# QATAR OMAN INVESTMENT COMPANY Q.S.C.

## DOHA - QATAR

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2009

**QATAR OMAN INVESTMENT COMPANY Q.S.C.**

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2009

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the Shareholders**
**Qatar Oman Investment Company Q.S.C.**
**Doha - Qatar**

***Introduction***

We have audited the accompanying financial statements of Qatar Oman Investment Company Q.S.C. ("the Company"), which comprise of the statement of financial position as at December 31, 2009 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Company's financial statements for the year ended December 31, 2008 were audited by another auditor whose report dated February 14, 2009 expresses an unqualified opinion.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

Except for the matter discussed below, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis of Qualified Opinion***

The Company did not obtain an independent valuation of the fair value of its investment property which has a carrying value of QR.38,274,833 as of the financial position date, as it is the management policy to obtain such valuation every two years. We were unable to obtain audit evidence in respect of the fair value of the property.

***Opinion***

In our opinion, except for any adjustments which might have been necessary had we been able to obtain audit evidence in respect of the fair value of investment property, the financial statements give a true and fair view of, the financial position of Qatar Oman Investment Company Q.S.C. as of December 31, 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Other Legal and Regulatory Requirements**

Furthermore, in our opinion the financial statements provide the information required by the Qatar Commercial Companies' Law No. (5) of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. 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 or the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

For **Deloitte & Touche**

**Muhammad Bahemia**

**License No. 103**

**Doha - Qatar**
**January 31, 2010**

**QATAR OMAN INVESTMENT COMPANY Q.S.C.**

STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

| | Notes | **December 31, 2009 QR.** | December 31, 2008 QR. |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets:** | | | |
| Cash and bank balances | 5 | **114,080,081** | 120,584,814 |
| Prepayments and other debit balances | 6 | **6,646,779** | 2,038,551 |
| Financial assets at fair value through profit and loss | | **1,523,022** | -- |
| | | **122,249,882** | 122,623,365 |
| **Non-Current Assets:** | | | |
| Investments | 7 | **158,014,535** | 121,914,857 |
| Investment properties | 8 | **38,274,833** | 38,274,833 |
| Property and equipment | 9 | **160,226** | 212,084 |
| | | **196,449,594** | 160,401,774 |
| **Total Assets** | | **318,699,476** | 283,025,139 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current Liabilities:** | | | |
| Accruals and other credit balances | 10 | **920,668** | 136,468 |
| **Non-Current Liabilities:** | | | |
| Employees' end of service benefits | 11 | **137,268** | 71,548 |
| **Total Liabilities** | | **1,057,936** | 208,016 |
| **Shareholders' Equity:** | | | |
| Capital | 12 | **300,000,000** | 300,000,000 |
| Treasury shares | 13 | **(106,038)** | (106,038) |
| Legal reserve | 14 | **6,874,936** | 4,815,903 |
| Fair value reserve | | **(21,563,488)** | (35,797,579) |
| Proposed dividends | 15 | **15,000,000** | -- |
| Retained earnings | | **17,436,130** | 13,904,837 |
| **Total Shareholders' Equity** | | **317,641,540** | 282,817,123 |
| **Total Liabilities and Shareholders' Equity** | | **318,699,476** | 283,025,139 |

These financial statements were approved by the Directors on January 31, 2010 and signed on their behalf by:

Sheikh Abdulrahaman Bin Mohamed Bin Jabr Al Thani
Chairman

Naser Mohammed Al Mansori
Chief Executive Officer

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**QATAR OMAN INVESTMENT COMPANY Q.S.C.**

STATEMENT OF INCOME

For the year ended December 31, 2009

| | Notes | **2009** | 2008 |
|---|---|---|---|
| | | **QR.** | QR. |
| Investment and interest income | 16 | **٢٤,٢٣٠,٧١٣** | 24,875,624 |
| Commission expense | | **(٢٠,٠٠٠)** | (204,000) |
| **Net investment and interest income** | | **٢٤,٢١٠,٧١٣** | 24,671,624 |
| General and administrative expenses | 17 | **(3,059,206)** | (2,940,710) |
| Depreciation | 9 | **(51,858)** | (47,209) |
| **Total expenses** | | **(٣,١١١,٠٦٤)** | (2,987,919) |
| Impairment losses on available-for-sale investments | | **--** | (17,516,782) |
| Loss from revaluation of investment properties | | **--** | (822,667) |
| Other income | | **٢٩٠,٦٧٧** | 415,057 |
| Board of Directors' remuneration | | **(800,000)** | -- |
| **Net profit for the year** | | **20,590,326** | 3,759,313 |
| Earnings per share | 18 | **0.686** | 0.125 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**QATAR OMAN INVESTMENT COMPANY Q.S.C.**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2009

