Al Khaleej Takaful Group Q.S.C.

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL KHALEEJ TAKAFUL GROUP Q.S.C.

We have audited the accompanying consolidated financial statements of Al Khaleej Takaful Group Q.S.C. (the “Company”) and its subsidiaries (together referred to as the “Group”) which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in participants’ fund, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These consolidated financial statements and the Group’s undertaking to operate in accordance with Islamic Shari’a Rules and Principles are the responsibility of the Group’s Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit

Basis of opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our 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 2012 and the results of its operations, its cash flows, changes in participants’ fund and changes in equity for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Report on legal and other regulatory requirements

Furthermore, in our opinion, proper financial records have been kept by the Company and the contents of the Board of Directors’ annual report which relate to the consolidated financial statements are in agreement with the Group’s financial records, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company’s Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit and are not aware of any violations of the above-mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Group or on its financial position.

Firas Qoussous
of Ernst & Young
Auditor’s registration No. 236

Date: 19 February 2013
Doha

CONSOLIDATED STATEMENT OF INCOME (POLICYHOLDERS)

Year ended 31 December 2012

	Notes	***2012 QR***	*2011 QR*
POLICYHOLDERS' REVENUES AND EXPENSES			
Gross contributions	31	**272,896,547**	274,944,431
Retakaful share	31	**(168,190,709)**	(166,618,289)
Retained contributions	31	**104,705,838**	108,326,142
Movement in unearned contributions	31	**(709,559)**	2,840,683
Net retained contributions	31	**103,996,279**	111,166,825
Retakaful commission and other takaful income	31	**26,559,625**	28,627,287
		130,555,904	139,794,112
Claims paid	4	**(118,182,634)**	(114,563,427)
Retakaful share of claims paid	4	**46,393,354**	37,004,199
Net claims paid	4	**(71,789,280)**	(77,559,228)
Movement in outstanding claims	4	**(1,716,872)**	4,841,577
Commission and other takaful expenses	31	**(24,207,065)**	(20,051,969)
		(97,713,217)	(92,769,620)
SURPLUS FROM TAKAFUL OPERATIONS	31	**32,842,687**	47,024,492
Investment income of takaful policyholders	32	**512,832**	1,340,733
		33,355,519	48,365,225
OTHER EXPENSES			
Wakala fees		**(49,568,798)**	(49,489,998)
Impairment of investment securities		-	(187,763)
Impairment of takaful balances receivable		-	(17,215)
Finance cost		**(4,669,292)**	-
Depreciation	6	**(546,241)**	(653,598)
		(54,784,331)	(50,348,574)
DEFICIT FOR THE YEAR TRANSFERRED TO PARTICIPANTS' FUND		**(21,428,812)**	(1,983,349)

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME (SHAREHOLDERS)

Year ended 31 December 2012

	Notes	2012 QR	2011 QR
SHAREHOLDERS' REVENUES AND EXPENSES			
Gross contributions	31	-	-
Retakaful share	31	-	-
Retained contributions	31	-	-
Movement in unearned contributions	31	-	-
Net retained contributions	31	-	-
Retakaful commission and other takaful income	31	**3,223,868**	28,129
		3,223,868	28,129
Claims paid	4	**(2,484,537)**	(13,411,097)
Retakaful share of claims paid	4	**535,417**	6,818,113
Net claims paid	4	**(1,949,120)**	(6,592,984)
Movement in outstanding claims	4	**5,982,114**	2,542,682
Other takaful expenses	31	**(217,324)**	(29,360)
		3,815,670	(4,079,662)
SURPLUS (DEFICIT) FROM TAKAFUL OPERATIONS	31	**7,039,538**	(4,051,533)
Wakala income		**49,568,798**	49,489,998
Net realised gains on sale of investment securities	5	**37,982,796**	9,966,765
Dividend income		**26,655,950**	24,629,315
Rental income		**6,140,427**	6,638,093
Mudarib income		**725,405**	1,120,409
Gain on disposal of investment properties		**56,827**	21,316,264
Income from deposits		**32,720**	277,655
Gain on disposal of property and equipment		**-**	18,020
Other income		**693,720**	94,501
TOTAL INVESTMENT AND OTHER INCOME		**121,856,643**	113,551,020
General and administrative expenses		**(44,313,519)**	(42,057,235)
Brokerage expenses		**(2,406,136)**	-
Impairment of investment securities		**-**	(1,414,000)
Impairment of takaful balances receivable		**(475,214)**	-
Finance cost		**(708,020)**	-
Depreciation	6	**(2,693,931)**	(2,573,255)
TOTAL EXPENSES		**(50,596,820)**	(46,044,490)
SHAREHOLDERS' PROFIT FOR THE YEAR		**78,299,361**	63,454,997
Basic/Diluted Earnings Per Share	7	**5.50**	4.46

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SHAREHOLDERS)

Year ended 31 December 2012

	2012 ***QR***	*2011* *QR*
Profit for the year	**78,299,361**	63,454,997
Other comprehensive loss		
Net realised gains on sale of investment securities classified as fair value through equity	**(37,982,796)**	(9,966,765)
Transfer to consolidated statement of income of impairment of investment securities classified as fair value through equity	**-**	1,414,000
Net change in fair value of investment securities classified as fair value through equity	**(21,994,796)**	(4,117,407)
Other comprehensive loss	**(59,977,592)**	(12,670,172)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**18,321,769**	50,784,825

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	***2012*** ***QR***	*2011* *QR*
ASSETS			
Policyholders' assets			
Bank balances and cash		**28,327,117**	38,199,035
Investment securities	8	**4,506,604**	2,380,371
Takaful balances receivable	11	**51,396,175**	41,305,835
Retakaful balances receivable	12	**20,820,168**	16,526,264
Retakaful share of unearned contributions	20	**62,294,172**	62,668,557
Retakaful share of gross outstanding claims	21	**55,659,687**	30,744,337
Other receivables and prepayments	13	**31,059,885**	5,915,059
Investment properties	14	**117,022,018**	79,015,091
Property and equipment	15	**548,596**	586,989
Total policyholders' assets		**371,634,422**	277,341,538
Shareholders' assets			
Bank balances and cash		**17,230,746**	7,662,167
Time deposits		**100,000**	100,000
Investment securities	8	**374,421,731**	399,416,139
Asset held for sale	9	**21,454,007**	-
Investment in an associate	10	**-**	21,454,007
Takaful balances receivable	11	**2,796,270**	5,912,907
Retakaful balances receivable	12	**3,956,972**	4,108,773
Retakaful share of gross outstanding claims	21	**6,047,390**	12,477,716
Other receivables and prepayments	13	**9,808,069**	6,612,544
Investment properties	14	**164,261,786**	166,155,451
Property and equipment	15	**11,606,992**	11,367,666
Property under development	16	**14,856,533**	6,928,656
Total shareholders' assets		**626,540,496**	642,196,026
TOTAL ASSETS		**998,174,918**	919,537,564

Continued...

