

**Islamic Arab Insurance Co.
(Salama) and its subsidiaries**

**Condensed consolidated interim
financial statements**
30 June 2009

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the six-month period ended 30 June 2009

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

Telephone +971 (4) 4030 300
Fax +971 (4) 3301 515
Website www.ae-kpmg.com

The Shareholders
Islamic Arab Insurance Co. (Salama)

Independent auditor's report on review of condensed consolidated interim financial information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Islamic Arab Insurance Co. (Salama) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2009, and the condensed consolidated interim statement of comprehensive income (comprising of a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim income statement), condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-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 International Financial Reporting Standard-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 June 2009 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

Vijendranath Malhotra
Registration No: 48 B

13 AUG 2009

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim income statement

for the six-month period ended 30 June 2009

	Six-month period ended 30 June 2009 AED'000 (Un-audited)	Six-month period ended 30 June 2008 AED'000 (Un-audited)	Three-month period ended 30 June 2009 AED'000 (Un-audited)	Three-month period ended 30 June 2008 AED'000 (Un-audited)
UNDERWRITING RESULTS				
Underwriting income				
Gross written contributions	825,306	648,817	414,046	350,405
Less: Reinsurance contributions ceded	(121,814)	(95,398)	(67,003)	(42,720)
Net contributions	703,492	553,419	347,043	307,685
Net movement in unearned contributions	(136,825)	(73,545)	(75,462)	(50,744)
Contributions earned	566,667	479,874	271,581	256,941
Commissions received on ceded reinsurance	16,262	16,048	9,774	9,035
	582,929	495,922	281,355	265,976
Underwriting expenses				
Gross claims paid	290,190	244,513	152,990	119,716
Less: reinsurance share of claims paid	(26,437)	(28,179)	(14,430)	(10,734)
Net claims paid	263,753	216,334	138,560	108,982
Net movement in outstanding claims and technical reserves	36,636	54,034	11,299	45,951
Claims incurred	300,389	270,368	149,859	154,933
Commissions paid and other costs	191,496	148,556	100,065	81,386
	491,885	418,924	249,924	236,319
Net underwriting income	91,044	76,998	31,431	29,657
Other Income				
Investment income	19,716	79,415	13,736	54,231
Share of profit from associates	1,480	3,598	1,011	(28)
Other income	17,168	5,941	13,712	3,773
	129,408	165,952	59,890	87,633
Expenses				
General and administrative expenses	(45,266)	(57,000)	(22,499)	(31,756)
Other Expenses	(16,628)	(11,186)	(7,287)	(6,595)
Financial expenses	(17,212)	(13,101)	(9,512)	(3,515)
Provision for charitable donations	(1,973)	(1,590)	(1,361)	(1,116)
Surplus distribution for life policyholders	(837)	(835)	(837)	(835)
Net profit before tax for the period-carried forward	47,492	82,240	18,394	43,816

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim income statement (*continued*)

for the six-month period ended 30 June 2009

	Six-month period ended 30 June 2009 AED'000 (Un-audited)	Six-month period ended 30 June 2008 AED'000 (Un-audited)	Three-month period ended 30 June 2009 AED'000 (Un-audited)	Three-month period ended 30 June 2008 AED'000 (Un-audited)
Net profit before tax for the period	47,492	82,240	18,394	43,816
Tax	(2,841)	(2,278)	(1,478)	(902)
	-----	-----	-----	-----
Net profit after tax for the period	44,651	79,962	16,916	42,914
	=====	=====	=====	=====
Attributable to:				
Shareholders	41,798	78,766	14,526	43,677
Minority interest (note 13)	2,853	1,196	2,390	(763)
	-----	-----	-----	-----
	44,651	79,962	16,916	42,914
	=====	=====	=====	=====
Earnings per share (AED) (note 14)	0.039	0.072	0.013	0.040
	=====	=====	=====	=====

