated financial statements.

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2012 have not been applied in preparing these consolidated financial statements. The Group does not expect the proposed amendments which becomes mandatory for the 2013 consolidated financial statements to have a significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of preparation

The accompanying consolidated financial statements have been 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.

3. BASIS OF PREPARATION (CONTINUED)

Financial assets and financial liabilities are offset and the net amount reported in these 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 are not offset in the consolidated statement of income 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 and estimates

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 are revised and in any future years affected. The key judgements and estimates made by the Group is detailed in Note 30.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation, translation and financial instruments

i) Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a Company so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The consolidated financial statements comprise the financial statements of Qatar Insurance Company S.A.Q. and its subsidiary companies as at December 31st of 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, unrealized income and unrealized expenses and unrealized profits and unrealized losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the Statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders’ equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Investments in associates and jointly controlled entities
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases**.** The financial year–end of the associate entities and the Group is uniform.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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 reporting date. Income and expenses are also translated to Qatari Riyals at the exchange rates prevailing at the reporting 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 functional currencies of Group entities at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the Statement of income.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv) Financial instruments

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.

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 profit or loss as they arise.

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

Identification and measurement of impairment
At each reporting 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 Statement of Income and reflected as an allowance against receivables or investments.

4. 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 Statement of Income. 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 reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

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 reporting date is reported as Unexpired risk reserve (unearned premium liability).

v) Insurance contract liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance operations (continued)

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 reporting 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.

Unexpired risks reserve

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 reporting 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 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, discharged or cancelled by any party to the insurance contract

vi) Gross claims paid

Gross claims paid 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.

c) Investment activities

The Group classifies its investments into financial assets at fair value through profit or loss, held-to-maturity 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 profit or loss in the year in which it arises.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

Available for sale – Quoted
Subsequent to 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 Statement of income 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.

The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

The resultant gains and losses on derivatives held for trading purposes are included in the Statement of income.

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 Statement of income for the year.

i) Investment income

Interest income
Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

ii) Advisory 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.

iii) Rental income

Rental income from investment properties is recognised in Statement of income on a straight line basis over the term of operating lease and the advances and unearned portion of the rental income is recognised as a liability.

d) 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 consolidated statement of financial position. 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 Statement of income 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 expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are charged to Statement of income during the financial period 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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Statement of income in the year the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) 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

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

v) Impairment of non-financial assets

An assessment is made at each reporting 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 Statement of income.

vi) Provisions

The Group recognizes provisions in the financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the Statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting 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 reporting date.

viii) Contribution to social and sports fund

Pursuant to the Qatar Law No. 13 of 2008 and the related clarifications issued in 2012, which is applicable for all Qatari listed shareholding companies with publicly traded shares, the Group has made an appropriation of 2.5% of its adjusted net profit to a state social fund.

ix) 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 or loss attributable to ordinary shareholders of the parent company by the weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the earnings and number of shares for the efforts of all dilutive potential shares.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

5 CASH AND CASH EQUIVALENTS

	2012	2011
	(QR '000)	(QR '000)
Cash and demand deposits	**147,364**	268,294
Time deposits maturing within 6 months	**1,976,512**	1,812,426
	2,123,876	2,080,720

Time deposits amounting QR 54,062 thousands (2011: QR 69,301 thousands) are held by banks as security against guarantees given on behalf of the Group

6 INSURANCE AND OTHER RECEIVABLES

	2012	2011
	(QR '000)	(QR '000)
Receivables from policyholders		
Due from policy holders	**250,679**	263,944
Impairment losses on doubtful receivables	**(4,237)**	(10,993)
	246,442	252,951
Receivables from Reinsurers		
Due from insurance companies	**386,449**	345,128
Impairment losses on doubtful receivables	**(14,445)**	(23,134)
	372,004	321,994
Other receivables		
Staff advances against indemnity	**44,411**	38,880
Prepayments and others	**40,538**	15,912
	84,949	54,792
	703,395	629,737

7 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2012	2011
	(QR '000)	(QR '000)
Gross insurance contract liabilities		
Claims reported and unsettled	**2,342,533**	2,018,220
Claims incurred but not reported	**196,931**	161,847
Unearned premiums	**1,101,522**	1,079,634
	3,640,986	3,259,701
Reinsurers' share of insurance contract liabilities		
Claims reported and unsettled	**1,383,085**	1,238,940
Claims incurred but not reported	**78,283**	43,027
Unearned premiums	**488,910**	523,462
	1,950,278	1,805,429
Net insurance contract liabilities		
Claims reported and unsettled	**959,448**	779,280
Claims incurred but not reported	**118,648**	118,820
Unearned premiums	**612,612**	556,172
	1,690,708	1,454,272

