

Islamic Arab Insurance Co.
(Salama) and its subsidiaries

Condensed consolidated interim
financial statements
30 September 2010

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements *for the nine-month period ended 30 September 2010*

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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 of 30 September 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 nine-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 and for the nine month period ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

Munther Dajani
Registration No: 268.

11 NOV 2010

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of income

for the nine-month period ended 30 September 2010

	Nine-month period ended 30 September 2010 AED'000 (Un-audited)	Nine-month period ended 30 September 2009 AED'000 (Un-audited)	Three-month period ended 30 September 2010 AED'000 (Un-audited)	Three-month period ended 30 September 2009 AED'000 (Un-audited)
UNDERWRITING RESULTS				
Underwriting income				
Gross written contributions	1,501,757	1,193,640	435,116	368,334
Less: reinsurance and retakaful contributions ceded	(230,435)	(195,429)	(65,347)	(73,615)
Net contributions	1,271,322	998,211	369,769	294,719
Net movement in unearned contributions	(134,424)	(156,488)	3,674	(19,663)
Contributions earned	1,136,898	841,723	373,443	275,056
Commissions received on ceded reinsurance and retakaful	28,828	25,993	9,705	9,731
	1,165,726	867,716	383,148	284,787
Underwriting expenses				
Gross claims paid	626,152	451,184	188,195	160,994
Less: reinsurance and retakaful share of claims paid	(85,479)	(40,112)	(18,303)	(13,675)
Net claims paid	540,673	411,072	169,892	147,319
Net movement in outstanding claims and technical reserves family	118,349	52,459	56,653	15,823
Claims incurred	659,022	463,531	226,545	163,142
Commissions paid and other costs	364,870	274,315	101,917	82,819
	1,023,892	737,846	328,462	245,961
Net underwriting income	141,834	129,870	54,686	38,826
Other Income				
Investment income	30,782	30,032	14,483	10,316
Share of (loss)/profit from associates	(1,249)	2,826	(1,233)	1,346
Other income	24,787	15,312	6,263	(1,856)
	196,154	178,040	74,199	48,632
Expenses				
General and administrative expenses	(91,287)	(65,205)	(40,043)	(19,939)
Other expenses	(33,374)	(11,248)	(19,777)	5,380
Financial expenses	(16,833)	(26,573)	(4,806)	(9,361)
Provision for charitable donations	(2,655)	(2,661)	(402)	(688)
Surplus distribution for life policyholders	-	(837)	-	-
Net profit before tax for the period -carried forward	52,005	71,516	9,171	24,024

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of income *(continued)*

for the nine-month period ended 30 September 2010

	Nine-month period ended 30 September 2010 AED'000 (Un-audited)	Nine-month period ended 30 September 2009 AED'000 (Un-audited)	Three-month period ended 30 September 2010 AED'000 (Un-audited)	Three-month period ended 30 September 2009 AED'000 (Un-audited)
Net profit before tax for the period- brought forward	52,005	71,516	9,171	24,024
Income tax - current	(7,639)	(3,463)	(1,112)	(622)
	-----	-----	-----	-----
Net profit after tax for the period before policyholders' distribution	44,366	68,053	8,059	23,402
Accumulated surplus attributable to policyholders utilised during the period	2,126	-	-	-
	-----	-----	-----	-----
Net profit after tax and distribution to policyholders of the Company for the period	46,492	68,053	8,059	23,402
	=====	=====	=====	=====
Earnings per share (AED) (note 13)	0.040	0.060	0.007	0.021
	=====	=====	=====	=====
Attributable to:				
Owners of the Company	43,714	64,543	7,817	22,745
Non-controlling interest	2,778	3,510	242	657
	-----	-----	-----	-----
	46,492	68,053	8,059	23,402
	=====	=====	=====	=====

The notes on pages 9 to 23 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 2010