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| **Net profit for the year** | **20,590,326** | 3,759,313 |
| **Other comprehensive income** | | |
| Change in fair value reserve | **14,234,091** | (35,780,559) |
| **Total comprehensive income** | **34,824,417** | (32,021,246) |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**QATAR OMNAN INVESTMENT COMPANY Q.S.C.**

STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2009

| | Note | Capital | Treasury shares | Legal reserve | Fair value reserve | Proposed dividends | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|
| | | QR. | QR. | QR. | QR. | | QR. | QR. |
| **Balance at January 1, 2008** | | 300,000,000 | (106,038) | 4,439,972 | (17,020) | -- | 10,521,455 | 314,838,369 |
| Total comprehensive income for the year | | | | | (35,780,559) | -- | 3,759,313 | (32,021,246) |
| Transfer to legal reserve | | -- | -- | 375,931 | -- | -- | (375,931) | -- |
| **Balance at December 31, 2008** | | **300,000,000** | **(106,038)** | **4,815,903** | **(35,797,579)** | **--** | **13,904,837** | **282,817,123** |
| **Balance at January 1, 2009** | | 300,000,000 | (106,038) | 4,815,903 | (35,797,579) | -- | 13,904,837 | 282,817,123 |
| Total comprehensive income for the year | | -- | -- | -- | 14,234,091 | -- | 20,590,326 | 34,824,417 |
| Transfer to legal reserve | | -- | -- | 2,059,033 | -- | -- | (2,059,033) | -- |
| Proposed dividends | | -- | -- | -- | -- | 15,000,000 | (15,000,000) | -- |
| **Balance at December 31, 2009** | | **300,000,000** | **(106,038)** | **6,874,936** | **(21,563,488)** | **15,000,000** | **17,436,130** | **317,641,540** |

**QATAR OMAN INVESTMENT COMPANY Q.S.C.**

STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

| | Notes | **December 31, 2009** | December 31, 2008 |
|---|---|---|---|
| | | **QR.** | QR. |
| **Cash Flows from Operating Activities:** | | | |
| Net income for the year | | **20,590,326** | 3,759,313 |
| Adjustments for: | | **--** | |
| Depreciation of property and equipments | 9 | **51,858** | 47,209 |
| Interest Income | | **(6,979,083)** | (9,367,216) |
| Employees' end of service benefits | 11 | **65,720** | 64,048 |
| Impairment losses on available-for-sale investments | | **--** | 17,516,782 |
| Fair value losses on investment properties | | **--** | 822,667 |
| Gain from sale of available for sale investments | | **(3,036,605)** | (11,717,877) |
| Gain on trading investments | | **(3,361,530)** | -- |
| | | **7,330,686** | 1,124,926 |
| Prepayments and other debit balances | | **(4,608,228)** | 558,412 |
| Accruals and other credit balances | | **784,199** | (53,030) |
| Purchase of investments | | **(83,558,160)** | (254,378,458) |
| Proceeds from sale of available for sale investments | | **64,729,179** | 142,725,333 |
| Purchase of held for trading investments | | **(57,239,412)** | (45,434,712) |
| Proceeds from sale of held trading investments | | **59,077,920** | -- |
| Purchase of investment property | | **--** | (39,097,500) |
| **Net Cash used in Operating Activities** | | **(13,483,816)** | (194,555,029) |
| **Cash Flows from Investing Activities:** | | | |
| Purchase of property and equipments | | **--** | (138,843) |
| Interest received | | **6,979,083** | 9,367,216 |
| Investment in fixed deposits | | **(31,470,006)** | -- |
| **Net Cash (used in) from Investing Activities** | | **(24,490,923)** | 9,228,373 |
| Net decrease in cash and cash equivalents | | **(37,974,739)** | (185,326,656) |
| Cash and cash equivalents – Beginning of the year | | **120,584,814** | 305,911,470 |
| **Cash and cash equivalents – End of the year** | 18 | **82,610,075** | 120,584,814 |

## ١. GENERAL INFORMATION

Qatar Oman Investment Company ("The Company") is a Qatari Public Shareholding Company registered and incorporated in Qatar and engaged in investment activities in the State of Qatar and Sultanate of Oman. The Company is registered under the Commercial Registration under No. 33411.

