

Islamic Arab Insurance Co.
(Salama) and its subsidiaries

Condensed consolidated interim
financial statements
30 September 2009

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements *for the nine-month period ended 30 September 2009*

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

Independent auditors' 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 September 2009, and the related condensed consolidated interim statement of comprehensive income (comprising of a condensed consolidated interim statement of comprehensive income and a separate 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 fair 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 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Vijendranath Malhotra
Registration No: 48 B

11 NOV 2009

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim income statement

for the nine-month period ended 30 September 2009

	Nine -month period ended 30 September 2009 AED'000 (Un-audited)	Nine -month period ended 30 September 2008 AED'000 (Un-audited)	Three-month period ended 30 September 2009 AED'000 (Un-audited)	Three-month period ended 30 September 2008 AED'000 (Un-audited)
UNDERWRITING RESULTS				
Underwriting income				
Gross written contributions	1,193,640	969,756	368,334	320,939
Less: Reinsurance contributions ceded	(195,429)	(154,275)	(73,615)	(58,877)
Net contributions	998,211	815,481	294,719	262,062
Net movement in unearned contributions	(156,488)	(78,426)	(19,663)	(4,881)
Contributions earned	841,723	737,055	275,056	257,181
Commissions received on ceded reinsurance	25,993	23,577	9,731	7,529
	867,716	760,632	284,787	264,710
Underwriting expenses				
Gross claims paid	451,184	380,056	160,994	135,543
Less: reinsurance share of claims paid	(40,112)	(43,225)	(13,675)	(15,046)
Net claims paid	411,072	336,831	147,319	120,497
Net movement in outstanding claims and technical reserves	52,459	79,165	15,823	25,131
Claims incurred	463,531	415,996	163,142	145,628
Commissions paid and other costs	274,315	224,981	82,819	76,425
	737,846	640,977	245,961	222,053
Net underwriting income	129,870	119,655	38,826	42,657
Other Income				
Investment income	30,032	73,794	10,316	(5,621)
Share of profit from associates	2,826	3,368	1,346	(230)
Other income	15,312	13,757	(1,856)	7,816
	178,040	210,574	48,632	44,622
Expenses				
General and administrative expenses	(65,205)	(85,950)	(19,939)	(28,950)
Other Expenses	(11,248)	(7,671)	5,380	3,515
Financial expenses	(26,573)	(22,415)	(9,361)	(9,314)
Provision for charitable donations	(2,661)	(2,620)	(688)	(1,030)
Surplus distribution for life policyholders	(837)	(835)	-	-
Net profit before tax for the period-carried forward	71,516	91,083	24,024	8,843

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim income statement *(continued)*

for the nine-month period ended 30 September 2009

	Nine-month period ended 30 September 2009 AED'000 (Un-audited)	Nine-month period ended 30 September 2008 AED'000 (Un-audited)	Three-month period ended 30 September 2009 AED'000 (Un-audited)	Three-month period ended 30 September 2008 AED'000 (Un-audited)
Net profit before tax for the period	71,516	91,083	24,024	8,843
Tax	(3,463)	(3,257)	(622)	(979)
Net profit after tax for the period	68,053	87,826	23,402	7,864
Attributable to:				
Shareholders	64,543	84,660	22,745	5,894
Non-controlling interest (note 12)	3,510	3,166	657	1,970
	68,053	87,826	23,402	7,864
Earnings per share (AED) (note 13)	0.060	0.078	0.021	0.005

The notes on pages 8 to 21 form an integral part of these condensed consolidated interim financial statements.
The Independent auditors' 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 nine-month period ended 30 September 2009

	Nine-month period ended 30 September 2009 AED'000 (Un-audited)	Nine-month period ended 30 September 2008 AED'000 (Un-audited)	Three-month period ended 30 September 2009 AED'000 (Un-audited)	Three-month period ended 30 September 2008 AED'000 (Un-audited)
Net profit after tax for the period	68,053	87,826	23,402	7,864
Other comprehensive income/ (expense)				
Revaluation of property and equipment	-	868	-	(108)
Revaluation of available-for-sale Investments	33,227	(51,620)	16,410	(45,904)
Foreign exchange translation reserve	364	(2,375)	1,163	(317)
Other comprehensive income for the Period	33,591	(53,127)	17,573	(46,329)
Total comprehensive income for the Period	101,644	34,699	40,975	(38,465)
Attributable to:				
Shareholders	95,187	34,436	37,930	(37,543)
Non-controlling interest	6,457	263	3,045	(922)
	101,644	34,699	40,975	(38,465)

The notes on pages 8 to 21 form an integral part of these condensed consolidated interim financial statements.
The Independent auditors' review report is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

