

Islamic Arab Insurance Co.
(Salama) and its subsidiaries

Condensed consolidated interim
financial statements

31 March 2010

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements *for the three-month period ended 31 March 2010*

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

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

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

Independent 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 of 31 March 2010, 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 three-month period then ended (the condensed consolidated interim financial information). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 31 March 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.


Munther Dajani
Registration No: 268

13 MAY 2010

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of income for the three-month period ended 31 March 2010

	Three-month period ended 31 March 2010 AED'000 (Un-audited)	Three-month period ended 31 March 2009 AED'000 (Un-audited)
UNDERWRITING RESULTS		
Underwriting income		
Gross written contributions	526,350	411,260
Less: reinsurance and retakaful contributions ceded	(89,135)	(54,811)
Net contributions	437,215	356,449
Net movement in unearned contributions	(72,506)	(61,363)
Contributions earned	364,709	295,086
Commissions received on ceded reinsurance and retakaful	8,645	6,488
	373,354	301,574
Underwriting expenses		
Gross claims paid	226,025	137,200
Less: reinsurance and retakaful share of claims paid	(26,709)	(12,007)
Net claims paid	199,316	125,193
Net movement in outstanding claims and technical reserves family	25,753	25,337
Claims incurred	225,069	150,530
Commissions paid and other costs	132,343	91,431
	357,412	241,961
Net underwriting income	15,942	59,613
Other Income		
Investment income	10,624	5,980
Share of profit from associates	204	469
Other income	7,054	3,456
	33,824	69,518
Expenses		
General and administrative expenses	(23,918)	(22,767)
Other expenses	(6,233)	(9,953)
Financial expenses	(6,628)	(7,701)
Net (loss)/ profit before tax for the period -carried forward	(2,955)	29,097

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of income *(continued)*
for the three-month period ended 31 March 2010

	Three-month period ended 31 March 2010 AED'000 (Un-audited)	Three-month period ended 31 March 2009 AED'000 (Un-audited)
Net (loss)/profit before tax for the period brought forward	(2,955)	29,097
Income tax - current	(3,536)	(1,363)
Net (loss)/ profit after tax for the period before policyholders' distribution	(6,491)	27,734
Accumulated surplus attributable to policyholders utilised during the period	2,126	-
Net (loss)/profit after tax and distribution to policyholders of the Company for the period	(4,365)	27,734
Earnings per share (AED) (note 13)	(0.01)	0.025
Attributable to:		
Owners of the company	(7,076)	27,271
Non-controlling interest	2,711	463
	(4,365)	27,734

The notes on pages 9 to 22 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 three-month period ended 31 March 2010

	Three-month period ended 31 March 2010 AED'000 (Un-audited)	Three-month period ended 31 March 2009 AED'000 (Un-audited)
Net (loss)/profit after tax and distribution to policyholders for the period	(4,365)	27,734
Other comprehensive income		
Revaluation of property and equipment	-	-
Revaluation of available-for-sale investments	1,409	2,951
Foreign exchange translation reserve	(1,335)	(2,604)
Adjustment on reclassification of available for sale investment into associates	3,278	-
	<u>3,352</u>	<u>347</u>
Other comprehensive income for the period	3,352	347
	<u>-----</u>	<u>-----</u>
Total comprehensive income for the period	(1,013)	28,081
	<u>=====</u>	<u>=====</u>
Attributable to:		
Owners of the company	(3,131)	28,832
Non-controlling interest	2,118	(751)
	<u>-----</u>	<u>-----</u>
	(1,013)	28,081
	<u>=====</u>	<u>=====</u>

The notes on pages 9 to 22 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 31 March 2010