The financial statements were approved by the Board of Directors and authorized for issue on January 31, 2010.

## 2.1 ADOPTION OF NEW AND REVISED STANDARDS

**Standards and Interpretations effective in the current period**

At the date of authorization of these financial statements, the following Standards and Interpretations were effective:

**Revised Standards:**

- IAS 1 (Revised) Presentation of Financial Statements

  AS 1 has introduced the following:
  - Terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
  - Comprehensive revision including requiring a statement of comprehensive income.
- IAS 23 (Revised) Borrowing Costs
  - The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company's accounting policy to capitalize borrowing costs incurred on qualifying assets.
- IFRS 7 (Revised) – Financial Instruments
  - The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

Various

In addition to the amendments described earlier in this section, the following standards were also amended. The improvements have led to certain changes in the detail of the Company's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

- IAS 16 (Revised) — *Property, Plant and Equipment*
- IAS 19 (Revised) — *Employee Benefits*
- IAS 20 (Revised) — *Government Grants and Disclosure of Government Assistance*
- IAS 27 (Revised) — *Consolidated and Separate Financial Statements*
- IAS 28 (Revised) — *Investments in Associates*

**2.1 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**

**Standards and Interpretations effective in the current period (continued)**

- IAS 29 (Revised) — *Financial reporting in Hyperinflationary economies*
- IAS 31 (Revised) — *Interest In Joint Ventures*
- IAS 32 (Revised) — *Financial Instruments: Presentation*
- IAS 36 (Revised) — *Impairment of Assets*
- IAS 38 (Revised) — *Intangible Assets*
- IAS 39 (Revised) — *Financial Instruments – Recognition & Measurement*
- IAS 40 (Revised) — *Investment Property*
- IFRS 1 (Revised) — *First time adoption*
- IFRS 2 (Revised) — *Share-based Payments*

Effective for annual periods beginning on or after January 1, 2011 (early adoption allowed)

- IAS 24 (Revised) Related Party Disclosures — The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government related entities) and clarifies the definition of related party.

**<u>New Standard:</u>**

- IFRS 8 — *Operating Segments*

**<u>New Interpretations:</u>**

- IFRIC 13 — *Customer loyalty Programmes*
- IFRIC 15 — *Agreements for the Construction of Real Estate*
- IFRIC 16 — *Hedges of Net Investment in Foreign Operations*

The adoption of these standards and interpretations had no significant effect on the financial statements of the Company for the year ended December 31, 2009, other than certain presentation and disclosure changes.

**Standards and Interpretations in issue not yet effective**

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

**<u>Revised Standards:</u>**

Effective for annual periods beginning on or after July 1, 2009

- IAS 27 (Revised) — *Consolidated and Separate Financial Statements*
- IAS 28 (Revised) — *Investments in Associates*
- IAS 31 (Revised) — *Interest In Joint Ventures*

## 2.1 ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

**Revised Standards:**

- IAS 38 (Revised) — *Intangible Assets*
- IAS 39 (Revised) — *Financial Instruments: Recognition & Measurement*
- IFRS 2 (Revised) — *Share-based Payments*
- IFRS 3 (Revised) — *Business Combinations*
- IFRS 5 (Revised) — *Non Current assets Held for Sale & Discontinued Operations*

Effective for annual periods beginning on or after January 1, 2010

- IAS 1 — *Presentation of Financial statements*
- IAS 7 (Revised) — *Statement of Cash Flows*
- IAS 17 (Revised) — *Leases*
- IAS 36 (Revised) — *Impairment of Assets*
- IAS 39 (Revised) — *Financial Instruments: Recognition & Measurement*
- IFRS 1 (Revised) — *First time adoption*
- IFRS 2 (Revised) — *Share-based Payments*
- IFRS 5 (Revised) — *Non Current assets Held for Sale & Discontinued Operations*
- IFRS 8 (Revised) — *Operating Segments*

**New Interpretations:**

Effective for annual periods beginning on or after July 1, 2009

- IFRIC 17 – *Distributions of Non-Cash Assets to Owners*

Effective for transfers from customers received on or after July 1, 2009

- IFRIC 18 - *Transfers of Assets from Customers*

Effective for annual periods beginning on or after July 1, 2010

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

Management anticipates that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements of the Company in the period of initial application, other than certain presentation and disclosure changes.