	Nine-month period ended 30 September 2010 AED'000 (Un-audited)	Nine-month period ended 30 September 2009 AED'000 (Un-audited)	Three-month period ended 30 September 2010 AED'000 (Un-audited)	Three-month period ended 30 September 2009 AED'000 (Un-audited)
Net profit after tax and distribution to policyholders for the period	46,492	68,053	8,059	23,402
Other comprehensive income				
Revaluation of available-for-sale investments	2,662	33,227	2,901	16,410
Foreign exchange translation reserve	(3,559)	364	2,131	1,163
Adjustment on reclassification of available- for- sale investment into associates	3,278	-	-	-
	-----	-----	-----	-----
Other comprehensive income for the period	2,381	33,591	5,032	17,573
	-----	-----	-----	-----
Total comprehensive income for the period	48,873	101,644	13,091	40,975
	=====	=====	=====	=====
Attributable to:				
Owners of the Company	47,534	95,187	11,931	37,930
Non-controlling interest	1,339	6,457	1,160	3,045
	-----	-----	-----	-----
	48,873	101,644	13,091	40,975
	=====	=====	=====	=====

The notes on pages 9 to 23 form an integral part of these condensed consolidated interim financial statements.

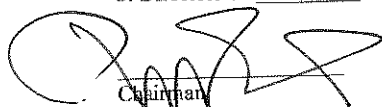
The Independent auditors' review report is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries
Condensed consolidated interim statement of financial position
as at 30 September 2010

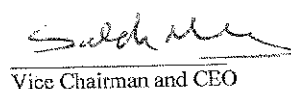
		30 September 2010	31 December 2009
	<i>Notes</i>	AED'000	AED'000
		(Un-audited)	(Audited)
ASSETS			
Property and equipment		71,430	71,602
Intangible assets		7,417	7,734
Goodwill		186,194	186,194
Investment properties	8	83,744	83,744
Investments in associates	9	54,139	27,981
Statutory deposits		43,776	40,608
Investments	10	1,362,026	1,273,181
Deposits with takaful and retakaful companies		318,328	325,803
Contributions and takaful balance receivables		895,206	751,864
Retakafuls' share of outstanding claims		243,773	130,352
Retakafuls' share of unearned contributions		60,005	81,161
Amounts due from related parties	11	12,419	11,352
Other assets and receivables		96,629	97,127
Cash and bank balances		208,662	197,728
TOTAL ASSETS		3,643,748	3,286,431
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Bank borrowings		205,633	291,417
Outstanding claims and family takaful reserve		1,034,491	804,659
Unearned contribution reserve		514,423	402,569
Takaful balances payable		201,702	157,981
Other payables and accruals		124,629	115,019
Amounts due to related parties	11	3,615	4,621
TOTAL LIABILITIES EXCLUDING POLICYHOLDERS' FUND		2,084,493	1,776,266
Policyholders' fund	12	-	2,126
NET ASSETS EMPLOYED		1,559,255	1,508,039
FINANCED BY:			
Shareholders' equity		1,512,845	1,465,311
Non controlling Interest		46,410	42,728
		1,559,255	1,508,039

The notes on pages 9 to 23 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:


Chairman

11 NOV 2010


Vice Chairman and CEO

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 2010

	Nine-month period ended 30 September 2010 AED'000 (Un-audited)	Nine-month period ended 30 September 2009 AED'000 (Un-audited)
Cash flows from operating activities		
Net profit before non controlling interest for the period	46,492	68,053
<i>Adjustment for:</i>		
Movement in unearned contribution reserve (net of retakaful)	134,424	157,474
Movement in technical reserve life	-	9,835
	-----	-----
	180,916	235,362
Change in deposits with takaful and retakaful companies	7,475	(12,161)
Change in contributions and takaful balance receivable	(143,342)	(138,246)
Change in due from related parties	(1,794)	236,904
Change in other assets and receivables	498	(25,130)
Change in outstanding claims (net of retakaful)	116,411	37,737
Change in takaful payables and other payables	53,332	31,115
Increase / (decrease) in Policy holder	(2,126)	-
Change in due to related party	(280)	347
Share of income /(loss) from associates	1,249	-
	-----	-----
<i>Net cash provided by operating activities</i>	212,339	365,928
	-----	-----
Cash flows from investing activities		
Change in property and equipment	(1,934)	1,912
Change in intangible assets	317	542
Change in investment in associates	(24,129)	(2,544)
Change in statutory deposits	(3,168)	(6,007)
Change in investments –net	(87,611)	(329,584)
	-----	-----
<i>Net cash used in investing activities</i>	(116,525)	(335,681)
	-----	-----
Cash flows from financing activities		
Change in term bank finance	(85,784)	18,638
Change in non controlling interest	904	2,751
	-----	-----
<i>Net cash (used in)/provided by financing activities</i>	(84,880)	21,389
	-----	-----
Increase in cash and cash equivalents	10,934	51,636
Cash and cash equivalents at the beginning of the period	197,728	189,546
	-----	-----
Cash and cash equivalents at the end of the period	208,662	241,182
	=====	=====

