

QATAR ISLAMIC INSURANCE COMPANY Q.S.C

**CONDENSED INTERIM
FINANCIAL INFORMATION**

30 JUNE 2010

Qatar Islamic Insurance Company Q.S.C

**Condensed interim financial information
For the six month period ended 30 June 2010**

CONTENTS	Page
Review report to the Board of Directors	1
Condensed interim financial information	
Condensed statement of financial position	2-3
Condensed statement of income (Policyholders)	4
Condensed statement of income (Shareholders)	5
Condensed statement of comprehensive income	6
Condensed statement of changes in equity	7
Condensed statement of cash flows	8
Notes to the condensed interim financial information	9-14

Independent report on review of condensed interim financial information

To
The Board of Directors
Qatar Islamic Insurance Company Q.S.C
Doha, State of Qatar

Introduction

We have reviewed the accompanying condensed statement of financial position of Qatar Islamic Insurance Company Q.S.C (the "Company") as at 30 June 2010 and the related condensed statement of income (policyholders), condensed statement of income (shareholders), statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended (The "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

Except as explained in the following paragraph, 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 Company." 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.

The results of the operation of the associate company amounting to QR 1,944,931 have been included in the condensed interim financial information on the basis of management accounts provided by the associate company, which have not been audited or reviewed by us or any other independent auditors.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*".

20 July 2010
Doha
State of Qatar

Ahmed Hussain
KPMG
Qatar Auditors Registry Number 197

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

In Qatari Riyals

	Notes	30 June 2010 Reviewed	31 December 2009 Audited
POLICYHOLDERS' ASSETS			
Cash and banks	3	36,675,719	42,564,136
Contributions receivable		20,970,904	14,540,741
Cheques under collection		1,500,000	7,811,936
Reinsurance contract assets	4	34,812,352	49,037,421
Due from reinsurers		1,831,697	4,032,708
Available for sale investments	5	89,072,062	86,047,730
Prepaid expenses and other assets		11,337,776	6,613,097
Investment properties	6	48,834,899	49,436,702
Property and equipment	7	8,460,971	7,379,293
Properties under construction		33,924,385	31,674,385
TOTAL POLICYHOLDERS' ASSETS		287,420,765	299,138,149
SHAREHOLDERS' ASSETS			
Cash and banks	3	37,848,530	69,979,185
Available for sale investments	5	88,226,279	84,632,564
Investments in associates		46,984,095	41,158,277
Investment in properties	6	59,405,292	60,170,773
Property under construction		33,924,385	31,674,385
TOTAL SHAREHOLDERS' ASSETS		266,388,581	287,615,184
TOTAL ASSETS		553,809,346	586,753,333

The attached notes 1 to 14 form an integral part of this condensed interim financial information

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

In Qatari Riyals

	Notes	30 June 2010 Reviewed	31 December 2009 Audited
LIABILITES AND SURPLUS OF POLICYHOLDERS			
Due to reinsurers		22,349,967	19,757,426
Insurance contract liabilities	4	121,142,240	131,348,715
Payables and other liabilities		15,341,133	19,126,991
Distributable surplus		-	12,065,495
Fair value reserve		(12,250,724)	601,941
Unclaimed surplus		33,886,976	27,205,395
Retained surplus		106,951,173	89,032,186
TOTAL LIALIBILITY AND SURPLUS		287,420,765	299,138,149
SHAREHOLDERS' LIABILITIES			
Dividends payable		18,172,446	16,655,648
Provisions		4,434,020	7,526,382
TOTAL SHAREHOLDERS' LIABILITIES		22,606,466	24,182,030
SHAREHOLDERS' EQUITY			
Share capital		150,000,000	150,000,000
Legal reserve		61,878,445	61,878,445
General reserve		1,540,888	1,540,888
Fair value reserve		(11,803,349)	479,929
Retained earnings		42,166,131	49,533,892
Total Equity		243,782,115	263,433,154
TOTAL SHAREHOLDERS' LIABILITY AND EQUITY		266,388,581	287,615,184
TOTAL LIABILITIES, SURPLUS OF POLICYHOLDERS AND SHAREHOLDERS' EQUITY		553,809,346	586,753,333

This condensed interim financial information was approved by the Board of Directors and were signed on their behalf by the following on 20 July 2010.

