

**Islamic Arab Insurance Co.  
(Salama) and its subsidiaries**

**Interim condensed consolidated financial statements**  
*30 September 2007*

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated financial statements  
*for the nine month period ended 30 September 2007*

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The Shareholders  
Islamic Arab Insurance Co. (Salama) and its subsidiaries

## **Independent Auditors' Report on Review of Interim Financial Information**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated balance sheet of Islamic Arab Insurance Co. (Salama) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2007, and the related interim condensed consolidated income statement, changes in shareholders' equity and cash flows for the nine months period then ended (the interim condensed consolidated financial information). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information as at 30 September 2007 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Vijendranath Malhotra  
Registration No: 48 B

08 NOV 2007

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

## Interim condensed consolidated income statement

for the nine month period ended 30 September 2007

	Note	Nine month period ended 30 September 2007 AED'000	Nine month period ended 30 September 2006 AED'000	Three month period ended 30 September 2007 AED'000	Three month period ended 30 September 2006 AED'000
<b>UNDERWRITING RESULTS</b>					
<b>Underwriting income</b>					
Gross written premiums		684,307	463,339	222,128	152,421
Less: Reinsurance premiums ceded		(118,601)	(69,813)	(47,391)	(21,783)
Net premiums		565,706	393,526	174,737	130,638
Net movement in unearned premiums		(37,576)	(22,496)	(5,571)	(1,158)
Premiums earned		528,130	371,030	169,166	129,480
Commissions received on ceded reinsurance		16,325	14,135	6,799	4,590
		544,455	385,165	175,965	134,070
<b>Underwriting expenses</b>					
Gross claims paid		247,073	181,047	91,185	67,969
Less: reinsurance share of claims paid		(14,850)	(15,377)	(5,748)	(5,656)
Net claims paid		232,223	165,670	85,437	62,313
Net movement in outstanding claims		60,494	36,851	11,650	18,707
Claims incurred		292,717	202,521	97,087	81,020
Commissions paid and other costs		155,998	107,457	52,558	38,459
		448,715	309,978	149,645	119,479
<b>Net underwriting income</b>		<b>95,740</b>	<b>75,187</b>	<b>26,320</b>	<b>14,591</b>
<b>Income</b>					
Investment income	6	90,057	130,060	38,328	46,504
Other income		7,901	3,799	4,458	849
		193,698	209,046	69,106	61,944
<b>Expenses</b>					
General and administrative expenses		(69,624)	(57,418)	(25,239)	(23,621)
Financial expenses'		(15,978)	(281)	(5,998)	3,987
Provision for charitable donations		(3,247)	(1,468)	(2,433)	(367)
<b>Net profit before tax for the period</b>		<b>104,849</b>	<b>149,879</b>	<b>35,436</b>	<b>41,943</b>
Tax		(2,282)	(2,151)	(624)	(1,357)
<b>Net profit after tax for the period</b>	4	<b>102,567</b>	<b>147,728</b>	<b>34,812</b>	<b>40,586</b>

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

## Interim condensed consolidated income statement (continued)

for the nine month period ended 30 September 2007

		<b>Nine month period ended 30 September 2007</b>	Nine month period ended 30 September 2006	<b>Three month period ended 30 September 2007</b>	Three month period ended 30 September 2006
	<i>Note</i>	<b>AED'000</b>	AED'000	<b>AED'000</b>	AED'000
<b>Net profit after tax for the period</b>	4	<b>102,567</b>	147,728	<b>34,812</b>	40,586
<b>Earnings per share (AED)</b>	12	<b>0.092</b>	0.130	<b>0.047</b>	0.029
<b>Attributable to:</b>					
Shareholders	4	<b>101,160</b>	143,288	<b>35,686</b>	40,664
Policyholders	4	-	-	-	-
Minority share	4,10	<b>1,407</b>	4,440	<b>(874)</b>	(78)
<b>Net profit after tax for the period</b>	4	<b>102,567</b>	147,728	<b>34,812</b>	40,586

The notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial statements.

