

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

Interim condensed consolidated financial statements
30 June 2007

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated financial statements

for the six month period ended 30 June 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 June 2007, and the related interim condensed consolidated income statement, changes in shareholders' equity and cash flows for the six 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 June 2007 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

01 AUG 2007

Vijendranath Malhotra
Registration No: 48 B

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interi condensed consolidated income statement

for the six month period ended 30 June 2007

	Six month period ended 30 June 2007 AED'000	Six month period ended 30 June 2006 AED'000	Three month period ended 30 June 2007 AED'000	Three month period ended 30 June 2006 AED'000
<i>Note</i>				
UNDERWRITING RESULTS				
Underwriting income				
Gross written premiums	462,179	310,918	263,068	153,219
Less: Reinsurance premiums ceded	(71,210)	(48,030)	(39,019)	(27,424)
Net premiums	390,969	262,888	224,049	125,795
Net movement in unearned premiums	(32,005)	(21,338)	(27,973)	(6,474)
Premiums earned	358,964	241,550	196,076	119,321
Commissions received on ceded reinsurance	9,526	9,545	4,768	6,085
	<u>368,490</u>	<u>251,095</u>	<u>200,844</u>	<u>125,406</u>
Underwriting expenses				
Gross claims paid	155,888	113,078	78,845	55,761
Less: reinsurance share of claims paid	(9,102)	(9,721)	(7,049)	(2,877)
Net claims paid	146,786	103,357	71,796	52,884
Net movement in outstanding claims	48,844	18,144	35,692	253
Claims incurred	195,630	121,501	107,488	53,137
Commissions paid and other costs	103,440	68,998	61,364	36,103
	<u>299,070</u>	<u>190,499</u>	<u>168,852</u>	<u>89,240</u>
Net underwriting income	69,420	60,596	31,992	36,166
Income				
Investment income	6 51,729	83,556	30,900	17,474
Other income	3,443	2,950	(211)	2,440
	<u>124,592</u>	<u>147,102</u>	<u>62,681</u>	<u>56,080</u>
Expenses				
General and administrative expenses	(44,385)	(33,797)	(25,805)	(18,403)
Financial expenses	(9,980)	(4,268)	(3,229)	(4,219)
Provision for charitable donations	(814)	(1,101)	1,679	(1,101)
Net profit before tax for the period	69,413	107,936	35,326	32,357
Tax	(1,658)	(794)	(748)	(190)
Net profit after tax for the period	4 67,755	107,142	34,578	32,167

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated income statement

for the six month period ended 30 June 2007

		Six month period ended 30 June 2007	Six month period ended 30 June 2006	Three month period ended 30 June 2007	Three month period ended 30 June 2006
		AED'000	AED'000	AED'000	AED'000
	<i>Note</i>				
Net profit after tax for the period	4	<u>67,755</u>	<u>107,142</u>	<u>34,578</u>	<u>32,167</u>
Earnings per share (AED)	12	<u>0.060</u>	<u>0.093</u>	<u>0.031</u>	<u>0.029</u>
Attributable to:					
Shareholders	4	65,474	102,624	33,656	32,003
Policyholders	4	-	-	-	-
Minority share	4,10	<u>2,281</u>	<u>4,518</u>	<u>922</u>	<u>164</u>
Net profit after tax for the period	4	<u>67,755</u>	<u>107,142</u>	<u>34,578</u>	<u>32,167</u>

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 June 2007

		30 June 2007 AED'000	31 December 2006 AED'000
	<i>Note</i>		
Non-current assets			
Property and equipment		54,404	53,468
Intangible assets		12,838	10,993
Goodwill	3	186,194	186,194
Investment properties		74,908	74,908
Investments in associates	7	33,539	33,539
Statutory deposits		43,812	42,187
Available for sale investments		94,550	99,950
Loan and receivables - long term portion		15,395	20,166
		-----	-----
		515,640	521,405
		-----	-----
Current assets			
Financial assets at fair value through profit or loss		72,034	61,262
Loan and receivables - short term portion		24,619	22,039
Deposits with insurance and reinsurance companies		283,062	285,310
Premiums and insurance balance receivables		443,246	316,851
Reinsurers' share of outstanding claims		81,962	67,315
Reinsurers' share in unearned premiums		22,062	20,823
Amounts due from related parties	8	7,374	7,826
Other assets and receivables		46,081	40,367
Cash in hand and at bank		812,290	809,172
		-----	-----
		1,792,730	1,630,965
		-----	-----
Current liabilities			
Outstanding claims reserve		442,346	379,473
Unearned premiums reserve		150,304	115,172
Insurance balances payable		97,328	76,713
Other payables and accruals		70,500	91,139
Amounts due to related parties	8	6,486	14,014
Bank finance - short term portion		7,482	7,481
		-----	-----
		774,446	683,992
		-----	-----
Net current assets		1,018,284	946,973
		-----	-----
Non current liability			
Bank finance - long term portion		155,310	155,142
		-----	-----
Net assets		1,378,614	1,313,236
		=====	=====

