QATAR INSURANCE COMPANY S.A.Q.

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2007

Qatar Insurance Company S.A.Q.

Consolidated Financial Statements
For the year ended 31 December 2007

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
Qatar Insurance Company S.A.Q.
Doha, State of Qatar

Report on the financial statements
We have audited the accompanying consolidated financial statements of Qatar Insurance Company S.A.Q. ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements as of and for the year ended 31 December 2006 were audited by another auditor whose report dated 16 January 2007 expressed an unqualified opinion on those financial statements.

Responsibility of the directors for the financial statements
The directors of the Company are responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider 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 principles used and the reasonableness of accounting estimates made by directors, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In addition, in our opinion, the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the information contained thereon is consistent with consolidated financial statements. We are not aware of any violations of the provision of Qatar Commercial Companies Law No 5 of 2002 or the terms of Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its consolidated financial position as of 31 December 2007. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

22 January 2008	Ahmed Hussain
Doha	KPMG
State of Qatar	Qatar Auditors' Registry No. 197

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

In thousands of Qatari Riyals

	Notes	2007	2006
ASSETS			
Cash and cash equivalents	4	1,387,062	767,223
Insurance and other receivables	5	404,705	216,987
Reinsurance contract assets	6	717,778	650,032
Investments	7	3,059,307	2,209,876
Investment in associate company		-	25,178
Investment properties	8	261,048	122,886
Property and equipment	9	30,786	27,229
TOTAL ASSETS		**5,860,686**	4,019,411
LIABILITIES			
Short term borrowings	10	486,200	-
Insurance contract liabilities	6	1,299,630	997,067
Provisions, reinsurance and other payables	11	579,175	380,574
TOTAL LIABILITIES		**2,365,005**	1,377,641
EQUITY			
Share capital	12	424,710	424,710
Legal reserve	13	565,498	512,420
General reserve	14	287,000	287,000
Fair value reserve	15	1,563,992	1,012,593
Retained earnings		555,950	382,160
Equity attributable to equity holders of the parent		3,397,150	2,618,883
Minority interest		98,531	22,887
Total equity		**3,495,681**	2,641,770
TOTAL LIABILITIES & EQUITY		**5,860,686**	4,019,411

These financial statements were approved by the Board of Directors and were signed on their behalf by the following on 22 January 2008.

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 27 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007 In Thousands of Qatari Riyals

	Notes	**2007**	2006
Gross premiums	16 (a)	1,518,385	1,192,562
Reinsurers' share of gross premiums	16 (a)	(814,908)	(735,627)
Net premium		703,477	456,935
Movement in unexpired premium	16 (a)	(86,650)	(86,054)
Net earned premium		**616,827**	370,881
Gross claims paid	16 (a)	(462,053)	(336,959)
Reinsurance and other recoveries	16 (a)	242,355	213,369
Movement in outstanding claims	16 (a)	(148,166)	(71,814)
Net commission	16 (a)	(26,487)	(15,508)
Net underwriting results	16 (a)	**222,475**	159,969
Investment income	17	377,283	286,040
Rental income		27,645	14,618
Other income		1,860	868
Total income		**629,263**	461,495
General and administrative expenses	18	(91,944)	(63,779)
Provision for doubtful debts		(2,651)	(2,249)
Depreciation		(12,230)	(7,241)
Profit for the year		**522,438**	388,226
Attributable to:			
Equity holders of the parent		511,285	387,858
Minority interest		11,153	368
Profit for the year		**522,438**	388,226
Basic and Diluted earnings per share (QR)	19	**12.04**	9.13
Dividend per share (QR)	20	**10.00**	10.00

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

Qatar Insurance Company S.A.Q.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2007

