

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

TOGETHER WITH AUDITOR'S REPORT

QATAR INSURANCE COMPANY S.A.Q
DOHA - QATAR
31 DECEMBER 2006

TABLE OF CONTENTS

Auditor's Report	--
	<u>Page</u>
Consolidated Balance Sheet	1
Consolidated Statement of Income	2
Consolidated Statement of Insurance Income	3
Consolidated Statement of Changes in Equity	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6 - 20

QR. 31247

AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying consolidated financial statements of **Qatar Insurance Company S.A.Q.**, which comprise of the consolidated balance sheet as at 31 December 2006, and the consolidated statements of income and insurance income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 company'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 company'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respect the financial position of **Qatar Insurance Company S.A.Q** as of 31 December 2006, 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. 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 16, 2007

Muhammad Bahemia
License No. 103

Qatar Insurance Company S.A.Q.

CONSOLIDATED BALANCE SHEET

31 December 2006

	<i>Note</i>	2006 QR'000	2005 QR'000
<u>ASSETS</u>			
Cash and bank balances	4	767,223	737,480
Reinsurance contract assets	6	650,032	507,751
Insurance and other receivables	7	216,987	127,145
Investments	5 (a)	2,209,876	2,489,760
Investment in associate company	5 (b)	25,178	-
Investment property	8	122,886	15,870
Property and equipment	9	<u>27,229</u>	<u>79,788</u>
TOTAL ASSETS		<u>4,019,411</u>	<u>3,957,794</u>
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Insurance contract liabilities	6	997,067	696,918
Provisions, insurance and other payables	10	<u>380,574</u>	<u>223,447</u>
TOTAL LIABILITIES		<u>1,377,641</u>	<u>920,365</u>
<u>EQUITY</u>			
Share capital	11	424,710	283,140
Legal reserve	12	512,420	653,400
General reserve		287,000	287,000
Fair value reserve		1,012,593	1,556,613
Retained earnings		<u>382,160</u>	<u>234,852</u>
Equity Attributable to Equity Holders of the Parent		2,618,883	3,015,005
Minority interest		<u>22,887</u>	<u>22,424</u>
Total Equity		<u>2,641,770</u>	<u>3,037,429</u>
TOTAL LIABILITIES AND EQUITY		<u>4,019,411</u>	<u>3,957,794</u>

These financial statements were authorized for issue by the Board of Directors on
January 16, 2007.

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

.....
Khalifa Abdulla Turki Al Subaey
President and Chief Executive Officer

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

Qatar Insurance Company S.A.Q.

CONSOLIDATED STATEMENT OF INCOME

31 December 2006

	<i>Note</i>	2006 QR'000	2005 QR'000
REVENUE			
Net Insurance Income		159,969	89,754
Investment income	14	293,835	252,315
Other income		<u>4,161</u>	<u>4,165</u>
Total revenue		457,965	346,234
EXPENSES			
General and administrative expenses		(63,519)	(55,832)
Provision for doubtful debts		(2,249)	(2,037)
Depreciation of property and equipment		<u>(3,971)</u>	<u>(3,385)</u>
Total expenses		<u>(69,739)</u>	<u>(61,254)</u>
Profit for the year	15	<u>388,226</u>	<u>284,980</u>
Attributable to:			
Equity holders of the parent		<u>387,858</u>	<u>284,051</u>
Minority interest		<u>368</u>	<u>929</u>
Adjusted Weighted Earnings per share (Basic and Diluted)	16	<u>9.13</u>	<u>6.69</u>

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INSURANCE INCOME

Year ended 31 December 2006

	<i>Marine & aviation</i>		<i>Fire and general</i>		<i>Total</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</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	199,902	132,774	992,660	600,693	1,192,562	733,467
Less : Reinsurers' share	<u>(98,173)</u>	<u>(92,754)</u>	<u>(637,454)</u>	<u>(412,907)</u>	<u>(735,627)</u>	<u>(505,661)</u>
Net premium	101,729	40,020	355,206	187,786	456,935	227,806
Movement in Unexpired Premium	<u>(19,947)</u>	<u>(4,805)</u>	<u>(66,107)</u>	<u>(37,658)</u>	<u>(86,054)</u>	<u>(42,463)</u>
Earned Premium	81,782	35,215	289,099	150,128	370,881	185,343
Net Commission	<u>(6,052)</u>	<u>646</u>	<u>(9,456)</u>	<u>1,182</u>	<u>(15,508)</u>	<u>1,828</u>
Total Revenue	75,730	35,861	279,643	151,310	355,373	187,171
Claims	(120,731)	(35,604)	(216,228)	(115,105)	(336,959)	(150,709)
Less: Reinsurers' share	95,366	30,603	118,003	58,574	213,369	89,177
Movement in Outstanding Claims	<u>(17,866)</u>	<u>(5,144)</u>	<u>(53,948)</u>	<u>(30,741)</u>	<u>(71,814)</u>	<u>(35,885)</u>
Net Insurance Income	<u>32,499</u>	<u>25,716</u>	<u>127,470</u>	<u>64,038</u>	<u>159,969</u>	<u>89,754</u>

