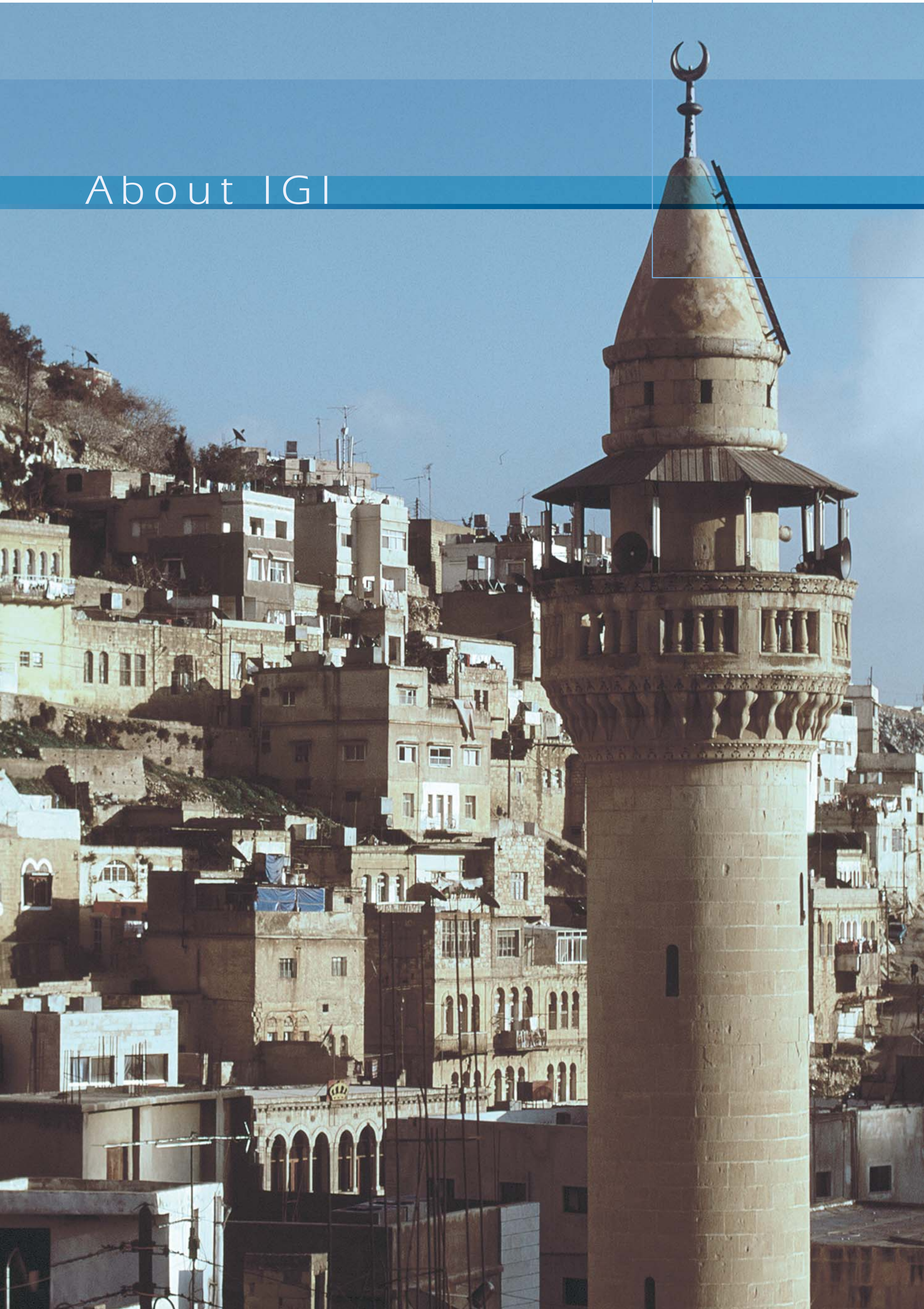
2005
Annual Report

International
General Insurance Co. Ltd.