		31 March 2010	31 December 2009
	<i>Notes</i>	AED'000	AED'000
		(Un-audited)	(Audited)
ASSETS			
Property and equipment		70,504	71,602
Intangible assets		7,591	7,734
Goodwill		186,194	186,194
Investment properties	8	83,744	83,744
Investments in associates	9	55,591	27,981
Statutory deposits		39,319	40,608
Investments	10	1,195,858	1,273,181
Deposits with takaful and retakaful companies		339,594	325,803
Contributions and takaful balance receivables		861,863	751,864
Retakafuls' share of outstanding claims		206,261	130,352
Retakafuls' share of unearned contributions		81,510	81,161
Amounts due from related parties	11	12,284	11,352
Other assets and receivables		92,365	97,127
Cash and bank balances		206,987	197,728
TOTAL ASSETS		3,439,665	3,286,431
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Bank borrowings		227,346	291,417
Outstanding claims and family takaful reserve		905,564	804,659
Unearned contribution reserve		474,947	402,569
Takaful balances payable		193,292	157,981
Other payables and accruals		127,630	115,019
Amounts due to related parties	11	3,860	4,621
TOTAL LIABILITIES EXCLUDING POLICYHOLDERS' FUND		1,932,639	1,776,266
Policyholders' fund	12	-	2,126
NET ASSETS EMPLOYED		1,507,026	1,508,039
FINANCED BY:			
Shareholders' equity		1,462,180	1,465,311
Non controlling Interest		44,846	42,728
		1,507,026	1,508,039

The notes on pages 9 to 22 form an integral part of these condensed consolidated interim financial statements.
These condensed consolidated interim financial statements were approved and authorised for issue by the Board
of Directors on _____ and signed on their behalf by:


Vice Chairman and CEO


Chairman

13 MAY 2010

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 three-month period ended 31 March 2010

	Three-month period ended 31 March 2010 AED'000 (Un-audited)	Three-month period ended 31 March 2009 AED'000 (Un-audited)
Cash flows from operating activities		
Net (loss)/profit before non controlling interest for the period	(4,365)	27,734
<i>Adjustment for:</i>		
Movement in unearned contribution reserve (net of retakaful)	72,029	59,743
Unrealised losses on investments		2,059
Share of profit from associates	(204)	(469)
	<u>67,460</u>	<u>89,067</u>
Change in deposits with takaful and retakaful companies	(13,791)	(4,118)
Change in contributions and takaful balance receivable	(109,999)	(87,102)
Change in due from related parties	(932)	234,826
Change in other assets and receivables	4,763	(9,838)
Change in outstanding claims (net of retakaful)	24,996	21,704
Change in takaful payables and other payables	45,796	1,062
Change in due to related party	(761)	(36)
	<u>17,532</u>	<u>245,565</u>
<i>Net cash provided by operating activities</i>		
Cash flows from investing activities		
Change in property and equipment	363	1,579
Change in intangible assets	143	507
Change in investment in associates	(10,415)	-
Change in statutory deposits	1,289	(163)
Change in investments –net	65,011	(201,563)
	<u>56,391</u>	<u>(199,640)</u>
<i>Net cash provided by/(used in) investing activities</i>		
Cash flows from financing activities		
Change in term bank finance	(64,071)	(2,668)
Change in non controlling interest	(593)	(1,213)
	<u>(64,664)</u>	<u>(3,881)</u>
<i>Net cash used in financing activities</i>		
Increase in cash and cash equivalents	9,259	42,044
Cash and cash equivalents at the beginning of the period	197,728	189,546
	<u>206,987</u>	<u>231,590</u>
Cash and cash equivalents at the end of the period		

The notes on pages 9 to 22 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 three-month period ended 31 March 2010