Movements in insurance contract liabilities and reinsurance contract assets are as follows:

	2012			2011		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	(QR '000)	**(QR '000)**	**(QR '000)**	(QR '000)	(QR '000)	(QR '000)
At January 1,	**2,180,067**	**1,281,967**	**898,100**	1,789,369	1,159,536	629,833
Claims incurred and other movements during the year	**1,764,368**	**743,031**	**1,021,337**	1,513,350	653,953	859,397
Claims paid during the year	**(1,404,971)**	**(563,630)**	**(841,341)**	(1,122,652)	(531,522)	(591,130)
At December 31,	**2,539,464**	**1,461,368**	**1,078,096**	2,180,067	1,281,967	898,100

7. INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (CONTINUED)

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

	2012			2011		
	Insurance contract liabilities	**Reinsurers' share**	**Net**	Insurance contract liabilities	Reinsurers' share	Net
	(QR '000)	**(QR '000)**	**(QR '000)**	(QR '000)	(QR '000)	(QR '000)
At January 1,	**1,079,634**	**523,462**	**556,172**	950,432	456,751	493,681
Premiums written in the year	**2,558,597**	**1,007,518**	**1,551,079**	2,383,051	999,662	1,383,389
Premiums earned during the year	**(2,536,709)**	**(1,042,070)**	**(1,494,639)**	(2,253,849)	(932,951)	(1,320,898)
At December 31,	**1,101,522**	**488,910**	**612,612**	1,079,634	523,462	556,172

8 EQUITY ACCOUNTED INVESTMENTS

	2012	2011
	(QR '000)	(QR '000)
Al Daman Islamic Insurance Group	**56,982**	51,950
Asteco Qatar L.L.C.	**1,293**	1,346
Massoun Insurance Services L.L.C.	**12,128**	10,501
Total	**70,403**	63,797

Details of the associated companies held during the year were as follows.

Name of associate	Place of incorporation and operation	Proportion of ownership and voting power held	Principal activities
Al Daman Islamic Insurance Company	State of Qatar	12.5% directly and 12.5% through QICI	Insurance and Reinsurance
Asteco Qatar L.L.C.	State of Qatar	20% directly	Real estate brokerage and management
Massoun Insurance Services L.L.C.	State of Qatar	50% directly	Insurance marketing and distribution.

Summarised financial information of the associates are as follows:

	2012	2011
	(QR '000)	(QR '000)
Current Assets	**430,008**	361,664
Non-current assets	**3,815**	4,810
Current liability	**165,430**	130,360
Non-current liability	**233**	347
Results for the year	**24,764**	5,826

8 EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

	2012	2011
	(QR '000)	(QR '000)
Balance at January 1,	**63,797**	61,895
Share of profit for the year	**6,606**	1,902
Balance at December 31,	**70,403**	63,797

9 INVESTMENTS

The carrying amounts of investments at year end were as follows:

	2012		2011	
	(QR '000)	**(QR '000)**	(QR '000)	(QR '000)
Held for trading investments				
Managed funds		**142,322**		110,452
Available-for-sale investments				
Qatari public shareholding Companies		**1,430,191**		1,398,383
Bonds	**1,988,919**		1,472,244	
Less : Margin Collaterals	**(1,311,925)**	**676,994**	(974,813)	497,431
International quoted shares		**308,036**		316,346
Unquoted shares and private equity		**375,560**		395,560
Total available for sale investments		**2,790,781**		2,607,720
Total		**2,933,103**		2,718,172

10 INVESTMENT PROPERTIES

	2012	2011
	(QR '000)	(QR '000)
Net carrying value as at January 1,	**453,223**	384,725
Additions during the year	**-**	83,074
Depreciation for the year	**(14,587)**	(14,576)
Net carrying value as at December 31,	**438,636**	453,223

	2012	2011
	(QR '000)	(QR '000)
Investment property		
At cost	**512,193**	512,193
Accumulated depreciation	**(73,557)**	(58,970)
Net carrying value	**438,636**	453,223

The investment properties were revalued by an independent valuer not connected with the Group, by reference to market evidence of recent transactions for similar properties. The estimated fair value of the above investment properties as at December 31, 2012 were QR 1,109.3 million (2011: QR 703 million).