The independent Auditors' review report is set out on page 1.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

## Interim condensed consolidated balance sheet

at 30 September 2007

		30 September 2007 AED'000	31 December 2006 AED'000
	<i>Note</i>		
<b>Non-current assets</b>			
Property and equipment		57,783	53,468
Intangible assets		13,853	10,993
Goodwill	3	186,194	186,194
Investment properties		74,908	74,908
Investments in associates	7	33,539	33,539
Statutory deposits		43,976	42,187
Available for sale investments		276,346	99,950
Loan and receivables - long term portion		12,947	20,166
		-----	-----
		<b>699,546</b>	<b>521,405</b>
		-----	-----
<b>Current assets</b>			
Financial assets at fair value through profit or loss		131,636	61,262
Loan and receivables - short term portion		11,798	22,039
Deposits with insurance and reinsurance companies		287,801	285,310
Premiums and insurance balance receivables		442,289	316,851
Reinsurers' share of outstanding claims		87,010	67,315
Reinsurers' share in unearned premiums		37,847	20,823
Amounts due from related parties	8	34,079	7,826
Other assets and receivables		47,432	40,367
Cash in hand and at bank		585,871	809,172
		-----	-----
		<b>1,665,763</b>	<b>1,630,965</b>
		-----	-----
<b>Current liabilities</b>			
Outstanding claims reserve		463,409	379,473
Unearned premiums reserve		170,240	115,172
Insurance balances payable		98,209	76,713
Other payables and accruals		69,156	91,139
Amounts due to related parties	8	8,954	14,014
Bank finance - short term portion		10,047	7,481
		-----	-----
		<b>820,015</b>	<b>683,992</b>
		-----	-----
<b>Net current assets</b>		<b>845,748</b>	<b>946,973</b>
		-----	-----
<b>Non current liability</b>			
Bank finance - long term portion		165,458	155,142
		-----	-----
<b>Net assets</b>		<b>1,379,836</b>	<b>1,313,236</b>
		=====	=====

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

## Interim condensed consolidated balance sheet (continued)

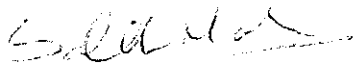
at 30 September 2007

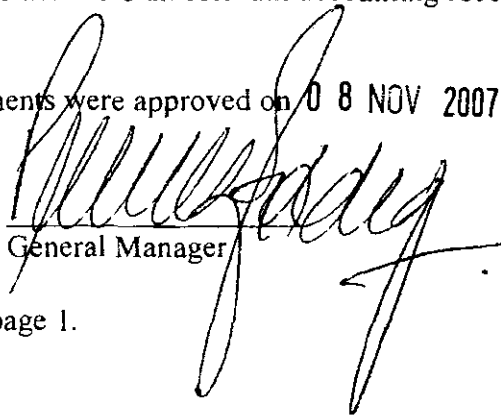
		30 September 2007	31 December 2006
	Note	AED'000	AED'000
<b>Represented by:</b>			
Shareholders' equity	4	1,357,292	1,272,057
Policyholders' fund	4,9	-	-
Minority interest	4,10	22,544	41,179
		<u>1,379,836</u>	<u>1,313,236</u>
<b>Total equity</b>		<u><u>1,379,836</u></u>	<u><u>1,313,236</u></u>

The notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial statements.

We approve these interim condensed consolidated financial statements and confirm that we are responsible for them, including selecting the accounting policies and making the judgements underlying them. We confirm also that we have made available all relevant accounting records and information for their compilation.