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	2012 QR	2011 QR
SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES			
Shareholders' equity			
Share capital	17	**142,296,000**	142,296,000
Statutory reserve	18	**74,384,459**	74,384,459
General reserve		**48,971**	48,971
Proposed cash dividends	19	**14,229,600**	42,688,800
Fair value reserve		**129,492,809**	189,470,401
Retained earnings		**195,705,727**	133,593,450
Total shareholders' equity		**556,157,566**	582,482,081
Shareholders' liabilities			
Liability arising from insurance contracts:			
Gross outstanding claims	21	**8,467,880**	20,880,320
Islamic bank facilities	22	**20,863,045**	-
Accounts payable and other liabilities	23	**30,947,203**	26,681,493
Retakaful and takaful balances payable	24	**4,430,640**	6,915,761
Employees' end of service benefits	25	**5,674,162**	5,236,371
		61,915,050	38,833,625
Total shareholders' liabilities		**70,382,930**	59,713,945
Shareholders' equity and liabilities		**626,540,496**	642,196,026
Participants' fund			
Deficit in participants' fund		**(29,631,366)**	(4,506,512)
Fair value reserve		**340,902**	(1,210)
		(29,290,464)	(4,507,722)
Policyholders' liabilities			
Liabilities arising from insurance contracts:			
Unearned contributions	20	**123,114,132**	124,546,153
Gross outstanding claims	21	**78,335,428**	51,785,042
Claims incurred but not reported	21	**5,778,676**	5,696,839
		207,228,236	182,028,034
Islamic bank facilities	22	**106,689,966**	46,333,193
Accounts payable and other liabilities	23	**23,778,418**	8,988,362
Retakaful and takaful balances payable	24	**61,747,096**	43,225,640
Employees' end of service benefits	25	**1,481,170**	1,274,031
		193,696,650	99,821,226
Participants' Fund and Policyholder's liabilities		**371,634,422**	277,341,538
TOTAL SHAREHOLDERS' EQUITY, PARTICIPANTS' FUND AND LIABILITIES		**998,174,918**	919,537,564

Saoud Bin Abdulla Mohd Jabor Al –Thani
Managing Director

Jassim Ali Abdul Rahman Al Moftah
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2012

	Notes	**2012 QR**	2011 QR
OPERATING ACTIVITIES			
Policyholders' deficit for the year		**(21,428,812)**	(1,983,349)
Shareholders' profit for the year		**78,299,361**	63,454,997
		56,870,549	61,471,648
Adjustments for:			
Movement in unearned contributions		**(1,057,636)**	(4,859,545)
Depreciation	6	**3,240,172**	3,226,852
Impairment of investment securities	8	**-**	1,601,763
Impairment of takaful balance receivable		**475,214**	17,215
Income from deposits		**(545,552)**	(406,085)
Net realised gain on sale of investment securities	5	**(37,982,796)**	(9,966,765)
Dividend income		**(26,655,950)**	(24,629,315)
Rental income		**(6,140,427)**	(6,638,093)
Gain on disposal of property and equipment		**(56,827)**	(42,697)
Gain on disposal of investment properties		**(1,329,311)**	(23,331,550)
Provision for employees' end of service benefits	25	**984,103**	1,319,008
Operating loss before operating changes in assets and liabilities		**(12,198,461)**	(2,237,564)
Takaful balances receivable		**(7,448,917)**	6,647,671
Retakaful balances receivable		**(4,142,103)**	657,262
Retakaful's share of outstanding claims		**(18,485,024)**	1,361,604
Other receivable and prepayments		**(28,340,351)**	85,024,393
Gross outstanding claims		**14,137,946**	(8,759,016)
Claims incurred but not reported		**81,837**	13,153
Accounts payable and other liabilities		**16,091,449**	(87,009,988)
Retakaful balances payable		**16,036,335**	4,130,076
Employees' end of service benefits paid	25	**(339,173)**	(467,579)
Net cash used in operating activities		**(24,606,462)**	(639,988)
INVESTING ACTIVITIES			
Net movement in investment securities		**1,215,491**	(19,368,470)
Property under development		**(7,927,877)**	(9,216,599)
Dividend received		**26,655,950**	24,629,315
Purchase of investment properties	14	**(117,022,018)**	(146,456,735)
Purchase of property and equipment	15	**(1,207,352)**	(887,754)
Proceeds from sale of property and equipment		**98,304**	42,697
Rental income received		**6,140,427**	6,638,093
Income from deposits received		**545,552**	406,085
Time deposit with maturities in excess of three months		**-**	7,800,000
Proceeds from sale of investment properties		**79,962,837**	123,645,680
Net cash used in investing activities		**(11,538,686)**	(12,767,688)
FINANCING ACTIVITIES			
Net movement in islamic bank facilities	22	**81,219,818**	46,333,193
Dividends paid		**(41,681,967)**	(43,253,225)
Surplus distribution to policyholders		**(3,696,042)**	(2,797,364)
Net cash from financing activities		**35,841,809**	282,604
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(303,339)**	(13,125,072)
Cash and cash equivalents at 1 January		**45,861,202**	58,986,274
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**45,557,863**	45,861,202

CONSOLIDATED STATEMENT OF CHANGES IN PARTICIPANTS' FUND
Year ended 31 December 2012

	Participants' Fund QR	*Fair value reserve QR*	*Total QR*
Balance as at 1 January 2011	274,202	2,754	276,956
Net change in fair value of investment securities classified as fair value through equity	-	(3,964)	(3,964)
Deficit for the year	(1,983,349)	-	(1,983,349)
Surplus distribution during the year (Note 27)	(2,797,365)	-	(2,797,365)
Balance as at 31 December 2011	(4,506,512)	(1,210)	(4,507,722)
Net change in fair value of investment securities classified as fair value through equity	-	342,112	342,112
Deficit for the year	(21,428,812)	-	(21,428,812)
Surplus distribution during the year (Note 27)	(3,696,042)	-	(3,696,042)
Balance as at 31 December 2012	**(29,631,366)**	**340,902**	**(29,290,464)**

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2012

	Share capital QR	*Statutory reserve QR*	*General reserve QR*	*Proposed cash dividends QR*	*Fair value reserve QR*	*Retained earnings QR*	*Total QR*
Balance at 1 January 2012	142,296,000	74,384,459	48,971	42,688,800	189,470,401	133,593,450	582,482,081
Profit for the year	-	-	-	-	-	78,299,361	78,299,361
Other comprehensive loss for the year	-	-	-	-	(59,977,592)	-	(59,977,592)
Total comprehensive (loss) income for the year	-	-	-	-	(59,977,592)	78,299,361	18,321,769
Transfer to legal reserve	-	-	-	-	-	-	-
Social and sports fund appropriation (Note 26)	-	-	-	-	-	(1,957,484)	(1,957,484)
Cash dividends paid	-	-	-	(42,688,800)	-	-	(42,688,800)
Proposed cash dividends (Note 19)	-	-	-	14,229,600	-	(14,229,600)	-
Balance at 31 December 2012	**142,296,000**	**74,384,459**	**48,971**	**14,229,600**	**129,492,809**	**195,705,727**	**556,157,566**

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
Year ended 31 December 2011

