

QATAR INSURANCE COMPANY S.A.Q.
DOHA – QATAR

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2005

TOGETHER WITH AUDITORS' REPORT

QATAR INSURANCE COMPANY S.A.Q
DOHA - QATAR
31 December 2005

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QR. 31247

AUDITORS' REPORT

To The Shareholders
Qatar Insurance Company S.A.Q
Doha – Qatar

We have audited the accompanying consolidated balance sheet of **Qatar Insurance Company S.A.Q.**, as of 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of **Qatar Insurance Company S.A.Q.**, as of 31 December 2005, and the consolidated results of its operations, changes in its equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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. To the best of our knowledge and belief and according to the information given to us, no contraventions of the 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**

Doha – Qatar
January 17, 2006

Samer Jaghoub
License No. 88

Qatar Insurance Company S.A.Q.

CONSOLIDATED BALANCE SHEET

31 December 2005

	<i>Note</i>	2005 QR'000	2004 QR'000
<u>ASSETS</u>			
Cash and bank balances	4	737,480	311,292
Investments	5	2,489,760	1,284,130
Reinsurance contract assets	6	507,751	335,213
Insurance and other receivables	7	127,145	108,529
Investment properties	8	15,870	16,890
Property and equipment	9	<u>79,788</u>	<u>34,094</u>
TOTAL ASSETS		<u>3,957,794</u>	<u>2,090,148</u>
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Insurance contract liabilities	6	696,918	446,032
Provisions, insurance and other payables	10	<u>223,447</u>	<u>184,579</u>
TOTAL LIABILITIES		<u>920,365</u>	<u>630,611</u>
<u>EQUITY</u>			
Share capital	11	283,140	174,240
Legal reserve	12	653,400	87,120
General reserve	13	287,000	287,000
Fair value reserve		1,556,613	785,232
Retained earnings		<u>234,852</u>	<u>104,889</u>
Equity Attributable to Equity Holders of the Parent		<u>3,015,005</u>	<u>1,438,481</u>
Minority interest		<u>22,424</u>	<u>21,056</u>
TOTAL LIABILITIES AND EQUITY		<u>3,957,794</u>	<u>2,090,148</u>

These financial statements were authorized for issue by the Board of Directors on
January 17, 2006.

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

.....
Khalifa Abdulla Al Subaey
General Manager

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

Qatar Insurance Company S.A.Q.

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2005

	<i>Note</i>	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
REVENUE			
Net Insurance Income		89,754	64,854
Investment income	15	252,315	106,170
Other income		<u>4,165</u>	<u>3,464</u>
Total revenue		<u>346,234</u>	<u>174,488</u>
EXPENSES			
General and administrative expenses		(55,832)	(44,396)
Provision for doubtful debts		(2,037)	(3,298)
Depreciation of property and equipment		<u>(3,385)</u>	<u>(2,992)</u>
Total expenses		<u>(61,254)</u>	<u>(50,686)</u>
Net profit for the year	16	<u>284,980</u>	<u>123,802</u>
Attributable to:			
Equity holders of the parent		<u>284,051</u>	<u>124,053</u>
Minority interest		<u>929</u>	<u>(251)</u>
Adjusted Weighted Earnings per share	17	<u>10.2</u>	<u>4.93</u>

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INSURANCE INCOME

Year ended 31 December 2005

	<i>Marine & aviation</i>		<i>Fire and general</i>		<i>Total</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Premium	132,774	116,791	600,693	431,769	733,467	548,560
Less : Reinsurers' share	<u>(92,754)</u>	<u>(92,703)</u>	<u>(412,907)</u>	<u>(330,728)</u>	<u>(505,661)</u>	<u>(423,431)</u>
Net premium	40,020	24,088	187,786	101,041	227,806	125,129
Movement in Unexpired Premium	<u>(4,805)</u>	<u>(795)</u>	<u>(37,658)</u>	<u>(8,100)</u>	<u>(42,463)</u>	<u>(8,895)</u>
Earned Premium	<u>35,215</u>	<u>23,293</u>	<u>150,128</u>	<u>92,941</u>	<u>185,343</u>	<u>116,234</u>
Net Commission	<u>646</u>	<u>3,578</u>	<u>1,182</u>	<u>11,405</u>	<u>1,828</u>	<u>14,983</u>
Total Revenue	35,861	26,871	151,310	104,346	187,171	131,217
Claims	(35,604)	(40,607)	(115,105)	(85,393)	(150,709)	(126,000)
Less: Reinsurers' share	30,603	37,017	58,574	35,206	89,177	72,223
Movement in Outstanding Claims	<u>(5,144)</u>	<u>(4,225)</u>	<u>(30,741)</u>	<u>(8,361)</u>	<u>(35,885)</u>	<u>(12,586)</u>
Net Insurance Income	<u>25,716</u>	<u>19,056</u>	<u>64,038</u>	<u>45,798</u>	<u>89,754</u>	<u>64,854</u>

