Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated financial statements

30 June 2006

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Interim condensed consolidated financial statements
for the six month period ended 30 June 2006

Contents

KPMG

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Report on Review of Interim Financial Information

To the Board of Directors
Islamic Arab Insurance Co. (Salama)
Dubai

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 of 30 June 2006, and the related interim condensed consolidated statements of income, cash flows and changes in equity for the six month period then ended. These interim condensed consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

We did not review the interim condensed financial information of the subsidiaries, which reflects net assets of AED 27.9 million as at 30 June 2006 and net profit of AED 3.1 million for the six month period ended 30 June 2006 included in the accompanying interim condensed consolidated financial information. Such financial information was reviewed by other accountants, whose reports have been furnished to us and our review opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other accountants.

The figures and comparative figures in the interim condensed consolidated income statement for the quarter ended 30 June 2006 and 30 June 2005 have not been presented.

Based on our review and review of other accountants, except for the non disclosure of figures and comparative figures for the quarter ended 30 June 2006 and 30 June 2005, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard 34.

KPMG

31 JUL 2006

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated income statement

for the six month period ended 30 June 2006

	Note	**Six months ended 30 June 2006 AED'000 (Reviewed)**	Six months ended 30 June 2005 AED'000 (Reviewed)
UNDERWRITING RESULTS			
Underwriting income			
Gross written premium		**309,836**	220,281
Add: policy fee		**1,082**	366
		310,918	220,647
Less: reinsurance premiums ceded		**(48,030)**	(33,383)
Net premium		**262,888**	187,264
Net movement in unearned premium		**(21,338)**	5,955
Premiums earned		**241,550**	193,219
Commission received on ceded reinsurance		**9,545**	2,257
		251,095	195,476
Underwriting expenses			
Gross claims paid		**113,078**	116,717
Less: reinsurance share of claims paid		**(9,721)**	(13,626)
Net claims paid		**103,357**	103,091
Net movement in outstanding claims		**18,144**	(11,443)
Claims incurred		**121,501**	91,648
Commission paid		**68,863**	56,414
Medical fee		**135**	-
		190,499	148,062
Net underwriting income		**60,596**	47,414
Net underwriting income from subsidiaries attributable to shareholders	*2*	**(53,132)**	(43,930)
Wakala fees	*4*	**(6,004)**	(3,368)
Net surplus from insurance operations		**1,460**	116
Investment income	*5*	**107**	707
Mudarib fees	*4*	**(16)**	(106)
Other income		**2**	14
Net surplus attributable to policy holders	*2,11*	**1,553**	731

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated income statement (continued)
for the six month period ended 30 June 2006

	Note	**Six months ended 30 June 2006 AED'000 (Reviewed)**	Six months ended 30 June 2005 AED'000 (Reviewed)
ATTRIBUTABLE TO SHAREHOLDERS			
Income			
Net underwriting income from subsidiaries attributable to shareholders	*2*	**53,132**	43,930
Wakala fees from policy holders	*4*	**6,004**	3,368
Mudarib fees from policy holders	*4*	**16**	106
Investment income	*5*	**84,711**	3,282
Other income		**1,686**	1,302
Net leasing income		-	3,097
		145,549	55,085
Expenses			
General and administrative expenses		**(38,065)**	(20,406)
Provision for charitable donations		**(1,101)**	(1,248)
Tax on foreign operations		**(794)**	(1,641)
Provision written back against loan to policyholders' fund	*2,11*	**1,553**	731
Net profit before minority interest		**107,142**	32,521
Net profit attributable to:			
Shareholders of the parent Company		**102,624**	17,240
Minority interest	*10*	**4,518**	15,281
Net profit for the period		**107,142**	32,521
Earnings per share (AED)	*12*	**0.10**	0.34

The notes on pages 8 to 18 form an integral part of these interim condensed consolidated financial statements.

The review report is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated balance sheet