In thousands of Qatari Riyals

	Share capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total equity
Balance as at 1 January 2006		653,400	287,000	1,556,613	234,852	3,015,005	22,424	3,037,429
Net movement in cumulative changes in fair value of investments	-	-	-	(544,020)	-	(544,020)	95	(543,925)
Net income recognized directly in equity	-	-	-	(544,020)	-	(544,020)	95	(543,925)
Net profit for the year	-	-	-	-	387,858	387,858	368	388,226
Contribution to social fund	-	-	-	-	(9,696)	(9,696)	-	(9,696)
Total recognized income and expenses for the year	-	-	-	(544,020)	378,162	(165,858)	463	(163,395)
Bonus issue of shares	141,570	(141,570)	-	-	-	-	-	-
Board of directors' remuneration	-	-	-	-	(17,909)	(17,909)	-	(17,909)
Final dividends – 2005	-	-	-	-	(84,942)	(84,942)	-	(84,942)
Interim dividends – 2006	-	-	-	-	(127,413)	(127,413)	-	(127,413)
Transfer to legal reserve	-	590	-	-	(590)	-	-	-
Balance at 31 December 2006		512,420	287,000	1,012,593		2,618,883	22,887	2,641,770
Balance as at 1 January 2007		512,420	287,000	1,012,593		2,618,883	22,887	2,641,770
Net movement in cumulative changes in fair value of investments	-	-	-	551,399	-	551,399	4,177	555,576
Net income recognized directly in equity	-	-	-	551,399	-	551,399	4,177	555,576
Contribution to social fund					(12,782)	(12,782)	-	(12,782)
Net profit for the year	-	-	-	-	511,285	511,285	11,153	522,438
Total recognized income and expenses for the year	-	-	-	551,399	498,503	1,049,902	15,330	1,065,232
Board of directors' remuneration	-	-	-	-	(26,520)	(26,520)	(299)	(26,819)
Final dividends – 2006	-	-	-	-	(297,297)	(297,297)	-	(297,297)
Effect of acquisition of stake in QICI by minority	-	(59)	-	-	(69)	(128)	54,703	54,575
Share premium on QICI shares	-	52,310	-	-	-	52,310	5,910	58,220
Transfer to legal reserve	-	827	-	-	(827)	-	-	-
Balance at 31 December 2007	**424,710**	**565,498**	**287,000**	**1,563,992**	**555,950**	**3,397,150**	**98,531**	**3,495,681**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2007

In thousands of Qatari Riyals

	2007	2006
OPERATING ACTIVITIES		
Net profit for the year	522,438	388,226
Adjustment for :		
Depreciation for property & equipment and investment	12,230	7,241
Interest and investment income	(370,544)	(265,446)
Impairment loss on investments	13,242	-
Unrealised gain on investments	(19,981)	(28,389)
Provision for employee terminal benefits	3,538	2,738
Provision for doubtful debts	2,651	2,249
Profit on sale of property and equipment	(35,000)	(209)
Operating profit before working capital changes	128,574	106,410
Insurance and other receivables	(190,370)	(89,842)
Increase in insurance reserve net	234,817	157,868
Increase in provisions, reinsurance and other payables	186,593	139,862
Cash generated from operations	359,614	314,298
Contributions to the social fund paid	(12,782)	(7,100)
Board of directors' remuneration paid	(17,909)	(3,240)
Employee end of service benefits paid	(440)	(1,811)
Net cash from operating activities	**328,483**	302,147
INVESTING ACTIVITIES		
Net cash movements in investments	(558)	(111,729)
Purchase of property and equipment	(9,034)	(7,099)
Purchase of investment properties	(187,582)	(54,694)
Interest and dividends income received	161,475	112,857
Proceeds from sale of investment properties and property and equipment	77,667	248
Cash flows from investing activities	**41,968**	(60,417)
FINANCING ACTIVITIES		
Minority interest	60,485	368
Proceeds from short term borrowings	486,200	-
Dividends paid	(297,297)	(212,355)
Cash flows used in financing activities	**249,388**	(211,987)
Increase in cash and cash equivalents	**619,839**	29,743
Cash and cash equivalents at the beginning of the year	767,223	737,480
Cash and cash equivalents at the end of the year (Note 4)	**1,387,062**	767,223

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

1 STATUS AND OPERATIONS

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 owns a 90.5 % equity interest in QIC International L.L.C (QICI) registered at the Qatar Financial Centre and also owns a wholly owned subsidiary company in Qatar namely, Qatar Insurance Company Real Estate.