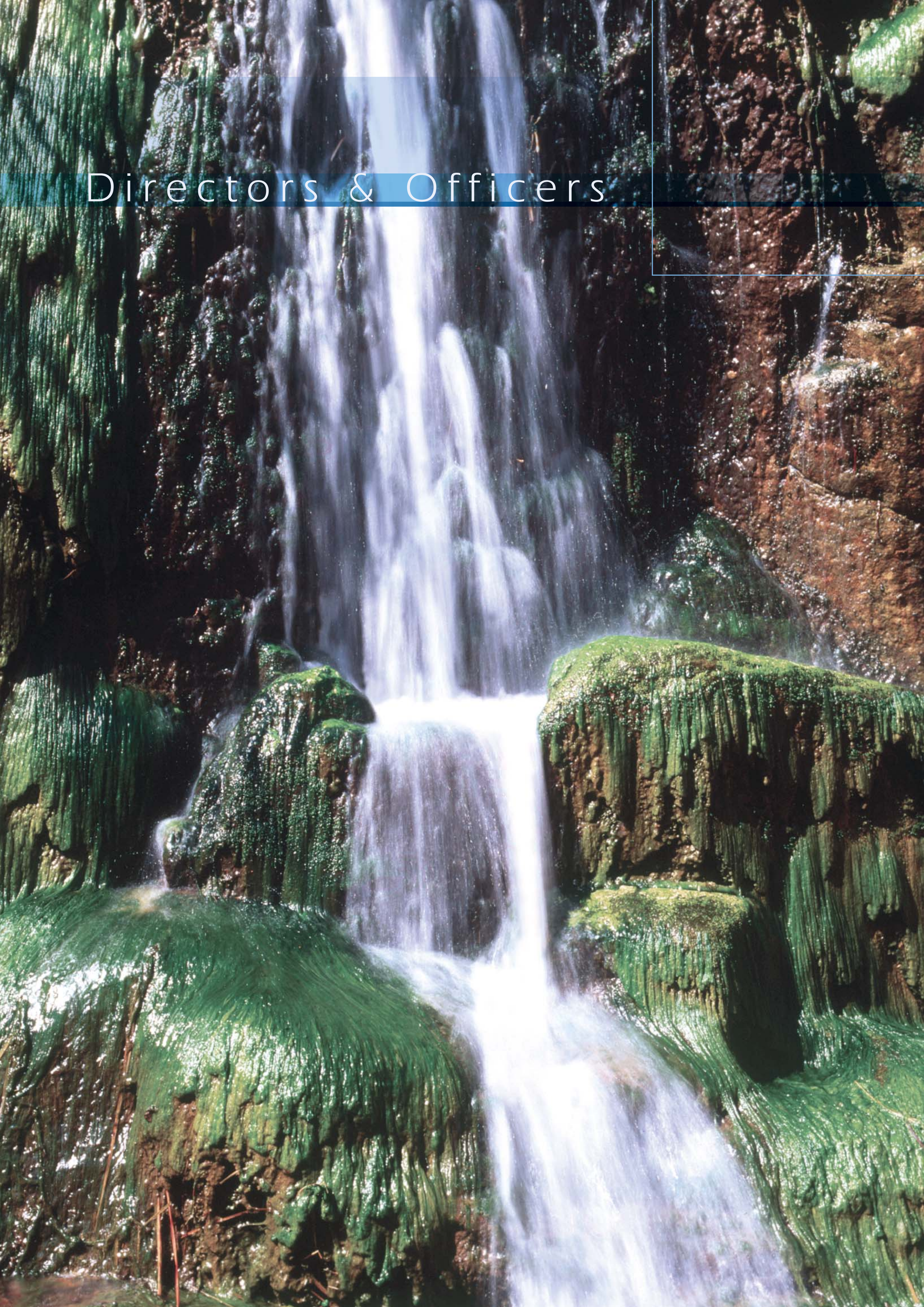
Contents

About IGI



IGI is incorporated in the Hashemite Kingdom of Jordan under the Tax Exempt provision of Jordan's laws and operates from its headquarters in Amman.
It commenced operations in 2002 and has subsequently attained a rating of BBB (stable outlook) from Standard & Poor's.
The Company's total assets are in excess of US$ 240 million.
IGI underwrites worldwide facultative direct and reinsurance business with a geographical focus on the Middle Eastern, Far Eastern and African markets.
IGI's core business is energy, marine and commercial/industrial property.

Directors & Officers



Board of Directors

Mr. Majid Al Ghurair	Chairman
Mr. Wasef Jabsheh	Vice Chairman & Chief Executive Officer
Mr. Akbar Habib	Director
Mr. Amir Abu Ghazaleh	Director
Mr. Khalifa Almulhem	Director
Mr. Mohammed Abu Ghazaleh	Director
Mr. Rateb Wazani	Director

Corporate Officers

Wasef Jabsheh	Vice Chairman & Chief Executive Officer
Paul Munday	President & Chief Underwriter
Waleed Jabsheh	Executive Vice President
Rachel Butler	Vice President – Claims
Mark Jeffrey	Vice President – Reinsurance
David Johnston	Vice President - Engineering

Letter from the Board of Directors

IGI's fourth year of trading has continued to build profitably on the solid foundation laid since operations commenced in April 2002. We would like to thank you all for your continued and loyal support.

IGI is now acceptable security to all the major broking houses and we have continued to expand our client base in-line with planned targets.

Market conditions have been greatly affected by the unprecedented catastrophic losses of 2005. Insured losses from hurricanes Katrina, Rita and Wilma are currently estimated at US$ 65 billion. For a number of insurers these losses have had both a capital and earnings impact. We are pleased to report that despite the worst recorded year in the (re)insurance industry's history, IGI is delivering another profitable year. The effects of these losses have resulted in enhanced trading conditions for the energy, property and reinsurance markets.

