

QATAR ISLAMIC INSURANCE
COMPANY (Q.S.C)
DOHA – QATAR

INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2008
TOGETHER WITH
AUDITOR'S REVIEW REPORT

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C)
DOHA - QATAR
JUNE 30, 2008

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QR. 31807

Report on Review of Interim Condensed Financial Statements

**To The Board of Directors
Qatar Islamic Insurance Company Q.S.C
Doha – Qatar.**

Introduction

We have reviewed the accompanying interim balance sheet of **Qatar Islamic Insurance Company (Q.S.C.)** as at June 30, 2008, and the related interim statements of income and expenses of policyholders, income of shareholders, changes in shareholders' equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with **International Accounting Standard No. 34, "Interim Financial Reporting"**.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed financial statements 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.

The accompanying interim condensed financial statements include the results of operations of an associate Company in the amount of QR. 3 million, which were prepared by the associate's management and have not been subject to an independent review.

Conclusion

Except for the above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with **International Accounting Standard - 34 “Interim Financial Reporting”**.

For **Deloitte & Touche**

Doha – Qatar
July 29, 2008

Muhammad Bahemia
License No. 103.

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C)
DOHA - QATAR

INTERIM BALANCE SHEET
JUNE 30, 2008

	<u>Note</u>	<u>June 30,</u> <u>2008</u> <u>(Reviewed)</u> <u>QR.</u>	<u>December 31,</u> <u>2007</u> <u>(Audited)</u> <u>QR.</u>
Policyholders' Assets:			
Cash and bank balances		28,270,239	35,634,642
Contribution receivable		27,913,948	18,562,318
Investments	4a	139,569,654	108,569,862
Due from reinsurance		8,142,524	7,967,839
Reinsurance contract assets	5	50,470,845	41,078,265
Prepayments and other assets		13,325,464	12,977,722
Investment properties		56,558,710	33,935,573
Property and equipment		7,430,354	7,546,771
Properties under construction		15,661,133	24,913,642
		-----	-----
Total Policyholders' Assets		347,342,871	291,186,634
		-----	-----
Shareholders' Assets:			
Investments	4b	208,000,329	184,015,221
Investment in associates	8	27,174,000	24,997,770
Investment properties		67,783,817	54,335,404
Properties under construction		15,661,133	24,913,643
		-----	-----
Total Shareholders' Assets		318,619,279	288,262,038
		-----	-----
Total Assets		665,962,150	579,448,672
		=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C)
DOHA – QATAR

INTERIM BALANCE SHEET
JUNE 30, 2008

	<u>Note</u>	<u>June 30,</u> <u>2008</u> <u>(Reviewed)</u> <u>QR.</u>	<u>December 31,</u> <u>2007</u> <u>(Audited)</u> <u>QR.</u>
Liabilities and Surplus of Policyholders:			
Due to bank - Murabaha		11,603,274	--
Reinsurance balance payable		10,370,516	8,814,463
Insurance contract liabilities	5	134,453,130	118,901,812
Payables and other liabilities		20,240,458	23,375,895
Distributable surplus		--	10,800,000
Fair value reserve		49,129,145	26,638,048
Retained surplus		92,283,966	79,223,224
Unclaimed surplus		29,262,382	23,433,192
		-----	-----
Total Liabilities and Surplus of Policyholders		347,342,871	291,186,634
		-----	-----
Liabilities of Shareholders:			
Dividends payable		12,921,776	1,304,832
		-----	-----
Shareholders' Equity:			
Share capital		150,000,000	150,000,000
Statutory reserve		51,602,056	51,602,056
Fair value reserve		50,881,371	29,267,868
General reserve		1,540,888	1,540,888
Proposed dividends		--	52,500,000
Retained earnings		51,673,188	2,046,394
		-----	-----
Total Shareholders' Equity		305,697,503	286,957,206
		-----	-----
Total Liabilities and Shareholders' Equity		318,619,279	288,262,038
		-----	-----
Total Liabilities, Surplus of Policyholders and Shareholders' Equity		665,962,150	579,448,672
		=====	=====

These financial statements were approved on July 29, 2008 and signed by:

Mr. Izzat M. Al-Rashid
General Manager – Managing Director

Mr. Abdulrahman Abduljalil Al Abdulghani
Deputy Chairman

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C)
DOHA - QATAR

INTERIM STATEMENT OF INCOME & EXPENSES OF POLICYHOLDERS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008

	<u>Note</u>	<u>June 30,</u> <u>2008</u> <u>(Reviewed)</u> <u>QR.</u>	<u>June 30,</u> <u>2007</u> <u>(Reviewed)</u> <u>QR.</u>
Income:			
Gross contributions	6	102,097,296	97,434,681
Agency commissions		(16,090,140)	(10,985,577)
Contributions ceded to reinsurance companies		(46,647,295)	(39,717,732)
		-----	-----
Net contributions		39,359,861	46,731,372
Movement in provision for unexpired risk	6	(3,886,395)	(11,674,017)
		-----	-----
Net earned contributions		35,473,466	35,057,355
Commissions - net		3,942,992	1,479,749
		-----	-----
Underwriting Income		39,416,458	36,537,104
		-----	-----
Gross claims incurred		(47,977,751)	(34,038,725)
Reinsurance recoveries		14,835,694	2,201,695
		-----	-----
Net Claims Incurred	6	(33,142,057)	(31,837,030)
		-----	-----
Net Underwriting Income		6,274,401	4,700,074
		-----	-----
Investment income – net		6,786,352	5,282,220
		-----	-----
Total Surplus for the Period		13,060,753	9,982,294
		=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C)
DOHA - QATAR

INTERIM STATEMENT OF INCOME OF SHAREHOLDERS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008

	<u>Note</u>	<u>June 30,</u> <u>2008</u> <u>(Reviewed)</u> <u>QR.</u>	<u>June 30,</u> <u>2007</u> <u>(Reviewed)</u> <u>QR.</u>
Income:			
Income from shareholders' investments		22,443,425	9,778,855
Income from investment in associate		3,000,000	1,051,052
Agency commission		16,090,140	10,985,577
Rental income		3,879,309	3,895,940
Shareholders' share in policyholders' investment income	7	12,603,225	6,456,048
		-----	-----
Total Income		58,016,099	32,167,472
		-----	-----
Expenses:			
Depreciation of investment properties		(844,888)	(835,436)
General and administrative expenses		(7,544,417)	(6,712,563)
		-----	-----
Total Expenses		(8,389,305)	(7,547,999)
		-----	-----
Net Profit for the Period		49,626,794	24,619,473
		=====	=====
		QR.	QR.
Earnings Per Share:			
Basic Earnings Per Share		3.30	1.64
		-----	-----
Number of Ordinary Shares (Adjusted)		15,000,000	15,000,000
		-----	-----
Nominal Value of each Ordinary Share		QR 10	QR 10
		=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C.)
DOHA - QATAR

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008

	Share Capital	Bonus Shares	Proposed Dividend	Statutory Reserve	Fair Value Reserve	General Reserve	Retained Earnings	Total
	QR.	QR.	QR.	QR.	QR.	QR.	QR.	QR.
Balance at January 1, 2007 – (Audited)	100,000,000	50,000,000	--	42,727,298	16,886,515	1,540,888	19,047,363	230,202,064
Net profit for the period	--	--	--	--	--	--	24,619,473	24,619,473
Bonus issue of shares	50,000,000	(50,000,000)	--	--	--	--	--	--
Net movement in fair value reserve	--	--	--	--	(9,792,665)	--	--	(9,792,665)
Balance at June 30, 2007 – (Reviewed)	150,000,000	--	--	42,727,298	7,093,850	1,540,888	43,666,836	245,028,872
Balance at January 1, 2008 – (Audited)	150,000,000	--	52,500,000	51,602,056	29,267,868	1,540,888	2,046,394	286,957,206
Net profit for the period	--	--	--	--	--	--	49,626,794	49,626,794
Dividends paid	--	--	(52,500,000)	--	--	--	--	(52,500,000)
Net movement in fair value reserve	--	--	--	--	21,613,503	--	--	21,613,503
Balance at June 30, 2007 – (Reviewed)	150,000,000	--	--	51,602,056	50,881,371	1,540,888	51,673,188	305,697,503

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C)
DOHA - QATAR

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008

	<u>6 Month Ended</u> <u>June 30, 2008</u> <u>(Reviewed)</u> <u>QR.</u>	<u>6 Months Ended</u> <u>June 30, 2007</u> <u>(Reviewed)</u> <u>QR.</u>
<u>Cash Flows from Operating Activities:</u>		
Surplus from insurance operations	13,060,753	9,982,294
Profit on shareholder's accounts	49,626,794	24,619,473
	-----	-----
Operating Profit Before Adjustments	62,687,547	34,601,767
Adjustments for:		
Depreciation of property, equipment and investment properties	1,692,321	1,803,728
Gain on disposal of investment properties	(13,944,254)	(12,173,773)
Provision for doubtful contribution receivables	200,000	--
	-----	-----
	50,635,614	24,231,722
Accounts and reinsurance receivables	(9,726,315)	(13,210,771)
Accrued investment income	(2,671,507)	528,135
Prepayments and other assets	(676,235)	(3,077,914)
Reinsurance contract assets	(9,392,580)	4,426,471
Due to reinsurers	1,556,053	2,895,085
Insurance contract liabilities	15,551,318	17,889,180
Payables and other liabilities	(3,135,437)	(2,359,103)
	-----	-----
Cash from Operating Activities	42,140,911	31,322,805
Board of Directors' remuneration paid	(1,050,000)	(700,000)
Dividends paid	(39,578,224)	(175,204)
	-----	-----
Net Cash from Operating Activities	1,512,687	30,447,601
	-----	-----