10 INVESTMENT PROPERTIES (CONTINUED)

The rental income arising during the year amounted to QR 49,125 thousands (2011: QR 46,625 thousands) and the direct operating expenses (included within general and administrative expenses) arising in respect of such properties during the period was QR 5,961 thousands (2011: QR 5,214 thousands).

11 PROPERTY AND EQUIPMENT

	Freehold land	**Building**	**Furniture & fixtures**	**Motor vehicles**	**Total 2012**	Total 2011
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**	**(QR '000)**	(QR '000)
Cost:						
At January 1,	9,709	40,352	47,737	10,067	107,865	103,564
Additions during the year	--	--	13,423	1,103	14,526	6,670
Disposals	--	--	(1,614)	(1,453)	(3,067)	(2,369)
At December 31,	9,709	40,352	59,546	9,717	119,324	107,865
Accumulated Depreciation:						
At January 1,	--	36,307	38,042	7,374	81,723	74,971
Provided during the year	--	1,147	5,783	1,452	8,382	8,417
Disposals	--	--	(1,509)	(1,162)	(2,671)	(1,665)
At December 31,	--	**37,454**	**42,316**	**7,664**	**87,434**	81,723
Net book values:						
At December 31, 2012	**9,709**	**2,898**	**17,230**	**2,053**	**31,890**	**--**
At December 31, 2011	9,709	4,045	9,695	2,693	--	26,142

12 SHORT TERM BORROWINGS

	2012	2011
	(QR '000)	(QR '000)
Short term borrowings	**--**	182,000

13 PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2012	2011
	(QR '000)	(QR '000)
Trade payables	**213,471**	155,837
Due to reinsurance companies	**378,152**	435,890
Other payables:		
Accrued expenses	**79,178**	75,308
Employees' end of service benefits (see note 13.1)	**62,347**	55,747
Provision for Board of directors remuneration	**18,000**	18,000
Other liabilities	**66,834**	65,876
	817,982	806,658

13.1 EMPLOYEES' END OF SERVICE BENEFITS

	2012	2011
	(QR '000)	(QR '000)
Provision at January 1,	**55,747**	35,542
Expenses recognised during the year	**6,972**	21,567
Payment made during the year	**(372)**	(1,362)
Provision at December 31,	**62,347**	55,747

14 SHARE CAPITAL

The authorised, issued and fully paid share capital at December 31, 2012 consists of 89,189,160 equity shares of QR 10 each (2011: 74,324,300 equity shares of QR. 10 each).

15 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, except for taking the effect of the Group's share in legal reserve transfer made by subsidiaries in Oman and Kuwait. The legal reserve also includes the Group's share in legal reserve arising out of the subsidiary companies.

16 GENERAL RESERVE

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

17 FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of available for sale investments as per the accounting policy detailed in note 4.

18 CATASTROPHE SPECIAL RESERVE

The Group has appropriated further QR 29.59 million (2011: QR 29.50 million) from its retained earnings as a catastrophe special reserve in the Statement of Changes in Equity which was approved at the Board meeting held on January 25, 2011. This reserve will be utilised at the recommendation of the Board of Directors and approval at the Annual General Meeting when there is a catastrophe event.

19 OPERATING SEGMENTS

a) Segment information

For management purposes, the Group is organised into four business segments- Marine & Aviation insurance, Fire & General insurance, Real Estate, Advisory and Investments. These segments are the basis on which the Group reports its operating segment information.

19 OPERATING SEGMENTS (CONTINUED)

a) Segment information (continued)

