

**AL KHALEEJ INSURANCE
&
REINSURANCE COMPANY Q.S.C.**

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

30 JUNE 2007

AL KHALEEJ INSURANCE & REINSURANCE COMPANY Q.S.C

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2007

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE BOARD OF DIRECTORS
AL KHALEEJ INSURANCE & REINSURANCE COMPANY Q.S.C.**

Introduction

We have reviewed the accompanying Interim Condensed Financial Statements of **Al Khaleej Insurance & Reinsurance Company Q.S.C** as of June 30, 2007 comprising of the interim balance sheet as of June 30, 2007 and the related interim statements of income, changes in shareholders' equity and cash flows for the six months period then ended, and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with **International Financial Reporting Standard: IAS 34 "Interim Financial Reporting"**. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review. The interim condensed financial statements for the six months period ended June 30, 2006 were reviewed by another auditor who issued an unqualified review report thereon dated July 25, 2006. The balance sheet as of December 31, 2006 which is presented for comparative purposes has also been audited by the other auditor, whose report dated February 18, 2007 expressed an unqualified opinion thereon.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with **International Financial Reporting Standard: IAS 34 "Interim Financial Reporting"**.

**For Rodl & Partner
Middle East**

**Saoud Abdullah
License No. (204)**

**Doha - Qatar
July 10, 2007**

Al Khaleej Insurance & Reinsurance Company Q.S.C.

UNAUDITED INCOME STATEMENT

Six months ended 30 June 2007

	Notes	Six Months Ended	
		30 June 2007 QR	30 June 2006 QR
Gross written premiums		130,501,771	116,064,740
Reinsurance premiums ceded		<u>(71,157,291)</u>	<u>(76,447,352)</u>
		59,344,480	39,617,388
Net movement in unearned premiums		<u>(8,786,476)</u>	<u>(5,568,667)</u>
Net insurance premium revenue		50,558,004	34,048,721
Commissions received on ceded reinsurance		11,292,297	8,625,772
Claims incurred		(45,458,872)	(36,174,092)
Reinsurers' share of claims incurred		5,244,301	7,686,814
Commissions paid		<u>(2,653,439)</u>	<u>(1,225,316)</u>
NET UNDERWRITING RESULTS	5	<u>18,982,291</u>	<u>12,961,899</u>
Interest income		756,247	420,660
Dividend income		10,042,680	7,859,169
Gains on sale of available for sale investments		13,970,084	25,756,692
Rental income		2,393,000	2,282,300
Other income		<u>392,889</u>	<u>799,575</u>
TOTAL INVESTMENT AND OTHER INCOME		<u>27,554,900</u>	<u>37,118,396</u>
General and administrative expenses		(9,733,814)	(8,898,586)
Impairment of investments		-	(2,773,381)
Depreciation		<u>(787,870)</u>	<u>(703,582)</u>
		<u>(10,521,684)</u>	<u>(12,375,549)</u>
PROFIT FOR THE PERIOD BEFORE ALLOCATION TO TAKAFUL POLICYHOLDERS		36,015,507	37,704,746
Net surplus attributable to Takaful policyholders		<u>(3,094,907)</u>	<u>(407,500)</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>32,920,600</u>	<u>37,297,246</u>
BASIC EARNINGS PER SHARE	6	<u>3.24</u>	<u>3.67</u>

The attached notes 1 to 6 form part of these interim condensed financial statements.

Al Khaleej Insurance & Reinsurance Company Q.S.C.

