

**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 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.

Amman – Jordan
17 May 2006



International General Insurance Company Limited

BALANCE SHEET

At 31 March 2006

| | <i>Notes</i> | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> (Restated) |
|--|--------------|---------------------------|---|
| ASSETS | | | |
| Premises and equipment | 3 | 274,764 | 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.

International General Insurance Company Limited

INCOME STATEMENT

Year ended 31 March 2006

| | <i>Notes</i> | 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.

International General Insurance Company Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2006

| | <i>Notes</i> | 2006 USD | 2005 USD |
|--|--------------|---------------------------|---------------------------|
| OPERATING ACTIVITIES | | | |
| 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 | | | |
| 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.

International General Insurance Company Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

| | <i>Paid- in capital</i> USD | <i>Additional paid in capital</i> | <i>Statutory reserve</i> USD | <i>Special reserve</i> USD | <i>Cumulative change in fair value</i> USD | <i>Retained earnings</i> USD | <i>Total</i> 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.

International General Insurance Company Limited

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2006

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Depreciation 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 possibly 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

| | <i>Office furniture</i> USD | <i>Computers</i> USD | <i>Equipment</i> USD | <i>Decorations & leasehold improvements</i> USD | <i>Vehicles</i> USD | <i>Total</i> 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

| | <i>Computer software</i> |
|----------------------------|------------------------------|
| 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:

| | <i>Country of incorporation</i> | <i>Ownership</i> | |
|--------------------------------|-------------------------------------|------------------|-------------|
| | | <i>2006</i> | <i>2005</i> |
| <i>Star Rock SAL Lebanon</i> | <i>Lebanon</i> | <i>33%</i> | <i>33%</i> |
| <i>Sina SAL Lebanon</i> | <i>Lebanon</i> | <i>33%</i> | <i>33%</i> |
| <i>Silver Rock SAL Lebanon</i> | <i>Lebanon</i> | <i>33%</i> | <i>33%</i> |
| <i>Golden Rock SAL Lebanon</i> | <i>Lebanon</i> | <i>33%</i> | <i>33%</i> |

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

| | <i>2006 USD</i> | <i>2005 USD</i> |
|--|-------------------------|---------------------|
| 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 | <u>8,380,129</u> | <u>8,250,780</u> |
| Share of associates' revenues and results: | | |
| Revenues | <u>600,455</u> | <u>523,278</u> |
| Results | <u>359,952</u> | <u>302,546</u> |

6 AVAILABLE-FOR-SALE INVESTMENTS

| | <i>2006 USD</i> | <i>2005 USD</i> |
|--|--------------------------|---------------------|
| 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 |
| | <u>72,837,881</u> | <u>31,721,552</u> |

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

| | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> |
|----------------------------------|---------------------------|---------------------------|
| 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 |
| | <u>72,837,881</u> | <u>31,721,552</u> |

Common stock 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

| | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> |
|-----------|---------------------------|---------------------------|
| Customers | 27,447,918 | 10,729,550 |

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

8 OTHER RECEIVABLES

| | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> |
|-----------------------------------|---------------------------|---------------------------|
| 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 |
| | <u>450,118</u> | <u>492,974</u> |

9 REINSURERS' SHARE OF OUTSTANDING CLAIMS

| | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> |
|--|---------------------------|---------------------------|
| 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:

| | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> |
|------------------------|---------------------------|---------------------------|
| 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 |
| | <u>90,212,235</u> | <u>38,849,733</u> |

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

| | <i>Authorised</i> | | <i>Issued and fully paid</i> | |
|--------------------------------|-------------------|------------------|------------------------------|------------------|
| | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | <i>USD</i> | <i>USD</i> | <i>USD</i> | <i>USD</i> |
| Shares of JD 1 each(USD 1.408) | <u>2,556,172</u> | <u>1,408,451</u> | <u>2,556,172</u> | <u>1,408,451</u> |

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 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 partner's 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 | | | 2005 | | |
|-------------------|-------------------|--------------------|-------------------|--------------|--------------|------------|
| | Gross USD | Reinsurers' | | Gross USD | Reinsurers' | |
| | | share USD | Net USD | | share USD | 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, is contained in (Note 18).