QICI manages the international operations of the Company and has 3 overseas branches in Dubai (United Arab Emirates), Abu Dhabi (United Arab Emirates) and Al Khobar (Saudi Arabia). QICI also owns 2 subsidiary companies namely Oman Qatar Insurance Company (SAOC) in Oman with a 55% equity interest and Kuwait Qatar Insurance Company (KSCC) in Kuwait with a 40 % equity interest. Kuwait Qatar Insurance Company (KSCC) is considered to be a subsidiary in preparation of the consolidated financial statements on the basis that the Group has the power to govern the financial and operating policies of the Kuwait Qatar Insurance Company (KSCC) under the management agreement.

The Company and its subsidiary companies collectively referred to as the "Group" is engaged in the business of insurance, re-insurance and real estate.

2 BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Qatar Commercial Companies Law No. 5 of 2002.

b) Basis of measurement

The accompanying 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) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals (QR) rounded to the nearest thousand (QR '000), unless otherwise indicated.

d) Use of estimates and judgements

The Group makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates is revised and in any future years affected.

e) New Standards issued but not yet effective

The following IASB Standards and IFRIC interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group:

- IFRS 8 – Operating Segments
- IAS 23 – Borrowing Costs (Revised)
- IAS 1 – Presentation of Financial Statements (Revised)

2 BASIS OF PREPARATION (CONTINUED)

e) New Standards issued but not yet effective

The application of these standards, which will be effective for the year ending 31 December 2009, will result in additional disclosures on segmental information, capitalisation of borrowing cost on qualifying assets and amendments to presentation of financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

a) Consolidation and translation

a. Basis of consolidation

Investment in Subsidiary companies

The consolidated financial statements comprise the financial statements of Qatar Insurance Company S.A.Q and its subsidiary companies as at 31 December each year. The financial statements of the subsidiary companies are prepared for the same reporting year as the parent company, using consistent accounting policies.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

i. Foreign currency

Foreign operations

The individual financial statements of the subsidiary companies and branches 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.

Foreign currency transactions

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.

b) Insurance operations

i. Gross premiums

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Insurance operations (Continued)

ii. 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.

iii. Commission earned and paid

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

iv. 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's best estimate.

c) Investment activities

i. Investment

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 re-measured at fair value. The unrealised gains and losses on re-measurement to fair value are reported as a separate component of equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the year.

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

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

(iv). Fair value

Fair value of marketable investments are determined by reference to their bid prices at the close of business at the balance sheet date, after allowing for 10% liquidating risk.

ii. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment activities (Continued)

iii. Interest income

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

iv. Dividend income

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

d) General

i. Property & 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

ii. 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.

iii. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the balance sheet.

iv. Investments fair value reserve

This represents the unrealised gain or loss on year-end fair valuation of available for sale investments. In the event of sale or impairment, the cumulative gains or losses recognised under investments fair value reserve are included in the net profit or loss for the year.

v. Insurance and other receivable balances

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

vi. Provisions

Provisions are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

vii. 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.

For the year ended 31 December 2007 In thousand of Qatari Riyals

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (Continued)

viii. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. The Group's primary format for segment reporting is based on business segments.

4 CASH AND CASH EQUIVALENTS

	2007	2006
Cash and demand deposits	219,474	109,256
Time deposits	1,167,588	657,967
Total	**1,387,062**	767,223

Time deposits amounting to QR 5,713,973 (2006: QR 5,488,252) are held by banks as security against guarantees given on behalf of the Group.