	Share capital QR	*Statutory reserve QR*	*General reserve QR*	*Proposed cash dividends QR*	*Fair value reserve QR*	*Retained earnings QR*	*Total QR*
Balance at 1 January 2011	142,296,000	73,074,531	48,971	42,688,800	202,140,573	115,723,556	575,972,431
Profit for the year	-	-	-	-	-	63,454,997	63,454,997
Other comprehensive loss for the year	-	-	-	-	(12,670,172)	-	(12,670,172)
Total comprehensive (loss) income for the year	-	-	-	-	(12,670,172)	63,454,997	50,784,825
Transfer to legal reserve	-	1,309,928	-	-	-	(1,309,928)	-
Social and sports fund appropriation (Note 26)	-	-	-	-	-	(1,586,375)	(1,586,375)
Cash dividends paid	-	-	-	(42,688,800)	-	-	(42,688,800)
Proposed cash dividends (Note 19)	-	-	-	42,688,800	-	(42,688,800)	-
Balance at 31 December 2011	142,296,000	74,384,459	48,971	42,688,800	189,470,401	133,593,450	582,482,081

The attached notes 1 to 34 form part of these consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, all which, have financial reporting years ending on 31 December. The subsidiaries are as follows:

Name of subsidiary	*Ownership 2012*	*Ownership 2011*	*Country of incorporation*	*Principal activities*
Qatar Takaful Company ("QTC")	100%	100%	Qatar	Primarily engaged in activities in accordance with Islamic Shari'a principles on a non-usury basis in all areas of insurance.
Mithaq Investments Company ("MIC")	100%	100%	Qatar	Primarily engaged in real estate and financial investments.

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

70% share of shareholders
30% share of policyholders

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

The (deficit) surplus attributable to policyholders in the participants' fund represents accumulated (loss) profit on policyholders' operations. Any surplus during the year is fully allocated to the policyholders. The shareholders only share through the Mudarib fee in the realised gains on investments attributable to policyholders.

The consolidated financial statements of Al Khaleej Takaful Group Q.S.C. for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 19 February 2013.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements for the year ending 31 December 2012 have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institution ("AAOIFI"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group and the applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. For recognition and measurement matters that are not covered by AAOIFI standards, the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been presented in Qatar Riyals ("QR") which is the functional and presentation currency of the Group.

The consolidated financial statements are prepared under the historical cost convention except for investment securities classified as investments at fair value through equity that have been measured at fair value.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 Changes in accounting policies and disclosures
The accounting policies applied by the Group are consistent with those of the previous financial year.

2.4 Standards issued but not effective
During the year AAOIFI issued Financial Accounting Standard (FAS 26) "Investment in real estate", which is effective as of 1 January 2013. This standard covers the recognition, measurement, presentation and disclosure of investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation or both. The Group is currently considering the implications of the above standard and has not early adopted it.

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

Standard	*Content*	*Effective date*
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
	Annual improvements- May 2012	1 January 2013

The Group is considering the implications of the above standards, the impact on the Group and the timing of its adoption by the Group, in case there is no relevant standard issued by AAOIFI.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting policies

Contributions
Gross contributions written comprise the total contributions receivable for the whole period of cover provided by the contracts entered into during the accounting periods and is recognized on the date on which the policy commences.

Contributions and retakaful contributions are taken into income over the terms of the policies to which they relate. Unearned contributions represent the portion of net contribution written relating to the unexpired period of coverage calculated at 40% of the net contribution for all insurance classes except for marine cargo insurance which is calculated at 25%. The change in the provision for unearned contribution is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Further for Takaful (life) business, a mathematical reserve is provided as of the end of the reporting period, which is calculated and approved by an external actuarial valuer.

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

Claims
Claims incurred consist of amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred.

Gross outstanding claims comprise the gross estimated cost of claims incurred but not settled at the end of the reporting period, whether reported or not. Provisions for reported claims, but not settled as at the end of the reporting period, are made on the individual case estimates. In addition, a provision based on the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the end of the reporting period.

Any difference between the provisions at the end of the reporting period and settlements and provisions in the following year is included in the underwriting account for that year.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within 12 months from the end of the reporting period.

Liability adequacy test
At the end of each reporting period, the Group assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future claims flows, the entire deficiency is immediately recognized in the consolidated statement of income.

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

Retakaful arrangements do not relieve the Group from its obligations to policyholders.

Contribution and claims on assumed retakaful are recognised as income and expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakful business.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting policies (continued)

Retakaful (continued)
Retakaful assets are reviewed for impairment at the end of each reporting period or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence, as a result of an event that occurred after initial recognition of the retakaful asset, that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Group will receive from the retakaful companies. The impairment loss is recorded in the consolidated statement of income.

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

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Income from deposits
Income from deposits with banks is accounted for on the basis of the Group's share of profits distributed by the banks taking into account the principal outstanding.

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

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

Wakala fees
Al Khaleej Takaful Group Q.S.C.
The Company manages the takaful operations on behalf of the participants for a wakala fee calculated as an amount that equals the general and administration, depreciation and finance costs for the year. In the prior years the wakala fee was calculated as a proportion of the gross contributions.

Qatar Takaful Company S.O.C
The Wakala fee is calculated as a proportion of the gross contributions for the year.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consists any of cash on hand and bank balances.

Investment securities
Investment securities are initially recognised at cost, being the fair value of the consideration given and including incremental acquisition charges.

Equity type investments classified as fair value through equity are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

After initial recognition, equity type investments classified as fair value through equity are measured at fair value unless fair value cannot be reliably measured, with unrealised gains or losses reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the consolidated statement of income for the period. For those equity instruments where the Group is unable to determine a reliable measure of fair value on a continuing basis, the investment is measured at cost.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting policies (continued)

Investment securities (continued)
If an equity type investment classified as fair value through equity is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the consolidated statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity type instruments classified as fair value through equity are not recognised in the consolidated statement of income.

Investments in debt type instruments are classified and measured at amortized cost and are re-measured using the effective profit rate method.

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

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

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

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

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

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

Investments in associates held for disposal within twelve months are carried at cost less impairment, if any.

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

Investment properties are carried at cost less accumulated depreciation calculated on a straight line basis over a period of 20 years. Land held under investment properties is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting policies (continued)

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

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

Building	20 years
Furniture, fixtures and office equipments	5 years
Computers	5 years
Vehicles	5 years
Decorations and fittings	5 years
Other capital assets	5 years

Capital work-in-progress is not depreciated

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

An item of property, plant 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 statement of income in the year the asset is derecognised.

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

Impairment and uncollectibility of financial assets
An assessment is made at the end of each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value through equity, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Impairment of non-financial assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting policies (continued)

Derecognition of financial instruments

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

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

Asset held for sale
An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, not through continuing use. This asset may be a component of an entity, a disposal group or an individual non-current asset. An asset that is classified as held for sale is stated at the lower of carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Islamic bank facilities
All bank facilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, the facilities are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the profit or loss when liabilities are derecognised.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Offsetting
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation.

