

Islamic Arab Insurance Co.
(Salama) and its subsidiaries
Condensed consolidated interim financial
statements
for the three-month period ended 31 March 2011

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the three-month period ended 31 March 2011

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Independent auditors' report on review of condensed consolidated interim financial information

To the Shareholders

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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 31 March 2011, the condensed consolidated interim statement of comprehensive income (comprising a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim income statement), condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three-month period then ended (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with 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 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 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Vijendranath Malhotra

Registration No: 48 B

15 MAY 2011

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of income

for the three-month period ended 31 March 2011

	Three-month period ended 31 March 2011 AED'000 (Un-audited)	Three-month period ended 31 March 2010 AED'000 (Un-audited)
UNDERWRITING RESULTS		
Underwriting income		
Gross written contributions	735,215	526,350
Less: reinsurance and retakaful contributions ceded	(82,323)	(89,135)
Net contributions	652,892	437,215
Net movement in unearned contributions	(83,203)	(72,506)
Contributions earned	569,689	364,709
Commission received on ceded reinsurance and retakaful	11,901	8,645
	581,590	373,354
Underwriting expenses		
Gross claims paid	238,282	226,025
Less: reinsurance and retakaful share of claims paid	(43,385)	(26,709)
Net claims paid	194,897	199,316
Net movement in outstanding claims and technical reserve family takaful	140,587	25,753
Claims incurred	335,484	225,069
Commission paid and other costs	173,350	130,401
	508,834	355,470
Net underwriting income	72,756	17,884
Income		
Income from investments	3,922	10,828
Other income	10,067	5,112
	86,745	33,824
Expenses		
General, administrative and other expenses	(47,043)	(29,285)
Financial expenses	(4,804)	(6,628)
Provision for charitable donations	(584)	(866)
Net profit/(loss) before tax for the period	34,314	(2,955)
Taxation - current	(3,589)	(3,536)
Net profit/(loss) after tax for the period		
before policyholders' distribution	30,725	(6,491)
Policyholders' surplus	-	2,126
Net profit/(loss) after tax and distribution to policyholders for the period	30,725	(4,365)
Earnings per share (AED)	0.03	(0.01)
Attributable to:		
Shareholders	29,708	(7,076)
Non-controlling interest	1,017	2,711
	30,725	(4,365)

The notes on pages 8 to 18 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information 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 2011

	Three-month period ended 31 March 2011 AED'000 (Un-audited)	Three-month period ended 31 March 2010 AED'000 (Un-audited)
Net profit/(loss) after tax and distribution to policyholders for the period	30,725	(4,365)
Other comprehensive income net of income tax		
Net change in fair value of available-for-sale investments	(768)	1,409
Foreign exchange translation reserve	1,392	(1,335)
Adjustment on reclassification of available-for-sale investment into associate	-	3,278
Other comprehensive income for the period	624	3,352
Total comprehensive income/(loss) for the period	31,349	(1,013)
Attributable to:		
Shareholders	32,185	(3,131)
Non-controlling interest	(836)	2,118
	31,349	(1,013)

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Islamic Arab Insurance Co. (Salama) and its subsidiaries

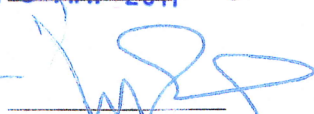
Condensed consolidated interim statement of financial position

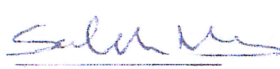
as at 31 March 2011

		31 March 2011	31 December 2010
	Note	AED'000 (Unaudited)	AED'000 (Audited)
ASSETS			
Property and equipments		82,975	71,816
Intangible assets		4,939	5,204
Goodwill		186,194	186,194
Investment properties	8	279,380	83,129
Investments in associates	9	58,466	57,331
Statutory deposits		58,767	60,286
Investments	10	1,452,153	1,388,916
Deposits with takaful and retakaful companies		335,898	323,517
Contributions and takaful balance receivables		950,341	825,863
Retakafuls' share of outstanding claims		226,765	217,759
Retakafuls' share of unearned contributions		64,169	52,143
Amounts due from related parties	11	12,829	12,280
Other assets and receivables		91,283	192,347
Cash and bank balances		247,931	209,210
TOTAL ASSETS		4,052,090	3,685,995
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Bank finance		201,968	213,682
Outstanding claims and family takaful reserve		1,271,034	1,120,171
Unearned contributions reserve		595,171	499,879
Takaful balances payable		126,624	122,352
Other payables and accruals		253,449	158,071
Amounts due to related parties	11	943	311
TOTAL LIABILITIES EXCLUDING POLICYHOLDERS' FUND		2,449,189	2,114,466
Policyholders' fund	12	-	-
NET ASSETS EMPLOYED		1,602,901	1,571,529
FINANCED BY:			
Shareholders' equity		1,557,489	1,525,304
Non-controlling interest		45,412	46,225
		1,602,901	1,571,529