5 INSURANCE AND OTHER RECEIVABLES

	2007	2006
Insurance Receivable		
Due from policy holders	158,966	119,450
Allowance for doubtful debts	(4,599)	(3,544)
	154,367	115,906
Due from insurance companies	236,836	95,197
Allowance for doubtful debts	(12,244)	(10,648)
	224,592	84,549
Other Receivable		
Advances against indemnity	11,042	10,217
Prepayments and others	14,704	6,315
	25,746	16,532
Total	**404,705**	216,987

For the year ended 31 December 2007 In thousand of Qatari Riyals

6 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2007	2006
Gross insurance contract liabilities		
Claims reported unsettled	702,930	516,802
Claims incurred but not reported	47,815	25,534
Unearned premiums	548,885	454,731
Total	**1,299,630**	997,067
Reinsures' share of insurance liabilities		
Claims reported unsettled	415,668	360,874
Claims incurred but not reported	11,416	5,372
Unearned premiums	290,694	283,786
Total	**717,778**	650,032
Net insurance liabilities		
Claims reported unsettled	287,262	155,928
Claims incurred but not reported	36,399	20,162
Unearned premiums	258,191	170,945
Total	**581,852**	347,035

7 INVESTMENTS

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

	2007	**2007**	2006	2006
Held for trading securities				
Managed Funds		382,770		244,834
Available-for-sale investments				
Qatari public shareholding companies		1,777,131		1,244,278
Bonds	818,307		862,749	
Less: Repo borrowings	(401,937)	416,370	(475,567)	387,182
Quoted shares		155,635		137,843
Unquoted shares and private equity		340,643		195,739
Total available for sale investments		2,689,779		1,965,042
Less: Impairment loss recognised		(13,242		-
Total available for sale investments – net		2,676,537		1,965,042
Total investments		**3,059,307**		2,209,876

The repo borrowings carry interest at money market rates.

For the year ended 31 December 2007 In thousand of Qatari Riyals

8 INVESTMENT PROPERTIES

	2007	2006
Balance as at 1 January	122,886	15,870
Transfer from capital work in progress	-	55,592
Additions during the year	187,582	54,694
Disposals during the year	(42,552)	-
Depreciation for the year	(6,868)	(3,270)
Balance at 31 December, net of accumulated depreciation	**261,048**	122,886

Investment property		
At cost	275,775	130,746
Accumulated depreciation	(14,728)	(7,860)
Net carrying value	**261,048**	122,886

The investment properties of 2006 were revalued as on September 30, 2006 at QR. 290 million by an independent valuer not connected with the Group, by reference to market evidence of recent transactions for similar properties.

The management estimates that the fair value of the investment properties as on 31 December 2007 taking into account the above independent valuation and the additions during the year has not significantly changed.

9 PROPERTY AND EQUIPMENT

	Freehold land	**Building**	**Furniture & fixtures**	**Motor vehicle**	**Total 2007**	Total 2006
Cost:						
At 1 January	9,709	39,762	24,420	5,324	79,215	128,521
Transfer to investment property	-	-	-	-	-	(55,592)
Additions during the year	-	-	6,320	2,714	9,034	7,099
Disposals	-	-	(364)	(1,379)	(1,743)	(813)
At 31 December	9,709	39,762	30,376	6,659	86,506	79,215
Accumulated Depreciation:						
At 1 January	-	30,617	18,404	2,965	51,986	48,733
Provided during the year	-	1,134	2,733	1,495	5,362	3,971
Disposals	-	-	(1,088)	(548)	(1,628)	(718)
At 31 December 2007	-	31,751	20,057	3,912	55,720	51,986
Net book values:						
At 31 December 2007	**9,709**	**8,011**	**10,319**	**2,747**	**30,786**	**-**
At 31 December 2006	9,709	9,145	6,016	2,359	-	27,229

For the year ended 31 December 2007 In thousands of Qatari Riyals

10 SHORT TERM BORROWINGS

	2007	2006
Short term borrowings	**486,200**	-

Current liabilities include short term borrowings from banks in Qatar for tenures ranging from one to three months totalling to QR 195 million and USD 30 million at competitive market rates.