Employees' end of service benefits
End of service gratuity plans
Under the Law No. 14 of 2004, the Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension plan
Under Law No. 24 of 2002 on Retirement and Pension, the Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same and/or discounted cash flow analysis. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

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

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

Impairment of investments
The Group treats equity type investments classified as fair value through equity as impaired when there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. "Significant" is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims
Considerable judgement by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainly and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

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

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

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

Unearned contribution reserve
The Group's estimate of the unearned contribution reserve is based on current insurance industry practices in Qatar, the Ministry of Business and Trade directives, and other analysis. The Group monitors its contribution growth periodically and ascertain that difference between the estimated calculated based on 40% of the net contribution for all insurance except for marine cargo insurance which is calculated at 25% is not materially different had the Group calculated the reserve on an actual basis.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

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

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

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

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

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

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

At the end of the reporting period, takaful and retakaful receivables were QR 79,105,585 (2011: QR 67,853,779). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

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

4 CLAIMS INCURRED

	2012			*2011*		
	Gross QR	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
Policyholders						
Claims paid	**118,182,634**	**(46,393,354)**	**71,789,280**	114,563,427	(37,004,199)	77,559,228
Changes in provision for outstanding claims	**14,903,299**	**(13,186,427)**	**1,716,872**	374,895	(5,216,472)	(4,841,577)
	133,085,933	**(59,579,781)**	**73,506,152**	114,938,322	(42,220,671)	72,717,651
Shareholders						
Claims paid	**2,484,537**	**(535,417)**	**1,949,120**	13,411,097	(6,818,113)	6,592,984
Changes in provision for outstanding claims	**(12,412,440)**	**6,430,326**	**(5,982,114)**	(12,465,534)	9,922,852	(2,542,682)
	(9,927,903)	**5,894,909**	**(4,032,994)**	945,563	3,104,739	4,050,302

For the details of the movement in the provision for outstanding claims and related retakaful share, please refer to Note 21.

5 NET REALISED GAINS ON SALE OF INVESTMENT SECURITIES

	2012 QR	*2011 QR*
Realised gains on sale of investment securities	**47,589,836**	12,154,386
Realised losses on sale of investment securities	**(9,607,040)**	(2,187,621)
	37,982,796	9,966,765

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2012 QR	*2011 QR*
Salaries and benefits	**22,422,856**	22,009,808
Board of Directors' remuneration	**6,000,000**	5,400,000

The Board of Directors proposed the payment of QR 6,000,000 as remuneration to the Board members for the year 2012 (2011: QR 5,400,000). The above-mentioned remuneration is included under general and administrative expenses in the consolidated statement of income.

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

	2012 QR	*2011 QR*
Policyholders		
Investment properties (Note 14)	**381,565**	508,750
Property and equipment (Note 15)	**164,676**	144,848
	546,241	653,598
Shareholders		
Investment properties (Note 14)	**1,893,665**	1,940,516
Property and equipment (Note 15)	**800,266**	632,738
	2,693,931	2,573,254

7 EARNING PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2012	*2011*
Profit for the year attributable to the shareholders (QR)	**78,299,361**	63,454,997
Weighted average number of shares	**14,229,600**	14,229,600
Basic/diluted earnings per share (QR)	**5.50**	4.46

8 INVESTMENT SECURITIES

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

	2012	*2011*
Policyholders	***QR***	*QR*
Quoted investments		
Local equity shares	**2,154,783**	373,697
Unquoted investments		
Local equity shares	**900,000**	900,000
Foreign equity shares	**1,451,821**	1,106,674
	4,506,604	2,380,371
Shareholders		
Quoted investments		
Local equity shares	**315,196,393**	340,512,607
Foreign equity shares	**939,389**	678,820
Debt securities	**3,912,450**	3,912,450
Unquoted investments		
Local equity shares	**43,443,917**	42,873,627
Foreign equity shares	**10,583,396**	11,092,449
Managed investment portfolio	**346,186**	346,186
	374,421,731	399,416,139

Included under investments are unquoted equity investments and managed portfolios with a value of QR 56,725,320 (2011 : QR 35,318,936) which are carried at cost, less impairment, due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value.

No impairment losses were recognized during the year on the Group's investments measured at fair value through equity. (2011: QR 1,601,763)

9 ASSET HELD FOR SALE

During the year, the Group decided to dispose its holding in its associate, The Bahrain National Life Assurance Company B.S.C.. The disposal of the associate is due to be complete in 2013 and as of 31 December 2012, a final negotiation for the sale is in progress.

10 INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

		Ownership	
	Country of incorporation	***2012***	*2011*
The Bahrain National Life Assurance Company B.S.C.	Kingdom of Bahrain	**25%**	25%

The associate company is primarily engaged in life insurance business. The investment has been carried at cost. During the year, the Group decided to dispose its holding in this associate in the year 2013 (Note 9).

11 TAKAFUL BALANCES RECEIVABLE

	2012 QR	2011 QR
Policyholders		
Due from companies	**47,558,666**	37,487,257
Due from individuals	**2,065,976**	1,549,635
Due from the Government	**1,771,533**	2,268,943
	51,396,175	41,305,835
Shareholders		
Due from companies	**775,424**	1,678,122
Due from individuals	**-**	926,039
Due from the Government	**18**	214
Others	**2,020,828**	3,308,532
	2,796,270	5,912,907

12 RETAKAFUL BALANCES RECEIVABLE

	2012 QR	2011 QR
Policyholders		
Due from local reinsurers	**14,282,137**	11,542,908
Due from foreign reinsurers	**6,538,031**	4,983,356
	20,820,168	16,526,264
Shareholders		
Due from local reinsurers	**3,944,989**	3,969,349
Due from foreign reinsurers	**11,983**	139,424
	3,956,972	4,108,773

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

13 OTHER RECEIVABLE AND PREPAYMENTS

	2012	*2011*
	QR	*QR*
Policyholders		
Advances for purchase of an investment property	**16,762,938**	-
Due from shareholders	**4,857,685**	315,176
Refundable deposits	**5,069,063**	2,923,688
Employee advances	**1,149,182**	407,024
Prepaid expenses	**380,000**	300,000
Others	**2,841,017**	1,969,171
	31,059,885	5,915,059
Shareholders		
Wakala income receivable	**6,000,000**	-
Employee advances	**524,270**	1,023,875
Refundable deposits	**117,400**	791,529
Prepaid expenses	**118,856**	256,156
Others	**3,047,543**	4,540,984
	9,808,069	6,612,544

14 INVESTMENT PROPERTIES

	2012	*2011*
	QR	*QR*
Policyholders		
Cost:		
At 1 January	**80,541,341**	10,175,000
Additions	**117,022,018**	146,456,735
Disposals	**(80,541,341)**	(76,090,394)
At 31 December	**117,022,018**	80,541,341
Depreciation:		
At 1 January	**1,526,250**	1,017,500
Provided during the year	**381,565**	508,750
Relating to disposals	**(1,907,815)**	-
At 31 December	**-**	1,526,250
Net carrying amount:		
At 31 December	**117,022,018**	79,015,091

14 INVESTMENT PROPERTIES (continued)

	2012	*2011*
	QR	*QR*
Shareholders		
Cost:		
At 1 January	**170,926,277**	197,229,338
Disposals	**-**	(26,303,061)
At 31 December	**170,926,277**	170,926,277
Depreciation:		
At 1 January	**4,770,826**	4,909,635
Provided during the year	**1,893,665**	1,940,516
Relating to disposals	**-**	(2,079,325)
At 31 December	**6,664,491**	4,770,826
Net carrying amount		
At 31 December	**164,261,786**	166,155,451

As at 31 December 2012, the fair value of investment properties as determined by the management was QR 264,636,780 (2011: QR 233,344,751).