Segment income statement for the year ended 31 December 2012

	Marine & Aviation (QR '000)	Fire & General (QR '000)	Total Insurance (QR '000)	Real Estate (QR '000)	Advisory (QR '000)	Investments (QR '000)	Un-allocated (expenses) / Income (QR '000)	Total (QR '000)
Gross premiums	331,532	2,227,065	2,558,597	--	--	--	--	2,558,597
Premiums ceded to reinsurers	(174,565)	(832,953)	(1,007,518)	--	--	--	--	(1,007,518)
Net premiums	156,967	1,394,112	1,551,079	--	---	--	--	1,551,079
Movement in unexpired risk reserve	3,945	(60,385)	(56,440)	--	---	--	--	(56,440)
Net earned premium	160,912	1,333,727	1,494,639	--	--	--	--	1,494,639
Gross claims paid	(117,361)	(1,287,610)	(1,404,971)	--	--	--	--	(1,404,971)
Reinsurance recoveries	57,500	506,130	563,630	--	--	--	--	563,630
Movement in outstanding claims	(38,147)	(141,849)	(179,996)	--	--	--	--	(179,996)
Net commission	(7,745)	(122,334)	(130,079)	--	--	--	--	(130,079)
Net underwriting result	55,159	288,064	343,223	--	--	--	--	343,223
Investment income and other income			--	--	--	443,403	--	443,403
Rental income			--	49,125	--	--	--	49,125
Advisory fee income			--	--	56,233	--	--	56,233
Total income			343,223	49,125	56,233	443,403	--	891,984
Operating and administrative expenses			(128,166)	(5,961)	(34,746)	--	(87,093)	(255,966)
Depreciation			(8,279)	(14,587)	(103)	--	--	(22,969)
Profit before share of profit from equity accounted investments			206,778	28,577	21,384	443,403	(87,093)	613,049
Share of profit from equity accounted investments			--	--	--	--	6,606	6,606
Segment results			206,778	28,577	21,384	443,403	(80,487)	619,655

19 OPERATING SEGMENTS (CONTINUED)

b) Segment information (continued)

Segment income statement for the year ended 31 December 2011

	Marine & Aviation	Fire & General	Total Insurance	Real Estate	Advisory	Investments	Un-allocated (expenses) / Income	Total
	(QR ‘000)	(QR ‘000)	(QR ‘000)	(QR ‘000)	(QR ‘000)	(QR ‘000)	(QR ‘000)	(QR ‘000)
Gross premiums	340,385	2,042,666	2,383,051	--	--	--	--	2,383,051
Premiums ceded to reinsurers	(189,940)	(809,722)	(999,662)	--	--	--	--	(999,662)
Net premiums	150,445	1,232,944	1,383,389	--	--	--	--	1,383,389
Movement in unexpired risk reserve	6,246	(68,737)	(62,491)	--	--	--	--	(62,491)
Net earned premium	156,691	1,164,207	1,320,898	--	--	--	--	1,320,898
Gross claims paid	(151,070)	(971,582)	(1,122,652)	--	--	--	--	(1,122,652)
Reinsurance recoveries	89,350	442,172	531,522	--	--	--	--	531,522
Movement in outstanding claims	(17,596)	(250,671)	(268,267)	--	--	--	--	(268,267)
Net commission	(7,649)	(115,423)	(123,072)	--	--	--	--	(123,072)
Net underwriting result	69,726	268,703	338,429	-	-	--	--	338,429
Rental Income			--	46,625	--	--	--	46,625
Investment income and other Income			--	--	--	438,279	--	438,279
Advisory fee income			--	--	21,736	--	--	21,736
Total Income			338,429	46,625	21,736	438,279	--	845,069
Operating and administrative expenses			(107,874)	(5,214)	(24,100)	--	(83,734)	(220,922)
Depreciation			(8,256)	(14,576)	(161)	--	--	(22,993)
Profit before share of profit from equity accounted investments			222,299	26,835	(2,525)	438,279	(83,734)	601,154
Share of profit from equity accounted investments			--	--	--	--	1,902	1,902
Segment results			222,299	26,835	(2,525)	438,279	(81,832)	603,056

19 OPERATING SEGMENTS (CONTINUED)

Segment statement of financial position
Assets and liabilities of the Group are commonly used across the primary segments.

b) Geographic 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:

Segment income statement for the year

	Qatar	**International**	**Total**	Qatar	International	Total
	2012 (QR '000)	**2012 (QR '000)**	**2012 (QR '000)**	2011 (QR '000)	2011 (QR '000)	2011 (QR '000)
Gross premium	1,232,619	1,325,978	**2,558,597**	1,093,027	1,290,024	2,383,051
Reinsurers' share of gross premiums	(736,631)	(270,887)	**(1,007,518)**	(497,538)	(502,124)	(999,662)
Net premium	495,988	1,055,091	**1,551,079**	595,489	787,900	1,383,389
Change in unexpired risk reserve	(24,201)	(32,239)	**(56,440)**	(26,304)	(36,187)	(62,491)
Net earned premium	471,787	1,022,852	**1,494,639**	569,185	751,713	1,320,898
Gross claims paid	(489,539)	(915,432)	**(1,404,971)**	(463,545)	(659,107)	(1,122,652)
Reinsurance recoveries	235,503	328,127	**563,630**	237,283	294,239	531,522
Movement in outstanding claims	(21,773)	(158,223)	**(179,996)**	(63,172)	(205,095)	(268,267)
Net commission	9,161	(139,240)	**(130,079)**	(7,157)	(115,915)	(123,072)
Net underwriting results	**205,139**	**138,084**	**343,223**	272,594	65,835	338,429

