Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

as at 31 March 2008

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Condensed consolidated interim financial statements

for the three months period ended 31 March 2008

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

Independent Auditor's Review Report on condensed consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Islamic Arab Insurance Co. (Salama) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2008, and the related condensed consolidated interim statement of income, condensed consolidated interim statement of changes in shareholders' equity and condensed consolidated interim statement of cash flows for the three months period then ended (the condensed consolidated interim financial information). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial information as at 31 March 2008 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

1 4 MAY 2008

Vijendranath Malhotra
Registration No: 48 B

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of income

for the three months period ended 31 March 2008

	Note	**Three months period ended 31 March 2008 AED'000 (Un-audited)**	Three months period ended 31 March 2007 AED'000 (Un-audited)
UNDERWRITING RESULTS			
Underwriting income			
Gross written contributions		**298,823**	199,111
Less: reinsurance contributions ceded		**(52,678)**	(32,191)
Net contribution		**246,145**	166,920
Net movement in unearned contributions		**(22,801)**	(4,032)
Contributions earned		**223,344**	162,888
Commission received on ceded reinsurance		**7,013**	4,758
		230,357	167,646
Underwriting expenses			
Gross claims paid		**124,797**	77,043
Less: reinsurance share of claims paid		**(17,445)**	(2,053)
Net claims paid		**107,352**	74,990
Net movement in outstanding claims & technical Reserve Life		**8,083**	13,152
Claims incurred		**115,435**	88,142
Commission paid and other costs		**67,170**	42,076
		182,605	130,218
Net underwriting income		**47,752**	37,428
Other Income			
Investment income		**28,810**	20,829
Other income		**1,757**	3,654
		78,319	61,911
Expenses			
General & administrative expenses		**(29,835)**	(18,580)
Financial expenses		**(9,586)**	(6,751)
Provision for charitable donations		**(474)**	(2,493)
Net profit before tax for the period		**38,424**	34,087
Tax		**(1,376)**	(910)
Net profit after tax for the period		**37,048**	33,177
Earnings per share (AED)	*11*	**0.032**	0.029
Attributable to:			
Shareholders		**35,089**	31,818
Minority interest		**1,959**	1,359
		37,048	33,177

The notes on pages 7 to 15 form an integral part of these condensed consolidated interim financial statements.

The Independent Auditor's Review Report is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim balance sheet

as at 31 March 2008

	Note	31 March 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
ASSETS			
Property and equipment		**66,957**	65,995
Intangible assets		**8,372**	8,541
Goodwill		**186,194**	186,194
Investment properties		**90,095**	90,095
Investments in associates	*7*	**34,241**	29,607
Statutory deposits		**28,966**	28,207
Investments		**833,856**	855,841
Deposits with insurance and reinsurance companies		**303,679**	306,788
Contributions and insurance balance receivables		**512,481**	455,207
Reinsurers' share of outstanding claims		**94,803**	101,166
Reinsurers' share of unearned contributions		**49,257**	48,772
Amounts due from related parties	*8*	**32,073**	50,059
Other assets and receivables		**102,556**	107,605
Cash and bank balances		**272,877**	177,088
TOTAL ASSETS		**2,616,407**	2,511,165
LIABILITIES			
Bank finance		**192,191**	178,142
Outstanding claims & Family Takaful reserve		**521,836**	517,969
Unearned contributions reserve		**197,149**	172,621
Insurance balances payable		**99,140**	108,082
Other payables and accruals		**126,277**	92,543
Amounts due to related parties	*8*	**4,794**	4,957
TOTAL LIABILITIES		**1,141,387**	1,074,314
NET ASSETS EMPLOYED		**1,475,020**	1,436,851
FINANCED BY:			
Shareholders' equity		**1,447,542**	1,411,823
Minority interest	*10*	**27,478**	25,028
		1,475,020	1,436,851

The notes on pages 7 to 15 form an integral part of these condensed consolidated interim financial statements.