The notes on pages 8 to 18 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on **15 MAY 2011** and signed on their behalf by:


Sheikh Khaled Bin Zayed Al-Nehayan
Chairman


Dr. Saleh J. Malaikah
Vice Chairman & CEO

The independent auditors' report on review of condensed consolidated interim financial information 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 2011

	Three-month period ended 31 March 2011 AED'000 (Un-audited)	Three-month period ended 31 March 2010 AED'000 (Un-audited)
Cash flows from operating activities		
Net profit/(loss) before non-controlling interest	30,725	(4,365)
<i>Adjustment for:</i>		
Net movement in unearned contributions reserve	83,203	72,506
Share of profit from associates	(1,135)	(204)
<i>Operating profit before changes in working capital</i>	<u>112,793</u>	<u>67,937</u>
Change in deposits with takaful and retakaful companies	(12,381)	(13,791)
Change in contributions and takaful balance receivable	(124,478)	(109,999)
Change in due from / to related parties	83	(1,693)
Change in other assets and receivables	101,064	4,763
Change in outstanding claims (net of retakaful)	141,857	24,996
Change in takaful payables and other payables	99,650	45,796
<i>Net cash flows from operating activities</i>	<u>318,588</u>	<u>18,009</u>
Cash flows from investing activities		
Property and equipment-net	(9,281)	363
Net movement in intangible assets	265	143
Investment properties – net	(196,251)	-
Net movement in associates	-	(10,415)
Statutory deposits	1,519	1,289
Investments-net	(62,575)	64,534
<i>Net cash flows (used in)/from investing activities</i>	<u>(266,323)</u>	<u>55,914</u>
Cash flows from financing activities		
Bank finance-net	(11,714)	(64,071)
Net movement in non-controlling interest	(1,830)	(593)
<i>Net cash flows used in financing activities</i>	<u>(13,544)</u>	<u>(64,664)</u>
Net increase in cash and cash equivalents	38,721	9,259
Cash and cash equivalents at 1 January	209,210	197,728
Cash and cash equivalents at 31 March	<u>247,931</u>	<u>206,987</u>

The notes on pages 8 to 18 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information 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 2011

	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		
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 loss for the period									
Loss for the period	-	-	-	-	-	-	(7,076)	(7,076)	(4,365)
Other comprehensive income									
Movement in foreign exchange translation reserve	-	-	-	(735)	-	-	-	(735)	(1,335)
Movement in fair value of available-for-sale investments	-	-	-	-	1,402	-	-	1,402	1,409
Adjustment on reclassification of available-for-sale investment into associate	-	-	-	-	-	-	3,278	3,278	3,278
Total other comprehensive income	-	-	-	(735)	1,402	-	3,278	3,945	3,352
Total comprehensive income for the period	-	-	-	(735)	1,402	-	(3,798)	(3,131)	(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	1,507,026

The notes on pages 8 to 18 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of changes in equity (Un- audited) (continued)

for the three-month period ended 31 March 2011

	Attributable to the equity holders of the Company							Non-	Total
	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	controlling interest AED'000	equity AED'000
Balance at 1 January 2011	1,100,000	64,016	14,689	(5,541)	2,099	(35,972)	386,013	46,225	1,571,529
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	29,708	1,017	30,725
Other comprehensive income									
Movement in foreign exchange translation reserve	-	-	-	1,878	-	-	1,878	(486)	1,392
Movement in fair value of available-for-sale investments	-	-	-	-	599	-	599	(1,367)	(768)
Total other comprehensive	-	-	-	1,878	599	-	2,477	(1,853)	624
Total comprehensive income for the period	-	-	-	1,878	599	-	29,708	(836)	31,349
Transaction with owners, recorded directly in equity									
Effect of change in shareholdings	-	-	-	-	-	-	-	23	23
Issuance of Bonus share (Note 16)	110,000	-	-	-	-	-	(110,000)	-	-
Balance at 31 March 2011	1,210,000	64,016	14,689	(3,663)	2,698	(35,972)	305,721	45,412	1,602,901