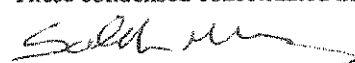
Condensed consolidated interim statement of financial position

as at 30 September 2009

		30 September 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
	Notes		
ASSETS			
Property and equipment		61,268	63,119
Intangible assets		9,432	9,974
Goodwill		186,194	186,194
Investment properties	8	86,326	86,326
Investments in associates		27,238	24,694
Statutory deposits		40,140	34,133
Investments	9	708,272	433,610
Deposits with insurance and reinsurance companies		326,016	313,855
Contributions and insurance balance receivables		765,831	627,585
Retakaful assets		164,675	145,763
Due from related parties	10	19,142	256,046
Other assets and receivables		96,757	71,627
Short term deposits		561,511	476,006
Cash and bank balances		241,182	189,546
TOTAL ASSETS		3,293,984	2,918,478
LIABILITIES			
Bank finance		387,370	368,732
Reserves for takaful contract and family takaful business		1,125,777	901,819
Insurance and other payable		295,991	264,876
Due to related parties	10	4,893	4,546
TOTAL LIABILITIES		1,814,031	1,539,973
NET ASSETS EMPLOYED		1,479,953	1,378,505
FINANCED BY:			
Shareholders' equity		1,449,531	1,354,344
Non-controlling interest	12	30,422	24,161
		1,479,953	1,378,505

The notes on pages 8 to 21 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved on


Vice Chairman and CEO

 11 NOV 2009
Chief Financial Officer

The Independent auditors' 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 2009

	Nine-month period ended 30 September 2009 AED'000 (Un-audited)	Nine-month period ended 30 September 2008 AED'000 (Un-audited)
Operating activities		
Net profit before non-controlling interest for the period	68,053	87,826
<i>Adjustment for:</i>		
Movement in unearned contribution reserve (net of reinsurance)	157,474	79,792
Movement in technical reserve life	9,835	1,934
	<u>235,362</u>	<u>169,552</u>
Change in deposits with insurance and reinsurance companies	(12,161)	(4,410)
Change in contributions and insurance balance receivable	(138,246)	(165,368)
Change in due from related parties	236,904	(336,115)
Change in other assets and receivables	(25,130)	38,081
Change in outstanding claims (net of reinsurance)	37,737	78,329
Change in insurance payables and other payables	31,115	62,998
Change in due to related party	347	667
	<u>365,928</u>	<u>(156,266)</u>
<i>Net cash provided by/(used in) operating activities</i>		
Investing activities		
Change in property and equipments	1,912	(8,250)
Change in intangible assets	542	2,053
Proceed from sale of investment properties	-	3,019
Change in investment in associates	(2,544)	(3,794)
Change in statutory deposits	(6,007)	393
Change in investments –net	(244,079)	46,241
Change in short term deposit	(85,505)	-
	<u>(335,681)</u>	<u>39,662</u>
<i>Net cash (used in)/provided by investing activities</i>		
Financing activities		
Change in term bank finance	18,638	197,325
Change in minority interest	2,751	(3,141)
	<u>21,389</u>	<u>194,184</u>
<i>Net cash provided by financing activities</i>		
Increase in cash and cash equivalents	<u>51,636</u>	<u>77,580</u>
Cash and cash equivalents at the beginning of the period	189,546	177,088
Cash and cash equivalents at the end of the period	<u>241,182</u>	<u>254,668</u>

The notes on pages 8 to 21 form an integral part of these condensed consolidated interim financial statements.
The Independent auditors' 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 nine-month period ended 30 September 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	Non- controlling 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	-	-	863	(1,905)	(49,182)	-	84,660	34,436	263	34,699
Dividend paid	-	-	-	-	-	-	-	-	(237)	(237)
Balance at 30 September 2008	1,100,000	49,904	12,490	397	(42,590)	(24,759)	350,817	1,446,259	25,054	1,471,313
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	-	-	-	61	30,583	-	64,543	95,187	6,457	101,644
Dividend paid	-	-	-	-	-	-	-	-	(196)	(196)
Balance at 30 September 2009	1,100,000	49,904	12,491	(4,610)	7,418	(35,972)	320,300	1,449,531	30,422	1,479,953

The notes on pages 8 to 21 form an integral part of these condensed consolidated interim financial statements.

The Independent auditors' 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 September 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 Dirham ("AED"), which is the "functional currency" rounded to the nearest thousand.

