Islamic Arab Insurance Co.
(Salama) and its subsidiaries

Condensed consolidated interim financial statements
30 September 2008

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements
for the nine- month period ended 30 September 2008

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KPMG

P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

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 30 September 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 nine-month 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 30 September 2008 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG 12 NOV 2008

Vijendranath Malhotra
Registration No: 48 B

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim income statement

for the nine-month period ended 30 September 2008

	Nine-month period ended 30 September 2008	Nine-month Period ended 30 September 2007	**Three-month period ended 30 September 2008**	Three-month Period ended 30 September 2007
	AED'000	AED'000	**AED'000**	AED'000
	(Un-audited)	(Un-audited)	**(Un-audited)**	(Un-audited)
UNDERWRITING RESULTS				
Underwriting income				
Gross written contributions	**971,030**	684,307	**321,341**	222,128
Less: Reinsurance contributions ceded	**(154,275)**	(118,601)	**(58,877)**	(47,391)
Net contributions	**816,755**	565,706	**262,464**	174,737
Net movement in unearned contributions	**(78,426)**	(37,576)	**(4,881)**	(5,571)
Contributions earned	**738,329**	528,130	**257,583**	169,166
Commissions received on ceded reinsurance	**23,577**	16,325	**7,529**	6,799
	761,906	544,455	**265,112**	175,965
Underwriting expenses				
Gross claims paid	**380,056**	247,073	**135,543**	91,185
Less: reinsurance share of claims paid	**(43,225)**	(14,850)	**(15,046)**	(5,748)
Net claims paid	**336,831**	232,223	**120,497**	85,437
Net movement in outstanding claims and Technical reserves	**79,165**	60,494	**25,131**	11,650
Claims incurred	**415,996**	292,717	**145,628**	97,087
Commissions paid and other costs	**224,981**	155,998	**76,425**	52,558
	640,977	448,715	**222,053**	149,645
Net underwriting income	**120,929**	95,740	**43,059**	26,320
Other Income				
Investment income	**73,794**	90,057	**(9,219)**	38,328
Share of profit from associates	**3,368**	-	**3,368**	-
Other income	**12,483**	7,901	**7,414**	4,458
	210,574	193,698	**44,622**	69,106
Expenses				
General and administrative expenses	**(93,621)**	(69,624)	**(25,435)**	(25,239)
Financial expenses	**(22,415)**	(15,978)	**(9,314)**	(5,998)
Provision for charitable donations	**(2,620)**	(3,247)	**(1,030)**	(2,433)
Surplus distribution for life policy holder	**(835)**	-	**-**	-
Net profit before tax for the period	**91,083**	104,849	**8,843**	35,436

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim income statement (continued)

for the nine-month period ended 30 September 2008

	Nine-month Period ended 30 September 2008	Nine-month Period ended 30 September 2007	**Three-month period ended 30 September 2008**	Three-month Period ended 30 September 2007
	AED'000	AED'000	**AED'000**	AED'000
	(Un-audited)	(Un-audited)	**(Un-audited)**	(Un-audited)
Net profit before tax for the period	**91,083**	104,849	**8,843**	35,436
Tax	**(3,257)**	(2,282)	**(979)**	(624)
Net profit after tax for the period	**87,826**	102,567	**7,864**	34,812
Earnings per share (AED) (note 14)	**0.078**	0.092	**0.005**	0.025
Attributable to:				
Shareholders	**84,660**	101,160	**5,894**	35,686
Minority Interest (note 13)	**3,166**	1,407	**1,970**	(874)
	87,826	102,567	**7,864**	34,812

The notes on pages 8 to 21 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 30 September 2008