The notes on pages 8 to 18 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information 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 takaful and family takaful business (started 2006), in accordance with Islamic Shari'a principles and in accordance with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended) concerning commercial companies and Federal Law No. 9 of 1984 (as amended) concerning insurance companies and 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
	31-March 2011	31-December 2010	
<i>Through Tariic</i>			
Best Re	100%	100%	Tunisia
Salama Senegal	55.17%	55.17%	Senegal
Salama Assurances Algerie	96.98%	96.98%	Algeria
Egyptian Saudi Insurance Home	51.15%	51.15%	Egypt
Best Re Holding Company	100%	100%	Malaysia
<i>Directly owned</i>			
Tariic Holding Company	99.40%	99.40%	Kingdom of Bahrain

During 2010, Best Re Holding Company was incorporated with the paid-up capital of US\$ 150 million (AED 551 million), the objective for which the Company was established was to transfer the operations of Best Re to Best Re Holding Company, as a part of reorganisation of overall Group structure, without any extinguishment of existing liabilities and commitments relating to the existing contracts.

2 Basis of preparation

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 2010.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit and loss are measured at fair value,
- available-for-sale financial assets are measured at fair value,
- investment properties are measured at fair value, and
- land and buildings are measured at revalued amounts.

c) Functional and reporting currency

These condensed consolidated interim financial statements are presented in UAE Dirham (AED). Except as otherwise indicated, financial information presented in UAE Dirham has been rounded to the nearest thousand.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

3 Significant accounting policies

Except as explained below, the accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2010.

The Group has adopted IAS 24 'Related Party Disclosures' (Revised) which became applicable for annual periods beginning on or after 1 January 2011, in the preparation of these condensed consolidated interim financial statements. IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The revised requirements under IAS 24 affect the presentation and disclosure of these condensed consolidated interim financial statements and do not have any effect on the reported amounts in the condensed consolidated interim statement of financial position and condensed consolidated interim statement of comprehensive income.

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 2010.

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 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 significantly same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2010.

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 (Un-audited)

	For the period ended 31 March 2011				For the period ended 31 March 2010			
	Shareholders	Policyholders	Non- controlling interest	Total	Shareholders	Policyholders	Non -controlling interest	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Net underwriting income								
Total net underwriting income	-	72,756	-	72,756	-	17,884	-	17,884
Income								
Wakalah share	16,529	(16,529)	-	-	13,302	(13,302)	-	-
Mudarib share	30	(30)	-	-	35	(35)	-	-
Net technical charges from/to shareholders to policyholders	3,634	(3,634)	-	-	1,942	(1,942)	-	-
Net underwriting income from subsidiaries	57,418	(57,418)	-	-	8,131	(8,131)	-	-
Income from investment	3,513	409	-	3,922	10,597	231	-	10,828
Other income	10,030	37	-	10,067	4,319	793	-	5,112
	91,154	(4,409)	-	86,745	38,326	(4,502)	-	33,824
Expenses								
General, administrative and other expenses	(47,043)	-	-	(47,043)	(29,285)	-	-	(29,285)
Finance expenses	(4,804)	-	-	(4,804)	(6,628)	-	-	(6,628)
Provision for charitable donations	(584)	-	-	(584)	(866)	-	-	(866)
Net profit/(loss) before tax for the period	38,723	(4,409)	-	34,314	1,547	(4,502)	-	(2,955)
Tax – current	(3,589)	-	-	(3,589)	(3,536)	-	-	(3,536)
Net profit/(loss) after tax for the period	35,134	(4,409)	-	30,725	(1,989)	(4,502)	-	(6,491)
Share of non-controlling interest	(1,017)	-	1,017	-	(2,711)	-	2,711	-
Policyholders' surplus	-	-	-	-	-	2,126	-	2,126
Policyholders' loss funded by shareholder (Note 12)	(4,409)	4,409	-	-	(2,376)	2,376	-	-
Net profit/(loss) for the period	29,708	-	1,017	30,725	(7,076)	-	2,711	(4,365)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7 Wakalah and Mudarib Share

The shareholders manage the takaful operations of the Group for the policyholders and charge 15% (2010: 15%) of gross written contributions of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2010:15%) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and charge 15% (2010: 15%) of investment income earned by the policyholders as Mudarib share.