These interim condensed consolidated financial statements were approved on 08 NOV 2007

  
 Vice Chairman & CEO

  
 General Manager

The independent Auditors review report is set out on page 1.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

## Interim condensed consolidated statement of cash flows

for the nine month period ended 30 September 2007

	Nine month period ended 30 September 2007 AED'000	Nine month period ended 30 September 2006 AED'000
<b>Operating activities</b>		
Net profit before minority interest for the period	102,567	147,728
<i>Adjustment for:</i>		
Net movement in unearned premiums reserve	38,044	27,172
Dividend income	(787)	(692)
	<hr/>	<hr/>
<i>Operating profit before changes in working capital</i>	139,824	174,208
Change in deposits with insurance and reinsurance companies	(2,491)	(9,139)
Change in premiums and insurance balances receivable	(125,438)	(68,014)
Change in due from related parties	(26,253)	(154,633)
Change in other assets and receivables	(7,065)	(13,869)
Change in outstanding claims (net of reinsurance)	64,241	32,811
Change in insurance payables and other payables	(487)	34,412
Change in due to related parties	(5,060)	4,350
	<hr/>	<hr/>
<i>Cash flows generated from operating activities</i>	37,271	126
	<hr/>	<hr/>
<b>Investing activities</b>		
Net movement in property and equipment and intangible assets	(7,175)	(13,290)
Net movement in investments	(272,369)	26,395
Loans and receivables received	17,460	13,736
Net movement in statutory deposits	(1,789)	(20,067)
Dividend received	787	692
	<hr/>	<hr/>
<i>Cash flows (used in)/ generated from investing activities</i>	(263,086)	7,466
	<hr/>	<hr/>
<b>Financing activities</b>		
Net movement in term bank finance	11,594	158,559
Net movement in minority interest	(22,658)	(144,077)
Buy back of own shares	(21,345)	-
	<hr/>	<hr/>
<i>Cash flows (used in )/generated from financing activities</i>	(32,409)	14,482
	<hr/>	<hr/>
<b>(Decrease)/increase in cash and cash equivalents</b>	(258,224)	22,074
Cash and cash equivalents at the beginning of the period	771,915	414,474
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	513,691	436,548
	<hr/>	<hr/>
Cash in hand and at bank	585,871	654,870
Lien over term deposits	-	(140,000)
Cash held within IPO Fund	(64,128)	(78,322)
Bank overdraft	(8,052)	-
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	513,691	436,548
	<hr/>	<hr/>

The notes on pages 8 to 19 form an integral part of these condensed consolidated financial statements.

The independent Auditors' review report is set out on page 1.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated statement of changes in shareholders' equity  
for the nine month period ended 30 September 2007

	Share capital	Statutory reserve	Revaluation reserve	Foreign exchange translation	Investment Fair value reserve	Treasury Shares	Retained earnings	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2006	1,000,000	16,878	6,855	(3,942)	-	-	88,059	1,107,850
Bonus shares issued	100,000	-	-	-	-	-	(100,000)	-
Share in revaluation surplus of property and equipment	-	-	(158)	-	-	-	-	(158)
Share in foreign exchange translation reserve	-	-	-	437	-	-	-	437
Share in net change in fair value of available for sale investments	-	-	-	-	3,217	-	-	3,217
Movement upon further acquisition of subsidiaries (note 3)	-	-	-	-	-	-	(16,520)	(16,520)
Net profit for the year	-	-	-	-	-	-	177,231	177,231
Transfer to statutory reserve	-	17,723	-	-	-	-	(17,723)	-
<b>Balance at 31 December 2006</b>	<b>1,100,000</b>	<b>34,601</b>	<b>6,697</b>	<b>(3,505)</b>	<b>3,217</b>	<b>-</b>	<b>131,047</b>	<b>1,272,057</b>
Balance at 1 January 2007	1,100,000	34,601	6,697	(3,505)	3,217	-	131,047	1,272,057
Buy back of own shares (note 11)	-	-	-	-	-	(21,345)	-	(21,345)
Share in foreign exchange translation reserve	-	-	-	2,515	-	-	-	2,515
Share in net change in fair value of available for sale investments	-	-	-	-	5,521	-	-	5,521
Movement upon further acquisition of subsidiaries (note 3)	-	-	-	-	-	-	(2,616)	(2,616)
Net profit for the period (note 4)	-	-	-	-	-	-	101,160	101,160
Transfer to statutory reserve	-	-	-	-	-	-	-	-
<b>Balance at 30 September 2007</b>	<b>1,100,000</b>	<b>34,601</b>	<b>6,697</b>	<b>(990)</b>	<b>8,738</b>	<b>(21,345)</b>	<b>229,591</b>	<b>1,357,292</b>

Note: A transfer to statutory reserve will be made at the year end.