Critical key plan objectives were successfully achieved during 2005. In August of last year, IGI raised an additional US$ 75 million of capital through a private placement in the region. We are pleased to report that this offer was oversubscribed. The Board would like to thank the new investors for their confidence in IGI and we take great encouragement in being supported by such a sophisticated group of shareholders.

Concurrent with this, IGI also attained an interactive rating from Standard & Poor's of 'BBB' (stable outlook). Whilst this rating has been of assistance in developing our book of profitable, well-managed business, we are determined to achieve an 'excellent' rating as soon as possible.

During 2005, IGI has expanded its existing underwriting and management capabilities with the appointment of Mr. Mark Jeffrey as Vice President of Reinsurance to develop a new portfolio, and Mr. David Johnston as Vice President of Engineering to expand this area of the account. We are looking to further diversify our product range and expand our underwriting team during the course of the year ahead.

In April 2006, IGI received its license to underwrite via its newly formed Labuan branch. This separately capitalized company will serve not only to provide greater access to business opportunities from the growing Malaysian economy, but also to the wider Far East region.

IGI has recently established a holding company, International General Insurance Holdings LLC (IGIH) in the Dubai International Financial Centre (DIFC) and it is our intention to publicly list the Company later this year. This listing will bring further opportunities in an area which is rapidly becoming the financial centre of the Middle East.

As a consequence of the corporate restructuring, regulatory considerations required Mr. Wasef Jabsheh to stand down as Chairman of IGI. Mr. Jabsheh has now taken up the position of Vice Chairman and Chief Executive Officer; continuing his endeavors to build the Company into a pre-eminent (re)insurer of choice for the region. Mr. Majid Al Ghurair was elected as Chairman of the Board.

Saudi United Insurance Company, in which IGI is a joint equity partner, has received approval for its license from the Saudi Arabian Monetary Authority and is awaiting Sovereign decree in order to commence operations.

Turning to the year under review, the highlights of our results are as follows:

- Gross written premium has increased by 135% from US$ 24.49 million to US$ 54.87 million, whilst net earned premium increased by 85% to US$ 35.85 million.

- Net underwriting profit was US$ 621,727 compared with US$ 5.43 million last year, a noteworthy achievement given the unprecedented losses.

- Investment income was strong at US$ 9.83 million against US$ 2.31 million the previous year.

- Net income increased to US$ 7.63 million from US$ 6 million.

- Total assets are now in excess of US$ 240 million up from last year's total of US$ 96 million.

The continued success of IGI is largely a result of our focus on disciplined underwriting and sound management.

The Board would like to thank all employees for their excellent contribution during the last year. We have the utmost confidence for the future as IGI continues to build its professional team and expands into new segments. The Board of IGI would like to reiterate its thanks to you all for your valued support and loyalty.

Financial Statements

INTERNATIONAL GENERAL INSURANCE COMPANY LIMITED
FINANCIAL STATEMENTS
31 March 2006

To the Partners of International General Insurance Company (Exempt Company)
Amman - Jordan

We have audited the accompanying balance sheet of International General Insurance Company Limited (Exempt Company) as of 31 March 2006 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2006 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young
Amman – Jordan
17 May 2006

Balance Sheet
31 March 2006

ASSETS	Notes	2006 USD	2005 USD (Restated)
Premises and equipment	3	2,74,764	198,569
Intangible assets, net	4	119,196	66,341
Investment in associated companies	5	8,380,129	8,250,780
Deferred policy acquisition costs	20	6,354,144	2,805,047
Available-for-sale investments	6	72,837,881	31,721,552
Receivables arising from insurance contracts	7	27,447,918	10,729,550
Other receivables	8	450,118	492,974
Reinsurers' share of unexpired risks		4,910,283	2,877,615
Reinsurers' share of outstanding claims	9	27,158,704	3,203,127
Trading investments		5,084,530	-
Cash and short term deposits	10	90,212,235	38,849,733
Total assets		243,229,902	99,195,288

EQUITY AND LIABILITIES			
Equity			
Share capital	11	2,556,172	1,408,451
Additional paid in capital	12	71,602,279	-
Statutory reserve	13	1,716,242	953,490
Special reserve		48,591,549	48,591,549
Cumulative changes in fair values		6,273,856	7,297,917
Retained earnings		13,978,464	7,863,701
Total equity		144,718,562	66,115,108

LIABILITIES			
Liabilities arising from insurance contracts			
Unexpired risks	15	38,825,149	17,198,152
Outstanding claims	16	40,214,824	8,870,034
		79,039,973	26,068,186
Reinsurance payable		13,132,106	3,340,595
Reinsurance premium deposit		5,644,928	3,197,253
Other liabilities	17	291,511	168,770
Deferred ceded commission		402,822	305,376
Total liabilities		98,511,340	33,080,180
Total equity and liabilities		243,229,902	99,195,288

The attached notes 1 to 28 form part of these financial statements.