The notes on pages 9 to 23 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

	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	-	-	-	-	-	-	64,543	64,543	3,510	68,053
Other comprehensive income										
Share in foreign exchange translation reserve	-	-	-	61	-	-	-	61	303	364
Share in net change in fair value of available-for-sale investments	-	-	-	-	-	-	-	-	-	-
Net change in fair value	-	-	-	-	30,583	-	-	30,583	2,644	33,227
Total other comprehensive income	-	-	-	61	30,583	-	-	30,644	2,947	33,591
Total comprehensive income for the period	-	-	-	61	30,583	-	64,543	95,187	6,457	101,644
Transactions with owners, recorded directly in equity										
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 9 to 23 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 months period ended 30 September 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	1,508,039
	-----	-----	-----	-----	-----	-----	-----	-----	-----
			-						
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	43,714	43,714	46,492
Other comprehensive income									
Share in foreign exchange translation reserve	-	-	-	(2,106)	-	-	-	(2,106)	(3,559)
Share in net change in fair value of available-for-sale investments	-	-	-	-	2,648	-	-	2,648	2,662
Adjustment on reclassification of AFS investment into associates	-	-	-	-	-	-	3,278	3,278	3,278
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total other comprehensive	-	-	-	(2,106)	2,648	-	3,278	3,820	2,381
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income for the period	-	-	-	(2,106)	2,648	-	46,992	47,534	48,873
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Transactions with owners, recorded directly in equity									
Increase in cash through contribution	-	-	-	-	-	-	-	-	2,343
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance at 30 September 2010	1,100,000	59,032	15,440	(7,115)	(3,346)	(35,972)	384,806	1,512,845	1,559,255
	=====	=====	=====	=====	=====	=====	=====	=====	=====

The notes on pages 9 to 23 form an integral part of these consolidated 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) 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 Holding BSC (Tariic) is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. The Group has the following principal subsidiaries which are engaged in insurance and reinsurance under Islamic Sharia’a principles:

Subsidiaries	Group’s Ownership		Country of incorporation
	30 September	31 December 2009	
<i>Through Tariic</i>			
Best Re	100 %	100 %	Tunisia
Salama Senegal (Formerly Sosar Al Amane Assurance)	55.1%	55.1%	Senegal
Salama Assurances Algerie (formerly Al Baraka Oua Al Amane)	93.95 %	89.11%	Algeria
Egyptian Saudi Insurance Home	51.15%	51.15%	Egypt
<i>Directly owned</i>			
Tariic Holding Company	99.4%	99.4%	Kingdom of Bahrain
Best Re Holding Company	100 %	-	Malaysia

During the period, Best Re Holding Company is incorporated with the paid-up capital of US\$ 6.5 million (AED 23.9 million), the objective for which the Company is established is to transfer the investment in Best Re from Tariic to Best Re Holding Company as a part of reorganization of overall Group structure. Subsequent to 30 September 2010, Best Re has transferred its operations from Tunisia to Labuan, Malaysia to Best Re Holding Company without any extinguishment of existing liabilities and commitments relating to the existing contracts.

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.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

(b) Change in accounting policies

i) 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.

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Group applies the book value measurement method to all common control transactions. Under the book value method the assets and liabilities assumed by the Group are recognised using the book value in the financial statements of the entity transferred at the date of such transfer.

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 (b), 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)