The notes on pages 8 to 19 form an integral part of these interim condensed consolidated financial statements.

The independent Auditors' review report is set out on page 1.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

## Notes

(forming part of the consolidated financial statements)

### 1. Legal status and activities

Islamic Arab Insurance Co. (Salama) (“the Company”) is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P O Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general insurance and life insurance business (started 2006), principally motor insurance, in accordance with Islamic Sharia’a principles and in accordance with UAE Federal Law no. 9 of 1984 relating to insurance companies and insurance agents.

In September 2005, the Company acquired 82.21% of Takaful & Retakaful International Investment Company BSC (c) (“Tariic”) (“the Subsidiary”), a closed Bahrain joint stock company incorporated in the Kingdom of Bahrain, with the control transferring with effect from 1 January 2005 in accordance with a Sale and Purchase Agreement (refer note 3). After the initial purchase, further acquisitions were made in Tariic. After purchasing additional 4,080,465 shares in 2007, the holding of the Company increased to 99.40% as at September 30, 2007.

In addition, the Company acquired 222,494 shares in Best Re which is one of the subsidiaries of Tariic. The shares acquired represent 40.45 % holding in Best Re. During the third quarter of 2006, Best Re has increased its share capital from 550,000 to 1 million shares which were only allotted to Tariic. The shareholding of the Company decreased to 22.25%.

The Company and its subsidiaries are referred to as “the Group”. Tariic is a holding company and no commercial activities are carried out in the Kingdom of Bahrain. It has the following subsidiaries which are engaged in insurance and reinsurance under Islamic Sharia’a principles:

Subsidiaries	Tariic Ownership		Country of Incorporation
	30 September 2007	31 December 2006	
Best Re	77.75%	77.75%	Tunisia
Sosar Al Amane Assurance	52.66%	52.66%	Senegal
Salama Assurances Algerie (formerly Al Baraka Oua Al Amane)	89.11%	89.11%	Algeria
Egypt Saudi Insurance Home	51.15%	51.15%	Egypt

### 2. Basis of preparation and significant accounting policies

#### Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and its interpretations adopted by the International Accounting Standards Board and the requirements of UAE Federal Law No.8 of 1984 (as amended) concerning commercial companies and Federal law No. 9 of 1984 (as amended) concerning insurance companies and agents.

#### New standards and interpretations

- *IAS 1 Presentation of Financial Statements - Capital Disclosures* requires the Group to disclose information that enables users of its consolidated financial statements to evaluate entity’s objectives, policies and processes for managing capital; and
- *IFRS 7 Financial Instruments - Disclosures* requires the Group to disclose the qualitative and quantitative information about its exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risks and market risk.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

## 2. **Basis of preparation and significant accounting policies (continued)**

### **New standards and interpretations (continued)**

IAS 1 and IFRS 7 (superseding IAS 30 and 32) which become mandatory for the Group's 2007 consolidated financial statements are not expected to have any impact on the consolidated financial statements of the Group except for the disclosures as required under the respective IAS and IFRS.

### **Basis of preparation**

The interim condensed consolidated financial statements have been prepared from the accounting records of the Company and its subsidiaries under historical cost convention except for investments fair valued through profit and loss, available for sale investments and property which are stated at their fair values. The accounting policies have been consistently applied by the Group except, as fully explained in note below, for the change in accounting policy of treating the policyholders' fund. The financial statements as per 31 December 2006 gave a full description of the accounting policies.

The consolidated financial statements are presented in United Arab Emirate Dirham ("AED"), rounded to the nearest thousand.

### **Change in accounting policy**

During the period, the Group changed its accounting policy on the policyholders' fund. The Group has classified the policyholders' fund as a separate part of the equity rather than as a liability. Management considers that this change makes the interim condensed consolidated financial statements more relevant to the economic decision-making needs of the users and no less reliable compared to previous presentation (refer note 4).

