

**Al Khaleej Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance Company Q.S.C.)**

FINANCIAL STATEMENTS

31 DECEMBER 2006

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL KHALEEJ INSURANCE & REINSURANCE COMPANY Q.S.C.
(FORMERLY AL KHALEEJ INSURANCE COMPANY Q.S.C.)**

We have audited the accompanying financial statements of Al Khaleej Insurance & Reinsurance Company Q.S.C. (Formerly Al Khaleej Insurance Company Q.S.C.) (the "Company"), which comprise the balance sheet as at 31 December 2006 and the income statement, cash flow statement and statement of changes in equity 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.

Auditors' 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 auditors' judgement, 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 for 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.

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 financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on legal and other requirements

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

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date : 18 February 2007
Doha

Al Khaleej Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance Company Q.S.C.)

INCOME STATEMENT
Year Ended 31 December 2006

	<i>Notes</i>	2006 QR	2005 QR <i>(Restated)</i>
Gross written premiums		209,155,106	156,548,560
Movement in unearned premiums		(22,527,629)	(23,186,503)
		186,627,477	133,362,057
Reinsurance premiums ceded		(123,750,640)	(99,180,300)
Movement in unearned premiums		9,848,228	12,678,780
		(113,902,412)	(86,501,520)
Net insurance premium revenue		72,725,065	46,860,537
Commissions received on ceded reinsurance		17,046,395	11,092,456
Claims incurred	4	(105,771,021)	(45,177,622)
Reinsurer's share of claims incurred	4	42,317,264	12,621,271
Commissions paid		(2,711,368)	(2,066,818)
NET UNDERWRITING RESULTS		23,606,335	23,329,824
Interest income		1,035,689	499,712
Dividend income		10,323,388	5,602,191
Net realized gains on available-for-sale investments	5	34,395,122	68,114,353
Rental income		4,288,300	2,158,000
Other income		1,029,972	582,772
TOTAL INVESTMENT AND OTHER INCOME		51,072,471	76,957,028
General and administrative expenses		(17,318,497)	(18,445,624)
Impairment of available-for-sale investments		(19,391,857)	(1,000,000)
Provision for doubtful debts		-	(505,483)
Depreciation	6	(1,488,775)	(1,369,329)
		(38,199,129)	(21,320,436)
PROFIT FOR THE YEAR BEFORE ALLOCATION TO TAKAFUL BRANCH POLICYHOLDERS		36,479,677	78,966,416
Net surplus attributable to Takaful policyholders	21	(911,212)	(1,341,592)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	7	35,568,465	77,624,824
BASIC EARNINGS PER SHARE	7	3.50	7.64
DILUTED EARNINGS PER SHARE	7	3.50	7.64

The attached notes 1 to 27 form part of these financial statements.

Al Khaleej Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance Company Q.S.C.)

BALANCE SHEET

At 31 December 2006

	<i>Notes</i>	2006 QR	2005 QR <i>(Restated)</i>
ASSETS			
Cash and investments:			
Cash and cash equivalents		36,750,283	48,321,454
Time deposits		6,374,196	6,129,797
Available-for-sale financial investments	8	491,662,621	793,448,510
		534,787,100	847,899,761
Receivable arising from insurance contracts	9	39,395,730	28,369,261
Reinsurance balances receivable	10	5,206,023	12,900,159
Reinsurers' share of unexpired risk	17	47,868,664	38,020,435
Reinsurers' share of outstanding claims	18	34,779,525	17,350,581
Other receivables and prepayments	11	3,072,138	3,320,252
Investment properties	12	63,865,742	13,351,200
Property and equipment	13	9,470,096	9,655,109
		203,657,918	122,966,997
TOTAL ASSETS		738,445,018	970,866,758
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	101,640,000	50,820,000
Statutory reserve	15	26,404,018	22,847,172
General reserve		24,000,000	24,000,000
Cumulative changes in fair values		346,672,601	669,584,257
Retained earnings		27,859,239	30,392,120
Proposed issue of bonus shares	14	-	50,820,000
Proposed dividends	16	30,492,000	-
Total equity		557,067,858	848,463,549
Liabilities			
Liabilities arising from insurance contracts:			
Unexpired risk	17	83,272,389	60,967,619
Gross outstanding claims	18	63,299,519	31,173,369
Claims incurred but not reported	18	3,879,984	3,351,530
		150,451,892	95,492,518
Net surplus attributable to Takaful policyholders	21	1,687,818	930,105
Accounts payable and other liabilities	19	19,788,707	15,751,360
Reinsurance balance payable		7,593,566	8,624,335
Provision for employees' end of service benefits	20	1,855,177	1,604,891
		29,237,450	25,980,586
Total liabilities		181,377,160	122,403,209
TOTAL EQUITY AND LIABILITIES		738,445,018	970,866,758

Abdulla Bin Mohammed Jaber Al Thani
Chairman

Abdulla Bin Ahmed Al Thani
Deputy Chairman

Karam Ahmad Mahmoud
Asst. General Manager

The attached notes 1 to 27 form part of these financial statements.