Except as explained in note 2, 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 profit 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 profit 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. Profit income is recognised in statement of income using the effective profit 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 profit 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)

	Nine-month period ended 30 September 2009				Nine-month period ended 30 September 2008			
	Shareholder AED'000	Policyholder AED'000	controlling interest AED'000	Total AED'000	Shareholder AED'000	Policyholder AED'000	controlling interest AED'000	Total AED'000
Net underwriting income								
Net underwriting income of the Company	-	37,044	-	37,044	-	19,223	-	19,223
Net underwriting income from subsidiaries	92,826	-	-	92,826	100,432	-	-	100,432
	<u>92,826</u>	<u>37,044</u>	<u>-</u>	<u>129,870</u>	<u>100,432</u>	<u>19,223</u>	<u>-</u>	<u>119,655</u>
Net underwriting income								
Income								
Wakala fees	31,471	(31,471)	-	-	24,723	(24,723)	-	-
Mudarib share of profit	94	(94)	-	-	85	(85)	-	-
Investment income	32,229	629	-	32,858	76,596	566	-	77,162
Other income	15,108	204	-	15,312	13,734	23	-	13,757
	<u>171,728</u>	<u>6,312</u>	<u>-</u>	<u>178,040</u>	<u>215,570</u>	<u>(4,996)</u>	<u>-</u>	<u>210,574</u>
Expenses								
General and administrative expenses	(65,205)	-	-	(65,205)	(85,950)	-	-	(85,950)
Other expenses	(11,248)	-	-	(11,248)	(7,671)	-	-	(7,671)
Financial expenses	(26,573)	-	-	(26,573)	(22,415)	-	-	(22,415)
Provision for charitable donations	(2,661)	-	-	(2,661)	(2,620)	-	-	(2,620)
Surplus distribution for life policyholder	(837)	-	-	(837)	(835)	-	-	(835)
	<u>65,204</u>	<u>6,312</u>	<u>-</u>	<u>71,516</u>	<u>96,079</u>	<u>(4,996)</u>	<u>-</u>	<u>91,083</u>
Net profit before tax for the period	<u>(3,463)</u>	<u>-</u>	<u>-</u>	<u>(3,463)</u>	<u>(3,257)</u>	<u>-</u>	<u>-</u>	<u>(3,257)</u>
Tax								
Net profit after tax for the period	<u>61,741</u>	<u>6,312</u>	<u>-</u>	<u>68,053</u>	<u>92,822</u>	<u>(4,996)</u>	<u>-</u>	<u>87,826</u>
Share of minority interest	(3,510)	-	3,510	-	(3,166)	-	3,166	-
Payback of Qard Hasn (Note 11)	6,312	(6,312)	-	-	(4,996)	4,996	-	-
	<u>64,543</u>	<u>-</u>	<u>3,510</u>	<u>68,053</u>	<u>84,660</u>	<u>-</u>	<u>3,166</u>	<u>87,826</u>
Net profit for the period								

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 September 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 September 2009.

9. Investments

	30 September 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	-	48,616	48,616	-	36,547	36,547
Shares and securities	2,743	551	3,294	1,449	854	2,303
	2,743	49,167	51,910	1,449	37,401	38,850
Available-for-sale investments						
Mutual funds and externally managed portfolio	21,567	333,503	355,070	15,215	310,028	325,243
Shares and securities	7,272	19,352	26,624	5,983	21,762	27,745
	28,839	352,855	381,694	21,198	331,790	352,988
Held-to-maturity SUKUK and Govt. Bonds	-	274,668	274,668	-	41,772	41,772
Total investments	31,582	676,690	708,272	22,647	410,963	433,610

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

9. Investments (continued)

9.1 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.

9.2 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 nine months up to eighteen months.

10. 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 2009 AED'000 (Un-audited)	Nine-month period ended 30 September 2008 AED'000 (Un-audited)
General and administrative expenses	900	309
Reinsurance on contributions	1,161	2,428
Reinsurance on claims	911	1,269
Purchase of investments	10,810	718,735
Sale of investments	10,583	846,811
	30 September 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	553	854
	19,142	256,046

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

10. Related party transactions (continued)

Due to related parties

IAIC Bahrain - Current account	344	1,788
IAIC Bahrain - Reinsurance Account	1,758	-
Other entities under common management with the Group	2,791	2,758
	<u>4,893</u>	<u>4,546</u>

Nine-month period ended 30 September 2009 AED'000 (Un-audited)	Nine-month period ended 30 September 2008 AED'000 (Un-audited)
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Compensation of key management personnel

Short term benefits	3,644	2,909
Employees end of service benefits	1,709	1,108
	<u>5,353</u>	<u>4,017</u>

11. Policyholders' fund

30 September 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
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Deficiency of policyholders' fund