19 OPERATING SEGMENTS (CONTINUED)

b) Geographic Information (continued)

Segment assets, liabilities and equity as at year end

	Assets		**Liabilities & Equity**	
	2012 (QR '000)	2011 (QR '000)	**2012 (QR '000)**	2011 (QR '000)
Qatar	**5,435,519**	5,369,527	**5,911,886**	5,608,172
International	**2,816,062**	2,407,693	**2,339,695**	2,169,048
	8,251,581	7,777,220	**8,251,581**	7,777,220

20 INVESTMENT INCOME

	2012	2011
	(QR '000)	(QR '000)
Interest income	**124,494**	92,466
Dividends	**86,715**	87,334
Gain on sale of investments	**207,217**	261,582
Unrealised gain/ (loss) on held for trading investments	**1,556**	(10,124)
Others	**20,037**	3,983
	440,019	435,241

21 OPERATING AND ADMINISTRATIVE EXPENSES

	2012	2011
	(QR '000)	(QR '000)
Employee related costs	**134,950**	127,859
Other operating expenses	**103,016**	75,063
Board of director's remuneration	**18,000**	18,000
	255,966	220,922

22 BASIC AND DILUTED EARNINGS PER SHARE

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

	2012	2011
	(QR '000)	(QR '000)
Profit attributable to owners of the parent	**610,323**	591,843
Weighted average number of ordinary shares	**89,189**	89,189
Basic and diluted earnings per share (QR.) (2011: Restated)	**6.84**	6.64

The Group has restated the calculations of the comparative earnings per share as a result of the effect of bonus issue of 20% (1 for every 5 shares). The bonus issue was approved on the Annual General Meeting held on February 19, 2012.

23 DIVIDEND AND BONUS SHARES

	2012	2011
	(QR '000)	(QR '000)
Final cash dividend	222,973	297,296
Weighted average number of ordinary shares	89,189	74,324
Cash dividend per share (QR.)	**2.5**	4.00

The Board of Directors proposed a final cash dividend distribution of QR 2.5 per share (2011: Dividend of QR 4 per share) and a bonus share of 20% (1 share for every 5 shares) (2011: 20%). In addition, the board has proposed to increase capital through a rights issue of 20% to existing shareholders (1 share for every 5 shares) at the nominal price of QR10 per share, plus a premium of QR35 per share. The proposed final cash dividend amounting to QR 222,973 thousand (2011: QR 297,296 thousand) and the proposed rights issue and bonus issue will be placed for formal approval at the Annual General Meeting.

24 CONTINGENT LIABILITIES AND COMMITMENTS

	2012	2011
	(QR '000)	(QR '000)
Bank guarantees	40,806	33,296
Authorized future investment commitments	68,149	56,207
	108,955	89,503

Operating leases

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

	2012	2011
	(QR '000)	(QR '000)
Within one year	9,566	4,672
After one year but not more than five years	20,520	2,726
More than 5 years	27,360	
	91,426	7,398

25 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 FX options and exchange traded 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.

December 31, 2012	**Notional amount**	**Fair value**	**Within 3 months**	**3 to 12 months**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**
Exchange-traded options:				
Equity put options sold	**19,666**	**156**	**3,274**	**16,932**
FX options:				
FX put options sold	**12,376**	**(28)**	**12,376**	**--**
FX put options bought	**100,931**	**(60)**	**60,038**	**40,893**
FX call options sold	**(53,020)**	**(244)**	**(38,773)**	**(14,247)**

25 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

December 31, 2011	Notional amount	Fair Value	Within 3 months	3 to 12 months
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
Exchange-traded options:				
Equity put options sold	33,993	506	30,703	3,290
Equity call options bought	10,010	1	10,010	--
FX options:				
FX put options sold	87,305	554	87,305	--
FX call options sold	22,004	59	22,004	--