15 PROPERTY AND EQUIPMENT

Policyholders	*Furniture and fixtures* *QR*	*Computers* *QR*	*Vehicles* *QR*	*Decorations and fittings* *QR*	*Total* *QR*
Cost:					
At 1 January 2012	452,905	480,174	82,000	1,004,412	2,019,491
Additions	41,735	21,556	-	62,992	126,283
At 31 December 2012	494,640	501,730	82,000	1,067,404	2,145,774
Depreciation:					
At 1 January 2012	306,823	460,006	54,666	611,007	1,432,502
Provided during the year	37,419	10,790	20,500	95,967	164,676
At 31 December 2012	344,242	470,796	75,166	706,974	1,597,178
Net carrying amount					
At 31 December 2012	**150,398**	**30,934**	**6,834**	**360,430**	**548,596**

15 PROPERTY AND EQUIPMENT (continued)

Shareholders	*Land* *QR*	*Building* *QR*	*Furniture and fixtures* *QR*	*Computers* *QR*	*Vehicles* *QR*	*Other capital assets* *QR*	*Capital work-in-progress* *QR*	*Total* *QR*
Cost:								
At 1 January 2012	6,251,500	12,096,883	3,858,434	3,131,010	1,255,500	95,989	3,571,459	30,260,775
Additions	-	-	88,850	141,719	618,500	-	232,000	1,081,069
Transfers	-	-	-	1,348,059	-	-	(1,348,059)	-
Disposals	-	-	(18,650)	(99,425)	(155,000)	-	-	(273,075)
At 31 December 2012	6,251,500	12,096,883	3,928,634	4,521,363	1,719,000	95,989	2,455,400	31,068,769
Depreciation:								
At 1 January 2012	-	11,666,095	3,370,232	2,722,167	1,038,626	95,989	-	18,893,109
Provided during the year	-	37,603	223,083	381,422	158,158	-	-	800,266
Relating to disposals	-	-	(11,357)	(99,129)	(121,112)	-	-	(231,598)
At 31 December 2012	-	11,703,698	3,581,958	3,004,460	1,075,672	95,989	-	19,461,777
Net carrying amount								
At 31 December 2012	**6,251,500**	**393,185**	**346,676**	**1,516,903**	**643,328**	**-**	**2,455,400**	**11,606,992**

15 PROPERTY AND EQUIPMENT (continued)

Policyholders	*Furniture and fixtures* *QR*	*Computers* *QR*	*Vehicles* *QR*	*Decorations and fittings* *QR*	*Total* *QR*
Cost:					
At 1 January 2011	291,477	458,895	118,000	559,969	1,428,341
Additions	161,428	21,279	22,177	444,443	649,327
Disposals	-	-	(58,177)	-	(58,177)
At 31 December 2011	452,905	480,174	82,000	1,004,412	2,019,491
Depreciation:					
At 1 January 2011	281,811	458,895	91,790	513,335	1,345,831
Provided during the year	25,012	1,111	21,053	97,672	144,848
Relating to disposals	-	-	(58,177)	-	(58,177)
At 31 December 2011	306,823	460,006	54,666	611,007	1,432,502
Net carrying amount					
At 31 December 2011	146,082	20,168	27,334	393,405	586,989

15 PROPERTY AND EQUIPMENT (continued)

Shareholders	*Land* *QR*	*Building* *QR*	*Furniture and fixtures* *QR*	*Computers* *QR*	*Vehicles* *QR*	*Other capital assets* *QR*	*Capital work-in-progress* *QR*	*Total* *QR*
Cost:								
At 1 January 2011	6,251,500	12,096,883	3,822,089	3,005,928	1,268,500	95,989	827,916	27,368,805
Additions	-	-	36,345	125,082	77,000	-	2,743,543	2,981,970
Disposals	-	-	-	-	(90,000)	-		(90,000)
At 31 December 2011	6,251,500	12,096,883	3,858,434	3,131,010	1,255,500	95,989	3,571,459	30,260,775
Depreciation:								
At 1 January 2011	-	11,628,595	3,106,740	2,544,427	974,620	95,989	-	18,350,371
Provided during the year	-	37,500	263,492	177,740	154,006	-	-	632,738
Relating to disposals	-	-	-	-	(90,000)	-	-	(90,000)
At 31 December 2011	-	11,666,095	3,370,232	2,722,167	1,038,626	95,989	-	18,893,109
Net carrying amount								
At 31 December 2011	6,251,500	430,788	488,202	408,843	216,874	-	3,571,459	11,367,666

16 PROPERTY UNDER DEVELOPMENT

	2012 *QR*	*2011* *QR*
At 1 January	**6,928,656**	455,600
Additions	**7,927,877**	6,473,056
At 31 December	**14,856,533**	6,928,656

17 SHARE CAPITAL

	Authorised capital	***Issued and fully paid up 2012***	*Issued and fully paid up 2011*
Share capital of QR 10 each (QR)	142,296,000	**142,296,000**	142,296,000
No. of shares of QR 10 each (Nos.)	14,229,600	**14,229,600**	14,229,600

18 STATUTORY RESERVE

As required by Qatar Commercial Companies' Law No 5 of 2002 and the Group's Articles of Association, 10% of the net profit for the year should be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital. This reserve is not available for distribution except in circumstances stipulated in the Companies' law. During the year, no transfer was made to the statutory reserve as the reserve exceeds 50% of the share capital.

19 DIVIDENDS

The Board of Directors has proposed a cash dividend of 10% of the nominal share value (QR 1 per share) and a bonus share of 20% of the share capital for the year ended 31 December 2012 (2011: cash dividend of 30% of the nominal share value (QR 3 per share) was approved and paid). These amounts are subject to the approval of the General Assembly.

20 UNEARNED CONTRIBUTIONS

	2012			*2011*		
Policyholders	***Gross QR***	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
Unearned contributions	**103,179,456**	**(62,294,172)**	**40,885,284**	104,240,414	(62,668,557)	41,571,857
Takaful policies reserve	**19,934,676**	**-**	**19,934,676**	20,305,739	-	20,305,739
	123,114,132	**(62,294,172)**	**60,819,960**	124,546,153	(62,668,557)	61,877,596

21 OUTSTANDING CLAIMS

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

	2012			*2011*		
Policyholders	***Gross QR***	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
At 1 January						
Claims outstanding	**51,785,042**	**(30,744,337)**	**21,040,705**	51,423,300	(25,527,865)	25,895,435
Claims incurred but not reported	**5,696,839**	**-**	**5,696,839**	5,683,686	-	5,683,686
	57,481,881	**(30,744,337)**	**26,737,544**	57,106,986	(25,527,865)	31,579,121
Claims paid during the year	**(118,182,634)**	**46,393,354**	**(71,789,280)**	(122,060,870)	44,501,642	(77,559,228)
Claims incurred during the year	**144,814,857**	**(71,308,704)**	**73,506,153**	122,435,765	(49,718,114)	72,717,651
At 31 December	**84,114,104**	**(55,659,687)**	**28,454,417**	57,481,881	(30,744,337)	26,737,544

	2012			*2011*		
Shareholders	***Gross QR***	***Retakaful's share QR***	***Net QR***	*Gross QR*	*Retakaful's share QR*	*Net QR*
At 1 January						
Claims outstanding	**20,880,320**	**(12,477,716)**	**8,402,604**	33,345,854	(22,400,568)	10,945,286
Claims paid during the year	**(2,484,537)**	**535,417**	**(1,949,120)**	(13,411,097)	6,818,113	(6,592,984)
Claims incurred during the year	**(9,927,903)**	**5,894,909**	**(4,032,994)**	945,563	3,104,739	4,050,302
At 31 December	**8,467,880**	**(6,047,390)**	**2,420,490**	20,880,320	(12,477,716)	8,402,604