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

These condensed consolidated interim financial statements were approved on **1 4 MAY 2008**

Vice Chairman & CEO

General Manager

The Independent Auditor's Review Report is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of cash flows

for the three months period ended 31 March 2008

	Three months period ended 31 March 2008 AED'000 (Un-audited)	Three months period ended 31 March 2007 AED'000 (Un-audited)
Operating activities		
Net profit before minority interest for the period	**37,048**	33,177
Adjustment for:		
Movement in unearned contribution reserve (net of reinsurance)	**24,042**	4,031
Unrealised gain/loss on investments	**21,548**	-
Share of profit/loss from associates	**(3,626)**	
Change in foreign exchange reserve	**1,129**	15
Change in investment fair value reserve	**(499)**	(1,410)
Goodwill incurred on acquisition of further shares of Tariic		(18)
	79,642	35,795
Change in deposits with insurance and reinsurance companies	**3,108**	2,398
Change in contributions and insurance balance receivable	**(57,274)**	(51,572)
Change in due from related parties	**17,986**	(234,467)
Change in other assets and receivables	**5,047**	(10,512)
Change in outstanding claims (net of reinsurance)	**10,231**	12,411
Change in insurance payables and other payables	**24,796**	8,736
Change in due to related parties	**(163)**	(6,049)
Cash flows from operating activities	**83,373**	(243,260)
Investing activities		
Change in property and equipment	**(962)**	(401)
Change in intangible assets	**169**	(783)
Change in investment in associates	**(1,008)**	-
Change in statutory deposits	**(759)**	(379)
Change in investments –net	**437**	34,377
Cash flows from investing activities	**(2,123)**	32,814
Financing activities		
Change in term bank finance	**14,049**	2,740
Change in minority interest	**490**	(3,197)
Cash flows from financing activities	**14,539**	(457)
Decrease in cash and cash equivalents	95,789	(210,903)
Cash and cash equivalents at the beginning of the period	**177,088**	809,172
Cash and cash equivalents at the end of the period	272,877	598,269

The notes on pages 7 to 15 form an integral part of these condensed consolidated interim financial statements.

The Independent Auditor's Review Report is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of changes in shareholders' equity (Un-audited)

for the three months period ended 31 March 2008

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation AED'000	Investment Fair value reserve AED'000	Treasury stock AED'000	Retained earnings AED'000	Total AED'000
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	-	-	-	-	-	-	(18)	(18)
Net profit for the period	-	-	-	-	-	-	31,818	31,818
Balance at 31 March 2007	**1,100,000**	**34,601**	**6,697**	**(3,490)**	**1,807**	**-**	**162,847**	**1,302,462**

The notes on pages 7 to 15 form an integral part of these condensed consolidated interim financial statements.

The Independent Auditor's Review Report is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of changes in shareholders' equity (Un-audited) (continued)

for the three months period ended 31 March 2008

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2008	1,100,000	49,904	11,627	2,302	6,592	(24,759)	266,157	1,411,823
Share in foreign exchange translation reserve	-	-	-	1,129	-	-	-	1,129
Share in net change in fair value of Available-for-sale investments	-	-	-	-	(499)	-	-	(499)
Net profit for the period	-	-	-	-	-	-	35,089	35,089
Balance at 31 March 2008	**1,100,000**	**49,904**	**11,627**	**3,431**	**6,093**	**(24,759)**	**301,246**	**1,447,542**

The notes on pages 7 to 15 form an integral part of these condensed consolidated interim financial statements.

The Independent Auditor's Review Report is set out on page 1.

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.

The Company and its subsidiaries are referred to as "the Group". Tariic is an intermediate 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:

	Tariic Ownership		
Subsidiaries	**31 March 2008**	**31 December 2007**	**Country of Incorporation**
Best Re	**77.75%**	77.75%	Tunisia
Salama Senegal (Formerly Sosar Al Amane Assurance)	**52.66%**	52.66%	Senegal
Salama Assurances Algerie (formerly Al Baraka Oua Al Amane)	**89.11%**	89.11%	Algeria
Egyptian Saudi Insurance Home	**51.15%**	51.15%	Egypt

2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standard ("IFRS"), IAS 34 Interim Financial Reporting. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2007.

3. Significant accounting policies

The accounting policies and methods of computation have been consistently applied by the Company in the preparation of these condensed consolidated interim financial statements as compared to the most recent annual financial statements.

These condensed interim financial statements have been prepared in United Arab Emirates Dirham (AED).