	Nine-month period ended 30 September 2010				Nine-month period ended 30 September 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	-	141,834	-	141,834	-	129,870	-	129,870
	-----	-----	-----	-----	-----	-----	-----	-----
Income								
Wakala fees	40,643	(40,643)	-	-	31,471	(31,471)	-	-
Mudarib share of profit	1,137	(1,137)	-	-	94	(94)	-	-
Net underwriting income from subsidiaries	126,483	(126,483)	-	-	92,826	(92,826)	-	-
Investment income	21,954	7,579	-	29,533	32,229	629	-	32,858
Other income	23,474	1,313	-	24,787	15,108	204	-	15,312
	-----	-----	-----	-----	-----	-----	-----	-----
	213,691	(17,537)	-	196,154	171,728	6,312	-	178,040
Expenses								
General and administrative expenses	(91,287)	-	-	(91,287)	(65,205)	-	-	(65,205)
Other expenses	(36,029)	-	-	(36,029)	(13,909)	-	-	(13,909)
Financial expenses	(16,833)	-	-	(16,833)	(26,573)	-	-	(26,573)
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit/(loss) before tax for the period	69,542	(17,537)	-	52,005	66,041	6,312	-	72,353
Income tax –current	(7,639)	-	-	(7,639)	(3,463)	-	-	(3,463)
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit/(loss) after tax for the period	61,903	(17,537)	-	44,366	62,578	6,312	-	68,890
Share of non controlling interest	(2,778)	-	2,778	-	(3,510)	-	3,510	-
	-----	-----	-----	-----	-----	-----	-----	-----
Profit/(loss) for the period	59,125	(17,537)	2,778	44,366	59,068	6,312	3,510	68,890
Accumulated surplus attributable to policyholders utilised during the period (Note 12)	-	2,126	-	2,126	(837)	-	-	(837)
Qard hasn (Note 12)	(15,411)	15,411	-	-	6,312	(6,312)	-	-
	-----	-----	-----	-----	-----	-----	-----	-----
Net profit for the period	43,714	-	2,778	46,492	64,543	-	3,510	68,053
	=====	=====	=====	=====	=====	=====	=====	=====

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:

	30 September 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 30 September 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	30 September 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	27,367	26,655
Best Invest	47.00%	47.00%	Tunisia	1,061	1,061
Islamic Insurance Jordan (note 9.2)	20.00%	15.00%	Jordan	25,446	-
				-----	-----
				54,139	27,981
				=====	=====
Movements during the period /year				30 September 2010	31 December 2009
				AED'000	AED'000
				(Un-audited)	(Audited)
Balance at 1 January				27,981	24,694
Disposal of associates				-	(294)
Share of profit/(loss) in associates				(1,249)	3,592
Reclassification from AFS investments				27,407	-
Change in reserve				-	(11)
				-----	-----
Balance at 30 September/December				54,139	27,981
				=====	=====

9.1 Summarised financial information of the significant associates are as under:

	30 September 2010	31 December 2009
	AED'000	AED'000
	(Un-audited)	(Audited)
Total assets	282,600	249,341
	=====	=====
Total liabilities	(184,574)	(175,144)
	=====	=====
Revenue	109,145	208,453
	=====	=====
Surplus/(deficit)	3,198	(20,062)
	=====	=====

9.2 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

	30 September 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	-	116,184	116,184	-	52,270	52,270
Shares and securities	4,618	15,813	20,431	2,451	10,647	13,098
	4,618	131,997	136,615	2,451	62,917	65,368
Available-for-sale investments						
Mutual funds and externally managed portfolio	-	285,130	285,130	-	296,870	296,870
Shares and securities	5,481	425	5,906	7,565	20,967	28,532
	5,481	285,555	291,036	7,565	317,837	325,402
Islamic placements *	-	679,528	679,528	-	607,021	607,021
Held-to-maturity						
SUKUK and Govt. Bonds	-	254,847	254,847	-	275,390	275,390
Total investments	10,099	1,351,927	1,362,026	10,016	1,263,165	1,273,181

*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.

	Nine-month period ended 30 September 2010 AED'000 (Un-audited)	Nine-month period ended 30 September 2009 AED'000 (Un-audited)
General and administrative expenses	1,234 =====	900 =====
Retakaful on contributions	2,113 =====	1,161 =====
Retakaful on claims	782 =====	911 =====
Purchase of investments	- =====	10,810 =====
Sale of investments	- =====	10,583 =====
	30 September 2010 AED'000 (Un-audited)	31 December 2009 AED'000 (Audited)
Due from related parties		
Bin Zayed Group	11,128	11,128
IAIC Bahrain	147	78
Saudi IAIC Cooperative Insurance Company	103	101
Other entities under common management with the Group	1,041 -----	45 -----
	12,419 =====	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
Other entities under common management with the Group	3,615 -----	2,631 -----
	3,615 =====	4,621 =====

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11. Related party transactions (continued)

	Nine-month period ended 30 September 2010 AED'000 (Un-audited)	Nine -month period ended 30 September 2009 AED'000 (Un-audited)
Compensation of key management personnel		
Short term benefits	7,475	3,644
Employees end of service benefits	930	1,709
	-----	-----
	8,405	5,353
	=====	=====