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

Qatar Insurance Company S.A.Q.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2005

	<i>Note</i>	2005 QR'000	2004 QR'000
OPERATING ACTIVITIES			
Net profit for the year		284,980	123,802
Adjustments for:			
Depreciation		4,405	4,012
Interest and investment income		(233,895)	(116,305)
Impairment loss on investments		340	17,155
Unrealized gains on investments		(18,760)	(7,019)
Provision for employee terminal benefits		4,196	3,337
Provision for doubtful debts		2,037	3,298
Profit on sale of property and equipment		<u>(59)</u>	<u>(120)</u>
		43,244	28,160
Insurance and other receivables		(20,653)	(29,609)
Increase in insurance reserves net		78,348	39,360
Increase in provisions , insurance and other payables		<u>37,304</u>	<u>43,948</u>
Cash Generated from Operations		<u>138,243</u>	<u>81,859</u>
Contribution to social fund		(7,100)	(4,125)
Board of directors' remuneration paid		(3,240)	(2,700)
Employee terminal benefits paid		<u>(1,133)</u>	<u>(1,163)</u>
Net Cash from Operating Activities		<u>126,770</u>	<u>73,871</u>
INVESTING ACTIVITIES			
Net cash movement in investments		(262,321)	39,050
Purchase of property and equipment		(49,176)	(19,574)
Interest and dividend income received		78,398	40,202
Proceeds from sale of property and equipment		<u>156</u>	<u>348</u>
Net Cash (Used in) from Investing Activities		<u>(232,943)</u>	<u>60,026</u>
FINANCING ACTIVITIES			
Minority interest		929	21,307
Dividends paid		(91,476)	(63,888)
Right Issue		<u>622,908</u>	<u>-</u>
Net Cash from (Used in) Financing Activities		<u>532,361</u>	<u>(42,581)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		426,188	91,316
Cash and cash equivalents at the beginning of the year		<u>311,292</u>	<u>219,976</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>737,480</u>	<u>311,292</u>

The attached notes 1 to 23 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2005

1 ACTIVITIES

Qatar Insurance Company S.A.Q. (the Company) is a public shareholding company incorporated in the State of Qatar in 1964 under Commercial Regulation No. 20 and governed by the provisions of the Qatar Companies' Law. The Company has four overseas branches, namely in Dubai (United Arab Emirates), Abu Dhabi (United Arab Emirates), Al Khobar (Saudi Arabia) and in Kuwait. The Company also owns a 55% equity interest in a subsidiary in Oman.

The company and its subsidiary company collectively referred to as the "group" is engaged in the business of insurance and re-insurance.

The group employed 200 employees at 31 December 2005 (2004: 170).

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of new and revised Standards issued by the International Accounting Financial Reporting Standards Board (the IASB) that are relevant to its operations. The adoption of these new and revised standards has only affected the presentation and disclosures of the company's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation:

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary company Oman Qatar Insurance Company. A subsidiary is an entity controlled by another entity (known as the parent). Control is achieved when the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiary company are included in the consolidated income statement from the effective date of the subsidiary's establishment.

Where necessary, adjustments are made to the financial statements of the subsidiary company to bring the accounting policies used in line with those used by the Group.