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

26 DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY OF INVESTMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**
Held for trading	--	142,322	--	**142,322**
Available for sale	2,415,221	--	--	**2,415,221**
	2,415,221	**142,322**	**--**	**2,557,543**
December 31, 2011				
Held for trading	--	110,452	--	110,452
Available for sale	2,212,160	--	--	2,212,160
	2,212,160	110,452	--	2,322,612

27 RELATED PARTIES

a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and also, 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:

	2012	2011
	(QR '000)	(QR '000)
Premiums	**33,346**	24,998
Claims	**6,655**	2,365
Purchase of services	**10,850**	9,534

	2012	2011
	(QR '000)	(QR '000)
b) Due from related parties	**14,831**	13,907
c) Due to related parties	**2,141**	--
d) Compensation of key management personnel		
Salaries and other short term benefits	**30,910**	24,953
End of service benefits	**1,287**	1,274

Outstanding related party balances at reporting date are unsecured and interest free and no bad debt expense has been incurred during the year (2011: Nil).

28 FINANCIAL INSTRUMENTS AND 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 risk 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.

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.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

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 affected 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.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

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 one-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.

Sensitivities

The general insurance claims provisions are sensitive to the key assumptions mentioned above. 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.

	Change in assumptions	Impact on liabilities	Impact on net profit	Impact on equity
	(QR '000)	(QR '000)	(QR '000)	(QR '000)
December 31, 2012				
Incurred claim cost	**+10%**	**102,134**	**(102,134)**	**--**
Incurred claim cost	**-10%**	**(102,134)**	**102,134**	**--**
December 31, 2011				
Incurred claim cost	+10%	85,940	(85,940)	--
Incurred claim cost	-10%	(85,940)	85,940	--

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

e) Insurance risk (continued)

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 receivable management 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 reporting date

Reinsurance is placed with reinsurers approved by the management. To minimise 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 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 as the reporting 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.

December 31, 2012 **Non-derivative financial assets**	**Neither past due nor impaired**	**Past due but not impaired**	**Past due and impaired**	**Total**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**
Available-for-sale financial assets				
-Debt securities	**676,994**	**--**	**--**	**676,994**
Insurance receivables	**574,054**	**63,074**	**(18,682)**	**618,446**
Reinsurance contract assets	**1,950,278**	**--**	**--**	**1,950,278**
Cash and cash equivalents	**2,123,876**	**--**	**--**	**2,123,876**
	5,325,202	**63,074**	**(18,682)**	**5,369,594**

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

Credit exposure by credit rating

December 31, 2011 Non- derivative financial assets	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
	(QR '000)	(QR '000)	(QR '000)	(QR'000)
Available-for-sale financial assets				
-Debt securities	497,431	--	--	497,431
Insurance receivables	556,125	52,947	(34,127)	574,945
Reinsurance contract assets	1,805,429	--	--	1,805,429
Cash and cash equivalents	2,080,720	--	--	2,080,720
Total	4,939,705	52,947	(34,127)	4,958,525

Age analysis of financial assets

December 31, 2012

	<30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Above 121days**	**Total**
	(QR 000)	**(QR '000)**	**(QR '000)**	**(QR'000)**	**(QR '000)**	**(QR'000)**
Cash and cash equivalents	**742,779**	**661,076**	**648,788**	**--**	**71,233**	**2,123,876**
Insurance receivables	**191,497**	**131,568**	**123,985**	**113,696**	**76,382**	**637,128**
	934,276	**792,644**	**772,773**	**113,696**	**147,615**	**2,761,004**

December 31, 2011

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
	(QR 000)	(QR'000)	(QR '000)	(QR'000)	(QR '000)	(QR'000)
Cash and cash equivalents	722,753	775,150	519,547	--	63,270	2,080,720
Insurance receivables	230,501	103,929	95,622	91,947	87,073	609,072
Total	953,254	879,079	615,169	91,947	150,343	2,689,792

Impaired financial assets

At December 31, 2012 there are impaired reinsurance assets of QR 14,445 thousands (2011: QR 23,134 thousands), impaired insurance and other receivables of QR 4,237 thousands (2011: QR 10,993 thousands).

The Group records all impairment allowances in separate impairment allowances accounts. The movement in the allowances for impairment losses for the year are as follows:

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

f) Credit risk (continued)

Impaired financial assets

	Impairment on insurance and reinsurance receivables		Impairment on investments	
	2012	2011	**2012**	2011
	(QR '000)	(QR '000)	**(QR '000)**	(QR '000)
At January 1,	**34,127**	32,863	**--**	12,201
Charged/ (utilised) during the year	**(15,445)**	1,264	**--**	(12,201)
Total	**18,682**	34,127	**--**	--

g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its 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.