8 Investment properties

The geographic dispersion of investment properties is as follows:

	31 March 2011 AED'000 (Un-audited)	31 December 2010 AED'000 (Audited)
Within UAE	13,025	13,025
GCC Countries	266,355	70,104
	<u>279,380</u>	<u>83,129</u>

Based on management's internal assessment, the carrying value of the investment properties reflects the market conditions as at 31 March 2011.

During the period, the Group has acquired a property amounting to AED 196 million in Kingdom of Saudi Arabia ("KSA"). The acquisition of property was held through the Company lead consortium whereby the Company and Best Re Holdings Limited (100 % subsidiary) share risk and rewards associated with the property (the Company 68.96% and Best Re Holdings Limited 31.04%). The legal title to the property is held by a third party registered in Saudi Arabia, who has confirmed that the beneficial ownership of this property belong to the Company and Best Re Holding Limited.

At 31 March 2011, AED 80 million was payable by the Group against the above property.

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 2011	31 December 2010
	2011	2010		AED'000 (Un-audited)	AED'000 (Audited)
GEPAR	20.00%	20.00%	Tunisia	308	308
Saudi IAIC Cooperative Insurance Co. (Saudi IAIC)	30.00%	30.00%	KSA	29,838	28,590
Best Invest	36.11%	36.11%	Tunisia	1,012	1,012
Islamic Insurance Jordan	20.00%	20.00%	Jordan	27,308	27,421
				58,466	57,331
Movements during the period/year				31 March 2011	31 December 2010
				AED'000	AED'000
				(Un-audited)	(Audited)
Balance at 1 January				57,331	27,981
Purchases				-	3,043
Share of profit in associates				1,135	2,014
Reclassification				-	24,364
Change in reserve				-	(71)
Balance at 31 March / 31 December				58,466	57,331

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

10 Investments

	31 March 2011 (Un-audited)			31 December 2010 (Audited)		
	Domestic investment AED'000	International investment AED'000	Total AED'000	Domestic investment AED'000	International investment AED'000	Total AED'000
Financial asset at fair value through profit or loss						
Mutual fund and externally managed portfolios	-	247,254	247,254	-	174,506	174,506
Shares and securities	4,338	12,975	17,313	4,658	18,511	23,169
	4,338	260,229	264,567	4,658	193,017	197,675
Available-for-sale investments						
Mutual fund and externally managed portfolio	-	265,932	265,932	-	252,601	252,601
Shares and securities	4,078	225	4,303	4,705	945	5,650
	4,078	266,157	270,235	4,705	253,546	258,251
Islamic placements *	-	659,299	659,299	-	685,956	685,956
Held to maturity						
SUKUK and Government bonds	-	258,052	258,052	-	247,034	247,034
Total investments	8,416	1,443,737	1,452,153	9,363	1,379,553	1,388,916

*Represent Sharia'h compliant placements with different financial institutions having profit rates of 0.22% to 4.75% (2010: 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 IAS 24 Related Party Disclosures (Revised). 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 2011 AED'000 (Un-audited)	Three-month period ended 31 March 2010 AED'000 (Un-audited)
General and administrative expenses	385	281
Retakaful on contributions	1,514	112
Retakaful on claims	74	-
Purchase of investments	-	10,415
Transactions and receivables related to Bin Zayed Group are in respect of management of the Group's investment portfolio.		