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated balance sheet (continued)

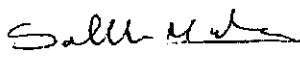
at 30 June 2007

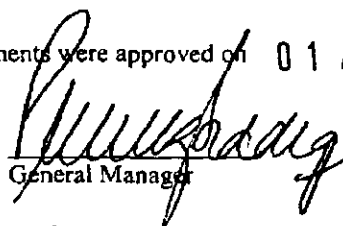
	Note	30 June 2007 AED'000	31 December 2006 AED'000
Represented by:			
Shareholders' equity	4	1,339,106	1,272,057
Policyholders' fund	4,9	-	-
Minority interest	4,10	39,508	41,179
Total equity		1,378,614	1,313,236

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 01 AUG 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 six month period ended 30 June 2007

	Six month period ended 30 June 2007 AED'000	Six month period ended 30 June 2006 AED'000
Operating activities		
Net profit before minority interest	67,755	107,142
<i>Adjustment for:</i>		
Net movement in unearned premiums reserve	33,893	24,180
Dividend income	(787)	(758)
	<hr/>	<hr/>
<i>Operating profit before changes in working capital</i>	100,861	130,564
Decrease/(increase) in deposits with insurance and reinsurance companies	2,248	(10,162)
Increase in premiums and insurance balance receivable	(126,395)	(64,744)
Decrease/(increase) in due from related parties	452	(91,167)
Increase in other assets and receivables	(5,714)	(9,566)
Increase in outstanding claims (net of reinsurance)	48,226	15,634
(Decrease)/increase in insurance payables and other payables	(24)	43,923
(Decrease)/increase in due to related parties	(7,528)	1,127
	<hr/>	<hr/>
<i>Cash flows from operating activities</i>	12,126	15,609
Investing activities		
Net movement in property and equipment and intangible assets	(2,781)	(6,388)
Net movement in investments	(34,511)	17,304
Loans and receivables received	2,191	13,736
Increase in statutory deposits	(1,625)	(19,590)
Dividend received	787	758
	<hr/>	<hr/>
<i>Cash flows (used in)/ from investing activities</i>	(35,939)	5,820
Financing activities		
Increase in term bank finance	1,544	8,226
Net movement in minority interest	(4,015)	(145,069)
Buy back of own shares	(3,907)	-
	<hr/>	<hr/>
<i>Cash flows used in financing activities</i>	(6,378)	(136,843)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(30,191)	(115,414)
Cash and cash equivalents at the beginning of the year	771,915	414,474
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	741,724	299,060
	<hr/>	<hr/>
Cash in hand and at bank	812,290	502,617
Lien over term deposits	-	(140,000)
Cash held within IPO Fund	(65,177)	(63,557)
Bank overdraft	(5,389)	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	741,724	299,060
	<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 six month period ended 30 June 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)	-
Balance at 31 December 2006	1,100,000	34,601	6,697	(3,505)	3,217	-	131,047	1,272,057
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)	-	-	-	-	-	(3,907)	-	(3,907)
Share in foreign exchange translation reserve	-	-	-	1,679	-	-	-	1,679
Share in net change in fair value of available for sale investments	-	-	-	-	3,866	-	-	3,866
Movement upon further acquisition of subsidiaries (note 3)	-	-	-	-	-	-	(63)	(63)
Net profit for the period (note 4)	-	-	-	-	-	-	65,474	65,474
Transfer to statutory reserve	-	-	-	-	-	-	-	-
Balance at 30 June 2007	1,100,000	34,601	6,697	(1,826)	7,083	(3,907)	196,458	1,339,106

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 June 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 685,046 shares in 2007 the holding of the Company increased to 96.01% as at June 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 June 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 becomes 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 96.01% as at June 30, 2007 by further acquisitions of 685,946 shares. The net resultant discount of AED 2.83 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