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

Qatar Insurance Company S.A.Q.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2006

	<i>Note</i>	2006 QR'000	2005 QR'000
OPERATING ACTIVITIES			
Net profit for the year		388,226	284,980
Adjustments for:			
Depreciation		7,241	4,405
Interest and investment income		(265,446)	(233,895)
Impairment loss on investments		-	340
Unrealized gains on investments		(28,389)	(18,760)
Provision for employee terminal benefits		2,738	4,196
Provision for doubtful debts		2,249	2,037
Profit on sale of property and equipment		<u>(209)</u>	<u>(59)</u>
		106,410	43,244
Insurance and other receivables		(89,842)	(20,653)
Increase in insurance reserves net		157,868	78,348
Increase in provisions , insurance and other payables		<u>139,862</u>	<u>33,789</u>
Cash Generated from Operations		<u>314,298</u>	<u>134,728</u>
Contribution to social fund paid		(7,100)	(4,125)
Board of directors' remuneration paid		(3,240)	(2,700)
Employee terminal benefits paid		<u>(1,811)</u>	<u>(1,133)</u>
Net Cash from Operating Activities		<u>302,147</u>	<u>126,770</u>
INVESTING ACTIVITIES			
Net cash movement in investments		(111,729)	(262,321)
Purchase of property and equipment		(61,793)	(49,176)
Interest and dividend income received		112,857	78,398
Proceeds from sale of property and equipment		<u>248</u>	<u>156</u>
Net Cash Used in Investing Activities		<u>(60,417)</u>	<u>(232,943)</u>
FINANCING ACTIVITIES			
Minority interest		368	929
Dividends paid		(212,355)	(91,476)
Right Issue		<u>-</u>	<u>622,908</u>
Net Cash (Used in) from Financing Activities		<u>(211,987)</u>	<u>532,361</u>
INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		<u>737,480</u>	<u>311,292</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>767,223</u>	<u>737,480</u>

The attached notes 1 to 24 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

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 Kuwait. The Company also owns a 55% equity interest in a subsidiary in Oman and a 40% equity interest in an associate Company in Kuwait.

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

The group employed 243 employees at 31 December 2006 (2005: 200).

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards issued by the International Accounting Financial Reporting Standards Board (the IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB that are relevant to its operations.

At the date of authorisation of these financial statements, the following Standards and Interpretations likely to be applicable to the group were in issue but not yet effective:

- IFRS 7 Financial Instruments : Disclosure
- IFRS 8 Operating Segments
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards.

a) Basis of preparation:

The consolidated financial statements incorporate the financial statements of the Company, its subsidiary company Oman Qatar Insurance Company and its associate company "International Insurance Company" in Kuwait.

Investment in subsidiary 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

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

Investment in Associate Company

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

b) Accounting convention

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

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.

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 profit or loss

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

(iv) *Fair value*

Fair value of marketable investments 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.

h) Revenue Recognition

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

i) Reserve for unexpired risks

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

j) Commission earned and paid

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

k) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

l) Interest income

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

m) Dividend income

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

n) 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.

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

The assets and liabilities of these foreign operations are expressed in Qatari Riyals using exchange rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the year unless exchange rates fluctuated significantly during the year in which case the exchange rates at the dates of the transactions are used.

o) 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.

p) 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.

q) Reclassification

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

4 CASH AND BANK BALANCES

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Cash and demand deposits	109,256	110,462
Time deposits	<u>657,967</u>	<u>627,018</u>
Total	<u>767,223</u>	<u>737,480</u>

Time deposits amounting to QR 5,488,252 (2005: QR 5,269,969) are held by banks as security against guarantees given on behalf of the company.