Compensation of key management personnel

Short term benefits	3,097	2,412
Employees end of service benefits	806	732
	<u>3,903</u>	<u>3,144</u>

	31 March 2011 AED'000 (Un-audited)	31 December 2010 AED'000 (Audited)
Amounts due from related parties		
Bin Zayed Group	11,128	11,128
IAIC Bahrain	130	130
Saudi IAIC Cooperative Insurance Co.	120	120
Other entities under common management with the Group	1,451	902
	<u>12,829</u>	<u>12,280</u>

Amounts due to related parties

Other entities under common management with the Group	<u>943</u>	<u>311</u>
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Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12 Policyholders' fund

	31 March 2011 AED'000 (Un-audited)	31 December 2010 AED'000 (Audited)
Balance at 1 January	(1,017)	2,126
Net (deficit)/surplus attributable to policyholders for the period/year (note 6)	(4,409)	17,356
Proposed surplus distribution to policyholders of family takaful	-	(20,499)
	<u>(5,426)</u>	<u>(1,017)</u>
General Takaful		
Balance at 1 January	(7,122)	(2,937)
Deficit in general takaful for the period/year	(635)	(4,185)
	<u>(7,757)</u>	<u>(7,122)</u>
Family Takaful		
Balance at 1 January	6,105	5,063
(Deficit)/surplus in family takaful for the period/year	(3,774)	21,541
Proposed surplus distribution to policyholder of family takaful	-	(20,499)
	<u>2,331</u>	<u>6,105</u>
Financed by shareholders'	<u>(5,426)</u>	<u>(1,017)</u>
	<u>-</u>	<u>-</u>

The shareholders of the Company financed the policyholders' deficit in accordance with the takaful contracts between the Company and its Policyholders.

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 2011 is based on earnings of AED 29.7 million (31 March 2010: loss of AED 7.076 million) divided by the weighted average number of shares of 1,188 million (31 March 2010: 1,188 million) outstanding during the period after taking into account the treasury shares held and bonus share issued. There is no dilutive effect on basic earnings per share.

14 Contingent liabilities and capital commitments

	31 March 2011 AED'000 (Un-audited)	31 December 2010 AED'000 (Audited)
Letters of guarantee	12,567	11,470

Statutory deposits of AED 6.69 million (31 December 2010: AED 6.96 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 significant capital commitments at 31 March 2011 (31 December 2010: nil).

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15 Operating segment

By business

(for the three-month period ended 31 March 2011)

	Non -motor	Motor	Health	Family takaful	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	336,651	230,413	25,473	142,678	735,215
Net contributions earned	271,269	169,427	9,952	119,041	569,689
Commissions received on ceded reinsurance and retakaful	11,277	150	277	197	11,901
	282,547	169,576	10,229	119,238	581,590
Net claims incurred	(158,330)	(64,806)	(4,505)	(107,843)	(335,484)
Commissions paid and other costs	(94,030)	(70,979)	(2,811)	(5,530)	(173,350)
Net underwriting income	30,187	33,791	2,913	5,865	72,756
Investment and other income					13,989
Unallocated expenses and tax					(56,020)
Net profit after tax					30,725

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

	Non-motor	Motor	Health	Family takaful	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	377,480	75,057	21,818	51,995	526,350
Net contributions earned	264,669	63,301	5,996	30,743	364,709
Commissions received on ceded reinsurance and retakaful	8,097	302	246	-	8,645
	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	(113,469)	(9,664)	(2,740)	(6,470)	(132,343)
Net underwriting income	(337)	12,822	524	2,933	15,942
Investment and other income					17,882
Unallocated expenses and tax					(38,189)
Net loss after tax					(4,365)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15 Operating segment (continued)

By Geography

(for the three-month period ended 31 March 2011)

	Africa	Far East	Middle East	Turkey and Central Asia	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	99,359	390,016	214,124	31,716	735,215
Net contributions earned	72,514	296,255	177,312	23,608	569,689
Commissions received on ceded reinsurance and retakaful	3,451	6,084	2,366	-	11,901
	75,965	302,339	179,678	23,608	581,590
Net claims incurred	(27,437)	(154,759)	(145,031)	(8,257)	(335,484)
Commissions paid and other cost	(15,470)	(127,881)	(20,551)	(9,448)	(173,350)
Net underwriting income	33,058	19,699	14,096	5,903	72,756
Investment and other income					13,989
Unallocated expenses and tax					(56,020)
Net profit after tax					30,725

By Geography

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

	Africa	Far East	Middle East	Turkey and Central Asia	Total
	AED'000	AED'000	AED'000	AED'000	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 paid and other cost	(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 and Tax					(38,189)
Net loss after tax					(4,365)

16 Bonus share

The Board of Directors issued 10% bonus shares amounting to AED 110 million. The resolution was approved by the shareholders in the Annual General Meeting held on 28 April 2011.

17 Comparative figures

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