December 31, 2012

	Up to a year	**1-5 years**	**Over 5 years**	**Total**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR'000)**
Financial assets				
Non-derivative financial assets				
Held for trading investments	**142,322**	**--**	**--**	**142,322**
Available-for-sale financial assets				
Equity securities	**2,113,787**	**--**	**--**	**2,113,787**
Debt securities	**450,936**	**138,361**	**87,697**	**676,994**
Insurance receivables	**618,446**	**--**	**--**	**618,446**
Reinsurance contract assets	**1,950,278**	**--**	**--**	**1,950,278**
Cash and cash equivalents	**2,123,876**	**--**	**--**	**2,123,876**
	7,399,645	**138,361**	**87,697**	**7,625,703**

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

g) Liquidity risk (continued)

Maturity profiles (continued)

December 31, 2012	**Up to a year**	**1-5 years**	**Over 5 years**	**Total**
	(QR ‘000)	**(QR ‘000)**	**(QR ‘000)**	**(QR 000)**
Financial liabilities				
Non-derivative financial liabilities				
Trade and other payables	**275,818**	--	--	**275,818**
Reinsurance contract liabilities	**3,640,986**	--	--	**3,640,986**
Insurance payables	**378,152**	--	--	**378,152**
Short term borrowings	--	--	--	--
	4,294,956	--	--	**4,294,956**

December 31, 2011	Up to a year	1-5 years	Over 5 years	Total
	(QR ‘000)	(QR ‘000)	(QR ‘000)	(QR 000)
Financial assets				
Non-derivative financial assets				
Held for trading Investments	110,452	--	--	110,452
Available-for-sale financial assets				
-Equity securities	2,110,289	--	--	2,110,289
-Debt securities	363,181	111,826	22,424	497,431
Insurance receivables	574,945	--	--	574,945
Reinsurance contract assets	1,805,429	--	--	1,805,429
Cash and cash equivalents	2,080,720	--	--	2,080,720
	7,045,016	111,826	22,424	7,179,266

December 31, 2011	Up to a year	1-5 years	Over 5 years	Total
	(QR ‘000)	(QR ‘000)	(QR ‘000)	(QR 000)
Financial liabilities				
Non-derivative financial liabilities				
Trade and other payables	211,584	--	--	211,584
Reinsurance contract liabilities	3,259,701	--	--	3,259,701
Insurance payables	435,890	--	--	435,890
Short term borrowings	182,000	--	--	182,000
	4,089,175	--	--	4,089,175

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

h) Market risk

Market risk is the risk that the fair value of or income from a financial instrument will fluctuate as a result of changes in market prices (such as exchange rates, interest rates and equity 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.

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

December 31, 2012

	USD ('000)	EURO ('000)	GBP ('000)	Total ('000)
Cash and cash equivalents	127,952	27,789	8,844	164,585
Insurance and other receivables	167,904	12,152	3,523	183,579
Investments	1,193,741	68,925	5,928	1,268,594
TOTAL ASSETS	**1,489,597**	**108,866**	**18,295**	**1,616,758**
Short term borrowing	--	--	--	--
Provisions, reinsurance and other payables	246,834	52,526	3,162	302,522
TOTAL LIABILITIES	**246,834**	**52,526**	**3,162**	**302,522**

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i) *Currency risk (continued)*

December 31, 2011

	USD	EURO	GBP	Total
	('000)	('000)	('000)	('000)
Cash and cash equivalents	77,303	25,348	10,031	112,682
Insurance and other receivables	148,685	8,050	2,151	158,886
Investments	1,261,106	105,856	29,619	1,396,581
TOTAL ASSETS	1,261,106	105,856	29,619	1,396,581
Short term borrowing	182,000	--	--	182,000
Provisions, reinsurance and other payables	79,074	27,811	1,387	108,272
TOTAL LIABILITIES	261,074	27,811	1,387	290,272

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 Statement of income and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract liabilities.