## 2.2 EARLY ADOPTION OF A NEW STANDARD

The Company has adopted IFRS 9 Financial Instruments (IFRS 9) in 2009 in advance of its effective date. The Company has chosen December 31, 2009 as its date of initial application (i.e. the date on which the Company has assessed its existing financial assets) as this is the first reporting period end since the Standard was issued on 12 November 2009.

## 2.2 EARLY ADOPTION OF A NEW STANDARD (CONTINUED)

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Company as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income recognised in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

Management have reviewed and assessed all of the Company's existing financial assets as at the date of initial application of IFRS 9. As a result:

- The Company's equity instruments not held for trading have been designated as at FVTOCI;
- The Company's remaining investments in equity investments and debt instruments are measured at FVTPL.

The impact of adopting IFRS 9 has been a reclassification of available for sale investments to investment at fair value through other comprehensive income, as of December 31, 2009.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

**Basis of preparation**

The financial statements have been prepared on the historical cost basis except for investment property, available for sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. The principal accounting policies are set out below.

These financial statements are presented in Qatari Riyals (QR), which is the Company's functional currency.

**Financial assets**

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior to the early adoption of IFRS 9

Prior to the early adoption o IFRS 9, the Company's accounting policies in respect of its investments in debt and equity securities were as follows:

*Financial assets at fair value through profit or loss (FVTPL)*

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future;

(ii) on initial recognition it is a part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of income. The net gain or loss recognised in the statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 18.

*Available for sale investments*

The Company’s investments in equity securities are classified as available for sale investments and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the statement of income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is taken to the statement of income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unquoted investments of which no fair value can be determined are shown at cost net of impairment, if any.

Dividends on Available-for-sale-investment are recognised in the statement of income when the Company's right to receive the dividends is established.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For listed and unlisted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For trade receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; (ii) default or delinquency in interest or principal payments; or (iii) it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

<u>Subsequent to the adoption of IFRS 9</u>

Effective on the date of initial application of IFRS 9, the Company's accounting policies in respect of its investments in debt and equity securities were as follows:

*Financial assets at FVTPL*

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition as described below.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'other gains and losses' line item (note 16) in the income statement. Fair value of Financial assets at FVTPL in an organized financial market is determined by reference to best quoted market bid prices at the close of business at the reporting date.

*Financial assets at FVTOCI*

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI"). Designation at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'investment income'.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

**Derecognition of financial assets**

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Trade payables**

Trade payables are initially measured for the amount to be paid for received goods and services whether billed by the suppliers or not.

**Property and equipment**

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

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

| | |
|---|---|
| Office equipment | 20% |
| Furniture | 20% |
| Computer software | 20% |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income

## ٣. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Investment property**
Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the statement of income in the period in which they arise.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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

**Employees' end of service benefits**
A provision is made for employees end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Qatari Labour Law based on employees' salaries and accumulated periods of service.

**Revenue Recognition**

*Dividend and interest revenue*
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.
Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

*Rental income*
Rental income from investment property is recognised in the statement of income on a straight-line basis over the term of the lease.

**Translation of foreign currencies**
Foreign currency transactions are translated into Qatari Riyals using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and form the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of income as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in the fair value reserve in equity.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand and demand deposits with the Banks with an original maturity of three months or less as disclosed in Note 18.

## 4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

**Critical judgments in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

*Classification of investments*

Management decides on the acquisition of an investment whether to classify it as at FVTOCI or financial assets at fair value through profit or loss. The Company classifies investments as financial assets at fair value through profit or loss if the investment is held for trading and upon initial recognition it is designated by the Company as at fair value through profit or loss. All other investments are classified as available for sale.

**Key sources of estimation uncertainty**

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

*Impairment of tangible and intangible assets and useful lives*

The Company's management tests annually whether tangible and intangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates. The Company's management determines the useful lives and related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

*Impairment of financial assets*

## 5. CASH AND BANK BALANCES

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Petty cash | **2,250** | -- |
| Current accounts | **٨٨,٧٤٦** | ٦,٥٩١ |
| Call deposits | **1,319,050** | 30,578,223 |
| Term deposits | **١١٢,٦٧٠,٠٣٥** | ٩٠,٠٠٠,٠٠٠ |
| | **١١٤,٠٨٠,٠٨١** | ١٢٠,٥٨٤,٨١٤ |

Term deposits carry an annual interest rate of 6-6.25%.