UNAUDITED BALANCE SHEET

At 30 June 2007

	<i>Notes</i>	<i>(Reviewed) 30 June 2007 QR</i>	<i>(Audited) 31 December 2006 QR</i>
ASSETS			
Cash and investments:			
Demand deposits and cash	2	19,817,176	36,750,283
Time deposits	2	20,525,576	6,374,196
Available for sale investments	3	<u>461,518,390</u>	<u>491,662,621</u>
		<u>501,861,142</u>	<u>534,787,100</u>
Accounts Receivable		48,434,999	39,395,730
Reinsurance balances receivable		18,585,723	5,206,023
Reinsurance share of outstanding claims		29,009,481	34,779,525
Other receivables and prepayments		6,540,276	3,072,138
Investment properties		76,032,362	63,865,742
Property and equipment		<u>9,046,487</u>	<u>9,470,096</u>
		<u>187,649,328</u>	<u>155,789,254</u>
TOTAL ASSETS		<u><u>689,510,470</u></u>	<u><u>690,576,354</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	4	101,640,000	101,640,000
Statutory reserve		26,404,018	26,404,018
General reserve		24,000,000	24,000,000
Cumulative changes in fair values		297,981,084	346,672,601
Retained earnings		56,552,472	27,859,239
Proposed Dividends		<u>--</u>	<u>30,492,000</u>
Total equity		<u>506,577,574</u>	<u>557,067,858</u>
Liabilities			
Insurance funds:			
Reserve for unexpired risk		45,196,135	35,403,725
Gross outstanding claims		66,089,785	63,299,519
IBNR		<u>3,884,615</u>	<u>3,879,984</u>
		<u>115,170,535</u>	<u>102,583,228</u>
Net surplus attributable to Takaful policyholders		<u>1,642,838</u>	<u>1,687,818</u>
Accounts payable and other liabilities		57,363,454	19,788,707
Reinsurance balance payable		6,759,358	7,593,566
Provision for employees' end of service benefits		<u>1,996,711</u>	<u>1,855,177</u>
		<u>66,119,523</u>	<u>29,237,450</u>
Total liabilities		<u>182,932,896</u>	<u>133,508,496</u>
TOTAL EQUITY AND LIABILITIES		<u><u>689,510,470</u></u>	<u><u>690,576,354</u></u>

The attached notes 1 to 6 form part of these interim condensed financial statements.

.....
Abdulla Bin Mohammed Jaber Al Thani
Chairman

.....
Abdulla Bin Ahmed Al Thani
Deputy Chairman

.....
Karam Ahmad Mahmoud
Asst. General Manager

Al Khaleej Insurance & Reinsurance Company Q.S.C.

UNAUDITED STATEMENT OF CASH FLOWS

Six months ended 30 June 2007

	Note	Six Months Ended	
		30 June	30 June
		2007	2006
		QR	QR
OPERATING ACTIVITIES			
Profit for the period attributable to shareholders		32,920,600	37,297,246
Adjustments for:			
Movement in unearned premium (net)		9,792,410	5,490,252
Depreciation		787,870	703,582
Impairment of investments		-	2,773,381
Interest income		(756,247)	(420,660)
Gains on sale of available for sale investments		(13,970,084)	(25,756,692)
Dividend income		(10,042,680)	(7,859,169)
Rental income		(2,393,000)	(2,282,300)
Provision for employees' end of service benefits		141,534	128,372
Operating profit before changes in operating assets and liabilities		16,480,403	10,074,012
Accounts receivable		(9,039,269)	(9,833,183)
Reinsurance balances receivable		(13,379,700)	8,195,806
Reinsurers' share of outstanding claims		5,770,044	(1,417,538)
Other receivables and prepayments		(3,468,138)	(1,514,612)
Gross outstanding claims		2,790,266	6,938,643
Technical reserve		4,631	21,398
Accounts payable and other liabilities		37,574,747	7,799,431
Reinsurance balance payable		(834,208)	1,346,069
Employees' end of service benefits paid		(24,243)	(18,805)
Net cash from (used in) operating activities		<u>35,874,533</u>	<u>21,591,221</u>
INVESTING ACTIVITIES			
Net movement in investment securities		(18,643,332)	(30,295,425)
Purchase of property and equipment		(121,760)	(22,742,501)
Proceeds from sale of property and equipments		-	46,246
Purchase of investment properties		(12,288,832)	-
Time deposit with maturities in excess of 3 months		(14,151,380)	(244,337)
Interest income		756,247	420,660
Investment income		24,012,764	33,615,861
Rental income		2,393,000	2,282,300
Net cash used in investing activities		<u>(18,043,293)</u>	<u>(16,917,196)</u>
FINANCING ACTIVITIES			
Dividend		(30,492,000)	-
Net surplus attributable to Takaful policyholders		(44,980)	255,457
Payment of Zakat		(89,040)	(52,500)
Distribution to directors		(2,600,000)	(4,000,000)
Other adjustment		(1,538,327)	-
Net cash (used in) from financing activities		<u>(34,764,347)</u>	<u>(3,797,043)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		(16,933,107)	876,982
Cash and cash equivalents at the beginning of the period	2	<u>36,750,283</u>	<u>48,321,454</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2	<u>19,817,176</u>	<u>49,198,436</u>

The attached notes 1 to 6 form part of these interim condensed financial statements.

Al Khaleej Insurance & Reinsurance Company Q.S.C.