	Attributable to the equity holders of the Company									
	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 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										
Profit for the period	-	-	-	-	-	-	27,271	27,271	463	27,734
Other comprehensive income										
Share in foreign exchange translation reserve	-	-	-	(1,925)	-	-	-	(1,925)	(679)	(2,604)
Share in net change in fair value of available-for-sale investments	-	-	-	-	3,486	-	-	3,486	(535)	2,951
Net change in fair value	-	-	-	-	-	-	-	-	-	-
Net amount transferred to consolidated statement of income	-	-	-	-	-	-	-	-	-	-
Share in net changes in revaluation of property and equipment	-	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	(1,925)	3,486	-	-	1,561	(1,214)	347
Total comprehensive income for the period	-	-	-	(1,925)	3,486	-	27,271	28,832	(751)	28,081
Balance at 31 March 2009	1,100,000	49,904	12,491	(6,596)	(19,679)	(35,972)	283,028	1,383,176	23,410	1,406,586

The notes on pages 9 to 22 form an integral part of these condensed consolidated interim financial statements.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of changes in equity (continued)

for the three months period ended 31 March 2010

	Attributable to the equity holders of the Company								Non- controlling interest AED'000	Total equity AED'000
	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Retained earnings AED'000	Total AED'000		
Balance at 1 January 2010	1,100,000	59,032	15,440	(5,009)	(5,994)	(35,972)	337,814	1,465,311	42,728	1,508,039
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	(7,076)	(7,076)	2,711	(4,365)
Other comprehensive income										
Share in foreign exchange translation reserve	-	-	-	(735)	-	-	-	(735)	(600)	(1,335)
Share in net change in fair value of available-for-sale investments	-	-	-	-	1,402	-	-	1,402	7	1,409
Share in net changes in revaluation of property and equipment	-	-	-	-	-	-	-	-	-	-
Adjustment on reclassification of AFS investment into associates	-	-	-	-	-	-	3,278	3,278	-	3,278
Total other comprehensive	-	-	-	(735)	1,402	-	3,278	3,945	(593)	3,352
Total comprehensive income for the period	-	-	-	(735)	1,402	-	(3,798)	(3,131)	2,118	(1,013)
Balance at 31 March 2010	1,100,000	59,032	15,440	(5,744)	(4,592)	(35,972)	334,016	1,462,180	44,846	1,507,026

The notes on pages 9 to 22 form an integral part of these consolidated financial statements.

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) in accordance with Islamic Sharia'a principles and in accordance with UAE Federal Law no. 9 of 1984 (as amended) 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
	31 March 2010	31 December 2009	
Best Re	77.75%	77.75%	Tunisia
Salama Senegal (Formerly Sosar Al Amane Assurance)	55.1%	55.1%	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. (a) 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 2009.

(b) Change in accounting policies

Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 *Business Combinations (2008)* in accounting for business combinations.

For acquisitions on or after 1 January 2010, the group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The group elects on a transaction by transaction basis whether to measure non-controlling interests at fair value, or at the proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

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" of the parent company 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 2009.

The Groups' financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

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 statement of income.

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 instruments comprise investments in equity and debt securities, takaful and other receivables, cash and cash equivalents, amount due to and from related party, retakaful share of outstanding claims, retakaful share of unearned contributions reserve, deposits with takaful and retakaful companies, investment contract liabilities, bank finance, outstanding claims and family takaful reserve, unearned contributions reserve, takaful 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.

i) 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 2009.

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)