## 6. PREPAYMENTS AND OTHER DEBIT BALANCES

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Dalala Brokerage Company | **5,076,796** | ١,١٤٧,٨٤١ |
| Accrued interest income | ١,٥٦٩,٩٨٣ | 890,710 |
| | ٦,٦٤٦,٧٧٩ | ٢,٠٣٨,٥٥١ |

## 7. INVESTMENTS

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Available for sale | | |
| At January 1, | ١٢١,٩١٤,٨٥٧ | 6,406,484 |
| Additions | ٨٣,٥٥٨,١٦٠ | 299,813,170 |
| Disposals | (٦١,٦٩٢,٥٧٣) | (131,007,456) |
| Impairment | -- | (17,516,782) |
| Changes in fair value | ١٤,٢٣٤,٠٩١ | (35,780,559) |
| Transferred to investments at FVTOCI | (١٥٨,٠١٤,٥٣٥) | -- |
| | -- | ١٢١,٩١٤,٨٥٧ |

On December 31, 2009 (the date of initial application), the Company adopted IFRS 9 Financial Instruments (IFRS 9) in advance of its effective date. The management has irrevocably designated its investments previously held as available for sale investments as financial assets at fair value though other comprehensive income. As of December 31, 2009, those were as follows:

| | | |
|---|---|---|
| Investments at FVTOCI | | |
| Transferred from available for sale investments at December 31, 2009 | ١٥٨,٠١٤,٥٣٥ | -- |
| | ١٥٨,٠١٤,٥٣٥ | |

At December 31, investments available for sale / investments held at FVTOCI comprised the following:

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Quoted shares | ١٤١,٩٦١,٠٧٢ | 105,490,144 |
| Un-quoted shares | ١٦,٠٥٣,٤٦٣ | 16,424,713 |
| | ١٥٨,٠١٤,٥٣٥ | ١٢١,٩١٤,٨٥٧ |

## 7. INVESTMENTS (CONTINUED)

Available for sale investments and investments held at FVTOCI include an amount of QR 23.7 million (2008: 20.7 million) which represents the fair value of investments denominated in foreign currencies.

## 8. INVESTMENT PROPERTIES

| | **2009** | 2008 |
|---|---|---|
| | **QR** | QR |
| **At fair value** | | |
| Balance at January 1, | **38,274,833** | -- |
| Acquisitions | **--** | 39,097,500 |
| Changes in fair value | **--** | (822,667) |
| At December 31, | **38,274,833** | 38,274,833 |

## 9. PROPERTY AND EQUIPMENT

| | Office equipments | Furniture | Computer software | Total |
|---|---|---|---|---|
| | QR | QR | QR | QR |
| **Cost:** | | | | |
| At January 1, 2008 | 74,450 | -- | 46,000 | 120,450 |
| Additions | -- | 14,643 | 124,200 | 138,843 |
| At January 1, 2009 | 74,450 | 14,643 | 170,200 | 259,293 |
| Additions | -- | -- | -- | -- |
| At December 31, 2009 | 74,450 | 14,643 | 170,200 | 259,293 |
| **Accumulated Depreciation** | | | | |
| At January 1, 2008 | -- | -- | -- | -- |
| Depreciation expense | 14,890 | 1,512 | 30,807 | 47,209 |
| At January 1, 2009 | 14,890 | 1,512 | 30,807 | 47,209 |
| Depreciation expense | 14,890 | 2,928 | 34,040 | 51,858 |
| At December 31, 2009 | 29,780 | 4,440 | 64,847 | 99,067 |
| **Carrying amount** | | | | |
| **At December 31, 2009** | **44,670** | **10,203** | **105,353** | **160,226** |
| At December 31, 2008 | 59,560 | 13,131 | 139,393 | 212,084 |

## 10. ACCRUALS AND OTHER CREDIT BALANCES

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Trade account payables | **701** | 90,001 |
| Accrued Board of Directors remuneration | **800,000** | -- |
| Accruals and other credit balances | ١١٩,٩٦٧ | 46,467 |
| | **920,668** | 136,468 |