Current liabilities also include a tawarouq facility with an Islamic bank for a tenure of one year. The transaction expires on the 27 December 2008.

11 PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2007	2006
Trade payables	61,901	78,256
Due to reinsurance companies	354,982	168,496
Other payables:		
Accrued expenses	34,302	20,254
Employee terminal benefits (see note 11.1)	23,017	19,919
Board of directors remuneration payable	26,819	17,909
Other credit balances	78,154	75,740
Total	**579,175**	380,574

11.1 EMPLOYEES' END OF SERVICE BENEFITS

	2007	2006
Provision at 1 January	19,919	18,992
Expenses recognised in the income statement	3,538	2,738
Employee terminal benefits paid	(440)	(1,811)
Provision at 31 December	**23,017**	19,919

12 SHARE CAPITAL

The authorised, issued and fully paid share capital at 31 December 2007 consists of 42,471,000 shares of QR 10 each (31 December 2006: 42,471,000 shares of QR. 10 each).

13 LEGAL RESERVE

Legal reserve is to be computed in accordance with the provisions of the Qatar Commercial Companies' Law No. 5 of 2002 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 companies. Moreover, according to Article No. 192 of the Qatar Companies Commercial Law No. 5 of 2002, share premium amounting to QR. 618,590,000 was credited to legal reserve on the rights issue in 2005 and on issuance of QICI shares.

For the year ended 31 December 2007 In thousands of Qatari Riyals

14 GENERAL RESERVE

During the year no amount has been transferred to the general reserve.

15 FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of investment available for sale.

16 SEGMENTAL INFORMATION

(a) Primary Segment information

For management purposes, the Group is organised into two business segments Marine & Aviation and Fire & General. These segments are the basis on which the Group reports its primary segment information.

Segment income statement

	Marine & Aviation		Fire & General		Total	
	2007	2006	**2007**	2006	**2007**	2006
Gross premium	229,939	199,902	1,288,445	992,660	1,518,385	1,192,562
Reinsurers' share	(120,012)	(98,173)	(694,895)	(637,454)	(814,908)	(735,627)
Net premium	109,927	101,729	593,550	355,206	703,477	456,935
Movement in unexpired premium	2,650	(19,947)	(89,300)	(66,107)	(86,,650)	(86,054)
Net earned premium	**112,577**	81,782	**504,250**	289,099	**616,827**	370,881
Gross claims paid	(105,556)	(120,731)	(356,861)	(216,228)	(462,417)	(336,959)
Reinsurance and other recoveries	54,616	95,366	188,102	(118,003)	242,718	213,369
Movement in outstanding claims	(34,492)	(17,866)	(113,674)	(53,948)	(148,166)	(71,814)
Net commission	(6,776)	(6,052)	(19,711)	(9,456)	(26,487)	(15,508)
Net underwriting results	**20,369**	32,499	**202,106**	127,470	**222,475**	159,969

Segment balance sheet
Assets and liabilities of the Group are commonly used across the primary segments.

(b) Secondary segment information

The Group operates in two geographic markets; the domestic market in Qatar and the international markets. The following table shows the distribution of the Group's total assets and liabilities by geographical segment:

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16 SEGMENTAL INFORMATION (Continued)

(b) Secondary segment information (Continued)