### **Basis of consolidation**

#### *Subsidiaries*

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The interim condensed consolidated financial statements of the subsidiary are included in the Group's interim condensed consolidated financial statements from the date that control commences until the date that control ceases.

Minority interests in the equity and results of the entities that are controlled by the Group are shown as a separate item in the Group's interim condensed consolidated financial statements.

Any premiums or discounts on subsequent acquisition, after control is obtained, of equity instruments from (or sale of equity instruments to) minority interests is recognised directly in shareholders' equity.

#### *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 2. Basis of preparation and significant accounting policies

### Basis of consolidation (continued)

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the Group's interim condensed consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated, wherever practicable, to the extent of the Group's interest in the enterprise. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### Underwriting income attributable to policyholders and shareholders

As stated in note 1, the Group operates in accordance with Islamic Sharia'a principles. As a result, the net underwriting income from the operations of the Company is attributable to policyholders in accordance with the terms and conditions of insurance contracts acquired by the policyholder which stipulates that the insured on taking out this policy from the Company becomes entitled to participate in the premium pool with insured parties in the class of insurance on cooperative (mutual basis). The relationship of the insured with the Company will be determined particularly as to his share in the surplus net of management expenses, liabilities for claims and necessary reserves by the Board of Directors of the Company for the class of insurance at the end of fiscal year of the Company. The Company undertakes to pay such share to the insured in the net profits in accordance with the resolution of the Board of Directors of the Company after the close of fiscal year of the Company. However, the net underwriting income from the operations of subsidiaries is attributable to the shareholders in accordance with the regulations prevailing in the jurisdiction of the subsidiary. Therefore, the Company maintains separate accounts for insurance operations on behalf of the policyholders.

## 3. Acquisition of subsidiaries

As stated in note 1, with effect from 1 January 2005, the Company acquired 82.21% share in Tariic. The operating results and financial position of Tariic for the year ended 31 December 2005 have been consolidated with the financial statements of the Company as the Group has control over the operating and financial policies of Tariic. The above acquisition resulted in recognition of Goodwill in balance sheet amounting to AED 186.9 million.

Subsequent to the above acquisition, as stated in note 1, the Company increased its holding in Tariic to 99.40% as at September 30, 2007 by further acquisitions of 4,080,465 shares. The net resultant discount of AED 2.62 million on these acquisitions was recognised directly in Company's shareholder's equity.

In addition to the acquisitions in Tariic, as stated in note 1, Company acquired shares in Best Re, subsidiary of Tariic. The goodwill amounting to AED 25.6 million was recognised in Company's shareholder's equity. After the acquisition, Tariic acquired further holding in Best Re and recognised AED 7.4 million discount directly in Tariic's shareholder's equity. Consequently, the share of Company to the above discount of AED 7.0 million was recognised directly in shareholders' equity.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 4. Allocation of the net profit for the period

	Nine month period ended 30 September 2007				Nine month period ended 30 September 2006			
	Shareholder AED'000	Policyholder AED'000	Minority interest AED'000	Total AED'000	Shareholder AED'000	Policyholder AED'000	Minority interest AED'000	Total AED'000
<b>Net underwriting income</b>								
Net underwriting income of the Company	-	16,075	-	16,075	-	9,535	-	9,535
Net underwriting income from subsidiaries	79,665	-	-	79,665	65,651	-	-	65,651
	-----	-----	-----	-----	-----	-----	-----	-----
Total net underwriting income	79,665	16,075	-	95,740	65,651	9,535	-	75,186
<b>Income</b>								
Wakala fees (note 5)	13,079	(13,079)	-	-	8,251	(8,251)	-	-
Mudarib fees (note 5)	31	(31)	-	-	26	(26)	-	-
Acquisition fee for life insurance	1,845	(1,845)	-	-	-	-	-	-
Investment income (note 6)	89,854	203	-	90,057	129,885	175	-	130,060
Other income	7,883	18	-	7,901	3,795	5	-	3,800
	-----	-----	-----	-----	-----	-----	-----	-----
	192,357	1,341	-	193,698	207,608	1,438	-	209,046
<b>Expenses</b>								
General and administrative expenses	(69,624)	-	-	(69,624)	(57,418)	-	-	(57,418)
Finance expenses	(15,978)	-	-	(15,978)	(281)	-	-	(281)
Provision for charitable donations	(3,247)	-	-	(3,247)	(1,468)	-	-	(1,468)
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit before tax for the period	103,508	1,341	-	104,849	148,441	1,438	-	149,879
Tax	(2,282)	-	-	(2,282)	(2,151)	-	-	(2,151)
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit after tax for the period	101,226	1,341	-	102,567	146,290	1,438	-	147,728
Share of minority interest	(1,407)	-	1,407	-	(4,440)	-	4,440	-
Chargeback of funding provided	1,341	(1,341)	-	-	1,438	(1,438)	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit for the period	101,160	-	1,407	102,567	143,288	-	4,440	147,728
	=====	=====	=====	=====	=====	=====	=====	=====