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C)
DOHA - QATAR

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008

	<u>6 Month Ended</u> <u>June 30, 2008</u> <u>(Reviewed)</u> <u>QR.</u>	<u>6 Months Ended</u> <u>June 30, 2007</u> <u>(Reviewed)</u> <u>QR.</u>
<u>Cash Flows from Investing Activities:</u>		
Bank deposits (maturity over 90 days)	6,137,089	(4,974,214)
Acquisition of property and equipments	(110,747)	(99,343)
Acquisition of investing properties	(54,563,882)	(17,576,340)
Proceeds on sale of investment properties	39,961,271	23,276,796
Net movement in investments	(25,438,304)	(17,024,145)
Net movement in properties under construction	18,505,019	--
	-----	-----
Net Cash Used in Investing Activities	(15,509,554)	(16,397,246)
	-----	-----
<u>Cash Flows from Financing Activities:</u>		
Movement in policyholders' surplus	(4,970,810)	(1,499,313)
Due to bank - Murabaha	11,603,274	--
	-----	-----
Net Cash from (Used in) Financing Activities	6,632,464	(1,499,313)
	-----	-----
Net (Decrease) Increase in Cash and Bank Balances	(7,364,403)	12,551,042
Cash and bank balances at beginning of the period	35,634,642	43,652,515
	-----	-----
Cash and Bank Balances at End of the Period	28,270,239	56,203,557
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

QATAR ISLAMIC INSURANCE COMPANY (Q.S.C)
DOHA - QATAR

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008

1. Activities and Legal Status:

Qatar Islamic Insurance Company (Q.S.C) (“the Company”) was incorporated in the State of Qatar on 30th October 1993 as a closed Qatari Shareholder Company under Qatar Companies’ Law No. 11 of 1981 with Registration No: 16584. On 12th December 1999, the Company changed its status to a public shareholding company and accordingly listed its shares on the Doha Securities Market.

The Company is primarily engaged in the business of underwriting general, Takaful (life) and health insurance in accordance with the provisions of Islamic Sharia’ and investing its capital and other resources in all activities on non- interest basis (Ribba).

2. Basis of Preparation:

These interim condensed financial statements have been prepared in accordance with the provisions of the Articles of Association of the Company, which require the segregation and separate reporting of transactions and balances relating to policyholders and shareholders. According to the Articles of Association of the Company, all risks and rewards arising from the insurance business are attributable to the policyholders and these interim condensed financial statements have been drawn up accordingly.

3. Significant Accounting Policies:

These interim condensed financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting”. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2007. These interim condensed financial statements should be read in conjunction with the 2007 annual financial statements and the notes attached thereto, except for the adoption of certain new standards and interpretations which are effective as of January 1, 2008. Adoption of these standards and interpretations did not have any material effect on the financial position or performance of the Company.

The interim condensed financial statements are prepared under the historical cost convention except for investments which are carried at fair value.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the six month ended June 30, 2008 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2008.

4. Investments:

	<u>June 30,</u> <u>2008</u> (Reviewed) QR.	<u>December 31,</u> <u>2007</u> (Audited) QR.
(a) Policyholders		
Available-for-Sale:		
Quoted shares – Fair value	105,713,300	84,690,141
Unquoted shares – Actual cost	33,856,354	23,879,721
	-----	-----
Total	139,569,654	108,569,862
	=====	=====

	<u>June 30,</u> <u>2008</u> (Reviewed) QR.	<u>December 31,</u> <u>2007</u> (Audited) QR.
(b) Shareholders		
Investment Deposit	71,810,318	77,947,407
	-----	-----
Available-for-Sale Investments:		
Quoted shares – Fair value	102,333,657	82,188,093
Unquoted shares – Actual cost	33,856,354	23,879,721
	-----	-----
	136,190,011	106,067,814
	-----	-----
Total	208,000,329	184,015,221
	=====	=====