 Sheikh. Abdulla Bin Thani Bin Abdulla Al Thani
Chairman

 Jassim Ali AL-Sadi
General Manager

The attached notes 1 to 14 form an integral part of this condensed interim financial information

CONDENSED STATEMENT OF INCOME (POLICYHOLDERS)

For the six month period ended 30 June 2010

In Qatari Riyals

	Notes	Six month period ended 30 June	
		2010 Reviewed	2009 Reviewed
Gross contributions	10	94,044,994	86,091,415
Wakala fee	10	(16,509,726)	(14,618,666)
Re-Takaful share of gross contributions	10	(35,943,738)	(34,293,040)
Net contributions		41,591,530	37,179,709
Movement in unexpired premium		(4,076,547)	1,836,425
Net earned contributions		37,514,983	39,016,134
Net commission	10	3,197,270	2,576,790
Underwriting income		40,712,253	41,592,924
Gross claims paid	10	(35,606,337)	(26,122,374)
Movement in outstanding claims		57,953	(5,952,721)
Re-Takaful and other recoveries	10	8,505,201	3,261,537
		(27,043,183)	(28,813,558)
Net underwriting results		13,669,070	12,779,366
Net Investment income		4,249,917	2,155,103
Total surplus for the period		17,918,987	14,934,469
Balance at 1 January 2010		89,032,186	84,205,452
Surplus for the period		17,918,987	14,934,469
Retained surplus at 30 June 2010		106,951,173	99,139,121

The attached notes 1 to 14 form an integral part of this condensed interim financial information

CONDENSED STATEMENT OF INCOME (SHAREHOLDERS)

For the six month period ended 30 June 2010

In Qatari Riyals

	Notes	Six month period ended 30 June	
		2010 Reviewed	2009 Reviewed
Income			
Income from shareholder's investments		10,014,062	4,199,327
Income from investment in associates		1,944,931	3,300,000
Wakala fee		16,509,726	14,618,666
Rental income		2,822,675	2,584,095
Shareholders' share in policyholders' Investment income		7,892,702	4,002,334
Other income		421,183	-
Total income		39,605,279	28,704,422
Depreciation of investment properties – apportioned		(801,027)	(615,227)
General and administrative expenses – apportioned		(8,672,013)	(9,912,147)
Total expenses		(9,473,040)	(10,527,374)
Net profit for the period		30,132,239	18,177,048
Basic and diluted earnings per share (QR)	11	2.01	1.21

The attached notes 1 to 14 form an integral part of this condensed interim financial information

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (SHAREHOLDERS)

For the six month period ended 30 June 2010

In Qatari Riyals

	Six month period ended 30 June	
	2010 Reviewed	2009 Reviewed
Profit for the period	30,132,239	18,177,048
Other comprehensive income		
Net unrealised change in fair value of available-for-sale financial assets	(12,283,278)	(704,743)
Total comprehensive income for the period	17,848,961	17,472,305

The attached notes 1 to 14 form an integral part of this condensed interim financial information

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the six month period ended 30 June 2010