	Note	**30 September 2008 AED'000 (Un-audited)**	31 December 2007 AED'000 (Audited)
Non-current assets			
Property and equipment		**74,245**	65,995
Intangible assets		**6,488**	8,541
Goodwill		**186,194**	186,194
Investment properties	8	**87,076**	90,095
Investments in associates	*9*	**33,401**	29,607
Statutory deposits		**27,814**	28,207
Investments	*10*	**759,377**	855,841
		1,174,595	1,264,480
Current assets			
Deposits with insurance and reinsurance companies		**311,198**	306,788
Contributions and insurance balance receivables		**620,575**	455,207
Reinsurers' share of outstanding claims		**100,692**	101,166
Reinsurers' share of unearned contributions		**55,682**	48,772
Amounts due from related parties	*11*	**386,174**	50,059
Other assets and receivables		**69,521**	107,605
Cash and bank balances		**254,668**	177,088
		1,798,510	1,246,685
TOTAL ASSETS		**2,973,105**	2,511,165
Current liabilities			
Bank finance		**375,467**	178,142
Outstanding claims		**594,896**	517,042
Family Takaful reserve		**2,861**	927
Unearned contributions reserve		**259,323**	172,621
Insurance balances payable		**147,148**	108,082
Other payables, accruals and reserves		**116,473**	92,543
Amounts due to related parties	*11*	**5,624**	4,957
TOTAL LIABILITIES		**1,501,792**	1,074,314
NET ASSETS EMPLOYED		**1,471,313**	1,436,851
FINANCED BY:			
Shareholders' equity		**1,446,259**	1,411,823
Minority interest	*13*	**25,054**	25,028
		1,471,313	1,436,851

The notes on pages 8 to 21 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 12 NOV 2008

Vice Chairman & CEO

Chairman

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 nine-month period ended 30 September 2008

	Nine-month period ended 30 September 2008 AED'000 (Un-audited)	Nine-month period ended 30 September 2007 AED'000 (Un-audited)
Operating activities		
Net profit before minority interest for the period	**87,826**	102,567
Adjustment for:		
Movement in unearned contribution reserve (net of reinsurance)	**79,792**	38,044
Dividend income	**-**	(787)
	----------	----------
	167,618	139,824
Change in deposits with insurance and reinsurance companies	**(4,410)**	(2,491)
Change in contributions and insurance balance receivable	**(165,368)**	(125,438)
Change in due from related parties	**(336,115)**	(26,253)
Change in other assets and receivables	**38,081**	(7,065)
Change in outstanding claims (net of reinsurance)	**78,329**	64,241
Change in technical reserve life	**1,934**	(487)
Change in insurance payables and other payables	**62,998**	(5,060)
Change in due to related parties	**667**	-
	---------	---------
Net cash (used in)/provided by operating activities	**(156,266)**	37,271
	----------	---------
Investing activities		
Change in property and equipment and intangible assets	**(6,197)**	(7,175)
Change in investment properties	**3,019**	-
Change in investment in associates	**(3,794)**	-
Change in statutory deposits	**393**	(1,789)
Change in investments –net	**46,241**	(254,909)
Dividend received	**-**	787
	---------	-----------
Net cash provided by/(used in) by investing activities	**39,662**	(263,086)
	---------	-----------
Financing activities		
Change in term bank finance	**197,325**	11,594
Change in minority interest	**(3,141)**	(22,658)
Buy back of own shares	**-**	(21,345)
	----------	---------
Net cash provided by /(used in) by financing activities	**194,184**	(32,409)
	----------	---------
Increase/(decrease) in cash and cash equivalents	**77,580**	(258,224)
Cash and cash equivalents at the beginning of the period	**177,088**	771,915
	----------	----------
Cash and cash equivalents at the end of the period	**254,668**	513,691
	======	======

The notes on pages 8 to 21 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 nine-month period ended 30 September 2007