Segment income statement

	Qatar 2007	International 2007	**Total 2007**	Qatar 2006	International 2006	Total 2006
Gross premium	920,693	597,692	1,518,385	793,569	398,993	1,192,562
Reinsurers' share	(535,279)	(279,629)	(814,908)	(523,466)	(212,161)	(735,627)
Net premium	385,,414	318,063	703,477	270,103	186,832	456,935
Movement in unexpired premium	(52,633)	(34,017)	(86,650)	(56,757)	(29,297)	(86,054)
Net earned premium	**332,781**	**284,046**	**616,827**	213,346	157,534	370,881
Gross claims paid	(233,036)	(229,017)	(462,053)	(238,918)	(98,041)	(336,959)
Reinsurance and other recoveries	103,811	138,544	242,355	160,347	53,022	213,369
Movement in outstanding claims	(99,124)	(49,042)	(148,166)	(41,580)	(30,234)	(71,814)
Net commission	21,945	(48,432)	(26,487)	25,689	(41,196)	(15,508)
Net underwriting results	**126,377**	**96,098**	**222,475**	118,883	41,086	159,969

Segment balance sheet

	Assets		**Liabilities & Equity**	
	2007	2006	**2007**	2006
Qatar	4,840,288	3,100,669	4,982,438	3,586,794
International	1,020,397	918,742	878,247	892,678
Total	**5,860,686**	4,019,411	**5,860,686**	4,019,411

17 INVESTMENT INCOME

	2007	2006
Interest income	97,129	79,107
Dividends	64,346	33,750
Profit on sale of investments	149,066	122,417
Impairment losses recognized on investments	(13,242)	-
Income from sale of investment properties	35,000	-
Unrealised gain on investments	19,981	28,389
Others	25,003	22,377
	377,283	286,040

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18 GENERAL AND ADMINISTRATIVE EXPENSES

	2007	2006
Employee related costs	49,426	34,326
Other operating expenses	42,518	29,453
	91,944	63,779

19 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding at the balance sheet date.

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	2007	2006
Net profit attributable to equity holders of the parent	511,285	387,858
Weighted average number of ordinary shares	42,471	42,471
Basic and diluted earnings per share (QR)	**12.04**	9.13

20 DIVIDEND PER SHARE

	2007	2006
Interim dividends	-	127,413
Final dividends	424,710	297,297
Total dividends for the year	424,710	424,710
Weighted average number of ordinary shares	42,471	42,471
Dividend per share (QR)	**10.00**	10.00

The Board of Directors proposed a final dividend distribution of QR. 10.00 per share for the year (2006: QR 7.00 per share). The proposed final dividend, amounting to QR. 424,710,000 (2006: QR 297,297,000) will be submitted for formal approval at the Annual General Meeting.

21 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2007	2006
Bank guarantees	10,050	17,216
Authorized future investment commitments	161,629	254,281
Capital commitments	6,200	25,480
Total	**177,879**	296,977

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22 DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group 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.

	Notional amount	**With in 3 months**	**3 to 12 months**
Bond Options:			
Put options sold	71,263	71,263	**-**
Call options sold	(51,754)	(51,754)	**-**
Exchange-traded options:			
Equity put options sold	80,570	53,583	26,987
Equity call options sold	(7,064)	(6,672)	(392)
Equity put options bought	(2,978)	(978)	(2,000)
Equity call options bought	2,171	1,947	224
FX options:			
FX put options sold	37,106	37,106	-
FX call options sold	(11,347)	(11,347)	-

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

The group enters in to financial contracts with various financial institutions through off-balance sheet swap agreements whereby the group promises to pay a floating rate or a spread over a predetermined benchmark over a notional amount subject to certain conditions being fulfilled.

These contracts are subject to regulations under ISDA (International Swaps & Derivative Association).

The notional value of the outstanding swaps as of 31 December 2007 is QR 349 million (2006: QR 42 million).

23 REATED PARTY DISCLOSURES

(a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group's management and are negotiated under normal commercial terms. Significant transactions were:

	2007	2006
Premium	**20,334**	20,650
Claims	**11,032**	7,564

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23 RELATED PARTY DISCLOSURES (Continued)

	2007	2006
(b) Due from related parties	**5,771**	11,573
(c) Due to related parties	-	-
(d) Compensation of key management personnel		
Salaries and other short term benefits	11,058	9,295
End of service benefits	514	502
	11,572	9,797

24 RISK MANAGEMENT

a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. A Group risk management policy framework which sets out the risk profiles for the Group, risk management, control and business conduct standards for the Group's operations has been put in place.

b) Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

24 RISK MANAGEMENT (CONTINUED)

d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. .