12. Policyholders' fund

	30 September 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	(17,537)	21,859
	-----	-----
	(15,411)	14,705
Proposed profit distribution to policy holders of Family Takaful	-	(12,579)
	-----	-----
	(15,411)	2,126
	=====	=====
General		
Balance at 1 January	(2,937)	(13,675)
(Loss)/surplus for the period/year	(7,365)	10,738
	-----	-----
	(10,302)	(2,937)
	-----	-----
Life		
Balance at 1 January	5,063	6,521
(Loss)/surplus in Family Takaful for the period/ year	(10,172)	11,121
Proposed profit distribution to policyholder of Family Takaful		(12,579)
	-----	-----
	(5,109)	5,063
	-----	-----
	(15,411)	2,126
Financed by shareholders of the Company	15,411	-
	-----	-----
Balance at the end of period/year	-	2,126
	=====	=====

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 nine-month period ended September 30, 2010 is based on the profit of AED 43.71 million (2009: AED 64.54 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

	30 September 2010 AED'000 (Un-audited)	31 December 2009 AED'000 (Audited)
Letters of guarantee	11,470 =====	12,448 =====

Statutory deposits of AED 6.73 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 30 September 2010 (31 December 2009: nil).

15. Operating segments (Un-audited)

By business

(for the nine month period ended 30 September 2010)

	Non – motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	1,081,388 =====	232,094 =====	29,586 =====	158,689 =====	1,501,757 =====
Net contributions earned	798,543	204,133	10,361	123,861	1,136,898
Commissions received on ceded reinsurance and retakaful	27,554 -----	610 -----	593 -----	71 -----	28,828 -----
	826,097	204,743	10,954	123,932	1,165,726
Net claims incurred	(403,288)	(148,771)	(8,865)	(98,098)	(659,022)
Commissions paid and other costs	(308,777)	(30,587)	(4,059)	(21,447)	(364,870)
	-----	-----	-----	-----	-----
Net underwriting income	114,032	25,385	(1,970)	4,387	141,834
	-----	-----	-----	-----	-----
Investment and other income					54,320
Unallocated expenses, tax and accumulated surplus attributable to policyholders utilised during the period					(151,788) -----
Net profit after tax					44,366 =====

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 nine-month period ended 30 September 2009)

	Non – motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	866,793	198,234	39,933	88,680	1,193,640
	=====	=====	=====	=====	=====
Net contributions earned	590,661	181,276	36,267	33,519	841,723
Commissions received on ceded reinsurance and retakaful	24,825	419	651	98	25,993
	-----	-----	-----	-----	-----
	615,486	181,695	36,918	33,617	867,716
Net claims incurred	(296,388)	(128,800)	(23,030)	(15,313)	(463,531)
Commissions paid and other costs	(237,029)	(25,660)	(6,375)	(5,251)	(274,315)
	-----	-----	-----	-----	-----
Net underwriting income	82,069	27,235	7,513	13,053	129,870
	-----	-----	-----	-----	-----
Investment and other income					48,170
Unallocated expenses ,tax and accumulated surplus attributable to policyholders utilised during the period					(109,987)

Net profit after tax					68,053
					=====

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

By Geography

(for the nine-month period ended 30 September 2010)

	Africa AED'000	Far East AED'000	Middle East AED'000	Turkey and Central Asia AED'000	Total AED'000
Gross written contributions	283,691	764,778	377,857	75,431	1,501,757
	=====	=====	=====	=====	=====
Net contributions earned	237,074	560,856	278,211	60,757	1,136,898
Commissions received on ceded reinsurance and retakaful	8,051	15,047	5,730	-	28,828
	-----	-----	-----	-----	-----
	245,125	575,903	283,941	60,757	1,165,726
Net claims incurred	(126,367)	(298,971)	(195,859)	(37,825)	(659,022)
Commissions and other costs	(56,210)	(229,272)	(59,221)	(20,167)	(364,870)
	-----	-----	-----	-----	-----
Net underwriting income	62,548	47,660	28,861	2,765	141,834
	-----	-----	-----	-----	-----
Investment and other income					54,320
Unallocated expenses ,tax and accumulated surplus attributable to policyholders utilised during the period					(151,788)

Net profit after tax					44,366
					=====

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 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 and retakaful	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 ,tax and accumulated surplus attributable to policyholders utilised during the period					(109,987)

Net profit after tax					68,053
					=====

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.