at 30 June 2006

	Note	30 June 2006 AED'000 (Reviewed)	31 December 2005 AED'000 (Audited)	30 June 2005 AED'000 (Reviewed)
Non-current assets				
Property and equipment		**51,908**	49,293	33,962
Intangible assets		**7,530**	3,757	-
Goodwill	*3*	**186,194**	186,194	186,194
Investment properties		**13,000**	13,000	13,000
Operating lease assets		-	-	50,454
Investments in associates	*6*	**55,051**	60,055	53,612
Statutory deposits	*7*	**36,506**	16,916	8,281
Available for sale investments		**28,469**	90,065	39,406
Loan and receivables - long term portion		**12,150**	12,150	-
		390,808	431,430	384,909
Current assets				
Financial assets at fair value through profit or loss		**57,347**	70,202	-
Loan and receivables - short term portion		**1,716**	15,452	-
Deposits with insurance and reinsurance companies		**285,545**	275,383	213,864
Premiums and insurance balance receivables		**288,804**	224,060	176,213
Reinsurers' share of outstanding claims		**79,500**	67,466	77,348
Amounts due from related parties	*9*	**186,868**	95,701	5,015
Other assets and receivables		**65,082**	55,516	81,961
Cash in hand and at bank		**502,617**	561,078	130,272
		1,467,479	1,364,858	684,673
Current liabilities				
Outstanding claims reserve		**334,913**	307,245	198,887
Unearned premiums reserve		**106,323**	82,143	70,351
Insurance balances payable		**86,117**	81,830	106,122
Other payables and accruals	*8*	**89,820**	50,184	76,095
Payable to shareholders of the subsidiaries	*3*	-	-	351,900
Amounts due to related parties	*9*	**1,644**	517	1,578
Deposit certificates		-	-	40,365
Bank finance - short term portion		**9,387**	7,609	5,164
		628,204	529,528	850,462
Net current assets/(liabilities)		**839,275**	835,330	(165,789)
Non current liability				
Bank finance - long term portion		**362**	518	56
Policyholders' fund				
Deficiency in policyholders' fund	*11*	**(11,368)**	(12,921)	(16,459)
Loans from shareholders	*11*	**11,368**	12,921	16,459
		-	-	-
Net assets		**1,229,721**	1,266,242	219,064

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated balance sheet (continued)
at 30 June 2006

	Note	**30 June 2006 AED'000 (Reviewed)**	31 December 2005 AED'000 (Audited)	June 2005 AED'000 (Reviewed)
Represented by:				
Shareholders' funds				
Share capital		**1,000,000**	1,000,000	50,000
Statutory reserve		**16,878**	16,878	5,804
Revaluation reserve		**7,196**	6,855	-
Foreign exchange translation		**(2,877)**	(3,942)	(4,955)
Retained earnings		**172,033**	88,059	4,842
		1,193,230	1,107,850	55,691
Minority interest	*10*	**36,491**	158,392	163,373
Total equity (including minority interest)		**1,229,721**	1,266,242	219,064

The notes on pages 8 to 18 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 31 JUL 2006

Vice Chairman & CEO

General Manager

The 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 2006

	Six months ended 30 June 2006 AED'000 (Reviewed)	Six months ended 30 June 2005 AED'000 (Reviewed)
Operating activities		
Net profit before minority interest	**107,142**	32,521
Adjustment for:		
Net movement in unearned premiums reserve	**24,180**	280
Unrealised losses/(gain) on investments	**22,616**	(30)
Dividend income	**(758)**	(596)
Operating profit before changes in working capital	**153,180**	32,175
Increase in deposits with insurance and reinsurance companies	**(10,162)**	(13,057)
Increase in premiums and insurance balance receivable	**(64,744)**	(26,617)
(Increase)/decrease in due from related parties	**(91,167)**	34,117
Increase in other assets and receivables	**(9,566)**	(27,780)
Increase/(decrease) in outstanding claims (net of reinsurance)	**15,634**	(18,280)
Decrease in insurance payables and other payables	**43,923**	(28,161)
Increase/(decrease) in due to related parties	**1,127**	(1,814)
Cash flows from operating activities	**38,225**	(49,417)
Investing activities		
Net movement in property and equipment and intangible assets	**(6,388)**	(1,290)
Net movement in operating lease assets	**-**	2,905
Net movement in investments	**(5,312)**	(11,325)
Consideration payable to shareholders of the subsidiaries	**-**	72,409
Loans and receivables received	**13,736**	-
(Increase)/decrease in statutory deposits	**(19,590)**	3,269
Dividend received	**758**	596
Cash flows from investing activities	**(16,796)**	66,564
Financing activities		
Increase/(decrease) in term bank finance	**8,226**	(47)
Decrease in deposit certificates	**-**	(2,517)
Cash acquired on acquisition, net of borrowings	**-**	94,377
Net movement in minority interest	**(145,069)**	15,955
Cash flows from financing activities	**(136,843)**	107,768
(Decrease)/increase in cash and cash equivalents	**(115,414)**	124,915
Cash and cash equivalents at the beginning of the period	**414,474**	314
Cash and cash equivalents at the end of the period	**299,060**	125,229
Cash in hand and at bank	**502,617**	130,272
Lien over term deposits	**(140,000)**	-
Cash held within IPO Fund	**(63,557)**	-
Bank overdraft	**-**	(5,043)
Cash and cash equivalents at the end of the period	**299,060**	125,229