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

e) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The concentration of insurance risk exposure is mitigated by the implementation of the underwriting strategy of the Group, which attempts to ensure that the risks underwritten are well diversified across a large portfolio in terms of type, level of insured benefits, amount of risk, industry and geography. Underwriting limits are in place to enforce risk selection criteria.

The Group principally issues general insurance contracts which constitutes mainly marine & aviation and fire & general risks.

The Group, 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.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.
To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

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24 RISK MANAGEMENT (CONTINUED)

e) Insurance risk (Continued)

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

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Key assumptions
The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provision is sensitive to the above key assumptions.
The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and net profit.

31 December 2007

	Change in assumptions	**Impact on Liabilities**	**Impact on Net Profit**
Incurred Claims	+ 10%	36,787	(36,787)
	-10 %	(36,787)	36,787

31 December 2006

	Change in assumptions	Impact on Liabilities	Impact on Net Profit
Incurred Claims	+ 10%	19,540	(19,540)
	-10 %	(19,540)	19,540

Claims Development

The Group maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are generally resolved within one year.

For the year ended 31 December 2007 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)

f) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk:

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

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

Reinsurance is placed with reinsures approved by the management, which are generally international securities that are rated by international rating agencies or other GCC securities.

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

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Age analysis of financial assets

31 December 2007

	<30 days	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**Above 121days**	**Total**
Cash and cash equivalents	1,313,934	44,634	10,931	2,050	15,513	1,387,062
Insurance and other receivables	84,068	81,068	61,337	38,163	140,069	404,705
Total	**1,398,002**	**125,702**	**72,268**	**40,213**	**155,262**	**1,791,767**

31 December 2006

	<30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 121days	Total
Cash and cash equivalents	619,392	79,436	54,170	3,083	11,142	767,223
Insurance and other receivables	56,143	53,194	47,891	27,152	32,607	216,987
Total	675,535	132,630	102,061	30,235	43,749	984,210

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24 RISK MANAGEMENT (CONTINUED)

f) Financial risks (Continued)

(2) Liquidity risk

Liquidity risk is the risk that the Group 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.

Maturity profiles

The table below summarises the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2007

	Up to a year	**1-3 years**	**3-5 years**	**Over 5 years**	**No term**	**Total**
Short term borrowing	486,200	-	-	-	-	486,200
Provisions, reinsurance and other payables	579,175	-	-	-	-	579,175
Net principal liabilities	**1,065,375**	-	-	-	-	**1,065,375**

31 December 2006

	Up to a year	1-3 years	3-5 years	Over 5 years	No term	Total
Provisions, reinsurance and other payables	380,574	-	-	-	-	380,574
Net principal liabilities	380,574	-	-	-	-	380,574

(3) 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 Group 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 Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

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24 RISK MANAGEMENT (CONTINUED)
f) Financial risks (Continued)

(3) Market risk (Continued)
(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

The table below summarises the Group's exposure to foreign currency exchange rate risk at balance sheet date by categorising assets and liabilities by major currencies.

31 December 2007

	USD	EURO	GBP	Others	Total
Cash and cash equivalents	166,279	4,794	10,333	1,205,656	1,387,062
Insurance and other receivables	130,241	4,516	438	269,511	404,705
Reinsurance contract assets	-	-	-	717,778	717,778
Investments	974,764	99,577	31,930	1,953,036	3,059,307
Investment property	-	-	-	261,048	261,048
Property and equipment	-	-	-	30,786	30,786
TOTAL ASSETS	**1,271,284**	**108,887**	**42,701**	**4,437,815**	**5,860,686**
Insurance contract liabilities	-	-	-	1,299,630	1,299,630
Provisions, reinsurance and other payables	181,342	11,763	5,525	380,545	579,175
Short term borrowings	291,200	-	-	195,000	486,200
TOTAL LIABILITIES	**472,542**	**11,763**	**5,525**	**1,875,175**	**2,365,005**