Al Khaleej Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance Company Q.S.C.)

CASH FLOW STATEMENT

Year Ended 31 December 2006

	Note	2006 <i>QR</i>	2005 <i>QR</i> (Restated)
OPERATING ACTIVITIES			
Profit for the year attributable to shareholders		35,568,465	77,624,824
Adjustments for:			
Movement in unearned premium (net)		12,456,542	10,299,293
Depreciation	6	1,488,775	1,369,329
Provision for doubtful debts		-	505,483
Impairment of available-for-sale investments		19,391,857	1,000,000
Interest income		(1,035,689)	(499,712)
Gains on sale of available-for-sale investments		(34,395,122)	(68,114,353)
Dividend income		(10,323,388)	(5,602,191)
Rental income		(4,288,300)	(2,158,000)
Profit on sale of property and equipment		(25,816)	(4,796)
Provision for employees' end of service benefits	20	345,347	447,034
Operating profit before changes in operating assets and liabilities		19,182,671	14,866,911
Receivables arising from insurance contracts		(11,026,470)	(10,027,197)
Reinsurance balances receivable		7,694,136	(6,403,931)
Reinsurers' share of outstanding claims		(17,428,944)	2,529,494
Other receivables and prepayments		248,114	(1,086,206)
Gross outstanding claims		32,126,150	2,381,646
Claims incurred but not reported		528,454	113,995
Accounts payable and other liabilities		4,037,347	2,368,529
Reinsurance balance payable		(1,030,769)	3,262,353
Net surplus attributable to Takaful policyholders		757,713	1,341,592
Employees' end of service benefits paid	20	(95,061)	(80,197)
Net cash from operating activities		34,993,341	9,266,989
INVESTING ACTIVITIES			
Purchase of available-for-sale investments		(99,258,048)	(88,524,941)
Proceeds from sale of available-for-sale investments		93,135,546	107,472,249
Purchase of investment properties	12	(50,760,322)	(13,552,046)
Purchase of property and equipment	13	(1,130,305)	(723,516)
Proceeds from sale of property and equipment		98,139	5,900
Time deposit with maturities in excess of 3 months		(244,399)	8,907,749
Interest income		1,035,689	499,712
Investment income		10,323,388	5,602,191
Rental income		4,288,300	2,158,000
Net cash (used in) from investing activities		(42,512,012)	21,845,298
FINANCING ACTIVITIES			
Distribution to Directors		(4,000,000)	-
Dividend paid		-	(6,098,400)
Payment of Zakat		(52,500)	(40,700)
Net cash used in financing activities		(4,052,500)	(6,139,100)
(DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		48,321,454	23,348,267
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		36,750,283	48,321,454

The attached notes 1 to 27 form part of these financial statements.

**Al Khaleej Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance Company Q.S.C.)**

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	<i>Share capital</i> <i>QR</i>	<i>Statutory reserve</i> <i>QR</i>	<i>General reserve</i> <i>QR</i>	<i>Cumulative changes in fair values</i> <i>QR</i>	<i>Retained earnings</i> <i>QR</i>	<i>Proposed issue of bonus shares</i> <i>QR</i>	<i>Proposed dividends</i> <i>QR</i>	<i>Total</i> <i>QR</i>
Balance at 1 January 2006	50,820,000	22,847,172	24,000,000	669,584,257	30,392,120	50,820,000	-	848,463,549
Recognised gains and losses on available-for-sale investments during the year	-	-	-	(86,732,354)	-	-	-	(86,732,354)
Transfer to income statement on impairment of available-for-sale investments during the year	-	-	-	19,391,857	-	-	-	19,391,857
Net movement in fair value of available-for-sale investments during the year	-	-	-	(255,571,159)	-	-	-	(255,571,159)
Total income and expense for the year recognized directly in equity	-	-	-	(322,911,656)	-	-	-	(322,911,656)
Profit for the year	-	-	-	-	35,568,465	-	-	35,568,465
Total income and expense for the year	-	-	-	(322,911,656)	35,568,465	-	-	(287,343,191)
Bonus shares issues for 2005 (Note 14)	50,820,000	-	-	-	-	(50,820,000)	-	-
Transfer to statutory reserve (Note 15)	-	3,556,846	-	-	(3,556,846)	-	-	-
Zakat paid	-	-	-	-	(52,500)	-	-	(52,500)
Distribution to Directors	-	-	-	-	(4,000,000)	-	-	(4,000,000)
Proposed cash dividends (Note 16)	-	-	-	-	(30,492,000)	-	30,492,000	-
Balance at 31 December 2006	101,640,000	26,404,018	24,000,000	346,672,601	27,859,239	-	30,492,000	557,067,858

Retained earnings as at 31 December 2006 include QR 2.6 million in respect of proposed Directors' remuneration for the year 2006 (2005 : QR 4 million).

The attached notes 1 to 27 form part of these financial statements.