All significant inter-company transactions and balances between the company and its subsidiary company are eliminated on consolidation.

b) Accounting convention

The accompanying consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of held for trading and available for sale investments and derivative financial instruments.

c) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash on hand, bank balances and short term deposits with banks maturing within 3 months.

d) Investments

Investment portfolios consist of funds managed by independent third parties on a discretionary basis, directly managed investments and funds held by custodian banks and brokers. Major investment categories include marketable equity securities and bonds, private equity placements and mutual funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2005

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

The accounting policies for investments are as follows:

(i) *Financial assets at fair value through income-held for trading*

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

(ii) *Available for sale – Quoted*

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

(iii) *Available for sale – Unquoted shares and private equity*

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

(iv) *Fair values*

Fair values of investments quoted on recognised stock exchanges are determined by reference to their bid prices at the close of business at the balance sheet date.

e) Insurance and other receivable balances

Insurance and other receivable balances are stated net of provision for doubtful debts.

f) Property and equipment and investment properties

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

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

g) Impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2005

h) Revenue Recognition

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

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported

i) Liability adequacy test

At each balance sheet date 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 cash flows, the entire deficiency is immediately recognized in income.

j) Reserve for unexpired risks

The reserve for unexpired risk represents the estimated portion of net premium income after deduction of the reinsurance share which relates to periods of insurance subsequent to the balance sheet date. The reserve is calculated at 40 percent of the net premium for all insurance classes except for marine insurance which is calculated at 25 percent. In case of the subsidiary company in Oman, as required by local statute, the reserve is calculated at 45 % for all classes.

k) Commission earned and paid

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

l) Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for loss and loss adjustment expenses based on loss reports from independent loss adjusters and management best estimate. The method for making such estimates and for establishing the resulting liability is continually reviewed.

m) Interest income

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

n) Dividend income

Dividend income is recognized when the right to receive the dividends is established.

o) Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2005

p) Employee's terminal benefits

Provision is made for amounts payable in respect of employee terminal benefits based on contractual obligations or Qatar Labour Law, whichever is higher, and is calculated using the employee's salary and period of service at the balance sheet date.

q) Derivative financial instruments

Derivative financial instruments are marked to market at the balance sheet date.

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

r) Reclassification

Certain comparative amounts have been reclassified in order to conform with the presentation of the current year financial statements.

4 CASH AND BANK BALANCES

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Cash and demand deposits	110,462	82,643
Time deposits	<u>627,018</u>	<u>228,649</u>
Total	<u><u>737,480</u></u>	<u><u>311,292</u></u>

Time deposits amounting to QR 5,269,969 (2004: QR 5,970,000) are held by banks as security against guarantees given on behalf of the company.

5 INVESTMENTS

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

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Held for trading investments:		
Managed and mutual funds	<u>197,876</u>	<u>119,659</u>
Available for sale investments:		
Qatari public shareholding companies	1,796,786	941,304
Bonds	291,442	159,049
Quoted shares	88,313	33,526
Unquoted shares and private equity	<u>115,683</u>	<u>47,747</u>
Total Available-for-sale investments	2,292,224	1,181,626
Less : Impairment loss recognised	<u>(340)</u>	<u>(17,155)</u>
Net	<u><u>2,291,884</u></u>	<u><u>1,164,471</u></u>
Total investments	<u><u>2,489,760</u></u>	<u><u>1,284,130</u></u>

At 31 December 2005, the company held short term borrowings of QR 380 million (2004: QR 197 million) which were utilised to purchase bonds. The above balances are shown net of these borrowings. The borrowings carry interest at money market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2005

6. INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Gross		
Insurance contract liabilities:		
Claims reported unsettled	339,239	207,054
Claims incurred but not reported	69,396	35,394
Unearned premiums	<u>288,283</u>	<u>203,584</u>
Total insurance contract liabilities, gross	<u>696,918</u>	<u>446,032</u>
Recoverable from reinsurers		
Claims reported unsettled	266,344	162,237
Claims incurred but not reported	40,493	14,298
Unearned premiums	<u>200,914</u>	<u>158,678</u>
Total reinsurers' share of insurance liabilities	<u>507,751</u>	<u>335,213</u>
Net		
Claims reported unsettled	72,895	44,817
Claims incurred but not reported	28,903	21,096
Unearned premiums	<u>87,369</u>	<u>44,906</u>
Net	<u><u>189,167</u></u>	<u><u>110,819</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2005

7. Insurance and other receivables

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Due from policy holders	55,808	52,878
Allowance for doubtful debts	<u>(7,569)</u>	<u>(5,591)</u>
	48,239	47,287
Due from insurance companies	76,471	61,473
Allowance for doubtful debts	<u>(9,725)</u>	<u>(9,666)</u>
	66,746	51,807
Other receivables:		
Advances against indemnity	10,498	6,495
Prepayments and others	<u>1,662</u>	<u>2,940</u>
Total	<u>127,145</u>	<u>108,529</u>

Insurance receivable comprise a large number of customers mainly within Qatar.