The notes on pages 8 to 23 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 comprehensive income

for the six-month period ended 30 June 2009

	Six-month period ended 30 June 2009 AED'000 (Un-audited)	Six-month period ended 30 June 2008 AED'000 (Un-audited)	Three-month period ended 30 June 2009 AED'000 (Un-audited)	Three-month period ended 30 June 2008 AED'000 (Un-audited)
Net profit after tax for the period	44,651	79,962	16,916	42,914
Other comprehensive income/ (expense)				
Revaluation reserve	-	976	-	976
Available-for-sale investments	16,817	(5,716)	13,865	(5,701)
Foreign exchange translation reserve	(799)	(2,058)	1,806	(3,194)
	-----	-----	-----	-----
Other comprehensive income for the period	16,018	(6,798)	15,671	(7,919)
	-----	-----	-----	-----
Total comprehensive income for the period	60,669	73,164	32,587	34,995
	=====	=====	=====	=====
Attributable to:				
Shareholders	57,257	71,979	25,672	36,260
Minority interest	3,412	1,185	6,915	(1,265)
	-----	-----	-----	-----
	60,669	73,164	32,587	34,995
	=====	=====	=====	=====

The notes on pages 8 to 23 form an integral part of these condensed consolidated interim financial statements.

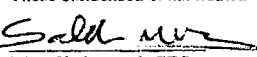
The Independent Auditor's Review Report is set out on page 1.

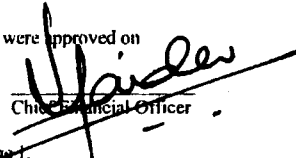
Islamic Arab Insurance Co. (Salama) and its subsidiaries
Condensed consolidated interim statement of financial position
as at 30 June 2009

		30 June 2009	31 December 2008
	<i>Notes</i>	AED'000 (Un-audited)	AED'000 (Audited)
ASSETS			
Property and equipment		62,469	63,119
Intangible assets		9,113	9,974
Goodwill		186,194	186,194
Investment properties	8	86,326	86,326
Investments in associates	9	25,903	24,694
Statutory deposits		35,456	34,133
Investments	10	679,119	433,610
Deposits with insurance and reinsurance companies		328,025	313,855
Contributions and insurance balance receivables		740,432	627,585
Reinsurance assets		147,475	145,763
Due from related parties	11	19,371	256,046
Other assets and receivables		95,186	71,627
Short term deposits		506,800	476,006
Cash and bank balances		225,021	189,546
TOTAL ASSETS		3,146,890	2,918,478
LIABILITIES			
Bank finance		373,613	368,732
Reserves for insurance contract and family takaful business		1,073,350	901,819
Insurance and other payable		256,543	264,876
Due to related parties	11	4,210	4,546
TOTAL LIABILITIES		1,707,716	1,539,973
NET ASSETS EMPLOYED		1,439,174	1,378,505
FINANCED BY:			
Shareholders' equity		1,411,601	1,354,344
Minority interest	13	27,573	24,161
		1,439,174	1,378,505

The notes on pages 8 to 23 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved on


Vice Chairman & CEO


Chief Financial Officer

13 AUG 2009

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 six-month period ended 30 June 2009

	Six-month period ended 30 June 2009 AED'000 (Un-audited)	Six-month period ended 30 June 2008 AED'000 (Un-audited)
Operating activities		
Net profit after minority interest for the period	41,798	78,766
<i>Adjustment for:</i>		
Movement in unearned contribution reserve (net of reinsurance)	136,541	75,240
	<u>178,339</u>	<u>154,006</u>
Change in deposits with insurance and reinsurance companies	(14,170)	(10,206)
Change in contributions and insurance balance receivable	(112,847)	(131,420)
Change in due from related parties	236,675	(336,146)
Change in other assets and receivables	(23,559)	(3,305)
Change in short term deposits	(382,785)	-
Change in outstanding claims (net of reinsurance)	27,181	53,037
Change in technical reserve life	6,097	1,279
Change in insurance payables and other payables	(8,334)	38,758
Change in due to related party	(336)	(1,629)
	<u>(93,739)</u>	<u>(235,626)</u>
<i>Net cash used in operating activities</i>		
Investing activities		
Change in property and equipments	650	(3,683)
Change in intangible assets	861	275
Proceed from sale of investment properties	-	3,019
Change in investment in associates	(1,209)	(4,025)
Change in statutory deposits	(1,323)	(540)
Change in investments –net	121,942	98,186
	<u>120,921</u>	<u>93,232</u>
<i>Net cash from investing activities</i>		
Financing activities		
Change in term bank finance	4,881	209,763
Change in minority interest	3,412	918
	<u>8,293</u>	<u>210,681</u>
<i>Net cash from by financing activities</i>		
Increase in cash and cash equivalents	35,475	68,287
Cash and cash equivalents at the beginning of the period	189,546	177,088
	<u>225,021</u>	<u>245,375</u>
Cash and cash equivalents at the end of the period		