## 11. EMPLOYEES' END OF SERVICE BENEFITS

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| At January 1, | ٧١,٥٤٨ | ٧,٥٠٠ |
| Provided during the year | **65,720** | 64,048 |
| At December 31, | **137,268** | ٧١,٥٤٨ |

## 12. SHARE CAPITAL

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Authorized and issued share capital: 30,000,000 shares with a value of QR.10 per share | ٣٠٠,٠٠٠,٠٠٠ | ٣٠٠,٠٠٠,٠٠٠ |

## 13. TREASURY SHARES

Treasury shares comprise 10,295 shares at a cost of QR 10.3 per share. In accordance with the prospectus, any parts of the shares resulting from the allotment will be accumulated, paid for by the Company and subsequently sold when the Company's shares are traded in the Doha Securities Market. As of the balance sheet date, the Company was still in possession of these shares.

## 14. LEGAL RESERVE

As required by the Qatari Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution.

## 15. PROPOSED DIVIDENDS

The Board of Directors resolved in its meeting held on January 31, 2010 to propose a cash dividends of 5% of the paid up capital, amounting to QR. 15,000,000 (2009: nil). This proposal is subject to the company's General Assembly's approval.

## 16. INVESTMENT AND INTEREST INCOME

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Gain on sale of available for sale investments | **3,036,605** | ١١,٧١٧,٨٧٧ |
| Gain on sale of held for trading investments | **3,361,530** | -- |
| Dividend income | **7,730,830** | -- |
| Interest income | **6,979,083** | 9,367,216 |
| Rental income from investment property | **3,122,665** | 3,790,531 |
| | **24,230,713** | 24,875,624 |

## ١٧. GENERAL AND ADMINISTRATIVE EXPENSES

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Staff costs | **1,467,420** | 1,275,449 |
| Qatar Exchange fees | **233,000** | 503,000 |
| Rent | **297,804** | 278,142 |
| Board of Directors allowance | **189,000** | 195,000 |
| Legal and professional fees | **101,625** | 166,703 |
| Maintenance | **246,563** | 134,836 |
| Travel and transportation | **118,473** | 100,456 |
| Hospitality expenses | **174,827** | 40,469 |
| Advertisement expenses | **88,278** | 89,162 |
| End of service benefits | **65,720** | 64,048 |
| Governmental fees | **35,710** | 33,611 |
| Other expenses | **40,786** | 59,834 |
| | **3,059,206** | 2,940,710 |

## 18. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net income for the period by the weighted average number of ordinary shares outstanding during the period as follows:

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Net income for the period | **20,590,326** | 3,759,313 |
| Weighted average number of shares | **29,989,705** | 29,989,705 |
| Basic and diluted earnings per share | **0.686** | 0.125 |

## 19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of cash flow statement, comprise the following:

| | **2009** | 2008 |
|---|---|---|
| | **QR.** | QR. |
| Cash on hand | **2,250** | -- |
| Balances with banks and other financial institution original maturities 3 months | **82,607,825** | 120,584,814 |
| **Cash and cash equivalents** | **82,610,075** | 120,584,814 |
| Balances with banks and other financial institutions maturing from 3 months to one year | **31,470,006** | -- |
| Bank balances and cash | **114,080,081** | 120,584,814 |

## 20. RELATED PARTIES TRANSACTIONS

Related parties represent the shareholders, directors and key management personnel of the Company and companies controlled, jointly controlled or significantly influenced by those parties

The remuneration of directors and other members of key management during the period was as follows:

| | **2009** | 2008 |
|---|---|---|
| | **QR** | QR |
| Short-term benefits | **864,000** | 864,000 |
| End of services benefits | **50,000** | 61,369 |
| | **914,000** | 925,369 |

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, equity prices and interest rates.

***Foreign currency risk management***

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameter.

## 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **QR** | QR | **QR** | QR |
| Omani Riyal | -- | -- | **23,772,353** | 20,713,947 |

***Interest rate risk management***
The Company is not exposed to interest rate risk on its interest bearing bank deposits as all these deposits carry fixed rates.

***Credit risk***
The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. With respect to credit risk arising from the other financial assets of the Company, including bank balances and cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

**Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**Fair value of financial instruments**
The fair value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The management is of opinion that the fair value of such financial instruments approximates their carrying value.

## 22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.