	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	-	-	-	2,515	-	-	-	2,515
Share in net change in fair value of available-for-sale investments	-	-	-	-	5,521	-	-	5,521
Share in net changes in fair value of investment property	-	-	-	-	-	-	-	-
Movement upon the acquisition of subsidiary	-	-	-	-	-	-	(2,616)	(2,616)
Total income and expense recognised directly in equity	-	-	-	2,515	5,521	-	(2,616)	5,420
Net profit for the period	-	-	-	-	-	-	101,160	101,160
Total income and expense recognised	-	-	-	2,515	5,521	-	98,544	106,580
Buy back of own shares	-	-	-	-	-	(21,345)	-	(21,345)
Balance at 30 September 2007	**1,100,000**	**34,601**	**6,697**	**(990)**	**8,738**	**(21,345)**	**229,591**	**1,357,292**

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the nine-month period ended 30 September 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	11,626	2,304	6,592	(24,759)	266,156	1,411,823
Share in foreign exchange translation reserve	-	-	-	(1,905)	-	-	-	(1,905)
Share in net change in fair value of available-for-sale investments	-	-	-	-	(49,182)	-	-	(49,182)
Share in net changes in fair value of investment property	-	-	863	-	-	-	-	863
Movement upon the acquisition of subsidiary	-	-	-	-	-	-	-	-
Total income and expense recognised directly in equity	-	-	863	(1,905)	(49,182)	-	-	(50,224)
Net profit for the period	-	-	-	-	-	-	84,660	84,660
Total income and expense recognised	-	-	863	(1,905)	(49,182)	-	84,660	34,436
Buy back of own shares	-	-	-	-	-	-	-	-
Balance at 30 September 2008	**1,100,000**	**49,904**	**12,489**	**399**	**(42,590)**	**(24,759)**	**350,816**	**1,446,259**

The notes on pages 8 to 21 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 principal subsidiaries which are engaged in insurance and reinsurance under Islamic Sharia'a principles:

	Tariic Ownership		
Subsidiaries	**30 September 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 condensed consolidated interim financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the "functional currency" rounded to the nearest thousand

The Group has consistently applied the accounting policies used for the preparation of last published annual consolidated financial statements for the year ended 31 December 2007 .The Group has adopted the recent amendments issued by the International Accounting Standards Board (IASB) in respect of "IAS 39 Financial Instruments: Recognition and Measurement" and "IFRS 7 Financial Instruments: Disclosures" relating to the reclassification of financial assets. These recent amendments are introduced as a result of current international market conditions. The effects of such an adoption are disclosed in note 10.3 to these condensed consolidated interim financial statements

3. Significant accounting policies (continued)

Significant accounting policies with regard to the Investment properties and financial instruments are stated below :

a) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

b) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments
If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective profit method, less any impairment losses.

Available-for-sale financial assets
The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

3. Significant accounting policies (continued)

b) Financial instruments (continued)

Non-derivative financial instruments (continued)

Investments at fair value through profit and loss
An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective profit method, less impairment losses, if any.

4. Estimates

The preparation of the 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 the condensed consolidated 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 significantly same as those that applied to the financial statements as at and for the year ended 31 December 2007.

5. Interim measurement

The nature of the Company's business is such that income and expense are incurred in a manner, which is not materially impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year. However, the interim results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