In Qatari Riyals

	Share Capital	Legal reserve	General reserve	Fair value reserve	Retained earnings	Total equity
Balance as at 1 January 2009	150,000,000	58,452,568	1,540,888	9,625,115	63,701,005	283,319,576
Total comprehensive income for the period						
Profit for the period	-	-	-	-	18,177,048	18,177,048
Other comprehensive income for the period						
Net change in the fair value of available for sale investments				(704,743)	-	(704,743)
<i>Total comprehensive income for the period</i>				(704,743)	18,177,048	17,472,305
Dividends paid for 2008	-	-	-	-	(45,000,000)	(45,000,000)
Balance at 30 June 2009	150,000,000	58,452,568	1,540,888	8,920,372	36,878,053	255,791,881
Balance as at 1 January 2010	150,000,000	61,878,445	1,540,888	479,929	49,533,892	263,433,154
Total comprehensive income for the period						
Profit for the period					30,132,239	30,132,239
Other comprehensive income for the period						
Net change in the fair value of available for sale investments				(12,283,278)	-	(12,283,278)
<i>Total comprehensive income for the period</i>	-	-	-	(12,283,278)	30,132,239	17,848,961
Dividends paid for 2009	-	-	-	-	(37,500,000)	(37,500,000)
Balance at 30 June 2010	150,000,000	61,878,445	1,540,888	(11,803,349)	42,166,131	243,782,115

The attached notes 1 to 14 form an integral part of this condensed interim financial information.

CONDENSED STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2010

In Qatari Riyals

	Six months ended 30 June	
	2010 Reviewed	2009 Reviewed
OPERATING ACTIVITIES		
Net profit for the period	30,132,239	18,177,048
Surplus from insurance operations	17,918,987	14,934,469
Adjustments for :	48,051,226	33,111,517
Depreciation for property and equipment and investment properties	1,813,032	1,209,689
Share of profit of associates	(1,944,931)	(3,300,000)
Investment income	(20,028,125)	(11,545,039)
Operating profit before working capital changes	27,891,202	19,476,167
Change in contribution and reinsurance receivables	(4,229,152)	(4,610,645)
Change in cheque under collection	6,311,936	-
Change in prepayments and other assets	(1,436,935)	(3,359,551)
Change in reinsurance contract assets	14,225,069	2,739,847
Change in due to reinsurers	2,592,541	8,190,430
Change in insurance contract liabilities	(10,206,475)	1,376,448
Change in provisions	(3,092,362)	-
Change in payables and other liabilities	(3,785,858)	(8,023,383)
Cash from operating activities	28,269,966	15,789,313
Board of Directors' remuneration paid	-	(1,575,000)
Dividends paid	(35,983,202)	(37,954,933)
Net cash used in operating activities	(7,713,236)	(23,740,620)
INVESTING ACTIVITIES		
Acquisition of property and equipments	(1,527,416)	(388,063)
Investment income received	16,740,381	10,897,786
Net movement in properties under construction	(4,500,000)	(7,201,610)
Net investment in associates	(3,880,897)	2,346,000
Net movement in investments	(31,753,990)	(14,032,886)
Net cash flows used in investing activities	(24,921,922)	(8,378,773)
FINANCING ACTIVITIES		
Movement in policyholders' surplus	(5,383,914)	(2,529,195)
Movement in deposits	4,165,048	39,941,441
Cash flows used in financing activities	(1,218,866)	37,412,246
Decrease in cash and cash equivalents during the period	(33,854,024)	5,292,853
Cash and cash equivalents at the beginning of the period	59,488,754	11,524,367
Cash and cash equivalents at the end of the period	25,634,730	16,817,220

The attached notes 1 to 14 form an integral part of this condensed interim financial information

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2010

1 LEGAL STATUS AND OPERATIONS

Qatar Islamic Insurance Company (Q.S.C.) (“the Company”) was incorporated in the State of Qatar on 30 October 1993 as a closed Qatari shareholder company under Qatar Companies Law No. 11 of 1981 with Registration No: 16584. On 12 December 1999 the Company changed its status to a public listed company and accordingly listed its shares on the Qatar Exchange (formerly known as Doha Securities Market).

The Company is primarily engaged in the business of underwriting general, Takaful (Life) and health non-interest insurance in accordance with the provisions of Islamic Sharia. The Company also invests its capital and other resources in all related activities.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

This condensed interim financial information is prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. The accounting policies used in the preparation of the condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009.