**Al Khaleej Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance Company Q.S.C.)**

	Share capital QR	Statutory reserve QR	General reserve QR	Cumulative changes in fair values QR	Retained earnings QR	Proposed issue of bonus shares QR	Proposed dividends QR	Total QR
Balance at 1 January 2005	40,656,000	15,084,690	24,000,000	305,251,017	11,390,478	10,164,000	6,098,400	412,644,585
Recognised gains and losses on available-for-sale investments during the year	-	-	-	(54,811,680)	-	-	-	(54,811,680)
Transfer to income statement on impairment of available-for-sale investments during the year	-	-	-	1,000,000	-	-	-	1,000,000
Net movement in fair value of available-for-sale investments during the year	-	-	-	418,144,920	-	-	-	418,144,920
Total income and expense for the year recognised directly in equity	-	-	-	364,333,240	-	-	-	364,333,240
Profit for the year as restated	-	-	-	-	77,624,824	-	-	77,624,824
Total income and expense for the year	-	-	-	364,333,240	77,624,824	-	-	441,958,064
Dividend paid	-	-	-	-	-	-	(6,098,400)	(6,098,400)
Bonus shares issues for 2004 (Note 14)	10,164,000	-	-	-	-	(10,164,000)	-	-
Transfer to statutory reserve (Note 15)	-	7,762,482	-	-	(7,762,482)	-	-	-
Zakat paid	-	-	-	-	(40,700)	-	-	(40,700)
Proposed bonus shares for 2005 (Note 14)	-	-	-	-	(50,820,000)	50,820,000	-	-
Balance at 31 December 2005	50,820,000	22,847,172	24,000,000	669,584,257	30,392,120	50,820,000	-	848,463,549

The attached notes 1 to 27 form part of these financial statements.

Al Khaleej Insurance & Reinsurance Company Q.S.C. (Formerly Al Khaleej Insurance Company Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

1 ACTIVITIES

Al Khaleej Insurance & Reinsurance Company Q.S.C. (formerly Al Khaleej Insurance Company Q.S.C.) (the "Company") is a Qatari shareholding company registered and incorporated in the State of Qatar under Emiri Decree No. 53 issued on 21 December 1978 and is engaged in the business of insurance, reinsurance and life insurance (Takaful) through the Islamic Takaful Branch.

During 2002, the Company established Islamic Takaful Insurance (the "Branch") to carry out insurance and reinsurance activities in accordance with Islamic Sharia'a principles on a non-usury basis in all areas of insurance.

The shareholders manage the participants' investment funds in the Islamic Takaful Insurance Branch as a Mudarib and share in the realised investments gains with the policyholders with following percentages:

70% share of shareholders,
30% share of policyholders.

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

The surplus attributable to Takaful policyholders' fund in the Branch represents accumulated profit on policyholders' operations. Any surplus during the period is fully allocated to the policyholders. The Company only shares through the Mudarib fee and as disclosed under the significant accounting policies in the realised gains on investments attributable to policyholders.

The financial statements for the year ended 31 December 2006 include the results of the Company and its Branch.

The financial statements of Al Khaleej Insurance & Reinsurance Company Q.S.C. for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the directors on 18 February 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The financial statements have been presented in Qatar Riyals which is functional and presentational currency of the Company.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments.

Significant accounting policies

The accounting policies are consistent with those used in the previous year.

IASB Standards and Interpretations issued but not adopted

Amendments to IAS 1 – Capital Disclosures

Amendments to IAS 1 *Presentation of Financial Statements* were issued by the IASB as *Capital Disclosures* in August 2005. They are required to be applied for periods beginning on or after 1 January 2007. When effective, these amendments will require disclosure of information enabling evaluation of the Company's objectives, policies and processes for managing capital.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 7 Financial Instruments: Disclosures

IFRS 7 *Financial Instruments: Disclosures* was issued by the IASB in August 2005, becoming effective for periods beginning on or after 1 January 2007. The new standard will require additional disclosure of the significance of financial instruments for the Company's financial position and performance and information about exposure to risks arising from financial instruments.

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new standard may require changes in the way the Company discloses information about its operating segments.

IFRIC Interpretations

During 2006 IFRIC issued the following interpretations:

- IFRIC Interpretation 8 *Scope of IFRS 2*
- IFRIC Interpretation 9 *Reassessment of Embedded Derivatives*
- IFRIC Interpretation 11 *IFRS 2 – Group and Treasury Share Transactions*

Management do not expect these interpretations to have a significant impact on the Company's financial statements when implemented in 2007.

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of net premiums written relating to the unexpired period of coverage calculated at 40% of the net premium for all insurance classes except for marine cargo insurance which is calculated at 25%. The change in the provision for unearned premiums is taken to the income statement in order that revenue is recognised over the period of risk.

Commissions earned and paid

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

Claims

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

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

Any difference between the provisions at the balance sheet date and settlements and provisions in the following year is included in the underwriting account for that year.

Liability adequacy test

At each balance sheet date the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future claims flows, the entire deficiency is immediately recognized in income statement

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the balance sheet date.

Al Khaleej Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance Company Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held

In order to minimise financial exposure from large claims the Company enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with claim liability and in accordance with the reinsurance contract. These amounts are shown as “reinsurers’ share of outstanding claims” in the balance sheet until the claim is paid by the Company. Once the claim is paid the amount due from reinsurer in connection with the paid claim is transferred to “reinsurance balances receivable”.

Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental revenue

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

Dividend revenue

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

Cash and cash equivalents

Cash and cash equivalents consists of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Available-for-sale investments

Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Company becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the income statement for the period.

Investment properties

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

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

Al Khaleej Insurance & Reinsurance Company Q.S.C.
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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

Building	-	20 years
Furniture and fixtures	-	5 years
Computers	-	5 years
Vehicles	-	4 years
Other assets	-	5 years

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

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

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

Derecognition of financial instruments

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

End of service gratuity plan

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

Pension plan

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

Al Khaleej Insurance & Reinsurance Company Q.S.C.
(Formerly Al Khaleej Insurance Company Q.S.C.)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies, are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Fair values

For available-for-sale investments traded in active markets, fair value is determined by reference to quoted market bid price.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Judgements

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

Impairment of investments

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. The Company treats "significant" generally as 20% and "prolonged" as greater than 12 months. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Insurance contracts

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

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

Mortality and morbidity rates

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

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

Investment return

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

Discount rate

Discount rates relate to the time value of money. Discount rate assumptions are based on current observed rates in the market adjusted for default risk. The discount rate assumptions are varied depending on the assets assumed to back the life insurance provisions. The assumptions are revised at each reporting date. The rate used for valuing outstanding policies as at 31 December 2006 was 6% per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation 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:

Provision for outstanding claims

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

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

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

Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

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4 CLAIMS

	2006		2005	
	Gross	Reinsurers' share	Gross	Reinsurers' share
		Net		Net
Claims incurred	73,116,417	48,228,097	42,681,981	27,531,216
Change in provision for outstanding claims	<u>32,654,604</u>	<u>(17,428,944)</u>	<u>2,495,641</u>	<u>2,529,494</u>
Claims recorded in income statement	<u>105,771,021</u>	<u>(42,317,264)</u>	<u>45,177,622</u>	<u>(12,621,271)</u>
		<u>63,453,757</u>		<u>32,556,351</u>

For the details of the movement in the provision for outstanding claims and related reinsurers' share, please refer Note 18.

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5 NET REALISED GAINS ON AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i>
Equity securities		
- realised gains	34,401,509	68,229,180
- realised losses	<u>(6,387)</u>	<u>(114,827)</u>
	<u>34,395,122</u>	<u>68,114,353</u>

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i>
Salaries and benefits	<u>11,488,855</u>	<u>9,413,060</u>

The depreciation charge in the income statement has been allocated as follows:

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i>
Property and equipment	1,242,995	1,168,483
Investment properties	<u>245,780</u>	<u>200,846</u>
	<u>1,488,775</u>	<u>1,369,329</u>

7 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. During the current year, the Company issued bonus shares for the year 2005. Accordingly, the previously reported earnings per share have been restated for the effect of the bonus share issue made during the year.

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i> <i>(Restated)</i>
Profit for the year attributable to the shareholders	<u>35,568,465</u>	<u>77,624,824</u>
Weighted average number of shares	<u>10,164,000</u>	<u>10,164,000</u>
Earnings per share	<u>3.50</u>	<u>7.64</u>

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7 EARNINGS PER SHARE (continued)

Notes

The weighted average number of shares has been calculated as follows:

	<i>2006</i> <i>Nos.</i>	<i>2005</i> <i>Nos.</i>
Qualifying shares at beginning of the year	5,082,000	5,082,000
Effect of bonus shares issued	<u>5,082,000</u>	<u>5,082,000</u>
Weighted average number of shares at end of the year	<u>10,164,000</u>	<u>10,164,000</u>

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

8 AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS

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

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i>
Quoted investments		
Local equity shares	470,819,112	766,744,108
Foreign equity shares	4,616,720	515,289
Debt securities	2,710,100	2,848,300
Unquoted investments		
Local equity shares	2,795,000	13,495,000
Foreign equity shares	6,340,307	4,081,141
Managed investment portfolio	<u>4,381,382</u>	<u>5,764,672</u>
Balance at 31 December	<u>491,662,621</u>	<u>793,448,510</u>

Included under available-for-sale investments are unquoted equity investments and managed portfolios with a value of QR 13,516,689 (2005 : QR 23,340,813) which are carried at cost, less impairment, due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable fair value.

In accordance with IAS 39 the Company recognised an impairment loss of QR 19,391,857 (2005 : QR 1,000,000) during the year.

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9 RECEIVABLES ARISING FROM INSURANCE CONTRACTS

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i>
Due from companies	35,846,036	26,990,646
Due from individuals	891,945	422,755
Due from Government	1,995,495	1,713,422
Other receivables	<u>2,320,445</u>	<u>1,019,905</u>
	41,053,921	30,146,728
Less: Provision for doubtful debts	<u>(1,658,191)</u>	<u>(1,777,467)</u>
	<u>39,395,730</u>	<u>28,369,261</u>

All the above amounts due within twelve months of the balance sheet date.