4. Estimates

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

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2007.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

5. Allocation of the net profit for the period (Un-audited)

	Three months period ended 31 March 2008				Three months period ended 31 March 2007			
	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	**-**	**4,205**	**-**	**4,205**	-	5,698	-	5,698
Net underwriting income from subsidiaries	**43,547**	**-**	**-**	**43,547**	31,730	-	-	31,730
Total net underwriting income	**43,547**	**4,205**	**-**	**47,752**	31,730	5,698	-	37,428
Income								
Wakala fees	**7,476**	**(7,476)**	**-**	**-**	3,788	(3,788)	-	-
Mudarib share of profit	**31**	**(31)**	**-**	**-**	10	(10)	-	-
Investment income	**28,601**	**209**	**-**	**28,810**	20,765	64	-	20,829
Other income	**1,749**	**8**	**-**	**1,757**	3,650	4	-	3,654
	81,404	**(3,085)**	**-**	**78,319**	59,943	1,968	-	61,911
Expenses								
General and administrative expenses	**(29,835)**	**-**	**-**	**(29,835)**	(18,580)	-	-	(18,580)
Finance expenses	**(9,586)**	**-**	**-**	**(9,586)**	(6,751)	-	-	(6,751)
Provision for charitable donations	**(474)**	**-**	**-**	**(474)**	(2,493)	-	-	(2,493)
Net profit before tax for the period	**41,509**	**(3,085)**	**-**	**38,424**	32,119	1,968	-	34,087
Tax	**(1,376)**	**-**	**-**	**(1,376)**	(910)	-	-	(910)
Net profit after tax for the period	**40,133**	**(3,085)**	**-**	**37,048**	31,209	1,968	-	33,177
Share of minority interest	**(1,959)**	**-**	**1,959**	**-**	(1,359)	-	1,359	-
Funding provided / Chargeback of funding provided	**(3,085)**	**3,085**	**-**	**-**	1,968	(1,968)	-	-
Net profit for the period	**35,089**	**-**	**1,959**	**37,048**	31,818	-	1,359	33,177

6. Wakala fees and mudarib share of profit

The shareholders manage the insurance operations of the Group for the policyholders and charge Wakala fee excluding on the business of subsidiaries. The Wakala fee charged is at 15% *(2006: 15%)* of gross written contribution of non-life and non-medical insurance business. For medical insurance, a variable wakala fee ranging from 5% to 15% of net risk contribution (2007:15% of gross written contribution) is charged. For life insurance business, wakala fees are being charged at 15% of mortality costs (2007: 15% of mortality costs).

The shareholders of the Group also manage the policyholders' investment funds and share 15% *(2007: 15%)* of investment income earned by the policyholders as Mudarib share of profit.

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 2008**	Ownership 2007	**Country of incorporation**	**31 March 2008 AED'000 (Un-audited)**	31 December 2007 AED'000 (Un-audited)
GEPAR	**19.06%**	19.06%	Tunisia	**92**	92
Saudi IAIC Cooperative Insurance Co. (Saudi IAIC)*	**30.00%**	30.00%	KSA	**33,098**	29,472
ITE	**46.71%**	46.71%	Tunisia	**43**	43
Lloyds Tunisia	**23.77%**	23.77%	Tunisia	**-**	-
Best Invest	**47.22%**	23.83%	Tunisia	**1,008**	-
				34,241	29,607

Movemen

Movements during the period/year

	Three months period ended 31 March 2008 AED'000 (Un-audited)	Twelve months period ended 31 December 2007 AED'000 (Un-audited)
Balance at 1 January	**29,607**	33,539
Purchases	**1,008**	-
Share in profit of associates	**3,626**	(3,932)
Balance at 31 March/31 December	**34,241**	29,607

8. Related party transactions

The Group, in the normal course of business, collects contributions, 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 2008 AED'000 (Un-audited)	Three months period ended 31 March 2007 AED'000 (Un-audited)
General and administrative expenses	**155**	1,336
Reinsurance on contributions	**907**	3,087
Reinsurance on claims	**546**	71
Commission	-	430
Purchase of investments with other entities under Common Management with the Group	**484,238**	-
Sale of investments with other entities under Common Management with the Group	**518,499**	-

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

	31 March 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
Due from related parties		
Bin Zayed Group	**20,915**	41,636
IAIC Labuan	**5,961**	5,961
IAIC Bahrain	-	23
Other entities under common management with the Group	**5,197**	2,439
	32,073	50,059
Due to related parties		
IAIC Bahrain - Current account	**1,532**	1,624
IAIC Bahrain - Reinsurance Account	-	-
Other entities under common management with the Group	**3,262**	3,333
	4,794	4,957

8. Related party transactions (continued)

	Three months period ended 31 March 2008 AED'000 (Un-audited)	Three months period ended 31 March 2007 AED'000 (Un-audited)
Compensation of key management personnel		
Short term benefits	**1,441**	1,231
Employees end of service benefits	**816**	590
	2,257	1,821