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 5. Wakala and mudarib fees

The shareholders manage the insurance operations of the Company for the policyholders and charge 15% (2006: 15%) of gross written premium of non life insurance business (excluding subsidiaries) as Wakala fees. For life insurance business, Wakala fees are being charged at 15% of mortality costs.

The shareholders of the Company also manage the policyholders' investment funds and charge 15% (2006: 15%) of investment income earned by the policyholders as Mudarib fees.

## 6. Investment income

	Nine month period ended 30 September 2006		
	Shareholders AED'000	Policyholders AED'000	Total AED'000
Income from investments in Modaraba and IPO Fund	131,192	-	131,192
Realised gain on sale of investments	1,003	-	1,003
Unrealised losses on investments	(17,271)	-	(17,271)
Impairment allowance on available for sale investments	(1,153)	-	(1,153)
Income from bank deposits and loans and receivables	14,590	37	14,627
Dividend income	692	-	692
Share in income of associates	339	-	339
Rental income	493	138	631
	-----	-----	-----
	129,885	175	130,060
	=====	=====	=====

	Nine month period ended 30 September 2007		
	Shareholders AED'000	Policyholders AED'000	Total AED'000
Income from investments in Modaraba and IPO Fund	63,127	-	63,127
Realised gain on sale of investments	2,039	-	2,039
Unrealised gains on investments	14,517	-	14,517
Impairment allowance on available for sale investments	(665)	-	(665)
Income from bank deposits and loans and receivables	9,457	80	9,537
Dividend income	853	-	853
Rental income	526	123	649
	-----	-----	-----
	89,854	203	90,057
	=====	=====	=====

Investment income of the Company has been allocated to the shareholders in the ratio of capital to total assets of the Company as at latest audited balance sheet date. The remaining income has been allocated to the policyholders.

In July 2005, the Company increased its share capital from AED 50 million to AED 1 billion. Investment income generated by investing these funds have not been allocated to the policyholders as these funds pertain to shareholders and are not generated from the operations of the Company.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 7. Investment in associates

The principal associates of the Group, all of which have 31 December as their year end are as follows:

Associates	Ownership		Country of incorporation	30 September	31 December
	2007	2006		2007	2006
				AED'000	AED'000
GEPAR	19.06%	19.06%	Tunisia	92	92
Saudi IAIC Cooperative Insurance Co. (Saudi IAIC)*	30.00%	30.00%	KSA	33,404	33,404
ITE	46.71%	46.71%	Tunisia	43	43
Lloyds Tunisia	23.77%	23.77%	Tunisia	-	-
Best Invest	23.83%	23.83%	Tunisia	-	-
				-----	-----
				<b>33,539</b>	<b>33,539</b>
				=====	=====

### Movements during the period/year

	Nine month period ended 30 September 2007	Twelve month period ended 31 December 2006
	AED'000	AED'000
Balance at 1 January	33,539	60,055
Investments reclassified as available for sale	-	(2,826)
Disposal of associates	-	(23,853)
Share in profit of associates	-	163
	-----	-----
Balance at 30 September/31 December	<b>33,539</b>	<b>33,539</b>
	=====	=====

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 8. Related party transactions

The Group, in the normal course of business, collects premiums, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the International Accounting Standard 24. The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. The following are the details of significant transactions with related parties.