The notes on pages 8 to 23 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 equity (Un-audited)
for the six-month period ended 30 June 2009

	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	Minority interest AED'000	Total equity 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	25,028	1,436,851
Total comprehensive income for the period	-	-	864	(2,176)	(5,475)	-	78,766	71,979	1,185	73,164
Dividend paid	-	-	-	-	-	-	-	-	(266)	(266)
Balance at 30 June 2008	1,100,000	49,904	12,491	126	1,117	(24,759)	344,923	1,483,802	25,947	1,509,749
Balance at 1 January 2009	1,100,000	49,904	12,491	(4,671)	(23,165)	(35,972)	255,757	1,354,344	24,161	1,378,505
Total comprehensive income for the period	-	-	-	(655)	16,114	-	41,798	57,257	3,412	60,669
Balance at 30 June 2009	1,100,000	49,904	12,491	(5,326)	(7,051)	(35,972)	297,555	1,411,601	27,573	1,439,174

The notes on pages 8 to 23 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

Notes

(forming part of the condensed consolidated interim financial statements)

1. Legal status and activities

Islamic Arab Insurance Co. (Salama) (“the Company”) is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P O Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general insurance and life insurance business (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:

Subsidiaries	Tariic Ownership		Country of Incorporation
	30 June 2009	31 December 2008	
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 consolidated financial statements of the Group for the year ended 31 December 2008.

New and revised accounting standards and interpretations effective 1 January 2009.

IFRS 8 – Operating segments

This new standard, which has been adopted for the preparation of these condensed consolidated interim financial statements, introduces the “management approach” for to segment reporting. Currently the Group presents segment information in respect of its business and geographical segments. This standard does not affect Group’s reported profit or loss or equity.

Revised IAS 1 - Presentation of financial statements

This revised standard, which has been adopted for first time in preparation of these condensed consolidated interim financial statements, affects the presentation of owners’ changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs.

Except the adoption of IFRS 8 – Operating segments and Revised IAS 1 – Presentation of financial statements stated above, the accounting policies and method of computation adopted by the Group in these condensed consolidated interim financial statements are same as those applied by the Group in its consolidated financial statements as at 31 December 2008.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

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 2008.

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 condensed consolidated interim income statement.

When the use of a property changes such that it is reclassified as property 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 assets comprise investments in equity and debt securities, insurance and other receivables, cash and cash equivalents, investment contract liabilities, insurance and other payables and other liabilities.

i) Recognition, derecognition and initial measurement

Non-derivative financial instruments are measured initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Financial instruments are recognised when 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.

Financial liabilities are derecognised if the Group’s obligations specified in the contract expire or are discharged or cancelled. Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Group commits itself to purchase or sell the asset.

ii) Categories of financial instruments

Financial instruments at fair value through profit or 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. Subsequent to initial measurement, financial instruments at fair value through profit or loss are measured at fair value, with fair value changes recognised in statement of income. Net changes in the fair value of financial assets classified as at fair value through profit or loss includes interest income and any dividends received.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

3. Significant accounting policies (continued)

b) Financial instruments (continued)

(ii) Categories of financial instruments (continued)

Financial instruments at fair value through profit or loss (continued)

All financial assets held by the Group in respect of its long term business funds are designated by the Group on initial recognition at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these assets were not measured at fair value and the changes in fair value were not recognised in profit or loss.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, and these debt securities have not been designated at fair value through profit or loss, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

This category is used for financial assets that are not classified as at fair value through profit or loss or held-to-maturity investments. Interest income is recognised in statement of income using the effective interest method. Dividend income is recognised in statement of income when the Group becomes entitled to the dividend. Foreign exchange gains/losses on monetary securities are recognised in the statement of income. Other fair value changes are recognised directly in equity until the investment is sold or impaired and the relevant balance in equity is recognised in statement of income.