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

	Nine-month period ended 30 September 2008				Nine-month period ended 30 September 2007			
	Shareholder	**Policyholder**	**Minority interest**	**Total**	Shareholder	Policyholder	Minority interest	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**	AED'000	AED'000	AED'000	AED'000
Net underwriting income								
Net underwriting income of the Company	**-**	**19,223**	**-**	**19,223**	-	16,075	-	16,075
Net underwriting income from subsidiaries	**101,706**	**-**	**-**	**101,706**	79,665		-	79,665
	--------	--------	------	--------	--------	--------	------	--------
Net underwriting income	**101,706**	**19,223**	**-**	**120,929**	79,665	16,075	-	95,740
Income								
Wakala fees	**24,723**	**(24,723)**	**-**	**-**	13,079	(13,079)	-	-
Mudarib share of profit	**85**	**(85)**	**-**	**-**	31	(31)	-	-
Investment income	**76,596**	**566**	**-**	**77,162**	1,845	(1,845)	-	-
Other income	**12,460**	**23**	**-**	**12,483**	89,854	203	-	90,057
	---------	--------	------	---------	7,883	18	-	7,901
	215,570	**(4,996)**	**-**	**210,574**	---------	--------	------	---------
Expenses					192,357	1,341	-	193,698
General and administrative expenses	**(93,621)**	**-**	**-**	**(93,621)**				
Financial expenses	**(22,415)**	**-**	**-**	**(22,415)**	(69,624)	-	-	(69,624)
Provision for charitable donations	**(835)**	**-**	**-**	**(835)**	(15,978)	-	-	(15,978)
Surplus distribution for life policyholder	**(2,620)**	**-**	**-**	**(2,620)**	(3,247)	-	-	(3,247)
	---------	--------	------	---------	---------	--------	------	---------
Net profit before tax for the period	**96,079**	**(4,996)**	**-**	**91,083**	103,508	1,341	-	104,849
Tax	**(3,257)**	**-**	**-**	**(3,257)**	(2,282)	-	-	(2,282)
	----------	--------	------	--------	----------	--------	------	--------
Net profit after tax for the period	**92,822**	**(4,996)**	**-**	**87,826**	101,226	1,341	-	102,567
Share of minority interest	**(3,166)**	**-**	**3,166**	**-**	(1,407)	-	1,407	-
Funding provided / chargeback of funding provided	**(4,996)**	**4,996**	**-**	**-**	1,341	(1,341)	-	-
	----------	--------	-------	----------	----------	--------	-------	----------
Net profit for the period	**84,660**	**-**	**3,166**	**87,826**	101,160	-	1,407	102,567
	======	====	====	======	======	====	====	======

7. 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% *(2007: 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% (*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.

8. Investment properties

The geographic dispersion of investment properties is as follows:

The geographic dispersion of investment properties is as follows:

	30 September 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
Within UAE	**16,973**	16,973
GCC Countries	**70,103**	73,122
	---------	---------
	87,076	90,095
	=====	=====

9. 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	30 September 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
GEPAR	**19.06 %**	19.06%	Tunisia	**92**	92
Saudi IAIC Cooperative Insurance Co. (Saudi IAIC)	**30.00 %**	30.00%	KSA	**32,840**	29,472
ITE	**46.71 %**	46.71%	Tunisia	**43**	43
Lloyds Tunisia	**23.77 %**	23.77%	Tunisia		-
Best Invest	**47.22 %**	23.83%	Tunisia	**426**	-
				---------	---------
				33,401	29,607
				=====	=====

Movements during the period/year

	Nine-month period ended 30 September 2008 AED'000 (Un-audited)	Year ended 31 December 2007 AED'000 (Audited)
Balance at beginning of period/year	**29,607**	33,539
Purchases	**426**	-
Share in profit of associates	**3,368**	(3,932)
	--------	--------
	33,401	29,607
	=====	====

10. Investments

	30 September 2008			31 December 2007		
	Domestic Investment	**International Investment**	**Total**	Domestic Investment	International Investment	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
	(Un-audited)	**(Un-audited)**	**(Un-audited)**	(Audited)	(Audited)	(Audited)
Financial Asset Through Profit & Loss						
Mutual fund and externally managed portfolio	-	30,868	30,868	36,592	115,663	152,255
Shares and Securities	1,836	-	1,836	160,990	9,527	170,517
	1,836	**30,868**	**32,704**	197,582	125,190	322,772
Available-for-sale investments						
Mutual fund and externally managed portfolio	25,942	237,316	263,258	-	221,044	221,044
Shares and Securities	29,743	26,279	56,022	-	1,367	1,367
	55,685	**263,595**	**319,280**	-	222,411	222,411
Held To Maturity						
SUKUK & Govt. Bonds	-	44,137	44,137	-	47,553	47,553
Others	-	363,256	363,256	-	263,105	263,105
	-	**407,393**	**407,393**	-	310,658	310,658
Total Investments	**57,521**	**701,856**	**759,377**	197,582	658,259	855,841

10.1 Externally managed portfolios include various international funds and funds of funds with no fixed maturities and coupon rates. The portfolio is segregated into liquid and growth portfolios with a view to enhancing returns on liquid funds and profitability respectively. The fair values of these investments are based on the net asset values provided by the fund managers.