		December 31, 2012		December 31, 2011	
	Changes in variables	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(QR '000)	**(QR '000)**	(QR '000)	(QR '000)
Currency					
Euro	+10%	(1,259)	(1,259)	559	559
GBP	+10%	921	921	1,080	1,080
		(338)	**(338)**	1,639	1,639
Euro	-10%				
GBP	-10%	1,259	1,259	(559)	(559)
Others	-10%	(921)	(921)	(1,080)	(1,080)
		338	**338**	(1,639)	(1,639)

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

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

ii) Interest rate risk

Interest rate risk is the risk that the value of or income from 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.

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

		December 31, 2012		December 31, 2011	
Currency	**Changes in variables**	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(QR '000)	**(QR '000)**	(QR '000)	(QR '000)
Qatari Riyal	+50 basis points	**1,006**	**(41,544)**	2,740	(31,812)
Qatari Riyal	-50 basis points	**(1,006)**	**45,544**	(2,740)	31,812

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

December 31, 2012

	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total**	**Effective interest rate (%)**
	(QR '000)	**(QR '000)**	**(QR '000)**	**(QR '000)**	
Cash and Cash equivalents	**2,123,876**	**--**	**--**	**2,123,876**	**2.54%**
Investments	**450,936**	**138,361**	**87,697**	**676,994**	**4.35%**
	2,574,812	**138,361**	**87,697**	**2,800,870**	

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

ii) Interest rate risk (continued)

December 31, 2011

	Up to 1 year	1 to 5 years	Over 5 years	Total	Effective interest rate (%)
	(QR '000)	(QR '000)	(QR '000)	(QR '000)	
Cash and Cash equivalents	2,080,720	--	--	2,080,720	1.85%
Investments	399,563	149,460	35,751	584,774	3.74%
	2,480,283	149,460	35,751	2,665,494	

iii) Price risk

Price risk is the risk that the fair value of or income from 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.

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

		December 31, 2012		December 31, 2011	
	Changes in variables	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(QR '000)	**(QR '000)**	(QR '000)	(QR '000)
Qatar Market	+10%	**--**	**143,019**	--	139,838
International Markets	+10%	**14,232**	**30,804**	11,045	31,635
Qatar Market	-10%	**--**	**(143,019)**	--	(139,838)
International Markets	-10%	**(14,232)**	**(30,804)**	(11,045)	(31,635)

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

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 an effective 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 Qatar Exchange 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 December 31, 2012 was QR. 11,500 thousands (2011: QR. 11,500 thousands).

k) Classification and fair values

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

	December 31, 2012		December 31, 2011	
	Carrying amount (QR '000)	**Fair value (QR '000)**	Carrying amount (QR '000)	Fair value (QR '000)
Cash and cash equivalents	**2,123,876**	**2,123,876**	2,080,720	2,080,720
Loans and receivables:				
Insurance receivables	**618,446**	**618,446**	574,945	574,945
Reinsurance contract assets	**1,950,278**	**1,950,278**	1,805,429	1,805,429
Investments held for trading	**142,322**	**142,322**	110,452	110,452
Available -for-sale Investments	**2,790,781**	**2,790,781**	2,607,720	2,607,720
	7,625,703	**7,625,703**	7,179,266	7,179,266
Short term borrowings	**--**	**--**	182,000	182,000
Insurance and other payables	**817,982**	**817,982**	806,658	806,658
Insurance contract liabilities	**3,640,986**	**3,640,986**	3,259,701	3,259,701
	4,458,968	**4,458,968**	4,248,359	4,248,359

30 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 29).

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 held for trading 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 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 mutual and managed funds for trading purpose.

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.

31 KEY SOURCES OF ESTIMATES UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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 Statement of 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 Statement of income in the year of settlement. As of December 31, 2012, estimate for unpaid claims amounted to QR 1,078,097 thousands (2011: QR 898,100 thousands).

31 KEY SOURCES OF ESTIMATES UNCERTAINTY (CONTINUED)

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 2011 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 Statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the Statement of income at the time of collection. As of December 31, 2012, the carrying values of insurance receivable and reinsurance receivables amounted to QR. 250,679 thousands (2011: 263,944 thousands) and QR. 386,449 thousands (2011: QR 345,128 thousands) respectively and provision for impairment on insurance receivable and reinsurance receivable amounted to QR 4,237 thousand (2011: QR 10,993 thousands) and QR 14,445 thousands (2011: QR 23,134 thousands) respectively.

Liability Adequacy Test

At each reporting date, 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 Statement of income.

32 COMPARATIVE FIGURES

Certain comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year’s presentation. Such reclassifications do not affect the previously reported financial performance, net assets or equity.