Other financial assets

Other non-derivative financial assets, such as cash and cash equivalents and insurance and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

iii) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards. Gains and losses arising from a group of similar transactions are reported on a net basis.

iv) Fair value measurement

The determination of fair values of financial instruments is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into an arm's length transaction, a financial instrument is recognised initially at its transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference is not recognised in profit or loss immediately. The timing of its recognition depends upon the facts and circumstances of each transaction but is not later than when the market data which supports the gain or loss becomes available.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes *(continued)*

3. Significant accounting policies *(continued)*

b) Financial instruments *(continued)*

v) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about any significant financial difficulty of the issuer, significant changes in the technological, market, economic or legal environment in which the issuer operates. A significant or prolonged decline in the fair value of an equity instrument below its cost is also objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the consolidated statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in the consolidated equity is transferred to statement of income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the consolidated statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in the consolidated equity.

vi) Other financial instruments

Other financial liabilities include amounts payable in the future to agents and intermediaries in respect of investment contracts issued by the Group. Payments are made on an annual basis on the anniversary of the inception of a contract if a contract has not been surrendered at that date.

These financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of the expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortised cost using the effective interest method.

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.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes *(continued)*

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 Group's accounting policies and the key sources of estimation uncertainty were the significantly same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

5. Interim measurement

The nature of the Group'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)

	Six-month period ended 30 June 2009				Six-month period ended 30 June 2008			
	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	-	23,844	-	23,844	-	9,455	-	9,455
Net underwriting income from subsidiaries	67,200	-	-	67,200	67,543	-	-	67,543
	-----	-----	-----	-----	-----	-----	-----	-----
Net underwriting income	67,200	23,844	-	91,044	67,543	9,455	-	76,998
Income								
Wakala fees	18,524	(18,524)	-	-	16,247	(16,247)	-	-
Mudarib share of profit	59	(59)	-	-	71	(71)	-	-
Investment income	20,802	394	-	21,196	82,543	470	-	83,013
Other income	17,151	17	-	17,168	5,933	8	-	5,941
	-----	-----	-----	-----	-----	-----	-----	-----
	123,736	5,672	-	129,408	172,337	(6,385)	-	165,952
Expenses								
General and administrative expenses	(45,266)	-	-	(45,266)	(57,000)	-	-	(57,000)
Other expenses	(16,628)	-	-	(16,628)	(11,186)	-	-	(11,186)
Financial expenses	(17,212)	-	-	(17,212)	(13,101)	-	-	(13,101)
Provision for charitable donations	(1,973)	-	-	(1,973)	(1,590)	-	-	(1,590)
Surplus distribution for life policyholder	(837)	-	-	(837)	(835)	-	-	(835)
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit before tax for the period	41,820	5,672	-	47,492	88,625	(6,385)	-	82,240
Tax	(2,841)	-	-	(2,841)	(2,278)	-	-	(2,278)
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit after tax for the period	38,979	5,672	-	44,651	86,347	(6,385)	-	79,962
Share of minority interest	(2,853)	-	2,853	-	(1,196)	-	1,196	-
Payback of Qard Hasn (Note 12)	5,672	(5,672)	-	-	(6,385)	6,385	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit for the period	41,798	-	2,853	44,651	78,766	-	1,196	79,962
	=====	=====	=====	=====	=====	=====	=====	=====

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

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% (2008: 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 (2008: 5% to 15% of net risk contribution) is charged. For life insurance business, Wakala fees are being charged at 15% (2008: 15%) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds and share 15% (2008: 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:

	30 June 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
Within UAE	16,223	16,223
GCC Countries	70,103	70,103
	<u>86,326</u>	<u>86,326</u>

Based on management's internal assessment, the carrying value of the investment properties reflects the market conditions as at 30 June 2009.

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 2009	Ownership 2008	Country of incorporation	30 June 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
GEPAR	20.00%	20.00%	Tunisia	249	249
Saudi IAIC Cooperative Insurance Co. (Saudi IAIC)	30.00%	30.00%	KSA	24,683	23,203
ITE	49.00%	49.00%	Tunisia	-	-
Lloyds Tunisia	-	23.77%	Tunisia	-	-
Best Invest	47.22%	23.83%	Tunisia	967	1,238
SCI Al Amane	30.00%	30.00%	Senegal	2	2
SCI Al Baraka	30.00%	30.00%	Senegal	2	2
				<u>25,903</u>	<u>24,694</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

9. Investment in associates (*continued*)

Movements during the period/year

	Six-month period ended 30 June 2009 AED'000 (Un-audited)	Year ended 31 December 2008 AED'000 (Audited)
Balance at beginning of period/year	24,694	29,607
Purchases	-	1,067
Share in profit/(losses) in associates	1,480	(5,933)
Sale	(271)	-
Change in reserve	-	(47)
	-----	-----
Balance at the end of period/year	25,903	24,694
	=====	=====