UNAUDITED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2007

	Share capital QR	Statutory reserve QR	General reserve QR	Proposed Dividend QR	Cumulative changes in fair values QR	Retained earnings QR	Total QR
Balance at 31 December 2006 as previously reported	101,640,000	26,404,018	24,000,000	30,492,000	346,672,601	27,859,239	557,067,858
Recognized gains and losses on available for sale investments during the period	-	-	-	-	(13,970,084)	-	(13,970,084)
Net movement in fair value of available for sale investments during the period	-	-	-	-	(34,721,433)	-	(34,721,433)
Total income and expense for the period recognised directly in equity	-	-	-	-	(48,691,517)	-	(48,691,517)
Profit for the period	-	-	-	-	-	32,920,600	32,920,600
Total income and expense for the period	-	-	-	-	(48,691,517)	32,920,600	(15,770,917)
Distribution to directors	-	-	-	-	-	(2,600,000)	(2,600,000)
Dividend	-	-	-	(30,492,000)	-	(89,040)	(30,492,000)
Zakat paid	-	-	-	-	-	(89,040)	(89,040)
Other adjustment	-	-	-	-	-	(1,538,327)	(1,538,327)
Balance at 30 June 2007	101,640,000	26,404,018	24,000,000	-	297,981,084	56,552,472	506,577,574

Continued ...

The attached notes 1 to 6 form part of these interim condensed financial statements.

Al Khaleej Insurance & Reinsurance Company Q.S.C.

UNAUDITED STATEMENT OF CHANGES IN EQUITY (continued)

Six months ended 30 June 2007

	Share capital QR	Statutory reserve QR	General reserve QR	Proposed issue of bonus shares QR	Cumulative changes in fair values QR	Retained earnings QR	Total QR
Balance as at 31 December 2005 as previously reported	50,820,000	23,137,239	24,000,000	50,820,000	668,584,257	33,002,718	850,364,214
Prior year adjustment		(290,067)				(2,610,598)	(2,900,665)
Balance at 1 January 2006	<u>50,820,000</u>	<u>22,847,172</u>	<u>24,000,000</u>	<u>50,820,000</u>	<u>668,584,257</u>	<u>30,392,120</u>	<u>847,463,549</u>
Recognised gains and losses on available for sale investments during the period	-	-	-	-	(63,081,864)	-	(63,081,864)
Net movement in fair value of available for sale investments during the period	-	-	-	-	(230,071,542)	-	(230,071,542)
Total income and expense for the period recognised directly in equity	-	-	-	-	(293,153,406)	-	(293,153,406)
Profit for the period	-	-	-	-	-	37,297,246	37,297,246
Total income and expense for the period	-	-	-	-	(293,153,406)	37,297,246	(255,856,160)
Bonus shares issues for 2005	50,820,000	-	-	(50,820,000)	-	-	-
Distribution to Directors	-	-	-	-	(4,000,000)	(4,000,000)	(4,000,000)
Zakat Paid	-	-	-	-	-	(52,500)	(52,500)
Balance at 30 June 2006	<u>101,640,000</u>	<u>22,847,172</u>	<u>24,000,000</u>	<u>-</u>	<u>375,430,851</u>	<u>63,636,866</u>	<u>587,554,889</u>

The attached notes 1 to 6 form part of these interim condensed financial statements.

Al Khaleej Insurance & Reinsurance Company Q.S.C.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2007

1 ACCOUNTING POLICIES

These interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006. Further, all new and amended International Financial Reporting Standards (IFRS) applicable for accounting periods beginning on or after 1 January 2007 have been applied in preparing these interim condensed financial statements. The application of these IFRS does not result in any material changes to the Company's accounting policies or the statement of changes in shareholders' equity as of 1 January 2007.

These interim condensed financial statements should be read in conjunction with the 2006 annual financial statements and the notes attached thereto.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with IFRS. In addition, results for the 6 months ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

2 CASH AND CASH EQUIVALENTS

	<i>(Reviewed)</i> 30 June 2007 <i>QR</i>	<i>(Audited)</i> 31 December 2006 <i>QR</i>
Demand deposits and cash (Maturities of less than or equal to three months)	19,817,176	36,750,283
Time deposits (Maturities in excess of three months)	20,525,576	6,374,196
	<u>40,342,752</u>	<u>43,124,479</u>

Cash and cash equivalents included in the statement of cash flows comprise of demand deposits and cash maturing in three months or less.