The notes on pages 8 to 18 form an integral part of these interim condensed consolidated financial statements.
The review report is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Interim condensed consolidated statement of changes in equity

for the six month period ended 30 June 2006

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2005	50,000	5,804	-	-	(12,398)	43,406
Foreign exchange Translation	-	-	-	(4,955)	-	(4,955)
Net profit for the period	-	-	-	-	17,240	17,240
At 30 June 2005 (Reviewed)	50,000	5,804	-	(4,955)	4,842	55,691
At 1 January 2006	1,000,000	16,878	6,855	(3,942)	88,059	1,107,850
Share in foreign exchange translation reserve	-	-	-	1,065	-	1,065
Share in revaluation reserve	-	-	341	-	-	341
Movement upon further acquisitions of subsidiaries (refer note 3)	-	-	-	-	(18,650)	(18,650)
Net profit for the period	-	-	-	-	102,624	102,624
At 30 June 2006 (Reviewed)	**1,000,000**	**16,878**	**7,196**	**(2,877)**	**172,033**	**1,193,230**

In June 2005, the Board of Directors of the Company approved to reduce the face value of the shares from AED 100 to AED 1.

In July 2005, the Company increased its share capital through a rights issue of 750 million shares at AED 1 per share and through public offer of 200 million shares at AED 1 per share increasing its share capital by AED 950 million.

The Board of Directors proposed to issue 10% bonus shares. The proposal was approved by the shareholders in the Annual General Meeting held in 29 April 2006. To date, the proposed bonus shares is still pending for the approval of the Ministry of Economy.

The notes on pages 8 to 18 form an integral part of these interim condensed consolidated financial statements.

The review report is set out on page 1.

Notes
(forming part of the interim condensed 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 business, principally motor insurance, in accordance with Islamic Sharia'a principles.

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 26 million to USD 100 million by issuing 74 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 current period, the Company further purchased 4,507,346 shares of Tariic increasing the holding from 90.81% in December 2005 to 95.32% this period. 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. By virtue of this direct holding in Best Re, in addition to the holding through Tariic with 59.55 % ownership, Best Re becomes direct subsidiary of the Company.

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, reinsurance and leasing activities under Islamic Sharia'a principles:

Subsidiaries	Tariic Ownership	Country of Incorporation
Best Re	59.55%	Tunisia
Sosar Al Amane Assurance	52.66%	Senegal
Al Baraka Oua Al Amane	89.11%	Algeria
Egypt Saudi Insurance Home	51.15%	Egypt

Refer to note 6 detailing the change in classification of investment in Best Lease from a subsidiary to an associate.

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).

Basis of preparation

As mentioned in note 1, the Company acquired Tariic during June 2005. As a result, the annual financial statements for year ended 31 December 2005 have been prepared on a consolidated basis for the Group.

The interim condensed consolidated financial statements are presented in United Arab Emirate Dirham ("AED"), rounded to the nearest thousand. They are prepared on the historical cost basis except for the measurement of available-for-sale investments, financial assets at fair value through profit and loss, investment properties and revalued land and buildings which are stated at their fair values.

These interim condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with financial statements as at and for the year ended 31 December 2005.

Estimates

The preparation of the interim condensed consolidated financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2005.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2005.

The accounting policies applied by the Group in the preparation of the interim condensed consolidated financial statements are consistent with those applied by the Group in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2005.

Change in accounting policies

In December 2003 and March 2004, the IASB approved amendments to a number of existing standards as a result of the Improvements project and issued several new standards. The objectives of the Improvements project were to reduce or eliminate alternatives, redundancies and conflicts within the standards, to deal with some convergence issues and to make other improvements.

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

Change in accounting policies (continued)

As a result, the Group changed some of its accounting policies as described below. The amendments became effective on 1 January 2005. Comparative information was adjusted in accordance with IAS 8 Accounting Policies, Changes in Accounting estimates and errors to ensure the appropriate accounting policies within each period.

i. IFRS 4 "Insurance Contracts": The Group has adopted IFRS 4 effective 1 January 2005. Following the adoption of IFRS 4, "Insurance Contracts", the Group continues to apply the same accounting policies for the recognition and measurement of obligations arising from insurance contracts issued (including related policy on acquisition costs) and reinsurance contracts held for the financial statements for the year ended 31 December 2005 as were applied for the Group's audited financial statements at 31 December 2004 with the exception of its policy for liability adequacy test.