21 OUTSTANDING CLAIMS (continued)

Analysis of outstanding claims at 31 December

	2012			*2011*		
Policyholders	***Gross QR***	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
Claims outstanding	**78,335,428**	**(55,659,687)**	**22,675,741**	51,785,042	(30,744,337)	21,040,705
Claims incurred but not reported	**5,778,676**	-	**5,778,676**	5,696,839	-	5,696,839
At 31 December	**84,114,104**	**(55,659,687)**	**28,454,417**	57,481,881	(30,744,337)	26,737,544

	2012			*2011*		
Shareholders	***Gross QR***	***Retakaful share QR***	***Net QR***	*Gross QR*	*Retakaful share QR*	*Net QR*
Claims outstanding	**8,467,880**	**(6,047,390)**	**2,420,490**	20,880,320	(12,477,716)	8,402,604
At 31 December	**8,467,880**	**(6,047,390)**	**2,420,490**	20,880,320	(12,477,716)	8,402,604

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

22 ISLAMIC BANK FACILITIES

	2012 *QR*	*2011* *QR*
Policyholders		
Facility (i)	**104,592,368**	46,333,193
Facility (ii)	**2,097,598**	-
	106,689,966	46,333,193
Shareholders		
Facility (iii)	**6,849,593**	-
Facility (iv)	**3,146,398**	-
Facility (v)	**10,867,053**	-
	20,863,044	-

(i) This facility represents a 3 year agreement amounting to QR 110 million taken by the Group's subsidiary QTC to finance the purchase of investment properties. The loan is secured by a primary mortgage over the respective investment properties and a corporate guarantee of the Company. This facility is to be settled in 43 monthly instalments commencing on 16 February 2013

(ii) This facility was taken by the Group to finance takaful operations of the policyholders and will be fully repaid by June 2013.

(iii)&(iv) These facilities were taken by the Group to finance the payment of shareholders dividends and will be fully repaid by April 2013 and June 2013 respectively.

(v) This facility was taken by the Group to finance the takaful operations of the Group's subsidiary QTC and will be fully repaid by July 2013.

23 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2012 *QR*	*2011* *QR*
Policyholders		
Accruals and provisions	**8,700,321**	5,047,824
Wakala fees payable	**6,000,000**	-
Other payables	**9,078,100**	3,940,538
	23,778,421	8,988,362
Shareholders		
Accruals and provision	**8,479,027**	10,091,713
Dividends payable	**3,689,361**	2,682,528
Due to policyholders	**4,857,685**	315,176
Provision for social and sports activities contribution	**1,957,484**	1,586,375
Board of directors remuneration payable	**6,000,000**	5,400,000
Other payables	**5,963,646**	6,605,701
	30,947,203	26,681,493

24 TAKAFUL AND RETAKAFUL PAYABLES

	2012 *QR*	*2011* *QR*
Policyholders		
Due to companies, individuals and brokers	**31,005,056**	13,441,291
Retakaful balances payable	**25,594,032**	26,612,615
Contributions withheld from retakaful companies	**4,342,639**	1,583,179
Contributions received in advance	**805,369**	1,588,555
	61,747,096	43,225,640
Shareholders		
Due to companies, individuals and brokers	**1,703,866**	1,913,116
Retakaful balances payable	**1,144,049**	1,365,847
Contributions withheld from retakaful companies	**1,582,725**	3,465,715
Contributions received in advance	**-**	171,083
	4,430,640	6,915,761

25 EMPLOYEES' END OF SERVICE BENEFITS

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

	2012 *QR*	*2011* *QR*
Policyholders		
At 1 January	**1,274,031**	878,633
Provided during the year	**241,774**	450,850
End of service benefits paid	**(34,635)**	(55,452)
At 31 December	**1,481,170**	1,274,031
Shareholders		
At 1 January	**5,236,371**	4,780,340
Provided during the year	**742,329**	868,158
End of service benefits paid	**(304,538)**	(412,127)
At 31 December	**5,674,162**	5,236,371

26 SOCIAL AND SPORTS FUND

During the year, the Group made an appropriation from retained earnings of QR 1,957,484 (2011 : QR 1,586,375) to the Social and Sports Development Fund of Qatar pursuant to Law No. 13 of 2008 and in accordance with the clarifications of the law issued in 2010. The appropriation represents 2.5% of the net profit attributable to shareholders for the year. The 2011 appropriation has been remitted to the Public Revenues and Taxes Department during the year.

27 SURPLUS DISTRIBUTION DURING THE YEAR

During the year, the Group's subsidiary, QTC, has decided the distribution of surplus amounting to QR 3,696,042 (2011: QR 2,797,365) out of the results of insurance operations from the previous years. The unclaimed balance in the surplus distribution is included in accounts payable and other liabilities under the statement of financial position.

28 RELATED PARTY DISCLOSURES

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

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

	2012		*2011*	
	Premiums QR	***Claims QR***	*Premiums QR*	*Claims QR*
Major shareholders	**32,534,992**	**15,090,554**	34,541,870	18,991,738
Directors and key management personnel	**724,547**	**390,782**	779,837	477,630
	33,259,539	**15,481,336**	35,321,707	19,469,368

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

	2012		*2011*	
	Receivables QR	***Claims and payables QR***	*Receivables QR*	*Claims and payables QR*
Major shareholders	**6,344,031**	**-**	2,421,151	207,364
Directors and key management personnel	**1,047,442**	**72,162**	798,222	60,849
	7,391,473	**72,162**	3,219,373	268,213

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

Compensation of key management personnel
The remuneration of directors during the year were as follows:

	2012 QR	*2011 QR*
Board of Directors remuneration	**6,000,000**	5,400,000
Short-term benefits	**6,334,550**	7,939,438
	12,334,550	13,339,438

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2012	***Level 1 QR***	***Level 2 QR***	***Level 3 QR***	***Total QR***
Financial asset				
Investment securities	**318,290,565**	**-**	**-**	**318,290,565**
Total	**318,290,565**	**-**	**-**	**318,290,565**

31 December 2011	*Level 1 QR*	*Level 2 QR*	*Level 3 QR*	*Total QR*
Financial asset				
Investment securities	341,565,124	-	-	341,565,124
Total	341,565,124	-	-	341,565,124

During the year ended 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

30 RISK MANAGEMENT

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

Takaful risk

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

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

Frequency and amounts of claims

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

30 RISK MANAGEMENT (continued)

Takaful risk (continued)

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

For property insurance contracts, the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has retakaful cover for such damage to limit losses for any individual claim to QR 300,000 (2011: QR 300,000) during the year.

Motor
Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles. Substantially, all of the motor contracts relate to private individuals. The Group has retakaful cover to limit losses for any individual claim to QR 200,000 (2011: QR 200,000) during the year.

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

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

The underwriting strategy for this class of business is to ensure that policies are well diversified in terms of crafts, vessels and shipping routes covered. The Group has mainly retakaful to limit losses for any individual claim to QR 150,000 (2011: QR 150,000) during the year.

Retakaful risk
Similar to other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful 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 retakaful is effected under treaty, facultative and excess-of-loss reinsurance contracts.