Insurance receivable are stated net of any required provision. Since they are short term in nature, their fair value approximates the carrying value. The company's terms of business require amounts to be repaid within 60 to 90 days of the date of the transaction.

Due from Insurance companies are mainly from the Middle East, Asia and Europe. One company accounted for more than 10% of receivables as of 31 December 2005 (2004: Three Companies).

8 INVESTMENT PROPERTIES

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Balance at 1 January	16,890	17,910
Depreciation for the year	<u>(1,020)</u>	<u>(1,020)</u>
Balance at 31 December, net of accumulated depreciation	<u>15,870</u>	<u>16,890</u>
Investment property:		
At cost	20,460	20,460
Accumulated depreciation	<u>(4,590)</u>	<u>(3,570)</u>
Net carrying value	<u>15,870</u>	<u>16,890</u>

The fair value of investment properties (comprising mainly of buildings) is determined on the basis of management's estimates of the market value, which in the opinion of management is in excess of their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2005

9 PROPERTY AND EQUIPMENT

	<i>Building QR'000</i>	<i>Furniture and fixtures QR'000</i>	<i>Motor vehicles QR'000</i>	<i>Freehold land QR'000</i>	<i>Building Work-in- Progress QR'000</i>	<i>Total QR'000</i>
Cost:						
At 1 January 2005	37,330	19,375	3,222	9,709	10,007	79,643
Additions	1,410	1,689	492	-	45,585	49,176
Disposals	<u>-</u>	<u>(100)</u>	<u>(198)</u>	<u>-</u>	<u>-</u>	<u>(298)</u>
At 31 December 2005	<u>38,740</u>	<u>20,964</u>	<u>3,516</u>	<u>9,709</u>	<u>55,592</u>	<u>128,521</u>
Accumulated Depreciation:						
At 1 January 2005	28,618	15,102	1,829	-	-	45,549
Provided during the year	948	1,671	766	-	-	3,385
Disposals	<u>-</u>	<u>(56)</u>	<u>(145)</u>	<u>-</u>	<u>-</u>	<u>(201)</u>
At 31 December 2005	<u>29,566</u>	<u>16,717</u>	<u>2,450</u>	<u>-</u>	<u>-</u>	<u>48,733</u>
Net book values:						
At 31 December 2005	<u>9,174</u>	<u>4,247</u>	<u>1,066</u>	<u>9,709</u>	<u>55,592</u>	<u>79,788</u>
At 31 December 2004	<u>8,712</u>	<u>4,273</u>	<u>1,393</u>	<u>9,709</u>	<u>10,007</u>	<u>34,094</u>

10 PROVISIONS, INSURANCE AND OTHER PAYABLES

	<i>2005 QR'000</i>	<i>2004 QR'000</i>
Trade payables	34,890	45,279
Due to reinsurance companies	110,427	84,691
Other payables:		
Accrued expenses	9,520	4,978
Employee terminal benefits (see note below)	18,992	15,929
Board of directors remuneration payable	3,240	2,700
Other credit balances	<u>46,378</u>	<u>31,002</u>
Total	<u>223,447</u>	<u>184,579</u>
Movements in the provision for employee terminal benefits are as follows:		
	<i>2005 QR'000</i>	<i>2004 QR'000</i>
Provision as at 1 January	15,929	13,755
Expense recognised in the Statement of Income	4,196	3,337
Employee terminal benefits paid	<u>(1,133)</u>	<u>(1,163)</u>
Provision as at 31 December	<u>18,992</u>	<u>15,929</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2005

11 SHARE CAPITAL

The authorised, issued and fully paid share capital consists of 28,314,000 shares of QR 10 each (2004: 17,424,000 shares of QR. 10 each).

12 LEGAL RESERVE

The legal reserve was formed in accordance with the provisions of the Qatar Commercial Companies' Law and the company's Articles of Association. This reserve is to be maintained until it equals 50% of the paid up capital and is not available for distribution except in circumstances specified in the Qatar Commercial Companies' law.