Income Statement
Year ended 31 March 2006

	Notes	2006 USD	2005 USD (Restated)
Insurance premium revenue	18	35,852,793	19,365,753
Insurance premium ceded to reinsurers	18	(17,758,372)	(7,392,733)
Net insurance premium revenue		18,094,421	11,973,020
Claims	19	(38,273,325)	(6,010,424)
Reinsurers' share of claims	19	25,976,514	2,040,786
Policy acquisition costs	20	(5,175,883)	(2,569,317)
NET UNDERWRITING RESULT		621,727	5,434,065
Investment income	21	2,548,214	1,115,486
Net realised gains on available-for-sale investments	22	2,434,010	851,060
Income from associated companies	5	359,952	302,546
Gain from trading investments		4,577,629	-
General and administrative expenses		(2,819,803)	(1,755,261)
(Loss)gain on exchange		(94,214)	80,830
Profit for the year		7,627,515	6,028,726

The attached notes 1 to 28 form part of these financial statements.

Statement of Cash Flows
Year ended 31 March 2006

OPERATING ACTIVITIES	Notes	2006 USD	2005 USD
Profit for the year		7,627,515	6,028,726
Adjustments for:			
Depreciation and amortization	3,4	86,047	61,432
Profit on sale of premises and equipment		-	(33)
Net gains on disposal of available-for-sale investments	22	(2,434,010)	(851,060)
Unrealized gain from trading investments		(4,371,907)	-
Investment income	21	(2,548,214)	(1,115,486)
Gain from foreign exchange		14,682	(21,339)
Income from associated companies		(359,952)	(302,546)
Reinsurers' share of unexpired risks		(2,032,668)	150,987
Movement in unearned premiums		21,626,997	5,119,273
Movement in outstanding claims		31,344,790	3,010,790
Operating profit before changes in operating assets and liabilities		48,953,280	12,080,744
Deferred policy acquisition costs		(3,549,097)	(1,064,822)
Receivables arising from insurance contracts		(16,718,368)	(2,876,648)
Other receivables		42,855	(448,813)
Reinsurers' share of outstanding claims		(23,955,577)	(1,335,970)
Deferred ceded commission		97,446	(74,646)
Trading investments		(712,623)	-
Other liabilities		12,361,927	3,415,460
Net cash from operating activities		16,519,843	9,695,305
INVESTING ACTIVITIES			
Purchase of premises and equipment	3	(138,991)	(82,542)
Proceeds from disposal of premises and equipment		-	593
Purchase of intangible assets		(76,105)	(19,766)
Purchase of available-for-sale investments		(45,496,007)	(7,667,599)
Proceeds from sale of available-for-sale investments		5,774,945	3,229,343
Dividends received from associates		230,603	261,556
Investment income		2,548,214	1,115,486
Net cash from investing activities		(37,157,341)	(3,162,929)
FINANCING ACTIVITIES			
Dividends paid	13	(750,000)	(750,000)
Increase in capital and additional paid in capital		72,750,000	-
Net cash from (used in) financing activities		72,000,000	(750,000)
Increase in cash and cash equivalents		51,362,502	5,782,376
Cash and cash equivalents at the beginning of the year	22	18,849,733	13,067,357
Cash and cash equivalents at the end of the year	22	70,212,235	18,849,733

The attached notes 1 to 28 form part of these financial statements.

Statement of Change in Equity
Year ended 31 March 2006

	Paid-in capital USD	Additional paid-in capital USD	Statutory reserve USD	Special reserve USD	Cumulative change in fair value USD	Retained earnings USD	Total USD
Balance as 1 April 2004	1,408,451	-	354,716	48,591,549	2,493,290	3,183,749	56,031,755
Recognised gains and losses on available-for-sale investments during the year	-	-	-	-	(141,317)	-	(141,317)
Net movement in fair value of available-for-sale investments during the year	-	-	-	-	4,945,944	-	4,945,944
Total income and expenses for the year recognised directly in equity	-	-	-	-	4,804,827	-	4,804,827
Profit for the year	-	-	-	-	-	6,028,726	6,028,726
Total income and expenses for the year	-	-	-	-	4,804,827	6,028,726	10,833,353
Dividends paid	-	-	-	-	-	(750,000)	(750,000)
Appropriations to statutory reserve	-	-	598,774	-	-	(598,774)	-
Balance as of 31 March 2005 (Restated)	1,408,451	-	953,490	48,591,549	7,297,917	7,863,701	66,115,108
Recognised gains and losses on available-for-sale investments during the year	-	-	-	-	(2,434,010)	-	(2,434,010)
Net movement in fair value of available-for-sale investments during the year	-	-	-	-	1,409,949	-	1,409,949
Total income and expenses for the year recognised directly in equity	-	-	-	-	(1,024,061)	-	(1,024,061)
Profit for the year	-	-	-	-	-	7,627,515	7,627,515
Total income and expenses for the year	-	-	-	-	(1,024,061)	7,627,515	6,603,454
Increase in capital	1,147,721	71,602,279	-	-	-	-	72,750,000
Dividends paid	-	-	-	-	-	(750,000)	(750,000)
Appropriations to statutory reserve	-	-	762,752	-	-	(762,752)	-
Balance as of 31 March 2006	2,556,172	71,602,279	1,716,242	48,591,549	6,273,856	13,978,464	144,718,562

The attached notes 1 to 28 form part of these financial statements.