	Six month period ended 30 June 2007				Six month period ended 30 June 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
Net underwriting income								
Net underwriting income of the Company	-	11,364	-	11,364	-	7,464	-	7,464
Net underwriting income from subsidiaries	58,056	-	-	58,056	53,132	-	-	53,132
	<u>58,056</u>	<u>11,364</u>	<u>-</u>	<u>69,420</u>	<u>53,132</u>	<u>7,464</u>	<u>-</u>	<u>60,596</u>
Total net underwriting income	58,056	11,364	-	69,420	53,132	7,464	-	60,596
Income								
Wakala fees (note 5)	7,083	(7,083)	-	-	6,004	(6,004)	-	-
Mudarib fees (note 5)	19	(19)	-	-	16	(16)	-	-
Acquisition fee for life insurance	1,128	(1,128)	-	-	-	-	-	-
Investment income (note 6)	51,604	125	-	51,729	83,449	107	-	83,556
Other income	3,434	9	-	3,443	2,948	2	-	2,950
	<u>121,324</u>	<u>3,268</u>	<u>-</u>	<u>124,592</u>	<u>145,549</u>	<u>1,553</u>	<u>-</u>	<u>147,102</u>
Expenses								
General and administrative expenses	(44,385)	-	-	(44,385)	(33,797)	-	-	(33,797)
Finance expenses	(9,980)	-	-	(9,980)	(4,268)	-	-	(4,268)
Provision for charitable donations	(814)	-	-	(814)	(1,101)	-	-	(1,101)
	<u>66,145</u>	<u>3,268</u>	<u>-</u>	<u>69,413</u>	<u>106,383</u>	<u>1,553</u>	<u>-</u>	<u>107,936</u>
Net profit before tax for the period	66,145	3,268	-	69,413	106,383	1,553	-	107,936
Tax	(1,658)	-	-	(1,658)	(794)	-	-	(794)
	<u>64,487</u>	<u>3,268</u>	<u>-</u>	<u>67,755</u>	<u>105,589</u>	<u>1,553</u>	<u>-</u>	<u>107,142</u>
Net profit after tax for the period	64,487	3,268	-	67,755	105,589	1,553	-	107,142
Share of minority interest	(2,281)	-	2,281	-	(4,518)	-	4,518	-
Chargeback of funding provided	3,268	(3,268)	-	-	1,553	(1,553)	-	-
	<u>65,474</u>	<u>-</u>	<u>2,281</u>	<u>67,755</u>	<u>102,624</u>	<u>-</u>	<u>4,518</u>	<u>107,142</u>
Net profit for the period	65,474	-	2,281	67,755	102,624	-	4,518	107,142

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

	Six month period ended 30 June 2006		
	Shareholders AED'000	Policyholders AED'000	Total AED'000
Income from investments in Modaraba and IPO Fund	92,973	-	92,973
Realised gain on sale of investments	3,164	-	3,164
Unrealised losses on investments	(19,590)	-	(19,590)
Impairment allowance on available for sale investments	(3,026)	-	(3,026)
Income from bank deposits and loans and receivables	8,504	15	8,519
Dividend income	758	-	758
Share in income of associates	339	-	339
Rental income	327	92	419
	<u>83,449</u>	<u>107</u>	<u>83,556</u>

	Six month period ended 30 June 2007		
	Shareholders AED'000	Policyholders AED'000	Total AED'000
Income from investments in Modaraba and IPO Fund	33,912	-	33,912
Unrealised gains on investments	11,984	-	11,984
Impairment allowance on available for sale investments	(312)	-	(312)
Income from bank deposits and loans and receivables	4,883	43	4,926
Dividend income	787	-	787
Rental income	350	82	432
	<u>51,604</u>	<u>125</u>	<u>51,729</u>

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 June	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	-	-
				<u>33,539</u>	<u>33,539</u>

Movements during the period/year

	Six month period ended 30 June 2007 AED'000	Twelve month period ended 31 December 2006 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 June/31 December	<u>33,539</u>	<u>33,539</u>

*In 2005, this represents investment in Saudi IAIC as a result of ownership by Tariic of 41% and by the Company of 8% which was under formation then at the balance sheet date and was carried at cost. In 2006, Tariic has entirely sold its ownership in Saudi IAIC to the Company (22%) and the remaining balance to other promoters of Saudi IAIC (19%). There was no gain or loss on the disposal of Saudi IAIC shares.

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.

	Six month period ended 30 June 2007 AED'000	Six month period ended 30 June 2006 AED'000
General and administrative expenses	1,461	200
Reinsurance on premiums	2,969	5,115
Reinsurance on claims	182	906
Commission	69	-
Purchase of investments with other entities under Common Management with the Group	-	286,159
Sale of investments with other entities under Common Management with the Group	-	265,708

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

	30 June 2007 AED'000	31 December 2006 AED'000
Due from related parties		
IAIC Labuan	5,961	7,004
IAIC Bahrain - Reinsurance Account	23	22
Other entities under common management with the Group	1,390	800
	<u>7,374</u>	<u>7,826</u>
Due to related parties		
IAIC Bahrain - Current account	1,727	1,377
Bin Zayed Group	-	7,859
IAIC Bahrain - Reinsurance Account	1,394	1,471
Other entities under common management with the Group	3,365	3,307
	<u>6,486</u>	<u>14,014</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