10 REINSURANCE BALANCES RECEIVABLE

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i>
Due from local reinsurers	3,813,764	8,558,730
Due from foreign reinsurers	<u>1,548,729</u>	<u>4,456,784</u>
	5,362,493	13,015,514
Less: Provision for doubtful debts	<u>(156,470)</u>	<u>(115,355)</u>
	<u>5,206,023</u>	<u>12,900,159</u>

The balance represents the amounts due from reinsurers relating to claims already paid by the Company and substantially all of the amounts are expected to be received within twelve months of the balance sheet date.

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11 OTHER RECEIVABLES AND PREPAYMENTS

	<i>2006</i>	<i>2005</i>
	<i>QR</i>	<i>QR</i>
Accrued revenue	696,634	2,078,473
Prepaid expenses	657,750	239,780
Employee advances	877,331	679,895
Refundable deposits	22,000	22,900
Other	818,423	299,204
	<u>3,072,138</u>	<u>3,320,252</u>

12 INVESTMENT PROPERTIES

	<i>2006</i>	<i>2005</i>
	<i>QR</i>	<i>QR</i>
Cost:		
Balance at 1 January	13,552,046	-
Additions	<u>50,760,322</u>	<u>13,552,046</u>
	64,312,368	13,552,046
Less: Accumulated depreciation	<u>(446,626)</u>	<u>(200,846)</u>
	<u>63,865,742</u>	<u>13,351,200</u>

The fair value of investment properties as at 31 December 2006 is QR 74,738,300. The valuations have been performed by Al Zaini Trading & Real Estate Co., an accredited independent valuer in the State of Qatar.

Investment properties depreciation charge for the year amounted to QR 245,780 (2005 : QR 200,846).

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13 PROPERTY AND EQUIPMENT

	<i>Land</i> <i>QR</i>	<i>Building</i> <i>QR</i>	<i>Furniture and fixtures</i> <i>QR</i>	<i>Computers</i> <i>QR</i>	<i>Vehicles</i> <i>QR</i>	<i>Other assets</i> <i>QR</i>	<i>Total</i> <i>QR</i>
Cost:							
At 1 January 2006	6,251,500	12,104,321	2,637,576	2,763,857	771,500	383,037	24,911,791
Additions during the year	-	-	179,597	137,753	506,500	306,455	1,130,305
Disposals	-	-	-	-	(162,000)	(62,595)	(224,595)
At 31 December 2006	<u>6,251,500</u>	<u>12,104,321</u>	<u>2,817,173</u>	<u>2,901,610</u>	<u>1,116,000</u>	<u>626,897</u>	<u>25,817,501</u>
Depreciation:							
At 1 January 2006	-	10,215,541	2,372,098	2,057,486	417,962	193,595	15,256,682
Depreciation charge for the year	-	606,332	112,207	268,009	180,552	75,895	1,242,995
Depreciation on disposals	-	-	-	-	(138,366)	(13,906)	(152,272)
At 31 December 2006	-	<u>10,821,873</u>	<u>2,484,305</u>	<u>2,325,495</u>	<u>460,148</u>	<u>255,584</u>	<u>16,347,405</u>
Net book value 31 December 2006	<u>6,251,500</u>	<u>1,282,448</u>	<u>332,868</u>	<u>576,115</u>	<u>655,852</u>	<u>371,313</u>	<u>9,470,096</u>
Net book value 31 December 2005	<u>6,251,500</u>	<u>1,888,780</u>	<u>265,478</u>	<u>706,371</u>	<u>353,538</u>	<u>189,442</u>	<u>9,655,109</u>

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At 31 December 2006

14 SHARE CAPITAL

	<i>Authorised capital</i>	<i>Issued and fully paid up 2006</i>	<i>Issued and fully paid up 2005</i>
No. of shares of QR 10 each (Nos.)	<u>10,164,000</u>	<u>10,164,000</u>	<u>5,082,000</u>
Share capital of QR 10 each (QR)	<u>101,640,000</u>	<u>101,640,000</u>	<u>50,820,000</u>

15 STATUTORY RESERVE

As required by Qatar Commercial Companies Law No 5 of 2002 and the Company's articles of association, 10% of the net profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

16 DIVIDEND PAID AND PROPOSED

Dividend proposed

The Board of Directors has proposed cash dividends of QR 3 per share totalling QR 30,492,000 for the year 2006. The distribution of dividends is subject to the approval of the shareholders at the Annual General Meeting (2005 : Nil).

Bonus share issued and proposed

During the year, 5,082,000 bonus shares amounting to QR 50,820,000 relating to 2005 were issued (2005 : 1,016,400 bonus shares amounting to QR 10,164,000 relating to 2004).