10.2 Held to maturity investments are the investments that management has intention and ability to hold till maturity. The profit rates vary on these investments having maturity from six months up to eighteen months.

10 Investments (continued)

10.3 *Reclassification of investments*

The Group, as a result of the adoption of recent amendments from IASB as explained in note 3 to these condensed consolidated interim financial statements, has reclassified certain investments amounting to AED 189 million, being the fair value as at 1 July 2008, from the fair value through income statement - held for trading classification to the available-for-sale investments category. The fair value for such investments as at 30 September 2008, included in available-for-sale investments amounts to AED 153 million. As required by the said amendments, the effects of such a reclassification are set out below

	Nine-month period ended 30 September 2008 AED'000 (Un-audited)
Before Classification	
Unrealized fair value gain recognized in income statement	**18,747**
After Classification	
Unrealized fair value gain recognized in available for sale revaluation reserve	**(43,707)**

The estimated cash flows the Group expect to recover from reclassified investments as at the date of reclassification is amounting to AED 189 million.

11. 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.

	Nine-month period ended 30 September 2008 AED'000 (Un-audited)	Nine-month period ended 30 September 2007 AED'000 (Un-audited)
General and administrative expenses	**464**	1,652
	====	=====
Reinsurance on contributions	**3,208**	2,407
	====	====
Reinsurance on claims	**1,713**	183
	====	====
Purchase of investments with other entities under Common Management with the Group	**1,079,481**	115,335
	=======	=====
Sale of investments with other entities under Common Management with the Group	**1,208,327**	94,335
	=======	======

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

	30 September 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
Due from related parties		
Bin Zayed Group	**377,969**	41,636
IAIC Labuan	**5,961**	5,961
IAIC Bahrain	**101**	23
Other entities under common management with the Group	**2,143**	2,439
	---------	------
	386,174	50,059
	======	======

11. Related party transactions (continued)

	30 September 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
Due to related parties		
IAIC Bahrain - Current account	**1,375**	1,624
IAIC Bahrain - Reinsurance Account	**141**	-
Other entities under common management with the Group	**4,108**	3,333
	-------	--------
	5,624	4,957
	====	=====

	Nine-month period ended 30 September 2008 AED'000 (Un-audited)	Nine-month period ended 30 September 2007 AED'000 (Un-audited)
Compensation of key management personnel		
Short term benefits	**4,367**	3,322
Employees end of service benefits	**1,638**	1,566
	-------	-------
	6,005	4,888
	====	=====

12. Policyholders' fund

	30 September 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	**(4,996)**	126
	---------	-----------
	(17,386)	(11,555)
Proposed profit distribution to policy holders of Family Takaful	-	(835)
	--------	-----------
		(12,390)
General		
Balance at 1 January	**(12,466)**	(11,681)
Loss for the period/year	**(4,996)**	(785)
	---------	----------
	(17,462)	(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	**(17,386)**	(12,390)
	======	======

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

13. Minority interest

	30 September 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	**(237)**	(699)
Share in revaluation surplus of property and equipment	**5**	603
Share in foreign exchange translation reserve	**(470)**	1,442
Share in net change in fair value of available for sale investments	**(2,438)**	(2)
Minority's share of profit for the period/year	**3,166**	1,738
	--------	---------
Balance at 30 September/31 December	**25,054**	25,028
	=====	=====

14. Earnings per share

The calculation of earnings per share for the nine-month period ended 30 September 2008 is based on earnings of AED 84.6 million *(30 September 2007: AED 101.2 million)* divided by the weighted average number of shares of 1,092 million *(30 September 2007: 1,099.53 million)* outstanding during the period.