5 (a) INVESTMENTS

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

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Financial assets at fair value through profit or loss	<u>244,834</u>	<u>197,876</u>
Available for sale investments:		
Qatari public shareholding companies	1,244,278	1,796,786
Bonds	387,182	291,442
Quoted shares	137,843	88,313
Unquoted shares and private equity	<u>195,739</u>	<u>115,683</u>
Total Available-for-sale investments	1,965,042	2,292,224
Less : Impairment loss recognised	<u>-</u>	<u>(340)</u>
Net	<u>1,965,042</u>	<u>2,291,884</u>
Total investments	<u>2,209,876</u>	<u>2,489,760</u>

At 31 December 2006, the company held short term borrowings of QR 476 million (2005: QR 380 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 2006

5 (b) INVESTMENT IN ASSOCIATE COMPANY

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Contribution made during the year	<u>25,178</u>	<u>==</u>

The associate Company was incorporated on July 30, 2006.

As at 31 December 2006, the associate has not yet started its operation.

Details of the Group's associate at 31 December 2006 are as follows:

<u>Name of Associate</u>	<u>Place of Incorporation and Operation</u>	<u>Proportion of Ownership and voting power held</u>	<u>Principal Activity</u>
International Insurance Company	Kuwait	40%	Insurance and Reinsurance

Summarised financial information in respect of the Group's associate is set below:

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Total assets	<u>62,945</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Group share of associate net assets	<u>25,178</u>	<u>-</u>

6. INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Gross		
Insurance contract liabilities:		
Claims reported unsettled	516,802	397,257
Claims incurred but not reported	25,534	13,856
Unearned premiums	<u>454,731</u>	<u>285,805</u>
Total insurance contract liabilities, gross	<u>997,067</u>	<u>696,918</u>
Recoverable from reinsurers		
Claims reported unsettled	360,874	302,710
Claims incurred but not reported	5,372	4,127
Unearned premiums	<u>283,786</u>	<u>200,914</u>
Total reinsurers' share of insurance liabilities	<u>650,032</u>	<u>507,751</u>
Net		
Claims reported unsettled	155,928	94,547
Claims incurred but not reported	20,162	9,729
Unearned premiums	<u>170,945</u>	<u>84,891</u>
Net	<u>347,035</u>	<u>189,167</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2006

7. Insurance and other receivables

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Due from policy holders	119,403	55,808
Allowance for doubtful debts	<u>(3,497)</u>	<u>(7,569)</u>
	115,906	48,239
Due from insurance companies	95,197	76,471
Allowance for doubtful debts	<u>(10,648)</u>	<u>(9,725)</u>
	84,549	66,746
Other receivables:		
Advances against indemnity	10,217	10,498
Prepayments and others	<u>6,315</u>	<u>1,662</u>
Net	<u>216,987</u>	<u>127,145</u>

Insurance receivable comprises 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. No company accounted for more than 10% of receivables as of 31 December 2006 (2005: One Company).

8 INVESTMENT PROPERTY

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Balance at 1 January	15,870	16,890
Transfer from capital work-in-progress	55,592	-
Addition during the year	54,694	-
Depreciation for the year	<u>(3,270)</u>	<u>(1,020)</u>
Balance at 31 December, net of accumulated depreciation	<u>122,886</u>	<u>15,870</u>
Investment property:		
At cost	130,746	20,460
Accumulated depreciation	<u>(7,860)</u>	<u>(4,590)</u>
Net carrying value	<u>122,886</u>	<u>15,870</u>

The above properties were revalued at September 30, 2006 by an independent valuer not connected with the Group, by reference to market evidence of recent transactions for similar properties. The fair value of the group's investment property as estimated by management at 31 December 2006 taking into account the independent valuation amounted to QR. 290 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2006