17 RESERVE FOR UNEXPIRED RISK

	<u>2006</u>			<u>2005</u>		
	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>	<i>Gross QR</i>	<i>Reinsurers' share QR</i>	<i>Net QR</i>
Unearned premiums	80,488,485	(47,868,664)	32,619,821	59,795,073	(38,020,435)	21,774,638
Takaful policies reserve	<u>2,783,904</u>	<u>-</u>	<u>2,783,904</u>	<u>1,172,546</u>	<u>-</u>	<u>1,172,546</u>
	<u>83,272,389</u>	<u>(47,868,664)</u>	<u>35,403,725</u>	<u>60,967,619</u>	<u>(38,020,435)</u>	<u>22,947,184</u>

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At 31 December 2006

18 OUTSTANDING CLAIMS

The movement in the provision for outstanding claims and related reinsurers' share was as follows:

	2006			2005		
	<i>Gross</i> QR	<i>Reinsurers' share</i> QR	<i>Net</i> QR	<i>Gross</i> QR	<i>Reinsurers' share</i> QR	<i>Net</i> QR
At 1 January						
Claims incurred	31,173,369	(17,350,581)	13,822,788	28,791,723	(19,880,075)	8,911,648
Claims incurred but not reported	<u>3,351,530</u>	<u>-</u>	<u>3,351,530</u>	<u>3,237,535</u>	<u>-</u>	<u>3,237,535</u>
Insurance claims paid in the year	34,524,899	(17,350,581)	17,174,318	32,029,258	(19,880,075)	12,149,183
Provided during the year	(73,116,417)	24,888,320	(48,228,097)	(42,681,981)	15,150,765	(27,531,216)
	<u>105,771,021</u>	<u>(42,317,264)</u>	<u>63,453,757</u>	<u>45,177,622</u>	<u>(12,621,271)</u>	<u>32,556,351</u>
At 31 December	<u>67,179,503</u>	<u>(34,779,525)</u>	<u>32,399,978</u>	<u>34,524,899</u>	<u>(17,350,581)</u>	<u>(17,174,318)</u>

Analysis of outstanding claims at 31 December

	2006			2005		
	<i>Gross</i> QR	<i>Reinsurers' share</i> QR	<i>Net</i> QR	<i>Gross</i> QR	<i>Reinsurers' share</i> QR	<i>Net</i> QR
Claims incurred	63,299,519	(34,779,525)	28,519,994	31,173,369	(17,350,581)	13,822,788
Claims incurred but not reported	<u>3,879,984</u>	<u>-</u>	<u>3,879,984</u>	<u>3,351,530</u>	<u>-</u>	<u>3,351,530</u>
	<u>67,179,503</u>	<u>(34,779,525)</u>	<u>32,399,978</u>	<u>34,524,899</u>	<u>(17,350,581)</u>	<u>17,174,318</u>

There are no material amounts for which amount and timing of claims payments is not resolved within one year of the balance sheet date. The amounts due from reinsurers are contractually due within a maximum of three months from the date of payment of the claims.

The Company estimates its insurance liabilities and reinsurance assets principally based on previous experience. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters generally estimate property claims.

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19 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i>
Due to companies	7,082,265	4,136,164
Premiums withheld from reinsurers	3,477,854	3,506,807
Other payables	<u>9,228,588</u>	<u>8,108,389</u>
	<u>19,788,707</u>	<u>15,751,360</u>

20 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	<i>2006</i> <i>QR</i>	<i>2005</i> <i>QR</i>
Provision as at 1 January	1,604,891	1,238,054
Provided during the year	345,347	447,034
End of service benefits paid	<u>(95,061)</u>	<u>(80,197)</u>
Provision as at 31 December	<u>1,855,177</u>	<u>1,604,891</u>

21 TAKAFUL POLICYHOLDERS' FUND

Movements in the provision recognised in the balance sheet are as follows:

	<i>Policyholders</i> <i>fund</i> <i>QR</i>
Balance as at 1 January 2005	(411,487)
Surplus for the year	<u>1,341,592</u>
Balance as at 31 December 2005	<u>930,105</u>
Balance at 1 January 2006	930,105
Staff bonus paid	(152,043)
Surplus for the year	911,212
Net recognised gains on available-for-sale investments during the year	(300,285)
Net movement in fair value of available-for-sale investments during the year	(683,240)
Transfer to income statement on impairment of available-for-sale investments during the year	<u>982,069</u>
Balance as at 31 December 2006	<u>1,687,818</u>

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22 RELATED PARTY TRANSACTIONS

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

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

	<u>2006</u>		<u>2005</u>	
	<i>Premiums QR</i>	<i>Claims QR</i>	<i>Premiums QR</i>	<i>Claims QR</i>
Major shareholders	833,958	28,329	936,423	123,747
Directors and key management personnel	91,902	152,963	66,384	59,477
	<u>925,860</u>	<u>181,292</u>	<u>1,002,807</u>	<u>183,224</u>

Balances with related parties included in the balance sheet are as follows:

	<u>2006</u>		<u>2005</u>	
	<i>Receivables</i>	<i>Claims and payables</i>	<i>Receivables QR</i>	<i>Claims and payables QR</i>
Major shareholders	2,066,435	-	2,072,207	-
Directors and key management personnel	296,134	5,970	36,157	9,575
	<u>2,362,569</u>	<u>5,970</u>	<u>2,108,364</u>	<u>9,575</u>

Compensation of key management personnel

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

	<u>2006</u> <i>QR</i>	<u>2005</u> <i>QR</i>
Short-term benefits	7,029,498	1,532,650
End of service and other benefits	90,000	1,246,155
	<u>7,119,498</u>	<u>2,778,805</u>

Included in short-term benefits is an amount of QR 4 million in respect of Directors' remuneration for the year 2005. None is included for 2006.