	Three-month period ended 31 March 2010				Three-month period ended 31 March 2009			
	Shareholder	Policyholder	Non-controlling interest	Total	Shareholder	Policyholder	Non-controlling interest	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Net underwriting income	-	15,942	-	15,942	-	59,613	-	59,613
Income								
Wakala fees	13,302	(13,302)	-	-	8,638	(8,638)	-	-
Mudarib share of profit	35	(35)	-	-	29	(29)	-	-
Net underwriting income from subsidiaries	8,131	(8,131)	-	-	46,794	(46,794)	-	-
Investment income	10,597	231	-	10,828	6,255	194	-	6,449
Other income	6,261	793	-	7,054	3,456	-	-	3,456
	38,326	(4,502)	-	33,824	65,172	4,346	-	69,518
Expenses								
General and administrative expenses	(23,918)	-	-	(23,918)	(22,767)	-	-	(22,767)
Other expenses	(6,233)	-	-	(6,233)	(9,953)	-	-	(9,953)
Financial expenses	(6,628)	-	-	(6,628)	(7,701)	-	-	(7,701)
Net (loss)/profit before tax for the period	1,547	(4,502)	-	(2,955)	24,751	4,346	-	29,097
Income tax –current	(3,536)	-	-	(3,536)	(1,363)	-	-	(1,363)
Net (loss)/profit after tax for the period	(1,989)	(4,502)	-	(6,491)	23,388	4,346	-	27,734
Share of non controlling interest	(2,711)	-	2,711	-	(463)	-	463	-
	(4,700)	(4,502)	2,711	(6,491)	22,925	4,346	463	27,734
(Loss)/profit for the period	-	2,126	-	2,126	-	-	-	-
Accumulated surplus attributable to policyholders utilised during the period (Note 12)	(2,376)	2,376	-	-	4,346	(4,346)	-	-
Qard hasn	-	-	-	-	-	-	-	-
Net (loss)/profit for the period	(7,076)	-	2,711	(4,365)	27,271	-	463	27,734

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7. Wakala fees and mudarib share of profit

The shareholders manage the takaful operations of the Company for the policyholders and charge Wakala fee excluding on the business of subsidiaries. The Wakala fee charged is at 15% (2009: 15%) of gross written contribution of non-life and non-medical takaful business. For medical insurance, a variable wakala fee ranging from 5% to 15% of net risk contribution (2009: 5% to 15% of net risk contribution) is charged. For life takaful business, Wakala fees are being charged at 15% (2009: 15%) of mortality costs.

The shareholders of the Company also manage the policyholders' investment funds and share 15% (2009: 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:

	31 March 2010 AED'000 (Un-audited)	31 December 2009 AED'000 (Audited)
Within UAE	13,640	13,640
GCC Countries	70,104	70,104
	83,744	83,744

Based on management's internal assessment, the carrying value of the investment properties reflects the market conditions as at 31 March 2010.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

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		Country of incorporation	31 March 2010	31 December 2009
	2010	2009		AED'000 (Un-audited)	AED'000 (Audited)
GEPAR	20.00%	20.00%	Tunisia	265	265
Saudi IAIC Cooperative Insurance Co. (Saudi IAIC)	30.00%	30.00%	KSA	26,859	26,655
Best Invest	47.00%	47.00%	Tunisia	1,061	1,061
Islamic Insurance Jordan (note 9.1)	20.00%	15.00%	Jordan	27,406	-
				<u>55,591</u>	<u>27,981</u>

Movements during the period /year

	31 March 2010	31 December 2009
	AED'000 (Un-audited)	AED'000 (Audited)
Balance at 1 January	27,981	24,694
Purchases	10,415	-
Disposal of associates	-	(294)
Share of profit/(loss) in associates	204	3,592
Reclassification from AFS investments	16,991	-
Change in reserve	-	(11)
Balance at 31 March/December	<u>55,591</u>	<u>27,981</u>

Summarised financial information of the major associates is as under:

	31 March 2010	31 December 2009
	AED'000 (Un-audited)	AED'000 (Audited)
Total assets	<u>254,505</u>	<u>249,341</u>
Total liabilities	<u>(178,563)</u>	<u>(175,144)</u>
Revenue	<u>42,899</u>	<u>208,453</u>
Surplus/(deficit)	<u>(1,494)</u>	<u>(20,062)</u>

- 9.1** During the period the Company's holding in Islamic Insurance Jordan ("IIJ") increased to 20%, accordingly the Company applied equity basis of accounting on IIJ. Previously the investment in IIJ was classified as available-for-sale investment and accounted for in accordance with IAS 39. Furthermore, the Company paid AED 10.5 million for additional 5% holdings, adjusted the AFS reserve by AED 0.3 million and adjustment required on reclassification of available-for-sale investments into associates in other comprehensive income amounted to AED 3.3 million to reflect the equity share of net assets of IIJ.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