9 PROPERTY AND EQUIPMENT

	<i>Freehold land QR'000</i>	<i>Building QR'000</i>	<i>Furniture and fixtures QR'000</i>	<i>Motor vehicles QR'000</i>	<i>Building Work-in- Progress QR'000</i>	<i>Total QR'000</i>
Cost:						
At 1 January 2006	9,709	38,740	20,964	3,516	55,592	128,521
Transfer to investment property	-	-	-	-	(55,592)	(55,592)
Additions during the year	-	1,022	3,568	2,509	-	7,099
Disposals during the year	-	-	(112)	(701)	-	(813)
At 31 December 2006	<u>9,709</u>	<u>39,762</u>	<u>24,420</u>	<u>5,324</u>	<u>-</u>	<u>79,215</u>
Accumulated Depreciation:						
At 1 January 2006	-	29,566	16,717	2,450	-	48,733
Provided during the year	-	1,051	1,763	1,157	-	3,971
Disposals during the year	-	-	(76)	(642)	-	(718)
At 31 December 2006	<u>-</u>	<u>30,617</u>	<u>18,404</u>	<u>2,965</u>	<u>-</u>	<u>51,986</u>
Net book values:						
At 31 December 2006	<u>9,709</u>	<u>9,145</u>	<u>6,016</u>	<u>2,359</u>	<u>-</u>	<u>27,229</u>
At 31 December 2005	<u>9,709</u>	<u>9,174</u>	<u>4,247</u>	<u>1,066</u>	<u>55,592</u>	<u>79,788</u>

10 PROVISIONS, INSURANCE AND OTHER PAYABLES

	<i>2006 QR'000</i>	<i>2005 QR'000</i>
Trade payables	78,256	34,890
Due to reinsurance companies	168,496	110,427
Other payables:		
Accrued expenses	20,254	9,520
Employee terminal benefits (see note below)	19,919	18,992
Board of directors remuneration payable	17,909	3,240
Other credit balances	<u>75,740</u>	<u>46,378</u>
Total	<u>380,574</u>	<u>223,447</u>

Movements in the provision for employee terminal benefits are as follows:

	<i>2006 QR'000</i>	<i>2005 QR'000</i>
Provision as at 1 January	18,992	15,929
Expense recognised in the Statement of Income	2,738	4,196
Employee terminal benefits paid	<u>(1,811)</u>	<u>(1,133)</u>
Provision as at 31 December	<u>19,919</u>	<u>18,992</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

11 SHARE CAPITAL

The authorised, issued and fully paid share capital at 31 December 2006 consists of 42,471,000 shares of QR 10 each (31 December 2005: 28,314,000 shares of QR. 10 each).

12 LEGAL RESERVE

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

Legal reserve also includes the legal reserve of the subsidiary company. Moreover, according to Article No. 192 of the Companies Commercial Law, share premium amounting to QR. 566,280,000 on the 2005 right issue was credited to legal reserve.

13 DIVIDENDS AND BONUS SHARES

The Board of Directors proposed and distributed during the year 2006 an interim dividend of QR. 3 (2005: QR 2.00) per ordinary share, totalling QR. 127,413,000 (2005: QR 56,628,000).

The Board of Directors proposed a final dividend distribution of QR. 7.00 per ordinary share bringing the total distribution for the year to QR 10.00 per share (2005: QR 5.00 per share and a bonus share issue of one share for every two shares held). The proposed final dividend, amounting to QR. 297,297,000 (2005: QR 84,942,000) will be submitted for formal approval at the Annual General Meeting. The dividends and bonus shares proposed in 2005 were approved at the Annual General Meeting held on 14 February 2006.

The bonus shares were issued from the excess legal reserve as per the Ministry of Economy and Commerce approval.

14 INVESTMENT INCOME

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Interest	79,107	48,544
Dividends	33,750	27,676
Profit on sale of investments	122,417	136,963
Impairment losses recognized on investments	-	(340)
Income from investment properties, net	7,794	2,178
Unrealised gain on investment	28,389	18,760
Others	<u>22,378</u>	<u>18,534</u>
Net	<u>293,835</u>	<u>252,315</u>

15 PROFIT FOR THE YEAR

The profit from operations is stated after charging:

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Total staff costs	<u>34,326</u>	<u>30,394</u>
Depreciation on property and equipment	<u>3,971</u>	<u>3,385</u>
Depreciation on investment properties	<u>3,270</u>	<u>1,020</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2006

16 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.