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2006

24 RISK MANAGEMENT

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

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.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and general accident, motor and marine 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. This helps to mitigate insurance risk.

Fire and general accident

Property

For property insurance contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment.

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

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Company has mainly underwritten comprehensive policies for owner/drivers over 21 years of age. Substantially all of the motor contracts relate to private individuals.

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

Marine

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

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance to limit losses for any individual claim to QR 150,000.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangement 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.

NOTES TO THE FINANCIAL STATEMENTS

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23 RISK MANAGEMENT (continued)

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.

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.

The two largest reinsurers account for 55% of the maximum credit exposure at 31 December 2006. (2005 : 50%).

Financial risk

The Company's principal instruments are available-for-sale investments, receivables arising from insurance and reinsurance contracts and cash and cash equivalents.

The Company does not enter into derivative transactions.

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on certain of its investment securities and deposits. 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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24 RISK MANAGEMENT (continued)

Details of maturities of the major classes of financial assets as at 31 December are as follows:

31 December 2006

	<i>Less than 1 year QR</i>	<i>1 to 5 years QR</i>	<i>Over 5 years QR</i>	<i>Non-interest bearing items QR</i>	<i>Total QR</i>	<i>Effective interest rate (%)</i>
Available-for-sale financial investments	-	-	2,710,100	488,952,521	491,662,621	8.00%
Receivables arising from insurance contracts	-	-	-	39,395,730	39,395,730	
Reinsurance balances receivable	-	-	-	5,206,023	5,206,023	
Other receivables	-	-	-	3,072,138	3,072,138	
Time deposits	6,374,196	-	-	-	6,374,196	5.30%
Demand deposits	34,742,115	-	-	-	34,742,115	1.75%
Cash	-	-	-	2,008,168	2,008,168	
	41,116,311	-	2,710,100	538,634,580	582,460,991	

31 December 2005

	<i>Less than 1 year QR</i>	<i>1 to 5 years QR</i>	<i>Over 5 years QR</i>	<i>Non-interest bearing Items QR</i>	<i>Total QR</i>	<i>Effective interest rate %</i>
Available-for-sale financial investments	-	-	2,848,300	790,600,210	793,448,510	8.00%
Receivables arising from insurance contracts	-	-	-	28,369,261	28,369,261	
Reinsurance balances receivable	-	-	-	12,900,159	12,900,159	
Other receivables	-	-	-	3,320,252	3,320,252	
Time deposits	6,129,797	-	-	-	6,129,797	3.50%
Demand deposits	48,183,534	-	-	-	48,183,534	1.50%
Cash	-	-	-	137,920	137,920	
	54,313,331	-	2,848,300	835,327,802	892,489,433	

There is no significant difference between contractual repricing or maturity dates.

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24 RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

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

Credit risk

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

The Company seeks to limit its credit risk with respect to customers by monitoring outstanding receivables. Premiums and receivables comprise a large number of customers mainly within the State of Qatar. Three companies account for 16% of the accounts receivables as of 31 December 2006 (2005 : 20%). Two reinsurance companies account for 56% of the reinsurance receivable as of 31 December 2006 (2005 : 50%).

Market price risk

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

The Company is exposed to equity price risk with respect to its investments.

The Company limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of its investments.

Liquidity risk

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

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

The majority of time deposits held by the Company at the balance sheet date had original maturity periods not exceeding one year.

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24 SEGMENT INFORMATION

The Company operates in the general insurance and Islamic Takaful segments in the State of Qatar. For management purposes the Company is organised into five business segments, Marine and Aviation, Fire, General accident, Motor and Takaful (life insurance). These segments are the basis on which the Company reports its primary segment information. An analysis of the gross written premiums, net premiums, commission income, net claims paid, commission paid, movement in insurance reserves and net insurance revenue for the year ended 31 December 2006 for its main classes of business is disclosed below:

	Marine		Fire		General Accident		Motor		Takaful (life)		Total	
	2006 QR	2005 QR	2006 QR	2005 QR	2006 QR	2005 QR	2006 QR	2005 QR	2006 QR	2005 QR	2006 QR	2005 QR
Revenues												
Insurance premium revenue	16,802,488	15,686,918	23,268,564	18,805,246	91,735,059	72,382,091	72,821,418	47,654,740	4,527,577	2,019,565	209,155,106	156,548,560
Insurance premium ceded to reinsurers	(14,585,476)	(13,636,775)	(22,116,146)	(17,637,100)	(83,777,334)	(66,239,290)	(2,060,610)	(1,121,482)	(1,211,074)	(545,653)	(123,750,640)	(99,180,300)
Net insurance premium revenue	2,217,012	2,050,143	1,152,418	1,168,146	7,957,725	6,142,801	70,760,808	46,533,258	3,316,503	1,473,912	85,404,466	57,368,260
Commission income	3,677,324	2,811,799	3,410,934	2,378,288	9,331,771	5,646,995	601,173	255,374	25,193	-	17,046,395	11,092,456
Total revenue	5,894,336	4,861,942	4,563,352	3,546,434	17,289,496	11,789,796	71,361,981	46,788,632	3,341,696	1,473,912	102,450,861	68,460,716
Expenses												
Claims paid	5,458,547	1,567,598	1,177,518	6,913,118	19,824,040	7,385,381	46,481,596	26,631,018	174,716	184,866	73,116,417	42,681,981
Reinsurer's share	(4,984,653)	(1,271,226)	(864,163)	(6,614,374)	(18,740,611)	(6,869,042)	(141,649)	(284,743)	(157,244)	(111,380)	(24,888,320)	(15,150,765)
Net claims	473,894	296,372	313,355	298,744	1,083,429	516,339	46,339,947	26,346,275	17,472	73,486	48,228,097	27,531,216
Commission paid	389,997	300,830	227,284	175,112	1,285,375	929,292	418,881	465,991	389,831	195,593	2,711,368	2,066,818
Total expenses	863,891	597,202	540,639	473,856	2,368,804	1,445,631	46,758,828	26,812,266	407,303	269,079	50,939,465	29,598,034
Movement in insurance reserves	674,441	(787,237)	(3,984,821)	1,395,650	(1,308,826)	(2,625,463)	(21,420,556)	(12,885,375)	(1,865,299)	(630,433)	(27,905,061)	(15,532,858)
Net insurance revenue	5,704,886	3,477,503	37,892	4,468,228	13,611,866	7,718,702	3,182,597	7,090,991	1,069,094	574,400	23,606,335	23,329,824

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

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25 SEGMENT INFORMATION (continued)

Revenues, expenses, assets and liabilities of the Company and its Islamic Takaful Insurance branch are as follows:

	2006			2005		
	<i>Al Khaleej Insurance & Reinsurance Co</i>	<i>Islamic Takaful Insurance Branch</i>	<i>Total QR</i>	<i>Al Khaleej Insurance & Reinsurance Co</i>	<i>Islamic Takaful Insurance Branch</i>	<i>Total QR</i>
Revenues						
Insurance premium revenue	176,307,498	32,847,608	209,155,106	140,141,968	16,406,592	156,548,560
Insurance premium ceded to reinsurers	(104,032,458)	(19,718,182)	(123,750,640)	(91,786,130)	(7,394,170)	(99,180,300)
Net insurance premium revenue	72,275,040	13,129,426	85,404,466	48,355,838	9,012,422	57,368,260
Commission income	13,263,282	3,783,113	17,046,395	9,058,124	2,034,332	11,092,456
Total revenue	85,538,322	16,912,539	102,450,861	57,413,962	11,046,754	68,460,716
Expenses						
Claims paid	65,927,315	7,189,102	73,116,417	32,799,514	9,882,467	42,681,981
Reinsurer's share	(24,336,002)	(552,318)	(24,888,320)	(8,981,740)	(6,169,025)	(15,150,765)
Net claims	41,591,313	6,636,784	48,228,097	23,817,774	3,713,442	27,531,216
Commission paid	1,584,000	1,127,368	2,711,368	1,245,515	821,303	2,066,818
Total expenses	43,175,313	7,764,152	50,939,465	25,063,289	4,534,745	29,598,034
Movement in insurance reserves	(25,082,521)	(2,822,540)	(27,905,061)	(12,093,303)	(3,439,555)	(15,532,858)
Net insurance revenue	17,280,488	6,325,847	23,606,335	20,257,370	3,072,454	23,329,824
Assets						
Total assets	683,522,248	54,922,770	738,445,018	912,738,611	58,128,147	970,866,758
Liabilities						
Insurance funds	(133,397,066)	(17,054,826)	(150,451,892)	(89,427,110)	(6,065,408)	(95,492,518)
Net surplus attributable to Takaful Branch policyholders	-	(1,687,818)	(1,687,818)	-	(930,105)	(930,105)
Liabilities (other than insurance funds)	(22,439,061)	(6,798,389)	(29,237,450)	(22,979,526)	(3,001,060)	(25,980,586)
Net assets	527,686,121	29,381,737	557,067,858	800,331,975	48,131,574	848,463,549

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26 COMMITMENTS AND CONTINGENCIES

Guarantees

At 31 December 2006 the Company had contingent liabilities in respect of tender guarantees and other guarantees from which it is anticipated that no material liabilities will arise, amounting to QR 551,338 (2005: QR 323,388).

Legal claims

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

27 PRIOR YEAR ADJUSTMENT

In 2005, certain expenses of general and administration nature were erroneously recorded. The financial statements for 2005 have been restated to correct this error.

This restatement has resulted in a decrease in the previously reported net profit for the year ended 31 December 2005 by QR 2,900,665 and a corresponding decrease in the retained earnings and statutory reserves by QR 2,610,598 and QR 290,067 respectively.