

Islamic Arab Insurance Co.
(Salama) and its subsidiaries

Interim condensed consolidated financial statements
31 March 2007

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated financial statements *for the three month ended 31 March 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 31 March 2007, and the related interim condensed consolidated income statement, changes in equity and cash flows for the three months period then ended (the interim 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 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 31 March 2007 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

0 8 MAY 2007

Vijendranath Malhotra
Registration No: 48 B

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated income statement

for the three month period ended 31 March 2007

		Three months ended 31 March 2007 AED'000	Three months ended 31 March 2006 AED'000
UNDERWRITING RESULTS			
	<i>Note</i>		
Underwriting income			
Gross written premium		198,793	157,227
Add: policy fee		318	472
		<u>199,111</u>	<u>157,699</u>
Less: reinsurance premiums ceded		(32,191)	(20,606)
		<u>166,920</u>	<u>137,093</u>
Net premium		166,920	137,093
Net movement in unearned premium		(4,032)	(14,864)
		<u>162,888</u>	<u>122,229</u>
Premiums earned		162,888	122,229
Commission received on ceded reinsurance		4,758	3,460
		<u>167,646</u>	<u>125,689</u>
Underwriting expenses			
Gross claims paid		77,043	57,317
Less: reinsurance share of claims paid		(2,053)	(6,844)
		<u>74,990</u>	<u>50,473</u>
Net claims paid		74,990	50,473
Net movement in outstanding claims		13,152	17,891
		<u>88,142</u>	<u>68,364</u>
Claims incurred		88,142	68,364
Commission paid and other costs		41,942	32,867
Medical fee		134	28
		<u>130,218</u>	<u>101,259</u>
		<u>37,428</u>	<u>24,430</u>
Net underwriting income		37,428	24,430
Net underwriting income from subsidiaries attributable to shareholders	2	(31,730)	(20,340)
Wakala fees	4	(3,312)	(3,052)
		<u>2,386</u>	<u>1,038</u>
Net surplus from insurance operations		2,386	1,038
Investment income	5	64	61
Mudarib fees	4	(10)	(9)
Surplus arising from life insurance business		(476)	-
Other income		4	-
		<u>1,968</u>	<u>1,090</u>
Net surplus attributable to policy holders	2,9	1,968	1,090

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated income statement (continued)

for the three month period ended 31 March 2007

	<i>Note</i>	Three months Period ended 31 March 2007 AED'000	Three months period ended 31 March 2006 AED'000
ATTRIBUTABLE TO SHAREHOLDERS			
Income			
Net underwriting income from subsidiaries attributable to shareholders		31,730	20,340
Wakala fees from policy holders	4	3,312	3,052
Mudarib fees from policy holders	4	10	9
Surplus arising from life insurance business		476	-
Investment income	5	20,765	66,021
Other income		3,650	510
		<u>59,943</u>	<u>89,932</u>
Expenses			
General and administrative expenses		(18,580)	(15,394)
Finance expense		(6,751)	(49)
Provision for charitable donations		(2,493)	-
Provision written back against loan to policyholders' fund	2,9	1,968	1,090
		<u>34,087</u>	<u>75,579</u>
Net profit before taxation and minority interest		34,087	75,579
Tax on foreign operations		(910)	(604)
		<u>33,177</u>	<u>74,975</u>
Attributable to:			
Shareholders of the parent company		31,818	70,621
Minority interest		1,359	4,354
		<u>33,177</u>	<u>74,975</u>
Earnings per share (AED)	<i>10</i>	<u>0.029</u>	<u>0.064</u>

The notes on pages 8 to 20 form an integral part of these interim condensed consolidated financial statements.