The condensed interim financial information does not contain all the information and disclosures required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2009. In addition, results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

The condensed interim financial information is prepared in Qatari Riyals and all values are rounded to the nearest Qatari Riyals except when otherwise indicated.

(b) Significant accounting judgement, estimates and assumptions

The preparation of interim financial information requires management to make judgements, 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 interim financial information, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2009.

(c) Application of new standards, amendments to standards and interpretations

The following International Accounting Standards (“IAS”) and IFRIC interpretations issued, but are not mandatory for the year ended 31 December 2009, have not yet been adopted by the Company:

IFRS 9 Financial Instruments was issued to replace IAS 39. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after 1 January 2013. The Company is currently in the process of evaluating the potential effect of this amendment in the presentation of the financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six month period ended 30 June 2010

In Qatari Riyals

۲ **CASH AND BANK BALANCES**

	30.06.2010 Reviewed	31.12.2009 Audited
Policyholders		
Cash on hand	382,303	159,425
Investment deposits (Islamic banks)	11,040,989	18,607,750
Saving accounts (Islamic banks)	25,252,427	23,796,961
Total - policyholders	36,675,719	42,564,136
Shareholders		
Investment deposits	37,848,530	69,979,185
Total – shareholders	37,848,530	69,979,185
Total cash and bank balances	74,524,249	112,543,321
Less:- Deposits maturity over three months	(48,889,519)	(53,054,567)
Total cash and cash equivalents	25,634,730	59,488,754

۴ **INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS**

	30.06.2010 Reviewed	31.12.2009 Audited
Gross Insurance contract liabilities		
Claims reported unsettled	42,472,994	48,921,795
Unearned contributions	78,669,246	82,426,920
Total	121,142,240	131,348,715
Reinsurers' share of Insurance liabilities		
Claims reported unsettled	10,344,868	16,735,716
Unearned premiums	24,467,484	32,301,705
Total	34,812,352	49,037,421
Net Insurance liabilities		
Claims reported unsettled	32,128,126	32,186,079
Unearned premiums	54,201,762	50,125,215
Total	86,329,888	82,311,294

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six month period ended 30 June 2010

In Qatari Riyals

◦ INVESTMENTS

	30.06.2010 Reviewed	31.12.2009 Audited
Available-for-sale investments		
Quoted shares	124,974,722	84,320,732
Fair value reserve	(24,054,074)	1,081,870
Total available for sale investments	100,920,648	85,402,602
Unquoted shares	76,377,692	85,277,692
Total available for sale investments - net	177,298,340	170,680,294

	Policyholders	Shareholders	Totals
Quoted shares	63,133,940	61,840,782	124,974,722
Fair value reserve	(12,250,724)	(11,803,349)	(24,054,073)
Total Quoted share at fair value	50,883,216	50,037,433	100,920,649
Unquoted shares	38,188,846	38,188,846	76,377,692
30.06.2010 (Reviewed) Total available for sale investments	89,072,062	88,226,279	177,298,341
31.12.2009 (Audited) Total available for sale investments	86,047,730	84,632,564	170,680,294

∩ INVESTMENT PROPERTIES

	30.06.2010 Reviewed	31.12.2009 Audited
Balance as at 1 January	109,607,475	78,313,218
Additions	-	33,442,225
Depreciation	(1,367,284)	(2,147,968)
Net book value at 30 June/31 December	108,240,191	109,607,475

	30.06.2010 Reviewed	31.12.2009 Audited
Investment properties –policyholders	48,834,899	49,436,702
Investment properties –shareholders	59,405,292	60,170,773
Net book value at 30 June/31 December	108,240,191	109,607,475

The management has internally valued the investment properties based on equivalent investment properties in the Qatari Market and estimates that the fair value of the investment properties as at 30 June 2009 amounted to QR. 192,000,000.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six month period ended 30 June 2010