1 ACTIVITIES

International General Insurance Limited is a limited liability company registered as an Exempt Company and incorporated in Jordan under the Exempt Companies Provision of Jordanian Companies Laws on 4 October 2001. The Company writes short-term non-life insurance contracts covering marine, energy and property insurance business worldwide. International General Insurance Limited's registered head office is at 47 Al-Ameer Shaker Bin Zeid Street, Shmeisani, Amman, Jordan.

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 United States Dollars (USD), which is the Company's measurement currency.

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

Changes in accounting policies

The accounting policies are consistent with those used in the previous year except that the Company has adopted those new/revised standards that are mandatory for financial years beginning on or after 1 January 2005. The principal effects of this decision discussed below.

IFRS '4 Insurance Contracts'

The adoption of IFRS 4 has affected disclosures with respect to insurance contracts issued and reinsurance contracts held. All comparative disclosures have been amended accordingly.

Investments in associated companies

In accordance with IAS 28, investment in associated companies, the Company should use the equity method for the investments in associated companies, while the Company used to use the cost method for these associated companies. The effect of the adjustment, and the reclassifications on the financial statements for the year ended 31 March 2005 is illustrated in note 28.

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 premiums written relating to the unexpired period of coverage. 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.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the balance sheet date.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition a provision based on management's judgement and 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 for the following year is included in the underwriting account for that year.

Policy acquisition costs

Commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs are subsequently amortised over the terms of the insurance contracts to which they relate as premiums are earned.

Liability adequacy test

At each balance sheet date the Company assesses whether its recognised 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 (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created.

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.

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 the 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.

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 the 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.

Dividend revenue

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

Premises and equipment

Premises and equipment is stated at cost less accumulated depreciation and any impairment in value. Deprecation is calculated on a straight-line basis over the estimated useful lives of the assets at rates ranging between 10% to 20%.

The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate 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. Impairment losses are recognised in the income statement.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalised and are expensed in the income statement.

Intangible assets include computer software and programmes. These intangibles assets are amortised evenly over their estimated economic useful lives of 5 years.

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;

b) For assets carried at cost, impairment is the difference between cost 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.

Investment in associated companies

These investments in associated companies are carried in the balance sheet at cost plus post – acquisition changes in the company's share of net assets of associates, less any impairment in value. The statement of income reflects the share of the results of the operations of the associates.

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.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currencies

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

Leases

The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest 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.

2a SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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.

3 PREMISES AND EQUIPMENT

	Office furniture USD	Computers USD	Equipment USD	Decorations & leasehold improvements USD	Vehicles USD	Total USD
Cost						
At 1 April 2005	46,315	97,921	37,102	35,833	73,083	290,254
Additions	21,238	29,275	14,915	15,042	58,521	138,991
At 31 March 2006	67,553	127,196	52,017	50,875	131,604	429,245
Depreciation						
At 1 April 2005	11,162	33,929	10,432	19,292	16,869	91,684
Additions	5,360	22,591	7,071	8,639	19,136	62,797
At 31 March 2006	16,522	56,520	17,503	27,931	36,005	154,481
Net carrying amount						
At 31 March 2006	51,031	70,676	34,514	22,944	95,599	274,764
At 31 March 2005	35,153	63,991	26,670	16,541	56,214	198,569

The depreciation charge for the year of USD 62,797 (2005: USD 44,175) has been included in general and administrative expenses.

4 INTANGIBLE ASSETS

	Computer software
Cost	
At 1 April 2005	101,230
Additions	76,105
At 31 March 2006	177,335
Amortization	
At 1 April 2005	34,889
Additions	23,250
At 31 March 2006	58,139
Net book value 2006	119,196
Net book value 2005	66,341

Intangible assets represent software licenses.

5 INVESTMENT IN ASSOCIATED COMPANIES

During July 2002, the Company acquired a 33% equity ownership interest in real estate limited liabilities companies registered in Lebanon.