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

Retakaful ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the retakaful agreements. The two largest retakaful companies account for 39% of the maximum credit exposure at 31 December 2012 (2011: 44%).

Concentration of risks
The Group's insurance risk relates to policies written in the State of Qatar only. The segmental concentration of insurance risk is set out in Note 31.

30 RISK MANAGEMENT (continued)

Takaful risk (continued)

Sources of uncertainty in the estimation of future claim payments
Claims on general insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, an element of the claims provision relates to incurred but not reported claims (IBNR) which are settled over a short to medium term period.

There are several variables that affect the amount and timing of cash flows from these contracts, these mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures adopted. The compensation paid on these contracts is the monetary awards granted for the loss suffered by the policy holders or third parties (for third party liability covers).

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid as at the statement of financial position date.

Claims development
The Company 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 normally resolved within one year.

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

Financial risk
The Group's principal instruments are investment securities, receivables arising from takaful and retakaful contracts and cash and cash equivalents.

The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, market price risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge its foreign currency exposure.

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

30 RISK MANAGEMENT (continued)

Financial risk (continued)

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to customers by monitoring outstanding receivables. Premiums and receivables comprise a large number of customers mainly within the State of Qatar. Three companies account for 19% of the receivable arising from insurance contracts as of 31 December 2012 (2011: 14%). Two retakaful companies account for 39% of the retakaful balances receivable as of 31 December 2012 (2011: 44%).

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

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

	2012	*2011*
	QR	*QR*
Bank balances	**45,405,090**	44,895,698
Debt securities	**3,912,450**	3,912,450
Retakaful contract assets	**148,778,389**	109,638,847
Receivables arising from takaful contracts and other receivables	**77,391,472**	79,643,667
	275,487,401	238,090,662

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

			Past due but not impaired			
	Total	*Neither past due nor impaired*	*< 4 months*	*5 –8 months*	*9 – 12 months*	*>12 months*
	QR	*QR*	*QR*	*QR*	*QR*	*QR*
2012	**275,487,401**	**250,001,299**	**9,248,532**	**9,393,100**	**2,794,303**	**4,050,167**
2011	238,090,662	216,107,643	11,120,173	7,010,497	1,191,399	2,660,950

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

30 RISK MANAGEMENT (continued)

Financial risk (continued)

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

Liquidity requirements are monitored on a regular basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. A significant amount of funds are invested in local quoted securities.

The table below summarises the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

	31 December 2012				*31 December 2011*			
	Less than one year QR	***More than one year QR***	***No term QR***	***Total QR***	*Less than one year QR*	*More than one year QR*	*No term QR*	*Total QR*
Liabilities arising from takaful contracts	**123,114,132**	**-**	**92,581,984**	**215,696,116**	124,546,153	-	78,362,201	202,908,354
Retakaful balance payable	**26,738,081**	**-**	**-**	**26,738,081**	33,812,549	-	-	33,812,549
Islamic bank facilities	**41,311,553**	**106,960,186**	**-**	**148,271,739**	24,249,083	26,161,719	-	50,410,802
Provisions, takaful and other payables	**52,709,043**	**-**	**-**	**52,709,043**	51,998,707	-	-	51,998,707
	243,872,809	**106,960,186**	**92,581,984**	**443,414,979**	234,606,492	26,161,719	78,362,201	339,130,412

30 RISK MANAGEMENT (continued)

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

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

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

A 5% change in the prices of equities, with all other variables held constant, would impact equity by QR 15,914,528 (2011: QR 17,078,256). There would be no impact on the consolidated statement of income as all equity instruments are classified as fair value through equity, unless impaired.

Capital management
Capital requirements are set and regulated by the Qatar Commercial Companies' Law. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders or issue capital securities.

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

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

	2012	*2011*
	QR	*QR*
Total equity	**556,157,566**	582,482,081
Cash and cash equivalents	**(45,557,863)**	(45,961,202)
	510,599,703	536,520,879

31 SEGMENT INFORMATION

For management purposes, the Group is organised into five business segments, Marine and Aviation, Fire, General Accident, Motor, and Life Insurance.

Management monitors the operating results of the business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net underwriting results.

Other operations of the Group comprise investment and cash management for the Group's own account. There are no transactions between segments.

31 SEGMENT INFORMATION (continued)

The data with respect to segment information is as follows:

	Marine & Aviation		*Fire*		*General Accident*		*Motor*		*Life*		*Total*	
	31 December 2012 QR	*31 December 2011 QR*	***31 December 2012 QR***	*31 December 2011 QR*	***31 December 2012 QR***	*31 December 2011 QR*	***31 December 2012 QR***	*31 December 2011 QR*	***31 December 2012 QR***	*31 December 2011 QR*	***31 December 2012 QR***	*31 December 2011 QR*
Revenues												
Gross contributions	**10,942,730**	11,658,159	**29,746,307**	27,742,683	**112,032,748**	119,214,849	**107,324,231**	104,299,734	**12,850,531**	12,029,006	**272,896,547**	274,944,431
Retakaful share of gross contribution	**(9,801,856)**	(10,320,327)	**(28,171,635)**	(27,326,542)	**(98,447,759)**	(104,954,160)	**(22,648,821)**	(17,802,291)	**(9,120,638)**	(6,214,969)	**(168,190,709)**	(166,618,289)
Retained contributions	**1,140,874**	1,337,832	**1,574,672**	416,141	**13,584,989**	14,260,689	**84,675,410**	86,497,443	**3,729,893**	5,814,037	**104,705,838**	108,326,142
Movement in unearned contributions	**48,220**	(24,913)	**(402,266)**	126,719	**254,792**	(1,470,808)	**703,991**	6,617,945	**(1,314,296)**	(2,408,260)	**(709,559)**	2,840,683
Net retained contributions	**1,189,094**	1,312,919	**1,172,406**	542,860	**13,839,781**	12,789,881	**85,379,401**	93,115,388	**2,415,597**	3,405,777	**103,996,279**	111,166,825
Retakaful commission and other takaful income	**3,793,811**	3,288,988	**5,054,361**	4,558,755	**9,803,758**	11,518,897	**10,750,152**	9,062,820	**381,411**	225,956	**29,783,493**	28,655,416
Total revenue	**4,982,905**	4,601,907	**6,226,767**	5,101,615	**23,643,539**	24,308,778	**96,129,553**	102,178,208	**2,797,008**	3,631,733	**133,779,772**	139,822,241
Expenses												
Claims paid	**(1,684,856)**	(2,362,861)	**(3,952,544)**	(11,918,049)	**(28,325,908)**	(26,137,722)	**(81,751,120)**	(83,739,526)	**(4,952,743)**	(3,816,366)	**(120,667,171)**	(127,974,524)
Retakaful share of claims paid	**1,435,947**	2,092,688	**2,644,262**	10,429,027	**26,788,837**	24,609,081	**12,115,656**	3,544,265	**3,944,069**	3,147,251	**46,928,771**	43,822,312
Net claims paid	**(248,909)**	(270,173)	**(1,308,282)**	(1,489,022)	**(1,537,071)**	(1,528,641)	**(69,635,464)**	(80,195,261)	**(1,008,674)**	(669,115)	**(73,738,400)**	(84,152,212)
Movement in claims outstanding	**(191,801)**	168,868	**(805,143)**	138,275	**1,210,045**	1,064,294	**4,057,946**	5,985,115	**(5,805)**	27,706	**4,265,242**	7,384,258
Commission and other takaful expenses	**(602,948)**	(553,708)	**(793,925)**	(790,552)	**(11,454,434)**	(9,213,607)	**(10,706,657)**	(8,722,527)	**(866,425)**	(800,935)	**(24,424,389)**	(20,081,329)
Total expenses	**(1,043,658)**	(655,013)	**(2,907,350)**	(2,141,299)	**(11,781,460)**	(9,677,954)	**(76,284,175)**	(82,932,673)	**(1,880,904)**	(1,442,344)	**(93,897,547)**	(96,849,283)
Surplus from takaful operations	**3,939,247**	3,946,894	**3,319,417**	2,960,316	**11,862,079**	14,630,824	**19,845,378**	19,245,535	**916,104**	2,189,389	**39,882,225**	42,972,958