Al Khaleej Insurance & Reinsurance Company Q.S.C.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2007

3 AVAILABLE FOR SALE INVESTMENT

The carrying amounts of available for sale investment securities at 30 June 2007 were as follows:

	<i>(Reviewed)</i> 30 June 2007 <i>QR</i>	<i>(Audited)</i> 31 December 2006 <i>QR</i>
Quoted investments		
Equity local shares	431,209,736	470,819,112
Equity foreign funds	7,028,977	4,616,720
Bonds	2,710,100	2,710,100
Unquoted investments		
Equity local shares	4,935,487	2,795,000
Equity foreign funds	10,752,282	6,340,307
Managed portfolio	<u>4,881,808</u>	<u>4,381,382</u>
Balance at the end of the period/year	<u>461,518,390</u>	<u>491,662,621</u>

4 SHARE CAPITAL

	<i>(Reviewed)</i> 30 June 2007 <i>QR</i>	<i>(Audited)</i> 31 December 2006 <i>QR</i>
<i>Authorised</i>		
Ordinary shares of QR 10 each	<u>101,164,000</u>	<u>101,164,000</u>
<i>Issued and fully paid up capital</i>		
Ordinary shares of QR 10 each	<u>101,164,000</u>	<u>101,164,000</u>

Al Khaleej Insurance & Reinsurance Company Q.S.C.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2007

5 SEGMENT INFORMATION

The Company operates in the General Insurance and Takaful Insurance segments in the State of Qatar. For management purposes the Company is organised into five business segments, Marine and Aviation, Fire, General Accidents, Motor and Islamic Takaful. 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 its main classes of business for the six months period ended 30 June 2007 is disclosed below.

	Marine		Fire		General Accident		Motor		Takaful		Total	
	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006	June 2007	June 2006
	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR	QR
Revenues												
Insurance premium Revenue	7,462,155	9,447,088	13,990,728	14,951,504	53,113,860	54,915,277	51,051,215	34,842,760	4,883,813	1,908,111	130,501,771	116,064,740
Insurance premium ceded to reinsurers	(6,411,086)	(8,320,124)	(13,471,368)	(14,432,097)	(48,748,376)	(51,483,927)	(1,966,676)	(1,704,339)	(559,785)	(506,865)	(71,157,291)	(76,447,352)
Net insurance premium Revenue	1,051,069	1,126,964	519,360	519,407	4,365,484	3,431,350	49,084,539	33,138,421	4,324,028	1,401,246	59,344,480	39,617,388
Commission income	1,875,931	1,742,723	1,867,734	1,641,861	6,547,578	5,020,560	809,466	195,435	191,588	25,193	11,292,297	8,625,772
Total revenue	2,927,000	2,869,687	2,387,094	2,161,268	10,913,062	8,451,910	49,894,005	33,333,856	4,515,616	1,426,439	70,636,777	48,243,160
Expenses												
Claims paid	1,267,074	3,544,972	253,161	576,024	4,673,935	3,010,053	32,018,408	22,026,750	378,194	56,252	38,590,772	29,214,051
Reinsurers' share	(1,129,181)	(3,232,398)	(231,122)	(317,717)	(3,622,369)	(2,629,019)	(21,897)	(39,516)	(239,732)	50,626	(5,244,301)	(6,168,024)
Net claims	137,893	312,574	22,039	258,307	1,051,566	381,034	31,996,511	21,987,234	138,462	106,878	33,346,471	23,046,027
Commission paid	257,168	194,425	186,445	50,917	859,750	691,747	911,016	122,818	439,060	165,409	2,653,439	1,225,316
Total expenses	395,061	506,999	208,484	309,224	1,911,316	1,072,781	32,907,527	22,110,052	577,522	272,287	35,999,910	24,271,343
Movement in insurance Reserves	205,136	96,727	2,208,046	61,696	461,632	(540,909)	(14,744,629)	(9,523,874)	(3,784,761)	(1,103,558)	(15,654,576)	(11,009,918)
Net insurance revenue	2,737,075	2,459,415	4,386,656	1,913,740	9,463,378	6,838,220	2,241,849	1,699,930	153,333	50,594	18,982,291	12,961,899

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.

Al Khaleej Insurance & Reinsurance Company Q.S.C.

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2007

6 BASIC EARNINGS PER SHARE

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

	<i>30 June 2007</i>	<i>30 June 2006</i>
Profit for the period attributable to the shareholders (QR)	<u>32,920,600</u>	<u>37,297,246</u>
Weighted average number of shares outstanding during the period (i)	<u>10,164,000</u>	<u>10,164,000</u>
Basic earnings per share (QR)	<u>3.24</u>	<u>3.67</u>

Notes

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

	<i>30 June 2007 Numbers</i>	<i>30 June 2006 Numbers</i>
Qualifying shares at beginning of the period	<u>10,164,000</u>	<u>10,164,000</u>
Weighted average number of shares at end of the period	<u>10,164,000</u>	<u>10,164,000</u>

(ii) There were no potentially dilutive shares outstanding at any time during the period.