The Company has the following investments in associates:

	Country of incorporation	Ownership 2006	2005
Star Rock SAL Lebanon	Lebanon	33%	33%
Sina SAL Lebanon	Lebanon	33%	33%
Silver Rock SAL Lebanon	Lebanon	33%	33%
Golden Rock SAL Lebanon	Lebanon	33%	33%

The following table illustrates summarised information of the Company's investments in associates:

	2006 USD	2005 USD
Share of associates' balance sheets:		
Current assets	1,587,119	1,486,201
Non-current assets	14,858,249	14,551,579
Current liabilities	(6,900,332)	(6,700,915)
Non-current liabilities	(1,164,907)	(1,086,085)
Net assets	8,380,129	8,250,780
Share of associates' revenues and results:		
Revenues	600,455	523,278
Results	359,952	302,546

6 AVAILABLE-FOR-SALE INVESTMENTS

	2006 USD	2005 USD
Available-for-sale investments by currency		
Jordanian Dinars	15,659,121	15,281,961
US Dollars	51,576,893	-
Other currencies	5,601,867	16,439,591
	72,837,881	31,721,552

The breakdown of the available-for-sale investments is as follows:

	2006 USD	2005 USD
Fixed income securities	51,266,353	16,170,420
Unquoted stocks*	5,601,867	-
Common stock in listed companies	15,969,661	15,551,132
	72,837,881	31,721,552

Common stocks have no fixed maturity dates and are generally not exposed to interest rate risk.

* Included in unquoted equities are investments carried at cost with value of USD 5,601,867. The investments were stated at cost since the fair value could not be measured reliably and there is no indication of impairment in the values as of the balance sheet date.

7 RECEIVABLES ARISING FROM INSURANCE CONTRACTS

	2006 USD	2005 USD
Customers	27,447,918	10,729,550

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

8 OTHER RECEIVABLES

	2006 USD	2005 USD
Prepaid expenses	58,510	27,264
Refundable deposits	704	704
Payment on purchase of investment	-	267,252
Employees receivables	87,940	89,149
Checks under collection	29,967	-
Trade receivables	238,964	81,967
Others	34,033	26,638
	450,118	492,974

9 REINSURERS' SHARE OF OUTSTANDING CLAIMS

	2006 USD	2005 USD
Reinsures' share of outstanding claims	27,158,704	3,203,127

Substantially all of the amounts due from reinsurers are expected to be received within twelve months of the balance sheet date.

10 CASH AND SHORT-TERM DEPOSITS

Cash and cash equivalents included in the statement of cash flows include the following balance sheet amounts:

	2006 USD	2005 USD
Cash and bank balances	1,750,552	960,261
Time deposits	68,461,683	17,889,472
Demand deposit	20,000,000	20,000,000
	90,212,235	38,849,733

The time deposits, which are substantially denominated in Jordanian Dinars, are made for varying periods of between one week and one month depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.

Demand deposits mature on 30 March 2007 and have been excluded from cash and cash equivalents (note 23).

11 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2006 USD	2005 USD	2006 USD	2005 USD
Shares of JD 1 each (USD 1.408)	2,556,172	1,408,451	2,556,172	1,408,451

The Company issued additional 814,882 shares in private placement on 8 March 2006 at par value of 1 Jordanian Dinars (equivalent to USD 1,147,721).

12 ADDITIONAL PAID-IN CAPITAL

On 8 March 2006, the Company issued additional 814,882 shares in private placement at par value of 1 Jordanian Dinars (equivalent to USD 1,147,721) with shares' premium of USD 71,602,279.

13 STATUTORY RESERVE

The accumulated amounts in this account represents 10% of the Company's net income according to the Companies Law. The Company has the option to cease such appropriation when the balance of this reserve reaches 100% of the Company's authorized capital. The statutory reserve will not be available for distribution to partners.

14 DIVIDENDS PAID

The Board of Directors and partners approved on their meeting held in 1 July 2005 to distribute interim cash dividends amounting to USD 750,000 (USD 0.532 per share).

15 UNEXPIRED RISKS

	2006 Gross USD	2006 Reinsurers' Share USD	2006 Net USD	2005 Gross USD	2005 Reinsurers' Share USD	2005 Net USD
Unearned premiums	38,825,149	(4,910,283)	33,914,866	17,198,152	(2,877,615)	14,320,537

Details of the movements of the provision for unearned premiums, and the related reinsurers' share, are contained in note 18.

16 OUTSTANDING CLAIMS

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

	2006 Gross USD	2006 Reinsurers' Share USD	2006 Net USD	2005 Gross USD	2005 Reinsurers' Share USD	2005 Net USD
At 1 April						
Claims incurred	7,517,913	(3,203,127)	4,314,786	5,109,235	(1,867,156)	3,242,079
Claims incurred but not reported	1,352,121	-	1,352,121	750,009	-	750,009
	8,870,034	(3,203,127)	5,666,907	5,859,244	(1,867,156)	3,992,088
Insurance claims paid in the year	(6,928,535)	2,020,937	(4,907,598)	(2,999,634)	704,815	(2,294,819)
Provided during the year	38,273,325	(25,976,514)	12,296,811	6,010,424	(2,040,786)	3,969,638
At 31 March	40,214,824	(27,158,704)	13,056,120	8,870,034	(3,203,127)	5,666,907
Analysis of outstanding claims						
At 31 March						
Claims incurred	38,214,824	(27,158,704)	11,056,120	7,517,913	(3,203,127)	4,314,786
Claims incurred but not reported	2,000,000	-	2,000,000	1,352,121	-	1,352,121
	40,214,824	(27,158,704)	13,056,120	8,870,034	(3,203,127)	5,666,907

There are no material amounts for which amount and timing of claims payment is not resolved within one year of the balance sheet date.
Amounts due from reinsurers are normally settled on a quarterly basis.