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

31 SEGMENT INFORMATION (continued)

Revenues, expenses, assets and liabilities of the parent company and its subsidiaries for the year ended 31 December are as follows:

	31 December 2012							
	Al Khaleej Takaful Group		*Qatar Takaful Company*		*Mithaq Investments Company*	*Total*		
	Policyholders QR	*Shareholders QR*	*Policyholders QR*	*Shareholders QR*	*Shareholders QR*	*Policyholders QR*	*Shareholders QR*	*Grand Total QR*
Revenues								
Gross contributions	217,178,949	-	55,717,598	-	-	272,896,547	-	272,896,547
Retakaful share of gross contributions	(143,202,367)	-	(24,988,342)	-	-	(168,190,709)	-	(168,190,709)
Retained contributions	73,976,582	-	30,729,256	-	-	104,705,838	-	104,705,838
Movement in unearned contributions	1,995,489	-	(2,705,048)	-		(709,559)	-	(709,559)
Net retained contributions	75,972,071	-	28,024,208	-	-	103,996,279	-	103,996,279
Retakaful commissions and other takaful income	15,959,815	3,223,868	10,599,810	-	-	26,559,625	3,223,868	29,783,493
Total takaful revenue	91,931,886	3,223,868	38,624,018	-	-	130,555,904	3,223,868	133,779,772
Expenses								
Claims paid	(81,551,592)	(2,484,537)	(36,631,042)	-	-	(118,182,634)	(2,484,537)	(120,667,171)
Retakaful share of claims paid	28,594,343	535,417	17,799,011	-	-	46,393,354	535,417	46,928,771
Net claims paid	(52,957,249)	(1,949,120)	(18,832,031)	-	-	(71,789,280)	(1,949,120)	(73,738,400)
Movement in outstanding claims	(910,669)	5,982,114	(806,203)	-	-	(1,716,872)	5,982,114	4,265,242
Commission paid and other takaful expenses	(17,547,526)	(217,324)	(6,659,539)	-	-	(24,207,065)	(217,324)	(24,424,389)
Total takaful expenses	(71,415,444)	3,815,670	(26,297,773)	-	-	(97,713,217)	3,815,670	(93,897,547)
Surplus from takaful operations	20,516,442	7,039,538	12,326,245	-	-	32,842,687	7,039,538	39,882,225

31 SEGMENT INFORMATION (continued)

	31 December 2011							
	Al Khaleej Takaful Group		*Qatar Takaful Company*		*Mithaq Investments Company*	*Total*		
	Policyholders QR	*Shareholders QR*	*Policyholders QR*	*Shareholders QR*	*Shareholders QR*	*Policyholders QR*	*Shareholders QR*	*Grand Total QR*
Revenues								
Gross contributions	219,630,303	-	55,314,128	-	-	274,944,431	-	274,944,431
Retakaful share of gross contributions	(140,844,126)	-	(25,774,163)	-	-	(166,618,289)	-	(166,618,289)
Retained contributions	78,786,177	-	29,539,965	-	-	108,326,142	-	108,326,142
Movement in unearned contributions	5,448,998	-	(2,608,315)	-	-	2,840,683	-	2,840,683
Net retained contributions	84,235,175	-	26,931,650	-	-	111,166,825	-	111,166,825
Retakaful commissions and other takaful income	17,382,763	28,129	11,244,524	-	-	28,627,287	28,129	28,655,416
Total takaful revenue	101,617,938	28,129	38,176,174	-	-	139,794,112	28,129	139,822,241
Expenses								
Claims paid	(91,126,922)	(13,411,097)	(23,436,505)	-	-	(114,563,427)	(13,411,097)	(127,974,524)
Retakaful share of claims paid	28,649,962	6,818,113	8,354,237	-	-	37,004,199	6,818,113	43,822,312)
Net claims paid	(62,476,960)	(6,592,984)	(15,082,268)	-	-	(77,559,228)	(6,592,984)	(84,152,212)
Movement in outstanding claims	4,038,315	2,542,682	803,262			4,841,577	2,542,682	7,384,259
Commission paid and other takaful expenses	(13,555,368)	(29,360)	(6,496,601)	-	-	(20,051,969)	(29,360)	(20,081,329)
Total takaful expenses	(71,994,013)	(4,079,662)	(20,775,607)	-	-	(92,769,620)	(4,079,662)	(96,849,282)
Surplus from takaful operations	29,623,925	(4,051,533)	17,400,567	-	-	47,024,492	(4,051,533)	42,972,959

31 SEGMENT INFORMATION (continued)

	31 December 2012				*31 December 2011*			
	Al Khaleej Takaful Group QR	***Qatar Takaful Company QR***	***Mithaq Investments Company QR***	***Total QR***	*Al Khaleej Takaful Group QR*	*Qatar Takaful Company QR*	*Mithaq Investments Company QR*	*Total QR*
Assets								
Total assets	**653,773,623**	**240,692,946**	**103,708,349**	**998,174,918**	732,462,440	164,824,617	22,250,507	919,537,564
Liabilities								
Takaful funds	**(163,248,894)**	**(52,447,222)**	**-**	**(215,696,116)**	(155,532,449)	(47,375,905)	-	(202,908,354)
Net (surplus) deficit attributable to takaful policyholders	**41,489,114**	**(12,198,647)**	**-**	**29,290,467**	22,851,405	(18,343,680)	-	4,507,725
Liabilities (other than takaful funds)	**(121,247,019)**	**(134,218,889)**	**(145,795)**	**(255,611,703)**	(73,085,948)	(65,568,906)	-	(138,654,854)
Net assets	**410,766,824**	**41,828,188**	**103,678,349**	**556,157,566**	526,695,448	33,536,126	22,250,507	582,482,081

32 INVESTMENT INCOME OF TAKAFUL POLICYHOLDERS

	2012 *QR*	*2011* *QR*
Total investment income of takaful policyholders	**1,238,237**	2,461,142
Less: Mudarib fees	**(725,405)**	(1,120,409)
	512,832	1,340,733

33 COMMITMENTS AND CONTINGENCIES

Guarantees
At 31 December 2012 the Group had contingent liabilities in respect of tender guarantees and other guarantees from which it is anticipated that no material liabilities will arise, amounting to QR 431,415 (2011: QR 825,907).

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

34 COMPARATIVE FIGURES

Certain comparative figures of the previous year have been reclassified to conform to the current year's presentation. The changes have been made to improve the quality of the information presented and does not affect the previously reported net profit or equity.