16 OUTSTANDING CLAIMS

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

| | 2006 | | | 2005 | | |
|-----------------------------------|--------------------|---------------------|--------------------|--------------|--------------|-------------|
| | Gross USD | Reinsurers' | | Gross USD | Reinsurers' | |
| | | share USD | Net USD | | share USD | 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

| | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> |
|---|---------------------------|---------------------------|
| 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

| | <i>2006</i> | | | <i>2005</i> | | |
|--|----------------------------|--|--------------------------|----------------------------|----------------------------|--------------------------|
| | <i>Gross</i> <i>USD</i> | <i>Reinsurers'</i> <i>share</i> <i>USD</i> | <i>Net</i> <i>USD</i> | <i>Gross</i> <i>USD</i> | <i>Share</i> <i>USD</i> | <i>Net</i> <i>USD</i> |
| 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

| | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> |
|--------------|---------------------------|---------------------------|
| 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

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

22 NET REALISED GAINS ON AVAILABLE-FOR-SALE INVESTMENTS

| | <i>2006</i> <i>USD</i> | <i>2005</i> <i>USD</i> |
|-----------------------|---------------------------|---------------------------|
| Realised gains | | |
| Equity securities | 2,434,010 | 851,060 |
| | <u>2,434,010</u> | <u>851,060</u> |

23 CASH AND CASH EQUIVALENTS

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

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

24 COMMITMENTS AND CONTINGENCIES

As of the date of the financial statements, the company is contingently liable to the followings:

- 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 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 | 2005 |
|-----------------------|---------------|---------------|
| | USD | 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.

26 RISK MANAGEMENT (continued)

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

To minimise its exposure to significant losses from reinsurer insolvencies, the company evaluates the financial condition of its reinsurers. 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.

26 RISK MANAGEMENT (continued)

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

| | <i>Less than 1 year</i> | <i>Non interest bearing items</i> | <i>Total</i> | <i>Effective interest rate</i> |
|--|---------------------------------|---|--------------------|--|
| | <i>USD</i> | <i>USD</i> | <i>USD</i> | <i>(%)</i> |
| 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 | |
| | <u>139,728,036</u> | <u>51,220,116</u> | <u>190,948,152</u> | |
| | | | | |
| | <i>Less than 1 year</i> | <i>Non interest bearing items</i> | <i>Total</i> | <i>Effective interest rate</i> |
| | <i>USD</i> | <i>USD</i> | <i>USD</i> | <i>(%)</i> |
| 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 | |
| | <u>54,059,892</u> | <u>27,733,917</u> | <u>81,793,809</u> | |

There is no significant difference between contractual repricing 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.

26 RISK MANAGEMENT (continued)

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.

International General Insurance Company Limited

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2006

27 SEGMENTAL INFORMATION (continued)

| | Energy | | Property | | Marine | | Reinsurance | | Engineering | | Others | | Total | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| <i>Income</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> |
| Gross written premiums | 40,776 | 14,733 | 7,466 | 8,029 | 4,363 | 1,685 | 3,187 | - | 1,660 | - | 28 | 38 | 57,480 | 24,485 |
| Movement in provision for unearned premiums | 14,637 | 5,576 | 1,943 | (364) | 1,348 | (95) | 2,338 | - | 1,361 | - | - | 2 | 21,627 | 5,119 |
| Net premium revenue | 26,139 | 9,157 | 5,523 | 8,393 | 3,015 | 1,780 | 849 | - | 299 | - | 28 | 36 | 35,853 | 19,366 |
| Insurance premium ceded to reinsurers | (13,089) | (4,371) | (2,262) | (2,481) | (2,385) | (541) | - | - | (22) | - | - | - | (17,758) | (7,393) |
| Net insurance premium revenue | 13,050 | 4,786 | 3,261 | 5,912 | 630 | 1,239 | 849 | - | 277 | - | 28 | 36 | 18,095 | 11,973 |
| Claims, net | (9,254) | (2,693) | (1,214) | (278) | (1,825) | (999) | (4) | - | - | - | - | - | (12,297) | (3,970) |
| Policy acquisition costs | (3,546) | (914) | (1,055) | (1,372) | (399) | (264) | (117) | - | (51) | - | (8) | (19) | (5,176) | (2,569) |
| Net underwriting result | 250 | 1,179 | 992 | 4,262 | (1,594) | (24) | 728 | - | 226 | - | 20 | 17 | 622 | 5,434 |
| Investment income | | | | | | | | | | | | | 9,466 | 2,047 |
| Income from associated companies | | | | | | | | | | | | | 360 | 303 |
| Other unallocated costs | | | | | | | | | | | | | (2,820) | (1,755) |
| Profit for the year | | | | | | | | | | | | | 7,628 | 6,029 |

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:

| | Domestic | | International | | Total | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| <i>Income</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> | <i>USD 000</i> |
| Operating income | - | - | 622 | 5,434 | 622 | 5,434 |
| Interest, dividend income, income from associate and realized gain on sale of investments | 7,833 | 1,462 | 1,993 | 888 | 9,826 | 2,350 |
| Total income | 7,833 | 1,462 | 2,615 | 6,322 | 10,448 | 7,784 |
| Total assets | 168,478 | 53,084 | 74,752 | 46,111 | 243,230 | 99,195 |
| Capital expenditure | 215 | 102 | - | - | 215 | 102 |

International General Insurance Company Limited

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2006

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 | | Amount of change |
|---------------------|----------------------|-----------------------|---------------------|
| | After restatement | Before restatement | |
| 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.