The review report of the Auditors is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries
Interim condensed consolidated balance sheet
at 31 March 2007

	<i>Note</i>	31 March 2007 AED'000	31 December 2006 AED'000
Non-current assets			
Property and equipment		53,868	53,468
Intangible assets		11,777	10,993
Goodwill	3	186,194	186,194
Investment properties		74,908	74,908
Investments in associates		33,539	33,539
Statutory deposits		42,565	42,187
Available for sale investments		64,034	99,950
Loan and receivables - long term portion		17,798	20,166
		-----	-----
		484,683	521,405
		-----	-----
Current assets			
Financial assets at fair value through profit or loss		64,992	61,262
Loan and receivables - short term portion		22,216	22,039
Deposits with insurance and reinsurance companies		282,913	285,310
Premiums and insurance balance receivables		368,423	316,851
Reinsurers' share of outstanding claims		65,489	67,315
Reinsurers' share of unearned premiums		21,011	20,823
Amounts due from related parties	7	242,292	7,826
Other assets and receivables		50,881	40,367
Cash in hand and at bank		598,269	809,172
		-----	-----
		1,716,486	1,630,965
		-----	-----
Current liabilities			
Outstanding claims reserve		390,058	379,473
Unearned premiums reserve		119,392	115,172
Insurance balances payable		84,508	76,713
Other payables and accruals		92,081	91,139
Amounts due to related parties		7,965	14,014
Bank finance - short term portion		9,994	7,481
		-----	-----
		703,998	683,992
		-----	-----
Net current assets		1,012,488	946,973
		-----	-----
Non current liability			
Bank finance - long term portion		155,369	155,142
		-----	-----
Policyholders' fund			
Deficiency in policyholders' fund	9	(9,714)	(11,681)
Loan from shareholders	9	9,714	11,681
		-----	-----
		-	-
		-----	-----
Net assets		1,341,802	1,313,236
		=====	=====

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated balance sheet (continued)

at 31 March 2007

	Note	31 March 2007 AED'000	31 December 2006 AED'000
Represented by:			
Shareholders' funds			
Share capital		1,100,000	1,100,000
Statutory reserve		34,601	34,601
Revaluation reserve		6,697	6,697
Foreign exchange translation		(3,490)	(3,505)
Investment fair value reserve		1,807	3,217
Retained earnings		162,847	131,047
		-----	-----
		1,302,462	1,272,057
		-----	-----
Minority interest	8	39,340	41,179
		-----	-----
Total equity (including minority interest)		1,341,802	1,313,236
		=====	=====

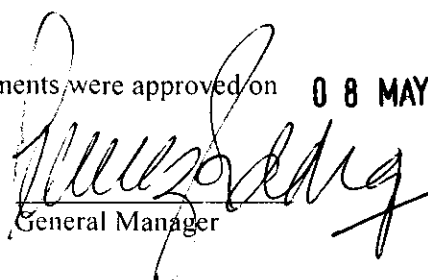
The notes on pages 8 to 20 form an integral part of these interim condensed consolidated financial statements.

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 MAY 2007**



Vice Chairman & CEO



General Manager

The review report of the Auditors is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated statement of cash flows