10. Investments

	31 March 2010			31 December 2009		
	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	-	58,591	58,591	-	52,270	52,270
Shares and securities	4,459	13,016	17,475	2,451	10,647	13,098
	<u>4,459</u>	<u>71,607</u>	<u>76,066</u>	<u>2,451</u>	<u>62,917</u>	<u>65,368</u>
Available-for-sale investments						
Mutual funds and externally managed portfolio	-	287,637	287,637	-	296,870	296,870
Shares and securities	5,899	452	6,351	7,565	20,967	28,532
	<u>5,899</u>	<u>288,089</u>	<u>293,988</u>	<u>7,565</u>	<u>317,837</u>	<u>325,402</u>
Islamic placements *	124,015	452,697	576,712	-	607,021	607,021
Held-to-maturity						
SUKUK and Govt. Bonds	-	249,092	249,092	-	275,390	275,390
Total investments	<u>134,373</u>	<u>1,061,485</u>	<u>1,195,858</u>	<u>10,016</u>	<u>1,263,165</u>	<u>1,273,181</u>

*Represent Sharia'h compliant placements with different financial institutions having profit rates of 0.50% to 5.50% (2009: 0.50% to 5.50%) and maturing in more than 3 months when acquired.

- 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 nine 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.

	Three-month period ended 31 March 2010 AED'000 (Un-audited)	Three-month period ended 31 March 2009 AED'000 (Un-audited)
General and administrative expenses	281	250
Retakaful on contributions	112	151
Retakaful on claims	-	7
Purchase of investments	10,415	8,852
Sale of investments	-	10,583
	31 March 2010 AED'000 (Un-audited)	31 December 2009 AED'000 (Audited)
Due from related parties		
Bin Zayed Group	11,128	11,128
IAIC Bahrain		78
Saudi IAIC Cooperative Insurance Company	67	101
Other entities under common management with the Group	1,089	45
	12,284	11,352

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

Due to related parties

IAIC Bahrain - Current account	-	1,990
IAIC Bahrain - Retakaful Account	307	-
Other entities under common management with the Group	3,553	2,631
	3,860	4,621

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11. Related party transactions (continued)

	Three-month period ended 31 March 2010 AED'000 (Un-audited)	Three -month period ended 31 March 2009 AED'000 (Un-audited)
Compensation of key management personnel		
Short term benefits	2,412	1,485
Employees end of service benefits	732	814
	<u>3,144</u>	<u>2,299</u>

12. Policyholders' fund

	31 March 2010 AED'000 (Un-audited)	31 December 2009 AED'000 (Audited)
Deficiency of policyholders' fund		
Balance at 1 January	2,126	(7,154)
Net (deficit)/surplus attributable to policyholders for the period/year	(4,502)	21,859
	<u>(2,376)</u>	<u>14,705</u>
Proposed profit distribution to policy holders of Family Takaful	-	(12,579)
	<u>(2,376)</u>	<u>2,126</u>
General		
Balance at 1 January	(2,937)	(13,675)
Surplus /(loss) for the period/year	(1,887)	10,738
	<u>(4,824)</u>	<u>(2,937)</u>
Life		
Balance at 1 January	5,063	6,521
(Loss)/surplus in Family Takaful for the period/ year	(2,615)	11,121
Proposed profit distribution to policyholder of Family Takaful	-	(12,579)
	<u>2,448</u>	<u>5,063</u>
	<u>(2,376)</u>	<u>2,126</u>
Financed by shareholder of the Company	2,376	-
Balance at the end of period/year	<u>-</u>	<u>2,126</u>

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. Earnings per share

The calculation of earnings per share for the three-month period ended 31 March 2010 is based on loss of AED 7.076 million (31 March 2009: profit of 27.27 million) divided by the weighted average number of shares of 1,080 million (2009: 1,080 million) outstanding during the period.