13 GENERAL RESERVE

No transfer was made in 2005 from retained earnings to the general reserve (2004: QR Nil).

14 DIVIDENDS AND BONUS SHARES

The Board of Directors proposed and distributed during the year 2005 an interim dividend of QR. 2 (2004: QR 2.00) per ordinary share, totalling QR. 56,628,000 (2004: QR 34,848,000).

The Board of Directors has proposed a final dividend distribution of QR. 3.00 per ordinary share bringing the total distribution for the year to QR 5.00 per share (2004: QR 4.00 per share) and also proposed a bonus share issue of one share for every two shares held (2004: 3 share for every 10 shares held). The proposed final dividend, amounting to QR. 84,942,000 (2004: QR 34,848,000) and bonus shares issue amounting to QR. 141,570,000 (2004: 52,272,000) will be submitted for formal approval at the Annual General Meeting. The dividends and bonus shares proposed in 2004 were approved at the Annual General Meeting held on 13 February 2005.

15 INVESTMENT INCOME

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Interest	48,544	19,574
Dividends	27,676	19,346
Profit on sale of investments	136,963	70,296
Impairment losses recognized on investments	(340)	(17,155)
Income from investment properties, net	2,178	1,282
Unrealised gain on investment	18,760	7,019
Others	<u>18,534</u>	<u>5,808</u>
Net	<u><u>252,315</u></u>	<u><u>106,170</u></u>

16 PROFIT FOR THE YEAR

The profit from operations is stated after charging:

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Total staff costs	<u><u>30,394</u></u>	<u><u>24,472</u></u>
Depreciation on property and equipment	<u><u>3,385</u></u>	<u><u>2,992</u></u>
Depreciation on investment properties	<u><u>1,020</u></u>	<u><u>1,020</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2005

17 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the adjusted weighted average number of ordinary shares outstanding during the year.

18 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Bank guarantees	<u>42,346</u>	<u>1,883</u>
Authorized future investment commitments	<u>316,224</u>	<u>114,583</u>
Capital commitments	<u>82,958</u>	<u>82,000</u>

19 SEGMENT INFORMATION

Primary Segment information

For management purposes, the company is organised into two business segments Marine and Aviation and Fire & General. These segments are the basis on which the company reports its primary segment information. Other operations of the company comprise investment and cash management for the company's own account. There are no transactions between segments.

Primary segmental information is shown under the consolidated statement of Insurance Income.

Secondary segment information

The company operates in four geographic markets; the domestic market in Qatar, overseas markets in the Gulf Co-operation Council (GCC), Organisation for Economic Co-operation and Development (OECD) and other countries. The following table shows the distribution of the company's total assets and liabilities by geographical segment:

	<i>Assets</i> <i>2005</i> <i>QR'000</i>	<i>Liabilities &</i> <i>Shareholders</i> <i>equity</i> <i>2005</i> <i>QR'000</i>	<i>Assets</i> <i>2004</i> <i>QR'000</i>	<i>Liabilities &</i> <i>Shareholders</i> <i>equity</i> <i>2004</i> <i>QR'000</i>
Qatar	2,771,079	3,311,911	1,245,832	1,611,270
GCC	171,886	108,927	173,978	120,446
OECD	489,135	25,076	266,992	16,663
Others	<u>525,694</u>	<u>511,880</u>	<u>403,346</u>	<u>341,769</u>
Total	<u>3,957,794</u>	<u>3,957,794</u>	<u>2,090,148</u>	<u>2,090,148</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	<i>Notional amount Total QR'000</i>	<i>Within 3 months QR'000</i>	<i>3 to 12 Months</i>
<i>Bond Options:</i>			
Put options sold	58,014	58,014	--
Call options sold	(234,012)	(234,012)	--
<i>Exchange-traded options:</i>			
Equity put options sold	121,322	105,240	16,082
Equity call options sold	(1,957)	(1,375)	(582)
<i>FX options:</i>			
FX put options sold	85,566	85,566	--
FX call options sold	(106,910)	(106,910)	--

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

At 31 December 2005 the company also had commitments relating to forward currency transactions with a notional amount equivalent to approximately QR 118 million (2004: QR 27.9 million), maturing within one year. The fair value of the forward currency transactions approximates their notional value.