17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	<i>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Bank guarantees	<u>17,216</u>	<u>42,346</u>
Authorized future investment commitments	<u>254,281</u>	<u>316,224</u>
Capital commitments	<u>25,480</u>	<u>82,958</u>

18 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>2006</i> <i>QR'000</i>	<i>Liabilities &</i> <i>Shareholders</i> <i>equity</i> <i>2006</i> <i>QR'000</i>	<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>
Qatar	2,775,693	3,586,794	3,278,851	3,819,663
GCC	527,212	368,320	171,886	108,927
OECD	687,404	57,065	489,135	25,076
Others	<u>29,102</u>	<u>7,232</u>	<u>17,922</u>	<u>4,128</u>
Total	<u>4,019,411</u>	<u>4,019,411</u>	<u>3,957,794</u>	<u>3,957,794</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2006

19 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	187,249	187,249	--
Call options sold	(87,053)	(87,053)	--
<i>Exchange-traded options:</i>			
Equity put options sold	118,119	79,331	38,788
Equity call options sold	(36,852)	(35,141)	(1,711)
<i>FX options:</i>			
FX put options sold	24,529	24,529	--
FX call options sold	(55,255)	(55,255)	--

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 2006 the company also had commitments relating to forward currency transactions with a notional amount equivalent to approximately QR 42 million (2005: QR 118 million), maturing within one year. The fair value of the forward currency transactions approximates their notional value.

20 INTEREST RATE RISK

The company's interest rate risk based on contractual arrangements at 31 December 2006 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	767,223	-	-	-	767,223	4.28%
Investments	-	-	45,961	299,305	345,266	13.41%
Total	<u>767,223</u>	<u>-</u>	<u>45,961</u>	<u>299,305</u>	<u>1,112,489</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

21 RELATED PARTY TRANSACTIONS

(a) 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>2006</i> <i>QR'000</i>	<i>2005</i> <i>QR'000</i>
Premium	<u>42,397</u>	<u>16,437</u>
Claims	<u>15,515</u>	<u>10,445</u>
(b) Compensation of key management personnel:		
Salaries and other benefits	9,295	8,962
End of service indemnity	<u>502</u>	<u>487</u>
Total	<u>9,797</u>	<u>9,449</u>

22 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

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.

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 93% (2005: 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 7% (2005: 3%) from other countries respectively.

23 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of preparing these consolidated financial statements, Management has made use of a number of judgements relating to the application of accounting policies which are described in note 3. Those which have the most significant effect on the reported amounts of assets, liabilities, income and expense are listed below (apart from those involving estimations which are dealt with in note 24).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

- **Classification of investment**

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

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

- The group invests in managed and mutual funds for trading purpose.

- **Investment in associate**

The group acquired a 40% interest in an Associate Company "International Insurance Company". Management has classified the investment as investment in an associate company since management believes it can only exercise significant influence in the company.

- **Impairment of financial assets**

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

24 KEY SOURCES OF ESTIMATES UNCERTAINTY

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

- **Claims made under insurance contracts**

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the income statement in the year of settlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2006

- **Impairment of Insurance and other receivables**

An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired, entails the Group evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed investigations carried out during 2006 and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the income statement. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the income statement at the time of collection.

- **Liability Adequacy Test**

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

Qatar Insurance Company S.A.Q.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 31 December 2006

	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 2005	174,240	87,120	287,000	785,232	104,889	1,438,481	21,056	1,459,537
Final dividends – 2004	--	--	--	--	(34,848)	(34,848)	--	(34,848)
Bonus issue of shares	52,272	--	--	--	(52,272)	--	--	--
Rights issue	56,628	566,280	--	--	--	622,908	--	622,908
Net profit for the year	--	--	--	--	284,051	284,051	929	284,980
Board of director's remuneration	--	--	--	--	(3,240)	(3,240)	--	(3,240)
Interim dividends – 2005	--	--	--	--	(56,628)	(56,628)	--	(56,628)
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
Final dividends – 2005	--	--	--	--	(84,942)	(84,942)	--	(84,942)
Bonus issue of shares	141,570	(141,570)	--	--	--	--	--	--
Net profit for the year	--	--	--	--	387,858	387,858	368	388,226
Board of director's remuneration	--	--	--	--	(17,909)	(17,909)	--	(17,909)
Interim dividends – 2006	--	--	--	--	(127,413)	(127,413)	--	(127,413)
Transfer to legal reserve	--	590	--	--	(590)	--	--	--
Contribution to social fund	--	--	--	--	(9,696)	(9,696)	--	(9,696)
Net movement in cumulative changes in fair value of investments*	--	--	--	(544,020)	--	(544,020)	95	(543,925)
Balance at 31 December 2006	424,710	512,420	287,000	1,012,593	382,160	2,618,883	22,887	2,641,770

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

The attached notes 1 to 24 form an integral part of these consolidated financial statements.