15. Contingent liabilities and capital commitments

	30 September 2008 AED'000 (Un-audited)	31 December 2007 AED'000 (Audited)
Letters of guarantee	**10,626**	9,525
	=====	====

Statutory deposits of AED 9.477 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 30 September 2008 *(31 December 2007: Nil).*

16. Segmental information (Un-audited)

By Business
(for the nine-month period ended 30 September 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	377,838	114,232	95,378	91,431	196,735	45,327	489	38,008	11,592	971,030
Net contributions earned	280,177	92,648	64,888	76,486	183,093	15,834	277	18,820	6,106	738,329
Commissions received on ceded reinsurance	12,740	2,982	4,258	2,589	148	401	84	143	232	23,577
	292,917	95,630	69,146	79,075	183,241	16,235	361	18,963	6,338	761,906
Net claims incurred	(223,560)	(26,087)	(14,714)	(23,030)	(115,160)	(5,223)	(14)	(6,994)	(1,214)	(415,996)
Commissions paid and other costs	(104,156)	(35,585)	(27,077)	(25,096)	(23,075)	(4,646)	(68)	(1,619)	(3,659)	(224,981)
Net underwriting (loss)/ income	**(34,799)**	**33,958**	**27,355**	**30,949**	**45,006**	**6,366**	**279**	**10,350**	**1,465**	**120,929**

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

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

By Business
(for the nine-month period ended 30 September 2007)

	Fire AED'000	Accident AED'000	Engineering AED'000	Marine AED'000	Motor AED'000	Health AED'000	Transport AED'000	Life AED'000	Others AED'000	Total AED'000
Gross written premiums	292,648	75,208	67,780	60,241	154,487	13,388	435	10,418	9,702	684,307
Net premiums earned	214,400	58,970	44,024	49,681	143,622	6,671	332	4,502	5,928	528,130
Commissions received on ceded reinsurance	8,772	1,933	2,600	1,434	465	329	42	-	750	16,325
	223,172	60,903	46,624	51,115	144,087	7,000	374	4,502	6,678	544,455
Net claims incurred	(139,983)	(10,986)	(4,920)	(22,047)	(108,755)	(3,016)	58	(1,090)	(1,978)	(292,717)
Commissions paid and other costs	(77,921)	(22,697)	(17,348)	(16,549)	(18,620)	(1,622)	(120)	(130)	(991)	(155,998)
Net underwriting income	**5,268**	**27,220**	**24,356**	**12,519**	**16,712**	**2,362**	**312**	**3,282**	**3,709**	**95,740**

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

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

By Geographical
(for the nine-month period ended 30 September 2008)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	206,743	459,284	217,666	87,337	971,030
Net contributions earned	186,386	331,863	137,059	83,021	738,329
Commissions received on ceded reinsurance	6,227	14,832	2,518	-	23,577
	192,613	346,695	139,577	83,021	761,906
Net claims incurred	(93,119)	(182,506)	(91,494)	(48,877)	(415,996)
Commissions and other costs	(38,304)	(134,832)	(30,046)	(21,799)	(224,981)
Net underwriting income	**61,190**	**29,357**	**18,037**	**12,345**	**120,929**

(for the nine-month period ended 30 September 2007)

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

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

17. Subsequent events

The Group holds investments in equity securities classified as available-for-sale investments and investments fair valued through profit and loss. There has been significant volatility in the market values of these securities during the reporting period and the same trend has continued subsequent to the period end. Consequently, the values disclosed at the balance sheet date relating to investments, investment fair value reserves, and unrealized loss on investments fair valued through profit and loss may be subject to a material change after the balance sheet date.