ii. IAS 39 (Revised) "Financial Instruments - Recognition and Measurement": The revised IAS 39 has introduced a new classification 'fair value through profit or loss' (FVP) under which financial assets can be classified and carried at fair value with changes in fair value being recognized in the income statement. This new classification includes financial assets held for trading and those designated at FVP on initial recognition as determined by the management.

iii IAS 16 (Revised) "Property, Plant & Equipment": The Group revised its accounting policy in respect of measurement of land and building from the cost model to revaluation model which requires that after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount less any subsequent accumulated depreciation and impairment losses. The land and building has been revalued as at 31 December 2005 resulting in a Group share of surplus of AED 6.8 million which has been taken to revaluation reserve. As it is impractical to reassess and revalue land and building for the prior years, the assets, opening retained earnings and income statement have not been restated.

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.

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 (note 10)	**(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 2005	**72,409**
Total consideration paid to shareholders of subsidiaries	**351,900**

3. Acquisition of subsidiaries (continued)

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.

Also, during the current period, 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 20.7 million, respectively are recognised directly in the Company's shareholders' equity.

4. Wakala and mudarib fees

The shareholders manage the insurance operations of the Company for the policyholders and charge 15% *(2005: 15%)* of gross written premium (excluding subsidiaries) as Wakala fees.

The shareholders of the Company also manage the policyholders' investment funds and charge 15% *(2005: 15%)* of investment income earned by the policyholders as Mudarib fees.

5. Investment income

	Six months ended 30 June 2006 AED'000 (Reviewed)	Six months ended 30 June 2005 AED'000 (Reviewed)
Profit commission on Modaraba investment	**-**	404
Income from investment deposits	**68**	90
Rental income	**419**	383
Dividend income	**-**	596
	487	1,473
Less: Allocated to policyholders*	**(107)**	(707)
Allocated to shareholders*	**380**	766
Investment income allocated to the shareholders only**	**84,331**	2,516
Total investment income attributable to shareholders	**84,711**	3,282

*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.

5. Investment income (continued)

**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 these investment income are as follows:

	Six months ended 30 June 2006 AED'000 (Reviewed)	Six months ended 30 June 2005 AED'000 (Reviewed)
Income from investment in IPO Fund	**92,973**	-
Realised gain/(loss) on sale of quoted investments	**3,164**	(108)
Unrealised (losses)/gain on investments	**(22,616)**	30
Income from bank deposits and notes receivable	**9,713**	2,594
Dividend income	**758**	-
Share in profit of associates	**339**	-
	84,331	2,516

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**	**30 June 2006 AED'000 (Reviewed)**	31 December 2005 AED'000 (Audited)
GEPAR	18.16%	Tunisia	**92**	92
Islamic Arab Insurance Co. (IAIC) Gulf*	45.23%	KSA	**51,964**	51,964
ITE	44.50%	Tunisia	**43**	43
Best Lease**	43.59%	Tunisia	**2,952**	6,669
Al Aman Takaful Insurance	27.18%	Lebanon	-	1,287
Lloyds Tunisia	22.65%	Tunisia	-	-
Best Invest	22.70%	Tunisia	-	-
			55,051	60,055

*This represents investment in an associate company 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.

**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 to 48 %. There was no gain or loss on disposal of Best Lease shares.

6. Investment in associates (continued)

Movements during the period

	30 June 2006 AED'000 (Reviewed)
Balance at 1 January	**60,055**
Change in impairment reserve	**148**
Share in profit of associates	**339**
Sale of an associate	**(5,491)**
Closing balance	**55,051**

7. Statutory deposits

Company	Country of incorporation	30 June 2006 AED'000 (Reviewed)	31 December 2005 AED'000 (Audited)
IAIC	UAE	**8,036**	5,036
Tariic	Bahrain	**195**	195
Egypt Saudi Insurance Home	Egypt	**8,027**	7,868
Al Baraka Oua Al Amane	Algeria	**16,248**	-
Sosar Al Amane Assurance	Senegal	**4,000**	3,817
		36,506	16,916

These statutory and investment deposits are required to be placed by all insurance companies operating in respective countries mentioned above with the designated national banks. Statutory deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the regulatory authorities.

8. Other payables and accruals

The balance as at 30 June 2006 includes an amount of AED 29.2 million *(2005: nil)* payable to three entities which mainly represents amount to be paid for the further acquisitions of Tariic and Best Re shares (refer note 1 and note 3).