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24 RISK MANAGEMENT (CONTINUED)
f) Financial risks (Continued)

(3) Market risk (Continued)
(a) Currency risk (Continued)

31 December 2006

	USD	EURO	GBP	Others	Total
Cash and cash equivalents	93,412	4,810	8,659	660,2342	767,223
Insurance and other receivables	101,756	6,363	2,410	106,458	216,987
Reinsurance contract assets	-	-	-	650,032	650,032
Investments	756,429	110,584		1,322,343	2,209,876
Investment in associate	-	-	-	25,178	25,178
Investment property	-	-	-	122,886	122,886
Property and equipment	-	-	-	27,229	27,229
TOTAL ASSETS	951,597	121,757	31,589	2,914,468	4,019,411
Insurance contract liabilities	-	-	-	997,067	997,067
Provisions, reinsurance and other payables	186,763	8,378	4,183	181,249	380,574
TOTAL LIABILITIES	186,763	8,378	4,183	1,178,316	1,377,641

(b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group's interest risk policy requires managing interest risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

For the year ended 31 December 2007 In thousands of Qatari Riyals

24 RISK MANAGEMENT (CONTINUED)
f) Financial risks (Continued)

(3) Market risk (Continued)
(b) Interest rate risk
The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on net profit and equity.

31 December 2007

Currency	**Change in variable**	**Impact on net profit**	**Impact on equity**
Qatari Riyal	+50 basis points	984	12,074
Qatari Riyal	-50 basis points	(984)	(12,074)

31 December 2006

Currency	Change in variable	Impact on net profit	Impact on equity
Qatari Riyal	+50 basis points	2,237	6,567
Qatari Riyal	-50 basis points	(2,237)	(6,567)

The Group's interest rate risk based on contractual arrangements at 31 December 2007 was as follows:

	Up to 6 months	**6 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Effective interest rate (%)**
Cash and Cash equivalents	1,387,062	-	-	-	1,387,062	5.24
Investments	81,733	6,800	21,312	708,461	818,306	12.06
	1,468,795	**6,800**	**21,312**	**708,461**	**2,205,368**	

(c) Price risk
Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

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24 RISK MANAGEMENT (CONTINUED)
f) Financial risks (Continued)

(3) Market risk (Continued)
(c) Price risk (Continued)

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

The Group has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on net profit and equity.

31 December 2007

Market indices	**Change in variable**	**Impact on net profit**	**Impact on equity**
Qatar Market	+10%	2,763	175,747
International Markets	+10%	37,406	18,269
Qatar Market	-10%	(2,763)	(175,747)
International Markets	-10%	(37,406)	(18,269)

31 December 2006

Market indices	Change in variable	Impact on net profit	Impact on equity
Qatar Market	+10%	-	124,428
International Markets	+10%	25,648	13,532
Qatar Market	-10%	-	(124,428)
International Markets	-10%	(25,648)	(13,532)

e) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks.

The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

24 RISK MANAGEMENT (CONTINUED)
f) Financial risks (Continued)

f) Capital management

Externally imposed capital requirements are set and regulated by the Qatar Commercial Companies Law and Doha Securities Market to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis.

The Company fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

The required capital for the Company as at 31 December 2007 was QR. 11,500,000 (31 December 2006: QR. 11,500,000)

25 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 judgments relating to the application of accounting policies which are described in note 2 (d). 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 26).

These judgments 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 judgments.

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.

25 CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

- **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 judgment. In making this judgment and to record whether 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.

26 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.

- **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 2007 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.

27 COMPARATIVE FIGURES

The comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported net profit, net assets or equity.