9. Policyholders' fund

	31 March 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
Deficiency of policyholders' fund		
Balance at 1 January	**(12,390)**	(11,681)
Net (deficit)/surplus attributable to policyholders for the period/year	**(3,085)**	126
	(15,475)	(11,555)
Proposed profit distribution to policy holders of Family Takaful	**-**	(835)
	(15,475)	(12,390)
General		
Balance at 1 January	**(12,466)**	(11,681)
Loss for the period/year	**(3,085)**	(785)
	(15,551)	(12,466)
Life		
Balance at 1 January	**76**	-
Surplus in Family Takaful for the year	**-**	911
Proposed profit distribution to policyholder of Family Takaful	**-**	(835)
	76	76
Balance at the end of period/year	**(15,475)**	(12,390)

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

10. Minority interest

	31 March 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
Balance at 1 January	**25,028**	41,179
Movement upon further acquisition of subsidiaries	**-**	(19,233)
Dividends paid	**-**	(699)
Share in revaluation surplus of property and equipment	**-**	603
Share in foreign exchange translation reserve	**487**	1,442
Share in net change in fair value of available for sale investments	**4**	(2)
Minority's share of profit for the period/year	**1,959**	1,738
Balance at 31 March/31 December	**27,478**	25,028

11. Earnings per share

The calculation of earnings per share for the period ended 31 March 2008 is based on earnings of AED 35.09 million *(31 March 2007: AED 31.82 million)* divided by the weighted average number of shares of 1,092 million *(31 March 2007: 1,100 million)* outstanding during the period.

13. Contingent liabilities and capital commitments

	31 March 2007 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
Letters of guarantee	**9,945**	9,525

Statutory deposits of AED 7.575 million *(31 December 2007: AED 7.35 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 2008 *(31 December 2007: Nil)*.

14. Segmental information (Un-audited)

By Business
(for the period ended 31 March 2008)

	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 contributions	116,806	31,133	29,118	24,987	62,855	23,470	172	7,941	2,341	298,823
Net contributions earned	86,518	26,408	22,205	22,514	53,714	6,491	67	4,106	1,321	223,344
Commissions received on ceded reinsurance	3,823	724	1,390	707	66	120	60	-	123	7,013
	90,341	27,132	23,595	23,221	53,780	6,611	127	4,106	1,444	230,357
Net claims incurred	(78,771)	(5,102)	(187)	(8,090)	(20,581)	(660)	(666)	(822)	(556)	(115,435)
Commissions paid and other costs.	(30,645)	(8,813)	(10,410)	(6,727)	(7,547)	(2,623)	(21)	(67)	(317)	(67,170)
Net underwriting income/(loss)	(19,075)	13,217	12,998	8,404	25,652	3,328	(560)	3,217	571	47,752

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

14. Segmental information (Un-audited) (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 contributions	82,418	19,490	15,549	16,650	49,972	4,791	1,021	2,670	6,550	199,111
Net contributions 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
	67,394	14,419	14,250	14,290	46,902	2,758	788	1,088	5,757	167,646
Net claims incurred	(61,463)	(2,702)	(145)	4,602	(27,070)	(896)	(470)	(305)	307	(88,142)
Commissions paid and other costs	(20,902)	(5,109)	(4,556)	(4,717)	(5,232)	(721)	(64)	(23)	(752)	(42,076)
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 is not available for disclosure purposes.

14. Segmental information (Un-audited) (continued)

By Geographical
(for the period ended 31 March 2008)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	60,221	123,239	67,418	47,945	298,823
Net contributions earned	46,563	91,989	39,857	44,935	223,344
Commissions received on ceded reinsurance	2,477	3,428	1,108	-	7,013
	49,040	95,417	40,965	44,935	230,357
Net claims incurred	(17,446)	(45,325)	(34,595)	(18,069)	(115,435)
Commissions and other costs	(9,912)	(37,223)	(8,815)	(11,220)	(67,170)
Net underwriting income	**21,682**	**12,869**	**(2,445)**	**15,646**	**47,752**

(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 contributions	63,226	83,642	35,770	16,673	199,111
Net contributions earned	56,384	48,326	39,539	18,639	162,888
Commissions received on ceded reinsurance	1,955	2,358	445	-	4,758
	58,339	50,684	39,984	18,639	167,646
Net claims incurred	(24,169)	(25,844)	(26,233)	(11,896)	(88,142)
Commissions paid and other costs	(9,823)	(22,707)	(5,165)	(4,381)	(42,076)
Net underwriting income	**24,347**	**2,133**	**8,586**	**2,362**	**37,428**

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.