21 INTEREST RATE RISK

The company's interest rate risk based on contractual arrangements at 31 December 2005 was as follows:

	<i>Up to 6 month QR'000</i>	<i>6 months to 1 year QR'000</i>	<i>1 to 5 years QR'000</i>	<i>Over 5 Years QR'000</i>	<i>Total QR'000</i>	<i>Effective interest rate %</i>
Bank balances	737,480	-	-	-	737,480	3.68%
Investments	<u>4,938</u>	<u>1,579</u>	<u>13,464</u>	<u>234,925</u>	<u>254,906</u>	8.40%
Total	<u>742,418</u>	<u>1,579</u>	<u>13,464</u>	<u>234,925</u>	<u>992,386</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. directors of the company and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the company's management and are negotiated under normal commercial terms. Significant transactions were:

	<i>2005</i> <i>QR'000</i>	<i>2004</i> <i>QR'000</i>
Premium	<u>16,437</u>	<u>10,218</u>
Claims	<u>10,445</u>	<u>6,160</u>

23 RISK MANAGEMENT

i. Insurance risk

Insurance risk is the risk that actual claims payable to contract holders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected. The company manages the insurance risk through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the risks underwritten are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

ii. Reinsurance risk

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

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

The company only deals with reinsurers approved by the management, which are generally international securities that are rated by international rating agencies or other GCC securities.

Reinsurance ceded contracts do not relieve the company from its obligations to policyholders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

iii. Currency risk

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

iv. Interest rate risk

The company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated.

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v. Market risk

Market 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 company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in international and local equity and bond markets. In addition, the company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

vi. Credit and liquidity risk

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

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

vii. Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The company underwrites mainly Fire & accident and Marine & Aviation risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place.

viii. Geographical concentration of risks

Approximately 97 % of the company's insurance risk relates to policies written in the domestic market in Qatar, overseas markets in the Gulf Co-operation Council (GCC), Organisation for Economic Co-operation and Development (OECD) and 3% from other countries respectively.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2005

	Share Capital	Legal Reserve	General Reserve	Fair Value Reserve	Retained Earnings	Equity Attributable to Equity Holders of Parent	Minority Interest	Total
	QR's 000	QR's 000	QR's 000	QR's 000	QR's 000	QR's 000	QR's 000	QR's 000
Balance at 1 January 2004	145,200	72,600	287,000	485,905	95,109	1,085,814	--	1,085,814
Net profit for the period	--	--	--	--	124,053	124,053	(251)	123,802
Transfer to legal reserve	--	14,520	--	--	(14,520)	--	--	--
Bonus issue of shares	29,040	--	--	--	(29,040)	--	--	--
Board of director's remuneration	--	--	--	--	(2,700)	(2,700)	--	(2,700)
Interim dividends	--	--	--	--	(34,848)	(34,848)	--	(34,848)
Dividends paid	--	--	--	--	(29,040)	(29,040)	--	(29,040)
Contribution to social fund	--	--	--	--	(4,125)	(4,125)	--	(4,125)
Net movement in cumulative changes in fair value of investments*	--	--	--	299,327	--	299,327	21,307	320,634
Balance at 31 December 2004	174,240	87,120	287,000	785,232	104,889	1,438,481	21,056	1,459,537
Net profit for the period	--	--	--	--	284,051	284,051	929	284,980
Bonus issue of shares	52,272	--	--	--	(52,272)	--	--	--
Rights Issue**	56,628	566,280	--	--	--	622,908	--	622,908
Board of director's remuneration	--	--	--	--	(3,240)	(3,240)	--	(3,240)
Interim dividends proposed	--	--	--	--	(56,628)	(56,628)	--	(56,628)
Dividends paid	--	--	--	--	(34,848)	(34,848)	--	(34,848)
Contribution to social fund	--	--	--	--	(7,100)	(7,100)	--	(7,100)
Net movement in cumulative changes in fair value of investments*	--	--	--	771,381	--	771,381	439	771,820
Balance at 31 December 2005	283,140	653,400	287,000	1,556,613	234,852	3,015,005	22,424	3,037,429

* This item is net of reserve released on disposal of investments which is included under investment income.

**The Company made a rights issue of one share for every four shares held. The premium was credited directly to legal reserve as per Article Number 192 of the Commercial Company Law No. 5 of 2002.