for the three month period ended 31 March 2007

	31 March 2007 AED'000	31 March 2006 AED'000
Operating activities		
Net profit before minority interest for the period	33,177	74,975
<i>Adjustment for:</i>		
Movement in unearned premium reserve (net of reinsurance)	4,031	13,165
Change in foreign exchange reserve	15	-
Change in investment fair value reserve	(1,410)	-
Goodwill incurred on acquisition of further shares of Tariic	(18)	-
Dividend income	-	(356)
	<hr/>	<hr/>
<i>Operating profit before changes in working capital</i>	35,795	87,784
Decrease/(increase) in deposits with insurance and reinsurance companies	2,398	(8,264)
Increase in premiums and insurance balance receivable	(51,572)	(55,844)
Increase in due from related parties	(234,467)	(267,049)
(Increase)/decrease in other assets and receivables	(10,512)	11,860
Increase in outstanding claims (net of reinsurance)	12,411	20,967
Increase in insurance payables and other payables	8,736	147,037
(Decrease)/increase in due to related parties	(6,049)	1,056
	<hr/>	<hr/>
<i>Cash flows from operating activities</i>	(243,260)	(62,453)
Investing activities		
Net movement in property and equipment	(401)	48
Net movement in intangible assets	(783)	(3,504)
Net movement in operating lease assets	-	-
(Increase) in investment in associates	-	(610)
(Increase) in statutory deposits	(379)	(16,279)
Decrease/(increase) in investments available for sale and financial assets at fair value through profit or loss	32,187	(70,441)
Increase in loans and receivables	2,190	-
Issue of lien over term deposits	-	-
Dividends received	-	356
	<hr/>	<hr/>
<i>Cash flows from investing activities</i>	32,814	(90,430)
Financing activities		
Increase in term bank finance	2,740	7,817
Net movement in minority interest	(3,197)	-
	<hr/>	<hr/>
<i>Cash flows from financing activities</i>	(457)	7,817
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(210,903)	(145,066)
Cash and cash equivalents at the beginning of the period	809,172	414,474
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	598,269	269,408
	<hr/>	<hr/>
Cash in hand and at bank	598,269	577,707
Lien over term deposits	-	(140,000)
Cash withheld within IPO Fund	-	(168,299)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	598,269	269,408
	<hr/>	<hr/>

The notes on pages 8 to 20 form an integral part of these condensed consolidated financial statements.

The review report of the Auditors is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated statement of changes in equity
for the three month period ended 31 March 2007

	Share capital	Statutory reserve	Revaluation reserve	Foreign exchange translation	Investment fair value reserve	Retained earnings	Total
	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
Share in foreign exchange translation reserve	-	-	-	15	-	-	15
Share in net change in fair value of available for sale investments	-	-	-	-	(1,410)	-	(1,410)
Movement upon further acquisition of subsidiaries (note 3)	-	-	-	-	-	(18)	(18)
Net profit for the period	-	-	-	-	-	31,818	31,818
Transfer to statutory reserve	-	-	-	-	-	-	-
Balance at 31 March 2007	1,100,000	34,601	6,697	(3,490)	1,807	162,847	1,302,462

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

The notes on pages 8 to 20 form an integral part of these interim condensed consolidated financial statements.

The review report of the Auditors 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 (starting 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 41,105,320 shares (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).

Subsequent to the above acquisition, the shareholders of Tariic approved to increase their share capital from USD 50 million to USD 100 million by issuing 50 million rights shares at par value of USD 1 per share. The Company participated in the increased capital of Tariic to the extent of their stake in Tariic (82.21%) by subscribing to 41,105,320 shares.

Tariic further offered the Company to subscribe to 8,180,534 shares which were not subscribed by the minority shareholders during the rights issue. The Company accepted the offer and as a result, the percentage of ownership in Tariic increased from 82.21% to 90.39%.

In addition, the Company acquired 423,650 shares of Tariic from Islamic Arab Insurance Co. Labuan, Malaysia, a related party, in accordance with a Shares Sale Contract. This further increased the percentage of ownership in Tariic from 90.39% to 90.81%.

In the first half of 2006, the Company further purchased 4,507,346 shares of Tariic increasing the holding from 90.81% in December 2005 to 95.32% this year. 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% and Tariic shareholding in Best Re increased from 59.55% in December 2005 to 77.75% this year. Therefore, Best Re becomes a direct subsidiary of the Tariic effective 1 April 2006.

In the first quarter of 2007 the Company has further purchased 685,946 shares of Tariic increasing the holding from 95.32% to 96.01% as per end of March 2007.

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
	2007	2006	
Best Re	77.75%	77.75%	Tunisia
Sosar Al Amane Assurance	52.66%	52.66%	Senegal
Al Baraka Oua Al Amane	89.11%	89.11%	Algeria
Egypt Saudi Insurance Home	51.15%	51.15%	Egypt

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

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).