9. 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 months ended 30 June 2006 AED'000 (Reviewed)	Six months ended 30 June 2005 AED'000 (Reviewed)
Profit on Modaraba investment	-	404
General and administrative expenses	**200**	100
Reinsurance on premiums	**5,115**	2,451
Reinsurance on claims	**906**	2,030
Purchase of investments by Bin Zayed Group on behalf of the Group	**286,159**	-
Sale of investments by Bin Zayed Group on behalf of the Group	**265,708**	-

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

Amounts due from related parties

	30 June 2006 AED'000 (Reviewed)	31 December 2005 AED'000 (Audited)
Bin Zayed Group	**179,571**	79,756
IAIC Labuan	**7,233**	14,706
IAIC Bahrain - Reinsurance Account	**64**	259
Shareholders of the subsidiaries	-	110
Other entities under common management with the Group	-	870
	186,868	95,701

Amounts due to related parties

IAIC Bahrain - Current account	**868**	517
IAIC Bahrain - Reinsurance account	**731**	-
Other associated companies	**45**	-
	1,644	517

9. Related party transactions (continued)

Compensation of key management personnel

	Six months ended 30 June 2006 AED'000 (Reviewed)	Six months ended 30 June 2005 AED'000 (Reviewed)
Short term benefits	**2,483**	1,901
Employees end of service benefits	**3,708**	3,249
	6,191	5,150

10. Minority interest

	30 June 2006 AED'000 (Reviewed)	31 December 2005 AED'000 (Audited)
Balance at 1 January	**158,392**	-
Minority interest upon acquisition (note 3)	**-**	132,137
Net movement in minority interest during the period/year	**122**	13,196
Acquisition of Best Re shares	**(107,902)**	-
Acquisition of Tariic shares	**(18,639)**	-
Minority's share of profit for the period	**4,518**	13,059
Closing balance	**36,491**	158,392

11. Policyholders' fund

	30 June 2006 AED'000 (Reviewed)	31 December 2005 AED'000 (Audited)
Balance at 1 January	**(12,921)**	(17,190)
Net surplus attributable to policyholders	**1,553**	4,269
Closing balance	**(11,368)**	(12,921)

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 without any profit rate and with no fixed repayment terms. Full provision is maintained against such loans.

12. Earnings per share

The calculation of earnings per share for the six month period ended 30 June 2006 is based on earnings of AED 102.62 million *(June 2005: AED 17.24 million)* divided by the weighted average number of shares of 1 billion *(June 2005: 50 million)* outstanding during the period.

13. Contingent liabilities and capital commitments

	30 June 2006 **AED'000** **(Reviewed)**	31 December 2005 AED'000 (Audited)
Standby letter of credit	**134,871**	134,871
Letters of guarantee	**8,871**	5,981

Statutory deposits of AED 3.428 million are held as lien by the bank against the above guarantees.

The Standby letter of credit is in respect of Takaful Syndicate investment as during 2005, the Company entered into an agreement with Creechurch Limited to form a syndicate with Lloyds of London ("Lloyds"). The syndicate, called "Takaful Syndicate" is managed by the managing agent and will be subject to the regulations of Lloyds. As per the rules of Lloyds, the capital of the Syndicate amounting to GBP 21.335 million is "Guaranteed in favor of Lloyds of London" by the Company by issuing an unconditional letter of credit arranged from Emirates Bank International through its corresponding bank JP Morgan in London. Emirates Bank International is holding the amount of AED 140 millions under lien against this facility. The initial validity of this letter of credit is three years from the inception and it can be extended depending upon the results of the operations of Takaful Syndicate. The possible circumstances in which the guarantee may be called by Lloyds are insufficient cash flows in the Takaful Syndicate to pay off the claims of the insured.

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 2006 *(2005: Nil)*.

14. Segmental information

By Business
(for the six month period ended 30 June 2006)

	Fire AED'000	Accident AED'000	Engineering AED'000	Marine AED'000	Motor AED'000	Others AED'000	Total AED'000
Gross written premium	123,168	28,076	25,724	27,534	90,485	14,849	309,836
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
	92,377	21,403	17,992	20,957	87,129	11,237	251,095
Net claims incurred	(45,899)	(9,949)	(7,491)	(10,594)	(45,443)	(2,125)	(121,501)
Commissions and medical fees paid	(34,838)	(8,413)	(7,308)	(7,669)	(9,583)	(1,187)	(68,998)
Net underwriting income	11,640	3,041	3,193	2,694	32,103	7,925	60,596

By Geographical
(for the six month 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 premium	87,491	124,540	70,431	27,374	309,836
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

Segmental information based on assets and liabilities is not presented due to unavailability.

15. Comparative figures

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