Summarised financial information of the major associates are as under:

	30 June 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
Total assets	299,354	245,566
	=====	=====
Total liabilities	(232,174)	(185,386)
	=====	=====
	Six-month period ended 30 June 2009 AED'000 (Un-audited)	Six-month period ended 30 June 2008 AED'000 (Un-audited)
Revenue	54,974	19,315
	=====	=====
Surplus	4,081	13,405
	=====	=====

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

10. Investments

	30 June 2009			31 December 2008		
	Domestic Investment AED'000 (Un-audited)	International investment AED'000 (Un-audited)	Total AED'000 (Un-audited)	Domestic investment AED'000 (Audited)	International investment AED'000 (Audited)	Total AED'000 (Audited)
Financial Asset through profit or loss						
Mutual funds and externally managed portfolio	-	43,233	43,233	-	36,547	36,547
Shares and securities	1,889	2,567	4,456	1,449	854	2,303
	1,889	45,800	47,689	1,449	37,401	38,850
Available-for-sale investments						
Mutual funds and externally managed portfolio	17,853	317,489	335,342	15,215	310,028	325,243
Shares and securities	5,212	20,584	25,796	5,983	21,762	27,745
	23,065	338,073	361,138	21,198	331,790	352,988
Held-to-maturity SUKUK & Govt. Bonds	-	270,292	270,292	-	41,772	41,772
Total Investments	24,954	654,165	679,119	22,647	410,963	433,610

- 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.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

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.

	Six-month period ended 30 June 2009 AED'000 (Un-audited)	Six-month period ended 30 June 2008 AED'000 (Un-audited)
General and administrative expenses	600	309
Reinsurance on contributions	802	2,428
Reinsurance on claims	163	1,269
Purchase of investments	8,852	718,735
Sale of investments	10,583	846,811
	30 June 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
Due from related parties		
Bin Zayed Group	12,605	249,208
IAIC Labuan	5,961	5,961
IAIC Bahrain	23	23
Other entities under common management with the Group	782	854
	19,371	256,046

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

Due to related parties		
IAIC Bahrain - Current account	1,460	1,788
IAIC Bahrain - Reinsurance Account	50	-
Other entities under common management with the Group	2,700	2,758
	4,210	4,546

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11. Related party transactions (continued)

	Six-month period ended 30 June 2009 AED'000 (Un-audited)	Six-month period ended 30 June 2008 AED'000 (Un-audited)
Compensation of key management personnel		
Short term benefits	2,968	2,909
Employees end of service benefits	1,610	1,108
	-----	-----
	4,578	4,017
	=====	=====

12. Policyholders' fund

	30 June 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
Deficiency of policyholders' fund		
Balance at 1 January	(7,154)	(11,555)
Net surplus attributable to policyholders for the period/year	5,672	8,488
	-----	-----
	(1,482)	(3,067)
Proposed profit distribution to policy holders of Family Takaful	(837)	(4,087)
	-----	-----
	(2,319)	(7,154)
General		
Balance at 1 January	(13,675)	(12,466)
Surplus /(loss) for the period/year	7,518	(1,209)
	-----	-----
	(6,157)	(13,675)
	-----	-----
Life		
Balance at 1 January	6,521	911
(Loss)/surplus in Family Takaful for the period/ year	(1,846)	9,697
Proposed profit distribution to policyholder of Family Takaful	(837)	(4,087)
	-----	-----
	3,838	6,521
	-----	-----
Balance at the end of period/year	(2,319)	(7,154)
	=====	=====

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

13. Minority interest

	30 June 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
Balance at 1 January	24,161	25,028
Increase in capital through cash contribution	-	1,648
Dividends paid	-	(714)
Share in revaluation surplus of property and equipment	-	5
Share in foreign exchange translation reserve	(144)	(1,347)
Share in net change in fair value of available for sale investments	703	(2,680)
Minority's share of profit for the period/year	2,853	2,221
	-----	-----
Balance at 30 June / 31 December	<u>27,573</u>	<u>24,161</u>

14. Earnings per share

The calculation of earnings per share for the six-month period ended 30 June 2009 is based on earnings of AED 41.79 million (*30 June 2008: AED 78.77 million*) divided by the weighted average number of shares of 1,080 million (*30 June 2008: 1,091 million*) outstanding during the period.