New standards and interpretations not yet effective

The new standards, amendments to standards and interpretations which are not yet effective for the period ending 31 March 2007 and therefore have not been applied in preparing these interim condensed consolidated financial statements are as follows:

- *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.

IAS 1 and IFRS 7 (superseding IAS 30 and 32) which becomes mandatory for the Group’s 2007 interim condensed consolidated financial statements are not expected to have any impact on the interim condensed 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 and equipment which are stated at their fair values. The accounting policies have been consistently applied by the Group. 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.

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 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.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

2. Basis of preparation and significant accounting policies

Basis of consolidation (continued)

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.

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. Accordingly, the financial statements have been prepared on that basis and comply with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to the extent that these are compatible with International Financial Reporting Standards.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

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 had the following effect on the Group's assets and liabilities:

	Tariic AED'000
Property and equipment, net	28,211
Intangible assets	5,311
Operating lease assets	53,360
Investment in associates	41,773
Available for sale investments	24,560
Statutory deposits	13,957
Deposits with insurance and reinsurance companies	201,796
Premiums and insurance balances receivables	146,163
Reinsurers' share of outstanding claims	66,888
Amounts due from related parties	714
Other assets and receivables	36,327
Cash in hand and at bank	95,318
Gross outstanding claims	(204,869)
Unearned premiums	(43,796)
Insurance balances payable	(70,318)
Other payables and accruals	(36,596)
Amounts due to related parties	(78,629)
Bank finance	(54,736)
Minority interest	(132,137)

Net worth acquired	93,297
Goodwill on acquisition	186,194

Consideration paid to shareholders of subsidiaries towards net assets acquired at 1 January 2005	279,491
Consideration paid to shareholders of subsidiaries towards increase in capital during the year	72,409

Total consideration paid to shareholders of subsidiaries	351,900
	=====

Subsequent to the above acquisition, as stated in note 1, the Company subscribed to 49,285,854 shares in the increased in share capital of Tariic, and purchased 423,650 shares from a related party. By virtue of these transactions, the percentage of ownership of the Company in Tariic as at 31 December 2005 increased from 82.21% to 90.81%. The resultant net discount of AED 0.8 million is recognised directly in the Company's shareholders' equity.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

3. Acquisition of subsidiaries (continued)

Also, as stated in noted 1, the Company further acquired shares of Tariic and Best Re and the resultant net discount and goodwill amounting to AED 2.1 million and AED 25.6 million, respectively are recognised directly in the Company's shareholders' equity.

In addition, due to additional 450,000 shares of Best Re acquired by Tariic, a discount of AED 7.4 million is recognised directly in Tariic's shareholder's equity. Consequently, the share of the Company to the above discount of AED 7.0 million is recognised directly in the shareholders' equity.

Further, during the period, the company acquired 685,946 additional shares in Tariic increasing holding in Tariic to 96%. The goodwill amounting to AED 18,197 on this purchase was recognised directly in retained earnings.

4. 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.

5. Investment income

	Three months period ended 31 March 2007 AED'000	Three months period ended 31 March 2006 AED'000
Income from investment deposits	100	68
Rental income	217	208
	-----	-----
	317	276
Less: Allocated to policyholders*	(64)	(61)
	-----	-----
Allocated to shareholders*	253	215
Investment income allocated to the shareholders only**	20,512	65,806
	-----	-----
Total investment income attributable to shareholders	20,765	66,021
	=====	=====

*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. The details of investment income are as follows:

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

5. Investment income (continued)

	Three months ended 31 March 2007 AED'000	Three months ended 31 March 2006 AED'000
Realised gain on sale of investments (including IPO subscriptions)	-	5,124
Unrealised loss on investments	3,813	(7,802)
Impairment allowance on available for sale investments	(240)	-
Income from investments in Sukuk, Murabaha, Modaraba & IPO Funds	10,002	63,925
Income from bank deposits	4,940	3,835
Profit on notes receivable, loans and advances	1,305	-
Dividend income	692	385
Share in income/(losses) of associates	-	339
	<u>20,512</u>	<u>65,806</u>