17 OTHER LIABILITIES

	2006 USD	2005 USD
Accounts payable	12,554	9,402
Amounts due to related parties (note 24)	29,692	28,227
Accrued expenses	249,265	131,141
	291,511	168,770

18 NET INSURANCE PREMIUM REVENUE

	2006 USD	2005 USD
Insurance contracts premium receivable	57,479,790	24,485,025
Movement in provision for unearned premiums	(21,626,997)	(5,119,272)
Insurance premium revenue	35,852,793	19,365,753
Reinsurance contracts premium payable	(19,791,040)	(7,844,646)
Movement in provision for unearned premiums	2,032,668	451,913
Insurance premiums ceded to reinsurers	(17,758,372)	(7,392,733)
	18,094,421	11,973,020

19 CLAIMS

		2006 Reinsurers'			2005 Reinsurers'	
	Gross USD	Share USD	Net USD	Gross USD	Share USD	Net USD
Claims incurred	6,928,535	(2,020,937)	4,907,598	2,999,634	(704,815)	2,294,819
Change in provision for outstanding claims	31,344,790	(23,955,577)	7,389,213	3,010,790	(1,335,971)	1,674,819
	38,273,325	(25,976,514)	12,296,811	6,010,424	(2,040,786)	3,969,638

20 DEFERRED POLICY ACQUISITION COSTS

	2006 USD	2005 USD
At 1 April	2,805,047	1,740,225
Additions	8,724,980	3,634,139
Amortisation	(5,175,883)	(2,569,317)
At 31 March	6,354,144	2,805,047

21 INVESTMENT INCOME

	2006 USD	2005 USD
Available-for-sale investments		
Dividends	61,707	299,753
Interest	2,486,507	815,733
	2,548,214	1,115,486

22 NET REALISED GAINS ON AVAILABLE-FOR-SALE INVESTMENTS

	2006 USD	2005 USD
Realized gains		
Equity securities	2,434,010	851,060

23 CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances in the statement of cash flows consists of the following balances:

	2006 USD	2005 USD
Cash and bank balances	1,750,552	960,261
Time deposit mature within 3 months	68,461,683	17,889,472
	70,212,235	18,849,733

24 COMMITMENTS AND CONTINGENCIES

As of the date of the financial statements, the Company is contingently liable to the following:

- Letter of Guarantee amounting to USD 7,042 to the order of the ministry of trade and industry with margin of USD 704.
- Letter of Credit to USD 9,904,878 to the order of Houston Casualty Company.

The Company has entered into commercial leases on certain apartments and offices where it is not in the best interest of the Company to purchase these assets. These leases have an average life of 1 year with renewal terms included in the contracts. Renewals are at the option of the company.

25 RELATED PARTY TRANSACTIONS

Transactions with related party (Eastern Insurance Brokers Company) included in the income statement are as follows:

	2006 USD	2005 USD
Inter Company balance	29,692	28,227
Commission paid	32,811	36,332

Compensation of key management personnel of the company, consisting of salaries and benefits, was USD 779,426 (2005: USD 781,168).

26 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. The Company only issues short term insurance contracts in connection with property and energy (collectively known as fire and accident), and marine risks.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and accident and marine risks. These are regarded as short-term insurance contracts as claims are normally property advised and most are settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Property and energy

Property and energy insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties.

For property and energy insurance contracts the main risks are fire and business interruption. In recent years the Company has mostly 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.

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 the 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.

Geographical concentration of risks

Approximately 57%, 10% and 33% of the company's insurance risk relates to policies written in Asia, Europe and whole of the world respectively (2005: 53%, 13% and 34%).

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 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 affected under treaty, facultative and excess-of-loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer's insolvencies, the Company evaluates the financial condition of its reinsurers. The Company only deals with reinsurers approved by the board of directors, which are generally rated A or above by international rating agencies.