5. Insurance Contract Liabilities and Re-Insurance Contract Assets:

	<u>June 30,</u> <u>2008</u> <u>(Reviewed)</u> <u>QR.</u>	<u>December 31,</u> <u>2007</u> <u>(Audited)</u> <u>QR.</u>
Gross		
Insurance contract liabilities:		
Claims reported unsettled	57,579,187	47,047,987
Unearned premiums	76,873,943	71,853,825
	-----	-----
Total insurance contract liabilities, gross	134,453,130	118,901,812
	-----	-----
Recoverable from reinsurers		
Claims reported unsettled	22,393,711	14,134,854
Unearned premiums	28,077,134	26,943,411
	-----	-----
Total reinsurers' share of insurance liabilities	50,470,845	41,078,265
	-----	-----
Net		
Claims reported unsettled	35,185,476	32,913,133
Unearned premiums	48,796,809	44,910,414
	-----	-----
	83,982,285	77,823,547
	=====	=====

6. Net Insurance Revenue:

The Company is organised into business units which comprise of underwriting General, Takaful (Life) and Health insurance in accordance with the provisions of Islamic Sharia' and investing its capital in all activities on the basis other than of interest. Geographically, the Company operates in Qatar and all surpluses are generated in Qatar.

	Marine and Aviation (Reviewed)	Motor (Reviewed)	Fire and General Accident (Reviewed)	Takaful and Health (Reviewed)	Total June 30,	
	QR.	QR.	QR.	QR.	2008 (Reviewed)	2007 (Reviewed)
	-----	-----	-----	-----	-----	-----
<u>Income:</u>						
Gross contributions	6,136,012	35,516,035	40,639,906	19,805,343	102,097,296	97,434,681
Less: Agency commissions	(1,075,013)	(7,278,864)	(2,872,427)	(4,863,836)	(16,090,140)	(10,985,577)
Reinsurance contribution ceded	(3,861,374)	(6,734,708)	(33,195,566)	(2,855,647)	(46,647,295)	(39,717,732)
	-----	-----	-----	-----	-----	-----
Retained contributions	1,199,625	21,502,463	4,571,913	12,085,860	39,359,861	46,731,372
Movement in unexpired risk	(180,322)	(1,662,133)	(696,440)	(1,347,500)	(3,886,395)	(11,674,017)
	-----	-----	-----	-----	-----	-----
Net earned contributions	1,019,303	19,840,330	3,875,473	10,738,360	35,473,466	35,057,355
Commissions, net	255,910	1,523,258	1,938,242	225,582	3,942,992	1,479,749
	-----	-----	-----	-----	-----	-----
Net Underwriting Income	1,275,213	21,363,588	5,813,715	10,963,942	39,416,458	36,537,104
	-----	-----	-----	-----	-----	-----
<u>Expenses:</u>						
Gross claims	--	(27,095,778)	(14,311,556)	(6,570,417)	(47,977,751)	(34,038,725)
Reinsurance recoveries	588,232	1,596,454	8,659,391	3,991,617	14,835,694	2,201,695
	-----	-----	-----	-----	-----	-----
Net Claims Incurred	588,232	(25,499,324)	(5,652,165)	(2,578,800)	(33,142,057)	(31,837,030)
	-----	-----	-----	-----	-----	-----
Net Underwriting Income	1,863,445	(4,135,736)	161,550	8,385,142	6,274,401	4,700,074
Investment income					6,786,352	5,282,220
					-----	-----
Total Surplus for the Period					13,060,753	9,982,294
					=====	=====

7. Shareholder's Share in Policyholder's Investment Income:

This amount represents management fee payable to the shareholders by the policyholders for managing their investments. The fees are calculated at a rate of 65% of the net income received on the investments of the policyholders (2007: 55%). The actual rate for each year is determined by the Sharia Supervisory Board with co-ordination with Company's Board of Directors.

8. Investment in Associate:

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Following is a summary of the company's associates which are accounted for under the equity method of accounting:

<u>Name of Associate</u>	<u>Principal Activity</u>	<u>Place of Incorporation and Operation</u>	<u>Capital</u>	<u>Percentage Share</u>	
				<u>2008 %</u>	<u>2007 %</u>
	Islamic				
Tashelaat Islamic Co. W.L.L.	Financing	Qatar	40,000,000	51	51
The Contractor Co. W.L.L.	Contracting	Qatar	3,000,000	51	--

9. Related Party Transactions:

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners.

Transactions with related parties during the period were as follows:

	<u>6 Months Ended</u> <u>June 30, 2008</u> <u>(Reviewed)</u> <u>QR.</u>	<u>6 Months Ended</u> <u>June 30, 2007</u> <u>(Reviewed)</u> <u>QR.</u>
Gross contributions	3,011,437	1,848,812
Key management compensation	486,000	414,000
Total	3,497,437	2,262,812