6. 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	31 March 2007 AED'000	31 December 2006 AED'000
	2007	2006			
GEPAR	19.06%	19.06%	Tunisia	92	92
Islamic Arab Insurance Co. (IAIC) Gulf*	30.00%	30.00%	KSA	33,404	33,404
ITE	46.71%	46.71%	Tunisia	43	43
Best Lease**	-	-	Tunisia	-	-
Al Aman Takaful Insurance (AATI)***	-	-	Lebanon	-	-
Lloyds Tunisia	23.77%	23.77%	Tunisia	-	-
Best Invest	23.83%	23.83%	Tunisia	-	-
				<u>33,539</u>	<u>33,539</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

6. Investment in associates (continued)

Movements during the period

	Three months Period ended 31 March 2007 AED'000	31 December 2006 AED'000
Balance at 1 January	33,539	60,055
Acquired from subsidiaries (note 3)	-	-
Investments reclassified as an associate**	-	-
Investments reclassified as available for sale	-	(2,826)
Disposal of associates	-	(23,853)
Impairment provision made	-	-
Share in profit/(losses) of associates	-	163
	<u>33,539</u>	<u>33,539</u>

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

**At the end of the third quarter of 2005, Best Re (a subsidiary) has divested the investment in subsidiary Best Lease and reduced the percentage holding from 60% to 48 %. Accordingly, Best Lease is consolidated as a subsidiary until 30 September 2005 and thereafter it is accounted for on an equity basis. There was no gain or loss on disposal of Best Lease shares. In 2006, investment in Best Lease has been further reduced to 18%. As a result, Best Lease is classified as available for sale investments in 2007.

***During the current year, Best Re has sold the investments in AATI fully. The gain on disposal was AED 0.2 million.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7. 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.

	Three months Period ended 31 March 2007	Three months period ended 31 March 2006
	AED'000	AED'000
General and administrative expenses	<u>1,336</u>	<u>100</u>
Reinsurance on premiums	<u>3,087</u>	<u>2,382</u>
Reinsurance on claims	<u>71</u>	<u>505</u>
Commission	<u>430</u>	<u>-</u>
Purchase of investments with other entities under Common Management with the Group	<u>-</u>	<u>96,685</u>
Sale of investments with other entities under Common Management with the Group	<u>-</u>	<u>115,636</u>

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

	31 March 2007	31 December 2006
	AED'000	AED'000
Due from related parties		
Bin Zayed Group	241,390	-
IAIC Labuan	-	7,004
IAIC Bahrain - Reinsurance Account	64	22
Other entities under common management with the Group	838	800
	<u>242,292</u>	<u>7,826</u>
Due to related parties		
IAIC Labuan	826	-
IAIC Bahrain-Current account	622	1,377
Bin Zayed Group	3,366	7,859
IAIC Bahrain - Reinsurance Account	-	1,471
Other entities under common management with the Group	3,151	3,307
	<u>7,965</u>	<u>14,014</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7. Related party transactions (continued)

Compensation of key management personnel	31 March 2007 AED'000	31 March 2006 AED'000
Short term benefits	1,231	916
Employees end of service benefits	590	1,723
	<u>1,821</u>	<u>2,639</u>

8. Minority interest

	31 March 2007 AED'000	31 December 2006 AED'000
Balance at 1 January	41,179	158,392
Movement upon further acquisition of subsidiaries	(3,128)	(119,645)
Dividends paid	-	(3,467)
Share in revaluation surplus of property and equipment	-	(42)
Share in foreign exchange translation reserve	16	327
Share in net change in fair value of available for sale investments	(86)	704
Minority's share of profit for the year	1,359	4,910
Balance at 31 March / 31 December	<u>39,340</u>	<u>41,179</u>