	<b>Nine month period ended 30 September 2007 AED'000</b>	Nine month period ended 30 September 2006 AED'000
General and administrative expenses	1,652	300
Reinsurance on premiums	2,407	6,271
Reinsurance on claims	183	1,419
Purchase of investments with other entities under Common Management with the Group	115,179	297,678
Sale of investments with other entities under Common Management with the Group	94,335	293,617

Transactions and receivables relative to Bin Zayed Group is in respect of management of the Group's investment portfolio.

	<b>30 September 2007 AED'000</b>	31 December 2006 AED'000
<b>Due from related parties</b>		
Bin Zayed Group	25,884	-
IAIC Labuan	5,961	7,004
IAIC Bahrain - Reinsurance Account	23	22
Other entities under common management with the Group	2,211	800
	<u>34,079</u>	<u>7,826</u>
<b>Due to related parties</b>		
Bin Zayed Group	-	7,859
IAIC Bahrain - Current account	250	1,377
IAIC Bahrain - Reinsurance Account	5,207	1,471
Other entities under common management with the Group	3,497	3,307
	<u>8,954</u>	<u>14,014</u>

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 8. Related party transactions (continued)

	Nine month period ended 30 September 2007 AED'000	Nine month period ended 30 September 2006 AED'000
<b>Compensation of key management personnel</b>		
Short term benefits	3,322	2,804
Employees end of service benefits	1,566	321
	-----	-----
	<u>4,888</u>	<u>3,125</u>

## 9. Policyholders' fund

	30 September 2007 AED'000	31 December 2006 AED'000
<b>Deficiency of policyholders' fund</b>		
Balance at 1 January	(11,681)	(12,921)
Net surplus attributable to policyholders for the period/year	1,341	1,240
	-----	-----
	<u>(10,340)</u>	<u>(11,681)</u>
<b>Funding provided by shareholders</b>		
Balance at 1 January	11,681	12,921
Net surplus attributable to policyholders for the period/year	(1,341)	(1,240)
	-----	-----
	<u>10,340</u>	<u>11,681</u>
Balance at 30 September/31 December	-----	-----
	<u>-</u>	<u>-</u>

The shareholders of the Company have financed the policyholders' deficit in accordance with the Company's policy.

## 10. Minority interest

	30 September 2007 AED'000	31 December 2006 AED'000
Balance at 1 January	41,179	158,392
Movement upon further acquisition of subsidiaries	-	(119,645)
Dividends paid	(20,763)	(3,467)
Share in revaluation surplus of property and equipment	-	(42)
Share in foreign exchange translation reserve	649	327
Share in net change in fair value of available for sale investments	72	704
Minority's share of profit for the period/year	1,407	4,910
	-----	-----
Balance at 30 September/31 December	<u>22,544</u>	<u>41,179</u>

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 11. Treasury shares

During the period, the Company bought back 7,121,134 shares amounting to AED 21.3 million. The buy back of shares was approved by the Board of Directors on 7 February 2007.

The treasury shares are debited as a separate category of shareholders' equity at cost.

## 12. Earnings per share

The calculation of earnings per share for the period ended 30 September 2007 is based on earnings of AED 101.16 million (30 September 2006: AED 143.29 million) divided by the weighted average number of shares of 1,098.5 million (30 September 2006: 1,100.0 million) outstanding during the period.

The earnings per share for the period ended 30 September 2006 have been revised to take the impact of bonus shares issued in 2006.

## 13. Contingent liabilities and capital commitments

	30 September 2007 AED'000	31 December 2006 AED'000
Letters of guarantee	9,457	9,518

Statutory deposits of AED 7.15 million (31 December 2006: AED 7.12 million) are held as lien by the bank against the above guarantees.

The Group, in common with other insurance companies, is involved as a defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no capital commitments at 30 September 2007 (31 December 2006: Nil).