Balance at 1 January	(7,154)	(11,555)
Net surplus attributable to policyholders for the period/year	6,312	8,488
	<u>(842)</u>	<u>(3,067)</u>
Proposed profit distribution to policy holders of Family Takaful	(837)	(4,087)
	<u>(1,679)</u>	<u>(7,154)</u>

General

Balance at 1 January	(13,675)	(12,466)
Surplus /(loss) for the period/year	11,033	(1,209)
	<u>(2,642)</u>	<u>(13,675)</u>

Life

Balance at 1 January	6,521	911
(Loss)/surplus in Family Takaful for the period/ year	(4,721)	9,697
Proposed profit distribution to policyholder of Family Takaful	(837)	(4,087)
	<u>963</u>	<u>6,521</u>

Balance at the end of period/year

<u>(1,679)</u>	<u>(7,154)</u>
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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*)

12. Non-controlling interest

	30 September 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	(196)	(714)
Share in revaluation surplus of property and equipment	-	5
Share in foreign exchange translation reserve	303	(1,347)
Share in net change in fair value of available for sale investments	2,644	(2,680)
Minority's share of profit for the period/year	3,510	2,221
	<u>30,422</u>	<u>24,161</u>
Balance at 30 September / 31 December	<u>30,422</u>	<u>24,161</u>

13. Earnings per share

The calculation of earnings per share for the nine-month period ended 30 September 2009 is based on earnings of AED 64.54 million (*30 September 2008: AED 84.6 million*) divided by the weighted average number of shares of 1,076 million (*30 September 2008: 1,092 million*) outstanding during the period.

14. Contingent liabilities and capital commitments

	30 September 2009 AED'000 (Un-audited)	31 December 2008 AED'000 (Audited)
Letters of guarantee	12,764	13,675

Statutory deposits of AED 7.3 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 September 2009 (*31 December 2008: Nil*).

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15. Operating segments (Un-audited)

By Business (for the nine-month period ended 30 September 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	458,470	161,737	112,656	105,001	198,234	39,933	275	88,680	28,654	1,193,640
Net contributions earned	310,361	109,404	76,397	79,106	181,276	36,267	54	33,519	15,339	841,723
Commissions received on ceded reinsurance	13,169	3,418	5,238	1,684	419	651	105	98	1,211	25,993
Net claims incurred	323,530	112,822	81,635	80,790	181,695	36,918	159	33,617	16,550	867,716
Commissions paid and other costs	(184,082)	(23,463)	(18,161)	(68,461)	(128,800)	(23,030)	(1)	(15,313)	(2,220)	(463,531)
	(126,192)	(48,060)	(31,500)	(29,386)	(25,660)	(6,375)	(66)	(5,251)	(1,825)	(274,315)
Net underwriting income/(loss)	13,256	41,299	31,974	(17,057)	27,235	7,513	92	13,053	12,505	129,870
Investment and other income										48,170
Unallocated expenses and tax										(109,987)
Net profit after tax										68,053

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)

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

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	10,318	969,756
Net contributions earned	280,177	92,648	64,888	76,486	183,093	15,834	277	18,820	4,832	737,055
Commissions received on ceded reinsurance	12,740	2,982	4,258	2,589	148	401	84	143	232	23,577
Net claims incurred	292,917	95,630	69,146	79,075	183,241	16,235	361	18,963	5,064	760,632
Commissions paid and other costs	(223,560)	(26,087)	(14,714)	(23,030)	(115,160)	(5,223)	(14)	(6,994)	(1,214)	(415,996)
	(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	191	119,655
Investment and other income										90,919
Unallocated expenses and tax										(122,748)
Net profit after tax										87,826

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)

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

By Geographical

(for the nine-month period ended 30 September 2009)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	260,791	624,058	265,469	43,322	1,193,640
Net contributions earned	206,734	416,170	175,345	43,474	841,723
Commissions received on ceded reinsurance	7,764	11,227	7,002	-	25,993
	214,498	427,397	182,347	43,474	867,716
Net claims incurred	(98,147)	(228,726)	(115,229)	(21,429)	(463,531)
Commissions and other costs	(48,390)	(176,205)	(38,877)	(10,843)	(274,315)
Net underwriting income	67,961	22,466	28,241	11,202	129,870
Investment and other income					48,170
Unallocated expenses and tax					(109,987)
Net profit after tax					68,053

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15. Operating segments (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	86,063	969,756
Net contributions earned	186,386	331,863	137,059	81,747	737,055
Commissions received on ceded reinsurance	6,227	14,832	2,518	-	23,577
	192,613	346,695	139,577	81,747	760,632
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	11,071	119,655
Investment and other income					90,919
Unallocated expenses and tax					(122,748)
Net profit after tax					87,826

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