Financial risk

The Company's principal financial instruments are available-for-sale investments, receivables arising from insurance and reinsurance contracts, trading investments 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, credit 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 investments and cash and cash equivalents. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

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

	Less than 1 year USD	Non-interest bearing items USD	Total USD	Effective interest rate %
31 March 2006				
Available-for-sale investments	51,266,353	21,571,528	72,837,881	2-4
Receivables arising from insurance and reinsurance contracts	-	27,447,918	27,447,918	-
Other receivables	-	450,118	450,118	
Time deposits	63,791,388	-	63,791,388	2-4
Demand deposits	24,670,295		24,670,295	1-2
Cash	-	1,750,552	1,750,552	
	139,728,036	51,220,116	190,948,152	

	Less than 1 year USD	Non-interest bearing items USD	Total USD	Effective interest rate %
31 December 2005				
Available-for-sale investments	16,170,420	15,551,132	31,721,552	2-4
Receivables arising from insurance and reinsurance contracts	-	10,729,550	10,729,550	-
Other receivables	-	492,974	492,974	
Time deposits	17,889,472	-	17,889,472	2-4
Demand deposits	20,000,000	-	20,000,000	1-2
Cash	-	960,261	960,261	
	54,059,892	27,733,917	81,793,809	

There is no significant difference between contractual re-pricing or maturity dates.

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.

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 only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.

The Company's portfolio is managed by the Vice Chairman and CEO in accordance with the investment policy established by the Board of Directors.

The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the Board of Directors.

There are no significant concentrations of credit risk within the Company.

Market price risk
Market 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 market risk with respect to its listed equity financial instruments.

The Company limits market risk by maintaining a diversified portfolio and by monitoring of developments in equity markets. The majority of the Company's equities are listed on the Jordanian Stock Exchange.

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

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

27 SEGMENTAL INFORMATION

For management purposes the Company is organised into five business segments, property, energy, engineering, reinsurance, and marine. These segments are the basis on which the Company reports its primary segment information.

An analysis of gross and net insurance premium revenue gross and net claims and policy acquisition costs together with the net underwriting result for the Company's main classes of business is given below.

As the Company's activities are performed on an integrated basis, a segmental analysis of assets and liabilities and other income statement captions would not be meaningful.

	Energy		Property	
	2006 USD 000	2005 USD 000	2006 USD 000	2005 USD 000
Income				
Gross written premiums	40,776	14,733	7,466	8,029
Movement in provision for unearned premiums	14,637	5,576	1,943	(364)
Net premium revenue	26,139	9,157	5,523	8,393
Insurance premium ceded to reinsurers	(13,089)	(4,371)	(2,262)	(2,481)
Net insurance premium revenue	13,050	4,786	3,261	5,912
Claims, net	(9,254)	(2,693)	(1,214)	(278)
Policy acquisition costs	(3,546)	(914)	(1,055)	(1,372)
Net underwriting result	250	1,179	992	4,262
Investment income				
Income from associated companies				
Other unallocated costs				
Profit for the year				

Secondary segment information:

Although the management of the Company is based primarily on business segments, the Company operates in domestic and international markets. The following table shows the distribution of the Company's operating income, total assets and capital expenditure by geographical segment:

Income
Operating income
Interest, dividend income, income from associate and realized gain on sale of investments
Total income
Total assets
Capital expenditure

Marine 2006 USD 000	Marine 2005 USD 000	Reinsurance 2006 USD 000	Reinsurance 2005 USD 000	Engineering 2006 USD 000	Engineering 2005 USD 000	Others 2006 USD 000	Others 2005 USD 000	Total 2006 USD 000	Total 2005 USD 000
4,363	1,685	3,187	-	1,660	-	28	38	57,480	24,485
1,348	(95)	2,338	-	1,361	-	-	2	21,627	5,119
3,015	1,780	849	-	299	-	28	36	35,853	19,366
(2,385)	(541)	-	-	(22)	-	-	-	(17,758)	(7,393)
630	1,239	849	-	277	-	28	36	18,095	11,973
(1,825)	(999)	(4)	-	-	-	-	-	(12,297)	(3,970)
(399)	(264)	(117)	-	(51)	-	(8)	(19)	(5,176)	(2,569)
(1,594	(24)	728	-	226	-	20	17	622	5,434
								9,466	2,047
								360	303
								(2,820)	(1,755)
								7,628	6,029

Domestic 2006 USD 000	Domestic 2005 USD 000	International 2006 USD 000	International 2005 USD 000	Total 2006 USD 000	Total 2005 USD 000
-	-	622	5,434	622	5,434
7,833	1,462	1,993	888	9,826	2,350
7,833	1,462	2,615	6,322	10,448	7,784
168,478	53,084	74,752	46,111	243,230	99,195
215	102	-	-	215	102

28 COMPARATIVE AMOUNTS

The 2005 figures have been reclassified in order to conform with the presentations in the current year. Such reclassification does not affect previously reported net profit or equity except as set below:

The change has been made in light of changes in International Financial Reporting Standards.

In accordance with IAS 8, "Accounting Policies Changes in Accounting Estimates and Errors", the financial statements of 2005 have been restated to comply with the IFRS as follows:

	2005		
	After restatement	Before restatement	Amount of change
Changes in asset	99,195,288	99,154,288	40,990
Changes in equity	66,115,108	66,074,118	40,990
Profit for the year	6,028,726	5,987,736	40,990

The changes have been resulted from recording the Company's share of associated companies' results for the year.

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