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 14. Segmental information

*By Business*

*(for the period ended 30 September 2006)*

	<b>Fire AED'000</b>	<b>Accident AED'000</b>	<b>Engineering AED'000</b>	<b>Marine AED'000</b>	<b>Motor AED'000</b>	<b>Health AED'000</b>	<b>Transport AED'000</b>	<b>Others AED'000</b>	<b>Total AED'000</b>
Gross written premiums	185,229	42,176	39,271	40,165	132,785	-	-	23,713	463,339
Net premiums earned	144,425	32,455	26,616	29,772	119,873	-	-	17,889	371,030
Commissions received on ceded reinsurance	6,155	1,635	2,379	1,942	1,356	-	-	668	14,135
Net claims incurred	150,580	34,090	28,995	31,714	121,229	-	-	18,557	385,165
Commissions paid	(73,505)	(15,728)	(13,020)	(20,416)	(76,187)	-	-	(3,665)	(202,521)
<b>Net underwriting income/(loss)</b>	<b>22,985</b>	<b>5,178</b>	<b>4,037</b>	<b>(483)</b>	<b>30,820</b>	<b>-</b>	<b>-</b>	<b>12,650</b>	<b>75,187</b>

Segment reporting by business in respect of assets and liabilities is not available for disclosure purposes.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 14. Segmental information (continued)

### *By Business*

*(for the period ended 30 September 2007)*

	Fire AED'000	Accident AED'000	Engineering AED'000	Marine AED'000	Motor AED'000	Health AED'000	Transport AED'000	Life AED'000	Others AED'000	Total AED'000
Gross written premiums	292,648	75,208	67,780	60,241	154,487	13,388	435	10,418	9,702	684,307
Net premiums earned	214,400	58,970	44,024	49,681	143,622	6,671	332	4,502	5,928	528,130
Commissions received on ceded reinsurance	8,772	1,933	2,600	1,434	465	329	42	-	750	16,325
Net claims incurred	(139,983)	(10,986)	(4,920)	(22,047)	(108,755)	(3,016)	58	(1,090)	(1,978)	(292,717)
Commissions paid and other costs	(77,921)	(22,697)	(17,348)	(16,549)	(18,620)	(1,622)	(120)	(130)	(991)	(155,998)
<b>Net underwriting income</b>	<b>5,268</b>	<b>27,220</b>	<b>24,356</b>	<b>12,519</b>	<b>16,712</b>	<b>2,362</b>	<b>312</b>	<b>3,282</b>	<b>3,709</b>	<b>95,740</b>

Segment reporting by business in respect of assets and liabilities is not available for disclosure purposes.

# Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

## 14. Segmental information (continued)

*By Geographical*

*(for the period ended 30 September 2006)*

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written premiums	124,869	197,832	98,418	42,220	463,339
Net premiums earned	102,418	139,635	87,626	41,351	371,030
Commissions received on ceded reinsurance	4,609	8,602	924	-	14,135
	107,027	148,237	88,550	41,351	385,165
Net claims incurred	(43,232)	(66,403)	(68,705)	(24,181)	(202,521)
Commissions and other costs	(21,076)	(59,223)	(16,146)	(11,012)	(107,457)
<b>Net underwriting income</b>	<b>42,719</b>	<b>22,611</b>	<b>3,699</b>	<b>6,158</b>	<b>75,187</b>

*(for the period ended 30 September 2007)*

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written premiums	173,340	305,192	144,610	61,165	684,307
Net premiums earned	143,206	214,727	108,654	61,543	528,130
Commissions received on ceded reinsurance	5,493	8,187	2,645	-	16,325
	148,699	222,914	111,299	61,543	544,455
Net claims incurred	(72,269)	(112,735)	(81,610)	(26,103)	(292,717)
Commissions paid and other costs	(32,304)	(87,540)	(20,735)	(15,419)	(155,998)
<b>Net underwriting income</b>	<b>44,126</b>	<b>22,639</b>	<b>8,954</b>	<b>20,021</b>	<b>95,740</b>

Segment reporting by geographical in respect of assets and liabilities is not available for disclosure purposes.

## 15. Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform with the presentation adopted in these financial statements.