8. Related party transactions (continued)

Compensation of key management personnel

	Six month period ended 30 June 2007 AED'000	Six month period ended 30 June 2006 AED'000
Short term benefits	2,279	916
Employees end of service benefits	1,143	1,723
	<u>3,422</u>	<u>2,639</u>

9. Policyholders' fund

	30 June 2007 AED'000	31 December 2006 AED'000
Deficiency of policyholders' fund		
Balance at 1 January	(11,681)	(12,921)
Net surplus attributable to policyholders for the period/year	3,268	1,240
	<u>(8,413)</u>	<u>(11,681)</u>
Funding provided by shareholders		
Balance at 1 January	11,681	12,921
Net surplus attributable to policyholders for the period/year	(3,268)	(1,240)
	<u>8,413</u>	<u>11,681</u>
Balance at 30 June/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 June 2007 AED'000	31 December 2006 AED'000
Balance at 1 January	41,179	158,392
Movement upon further acquisition of subsidiaries	(3,082)	(119,645)
Dividends paid	(1,078)	(3,467)
Share in revaluation surplus of property and equipment	-	(42)
Share in foreign exchange translation reserve	344	327
Share in net change in fair value of available for sale investments	(136)	704
Minority's share of profit for the period/year	2,281	4,910
Balance at 30 June/31 December	<u>39,508</u>	<u>41,179</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11. Treasury shares

In May 2007, the Company bought back 1,335,900 shares amounting to AED 3.9 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 June 2007 is based on earnings of AED 65.47 million (30 June 2006: AED 102.62 million) divided by the weighted average number of shares of 1,099.6 million (30 June 2006: 1,100.0 million) outstanding during the period.

The earnings per share for the period ended 30 June 2006 and 31 March 2006 have been revised to take the impact of bonus shares issued in 2006.

13. Contingent liabilities and capital commitments

	30 June 2007 AED'000	31 December 2006 AED'000
Letters of guarantee	9,384	9,518

Statutory deposits of AED 7.01 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 June 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 June 2006)

	Fire AED'000	Accident AED'000	Engineering AED'000	Marine AED'000	Motor AED'000	Health AED'000	Transport AED'000	Others AED'000	Total AED'000
Gross written premiums	123,247	28,076	25,760	27,556	91,411	-	-	14,868	310,918
Net premiums earned	88,226	20,433	16,333	19,707	86,031	-	-	10,820	241,550
Commissions received on ceded reinsurance	4,151	970	1,659	1,250	1,098	-	-	417	9,545
Net claims incurred	92,377	21,403	17,992	20,957	87,129	-	-	11,237	251,095
Commissions paid	(45,899)	(9,949)	(7,491)	(10,594)	(45,443)	-	-	(2,125)	(121,501)
Net underwriting income	11,640	3,041	3,193	2,694	32,103	-	-	7,925	60,596

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 June 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	199,019	53,353	39,930	40,677	103,596	9,426	2,136	5,714	8,328	462,179
Net premiums earned	150,061	40,189	29,621	33,429	91,176	4,854	2,104	2,358	5,172	358,964
Commissions received on ceded reinsurance	4,311	1,277	1,586	759	634	128	172	-	659	9,526
Net claims incurred	154,372 (77,720)	41,466 (12,958)	31,207 (8,783)	34,188 (23,952)	91,810 (65,958)	4,982 (1,685)	2,276 (2,336)	2,358 (580)	5,831 (1,658)	368,490 (195,630)
Commissions paid and other costs	(52,011)	(13,711)	(10,574)	(11,478)	(12,898)	(1,075)	(121)	(61)	(1,511)	(103,440)
Net underwriting income/(loss)	24,641	14,797	11,850	(1,242)	12,954	2,222	(181)	1,717	2,662	69,420

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 June 2006)*

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written premiums	87,491	124,540	71,513	27,374	310,918
Net premiums earned	73,323	80,791	61,034	26,402	241,550
Commissions received on ceded reinsurance	3,240	4,118	2,187	-	9,545
	76,563	84,909	63,221	26,402	251,095
Net claims incurred	(30,546)	(33,777)	(47,472)	(9,706)	(121,501)
Commissions and medical fees paid	(13,833)	(36,373)	(11,649)	(7,143)	(68,998)
Net underwriting income	32,184	14,759	4,100	9,553	60,596

(for the period ended 30 June 2007)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written premiums	122,570	211,787	88,516	39,306	462,179
Net premiums earned	97,123	140,857	76,486	44,498	358,964
Commissions received on ceded reinsurance	3,968	5,460	98	-	9,526
	101,091	146,317	76,584	44,498	368,490
Net claims incurred	(54,738)	(78,701)	(45,081)	(17,110)	(195,630)
Commissions paid and medical fees	(21,514)	(58,219)	(14,038)	(9,669)	(103,440)
Net underwriting income	24,839	9,397	17,465	17,719	69,420

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.