15. Contingent liabilities and capital commitments

	30 June 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
Letters of guarantee	<u>12,642</u>	<u>13,675</u>

Statutory deposits of AED 7.6 million (*31 December 2008: AED 10.01 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 June 2009 (*31 December 2008: Nil*).

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

16. Operating segments (Un-audited)

By Business

(for the six-month period ended 30 June 2009)

	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	329,985	106,342	77,262	81,110	134,824	30,611	162	53,604	11,406	825,306
Net contributions earned	213,118	71,200	53,143	54,839	121,616	13,401	35	30,267	9,048	566,667
Commissions received on ceded reinsurance	8,277	2,147	3,110	1,239	296	463	62	98	570	16,262
Net claims incurred	221,395	73,347	56,253	56,078	121,912	13,864	97	30,365	9,618	582,929
Commissions paid and other costs	(101,951)	(12,576)	(45,298)	(42,136)	(76,519)	(4,676)	(3)	(16,628)	(602)	(300,389)
Net underwriting income	30,066	29,617	(10,209)	(8,529)	27,749	5,443	52	8,949	7,906	91,044
Investment and other income										38,364
Unallocated expenses and tax										(84,757)
Net profit after tax										44,651

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

16. Operating segments (Un-audited) (continued)

By Business

(for the six-month period ended 30 June 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	255,214 =====	71,323 =====	64,076 =====	61,069 =====	134,699 =====	32,243 =====	371 =====	18,638 =====	11,184 =====	648,817 =====
Net contributions earned	179,610	55,531	45,920	50,491	119,932	10,389	204	8,062	9,735	479,874
Commissions received on ceded reinsurance	8,628 -----	1,944 -----	2,980 -----	1,733 -----	113 -----	240 -----	64 -----	89 -----	257 -----	16,048 -----
Net claims incurred	188,238 (192,006)	57,475 (1,959)	48,900 (3,993)	52,224 1,383	120,045 (55,533)	10,629 (2,919)	268 (69)	8,151 (2,503)	9,992 (12,769)	495,922 (270,368)
Commissions paid and other costs	(69,944) -----	(20,540) -----	(18,361) -----	(15,883) -----	(16,902) -----	(3,206) -----	(50) -----	(144) -----	(3,526) -----	(148,556) -----
Net underwriting (loss)/ income	(73,712) -----	34,976 -----	26,546 -----	37,724 -----	47,610 -----	4,504 -----	149 -----	5,504 -----	(6,303) -----	76,998 -----
Investment and other income										88,954
Unallocated expenses and tax										(85,990) -----
Net profit after tax										79,962 =====

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

16. Operating segments (Un-audited) (continued)

By Geographical

(for the six-month period ended 30 June 2009)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	189,164	442,538	161,399	32,205	825,306
Net contributions earned	150,708	266,682	115,369	33,908	566,667
Commissions received on ceded reinsurance	5,048	7,510	3,704	-	16,262
	155,756	274,192	119,073	33,908	582,929
Net claims incurred	(73,467)	(130,962)	(72,724)	(23,236)	(300,389)
Commissions and other costs	(35,102)	(125,875)	(22,831)	(7,688)	(191,496)
Net underwriting income	47,187	17,355	23,518	2,984	91,044
Investment and other income					38,364
Unallocated expenses and tax					(84,757)
Net profit after tax					44,651

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

16. Operating segments (Un-audited) (continued)

By Geographical

(for the six-month period ended 30 June 2008)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	136,415	291,825	140,423	80,154	648,817
	=====	=====	=====	=====	=====
Net contributions earned	118,183	194,524	94,029	73,138	479,874
Commissions received on ceded reinsurance	4,337	10,404	1,307	-	16,048
	-----	-----	-----	-----	-----
	122,520	204,928	95,336	73,138	495,922
Net claims incurred	(68,924)	(105,243)	(59,479)	(36,722)	(270,368)
Commissions and other costs	(25,674)	(84,046)	(19,135)	(19,701)	(148,556)
	-----	-----	-----	-----	-----
Net underwriting income	27,922	15,639	16,722	16,715	76,998
	-----	-----	-----	-----	-----
Investment and other income					88,954
Unallocated expenses and tax					(85,990)

Net profit after tax					79,962
					=====

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