14. Contingent liabilities and capital commitments

	31 March 2010 AED'000 (Un-audited)	31 December 2009 AED'000 (Audited)
Letters of guarantee	<u>12,410</u>	<u>12,448</u>

Statutory deposits of AED 7.58 million (31 December 2009: AED 7.62 million) are held as lien by the bank against the above guarantees.

The Group, in common with other insurance companies, is involved as a defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no capital commitments at 31 March 2010 (31 December 2009: nil).

15. Operating segments (Un-audited)

By business

(for the three month period ended 31 March 2010)

	Non – motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	<u>377,480</u>	<u>75,057</u>	<u>21,818</u>	<u>51,995</u>	<u>526,350</u>
Net contributions earned	264,669	63,301	5,996	30,743	364,709
Commissions received on ceded reinsurance and retakaful	<u>8,097</u>	<u>302</u>	<u>246</u>	<u>-</u>	<u>8,645</u>
	272,766	63,603	6,242	30,743	373,354
Net claims incurred	(159,634)	(41,117)	(2,978)	(21,340)	(225,069)
Commissions paid and other costs	<u>(113,469)</u>	<u>(9,664)</u>	<u>(2,740)</u>	<u>(6,470)</u>	<u>(132,343)</u>
Net underwriting income	<u>(337)</u>	<u>12,822</u>	<u>524</u>	<u>2,933</u>	<u>15,942</u>
Investment and other income					<u>17,882</u>
Unallocated expenses, tax and accumulated surplus attributable to policyholders utilised during the period					<u>(38,189)</u>
Net loss after tax					<u>(4,365)</u>

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 (continued)

(for the three-month period ended 31 March 2009)

	Non – motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	278,123	76,648	17,941	38,548	411,260
Net contributions earned	197,155	63,716	7,975	26,240	295,086
Commissions received on ceded reinsurance and retakaful	6,050	93	293	52	6,488
	203,205	63,809	8,268	26,292	301,574
Net claims incurred	(95,490)	(37,300)	(2,853)	(14,887)	(150,530)
Commissions paid and other costs	(71,843)	(9,686)	(2,442)	(7,460)	(91,431)
Net underwriting income	35,872	16,823	2,973	3,945	59,613
Investment and other income					9,905
Unallocated expenses ,tax and accumulated surplus attributable to policyholders utilised during the period					(41,784)
Net profit after tax					27,734

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

By Geography

(for the three-month period ended 31 March 2010)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	115,509	260,815	111,484	38,542	526,350
Net contributions earned	93,086	175,698	68,031	27,894	364,709
Commissions received on ceded reinsurance and retakaful	2,488	4,283	1,874	-	8,645
	95,574	179,981	69,905	27,894	373,354
Net claims incurred	(40,585)	(117,921)	(43,458)	(23,105)	(225,069)
Commissions and other costs	(25,344)	(78,641)	(18,266)	(10,092)	(132,343)
Net underwriting income	29,645	(16,581)	8,181	(5,303)	15,942
Investment and other income					17,882
Unallocated expenses ,tax and accumulated surplus attributable to policyholders utilised during the period					(38,189)
Net profit after tax					(4,365)

Segment reporting by geographical 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 Geography

(for the three-month period ended 31 March 2009)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	85,668	210,787	73,827	40,978	411,260
Net contributions earned	65,984	144,536	56,723	27,843	295,086
Commissions received on ceded reinsurance and retakaful	2,604	2,309	1,575	-	6,488
	68,588	146,845	58,298	27,843	301,574
Net claims incurred	(33,757)	(71,247)	(35,127)	(10,399)	(150,530)
Commissions and other costs	(14,325)	(58,392)	(9,600)	(9,114)	(91,431)
Net underwriting ncome	20,506	17,206	13,571	8,330	59,613
Investment and other Income					9,905
Unallocated expenses and tax					(41,784)
Net profit after tax					27,734

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

16. Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform with the presentation adopted in these consolidated financial statements.