9. Policyholders' fund

	31 March 2007 AED'000	31 December 2006 AED'000
Balance at 1 January	(11,681)	(12,921)
Net surplus attributable to policyholders	1,968	1,240
Balance at 31 March/ 31 December	<u>(9,714)</u>	<u>(11,681)</u>

The shareholders of the Company have financed the policyholders' deficit in accordance with the Company's policy through loans. These loans are long term and interest free with no fixed repayment terms. Full provision is maintained against such loans.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

10. Earnings per share

The calculation of earnings per share for the period ended 31 March 2007 is based on earnings of AED 31.82 million (2006 AED 70.62 million) divided by the weighted average number of shares of 1,100 million (2006: 1,100 million) outstanding during the year

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

11. Contingent liabilities and capital commitments

	31 March 2007 AED'000	31 December 2006 AED'000
Standby letter of credit	-	-
Letters of guarantee	<u>9,518</u>	<u>9,518</u>

Statutory deposits of AED 7.12 million (2006: AED 3.43 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 31 March 2007 (2006: Nil).

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12. Segmental information

By Business

(for the period ended 31 March 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 premium	67,031	7,104	14,567	13,213	47,350	-	-	8,434	157,699
Net premiums earned	44,359	7,312	12,874	12,039	40,894	-	-	4,751	122,229
Commissions received on ceded reinsurance	1,004	326	649	386	616	-	-	479	3,460
Net claims incurred	45,363	7,638	13,523	12,425	41,510	-	-	5,230	125,689
Commissions paid	(54,286)	3,980	(7,194)	4,482	(12,980)	-	-	(2,366)	(68,364)
Net underwriting income	(16,089)	(2,557)	(3,384)	(3,837)	(5,645)	-	-	(1,374)	(32,895)
Net underwriting income	(25,021)	9,061	2,945	13,070	22,885	-	-	1,490	24,430

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12. Segmental information (continued)

By Business

(for the period ended 31 March 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 premium	82,418	19,490	15,549	16,650	49,972	4,791	1,021	2,670	6,232	198,793
Net premiums earned	65,184	13,818	13,419	13,712	46,843	2,676	683	1,088	5,465	162,888
Commissions received on ceded reinsurance	2,210	601	831	578	59	82	105	-	292	4,758
Net claims incurred	67,394	14,419	14,250	14,290	46,902	2,758	788	1,088	5,757	167,646
Commissions paid and other costs	(61,463)	(2,702)	(145)	4,602	(27,070)	(896)	(470)	(305)	307	(88,142)
Net underwriting income	(14,971)	6,608	9,549	14,175	14,600	1,141	254	760	5,312	37,428

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12. Segmental information (continued)

*By Geographical
(for the period ended 31 March 2006)*

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written premium	51,754	61,932	34,793	9,220	157,669
Net premiums earned	42,678	40,387	29,954	9,210	122,229
Commissions received on ceded reinsurance	1,918	1,246	296	-	3,460
Net claims incurred	44,596 (20,384)	41,633 (18,498)	30,250 (24,880)	9,210 (4,602)	125,689 (68,364)
Commissions paid	(8,197)	(17,284)	(5,223)	(2,191)	(32,895)
Net underwriting income	<u>16,015</u>	<u>5,851</u>	<u>(147)</u>	<u>2,417</u>	<u>24,430</u>

(for the period ended 31 March 2007)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written premium	63,226	83,642	35,770	16,155	198,793
Net premiums earned	56,384	48,326	39,539	18,639	162,888
Commissions received on ceded reinsurance	1,955	2,358	445	-	4,758
Net claims incurred	58,339 (24,169)	50,684 (25,844)	39,984 (26,233)	18,639 (11,896)	167,646 (88,142)
Commissions paid and medical fees	(9,824)	(22,707)	(5,165)	(4,381)	(42,077)
Net underwriting income	<u>24,347</u>	<u>2,133</u>	<u>8,586</u>	<u>2,362</u>	<u>37,428</u>

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

13. Comparative figures

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