In Qatari Riyals

▼ PROPERTY AND EQUIPMENT

	30.06.2010 Reviewed	31.12.2009 Audited
Net book value at 1 January	7,379,293	7,278,344
Additions	1,527,416	624,875
Depreciation	(445,738)	(474,424)
Disposals (net)	-	(49,502)
Net book value at 30 June / 31 December	8,460,971	7,379,293

▲ INVESTMENT IN ASSOCIATES

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Name of Associate	Principal Activity	Place of incorporation	Capital	2009	2008
Tashelaat Islamic Co. W.L.L.	Islamic Financing	Qatar	60,000,000	51%	51%
Al Muqawel Co. W.L.L.	Construction	Qatar	3,000,000	51%	51%

Though the Company has 51% shareholding, it does not have power to govern the financial and operating policy decisions of the investee companies.

Al Muqawel Co. W.L.L. has not commenced its operations yet.

¶ RELATED PARTIES

(a) Transactions with related parties

These represent transactions with related parties, i.e. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Company and companies of which they are key management personnel. Significant transactions were:

	30.06.2010 Reviewed	30.06.2009 Reviewed
Premium	2,568,511	2,493,000
Claims	2,611,189	2,084,477

(b) Compensation of key management personnel

Salaries and other short term benefits
 Employees' end of service benefits

Total

	30.06.2010 Reviewed	30.06.2009 Reviewed
Salaries and other short term benefits	840,000	1,005,000
Employees' end of service benefits	320,000	460,000
Total	1,160,000	1,465,000

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2010

In Qatari Riyals

1. NET UNDERWRITING RESULTS

	Marine and Aviation (Reviewed)		Motors (Reviewed)		General Accident (Reviewed)		Takaful and Health (Reviewed)		Totals (Reviewed)	
	30,June 2010	30,June 2009	30,June 2010	30,June 2009	30,June 2010	30,June 2009	30,June 2010	30,June 2009	30,June 2010	30,June 2009
Gross contributions	3,150,267	3,706,577	41,677,440	42,028,086	30,045,594	27,094,883	19,171,693	13,261,868	94,044,994	86,091,415
Less: Wakala Fees	(543,371)	(630,118)	(7,462,392)	(7,144,823)	(5,244,967)	(4,623,385)	(3,258,996)	(2,220,340)	(16,509,726)	(14,618,666)
Re-Takaful contribution	(1,583,230)	(1,941,202)	(10,022,191)	(10,788,458)	(21,657,091)	(19,784,410)	(2,681,226)	(1,778,970)	(35,943,738)	(34,293,040)
Net contributions	1,023,666	1,135,257	24,192,857	24,094,805	3,143,536	2,687,088	13,231,471	9,262,558	41,591,530	37,179,709
Movement in unexpired risk	13,137	110,067	(1,570,438)	(1,569,611)	(690,560)	(117,665)	(1,828,686)	3,413,634	(4,076,547)	1,836,425
Net earned contributions	1,036,803	1,245,324	22,622,419	22,525,194	2,452,976	2,569,423	11,402,785	12,676,192	37,514,983	39,016,134
Commissions, net	158,574	26,210	2,218,984	1,713,158	807,155	955,026	12,557	(117,605)	3,197,270	2,576,790
Net underwriting income	1,195,377	1,271,535	24,841,403	24,238,352	3,260,131	3,524,450	11,415,342	12,558,588	40,712,253	41,592,924
Expenses:										
Gross claims	(254,915)	(545,499)	(23,699,776)	(21,762,050)	(6,460,868)	(1,166,937)	(5,190,778)	(2,647,888)	(35,606,337)	(26,122,374)
Movement in outstanding claims	116,883	(276,476)	(2,210,922)	(5,016,534)	2,131,455	(776,995)	20,538	117,284	57,953	(5,952,721)
Re-Takaful recoveries	441,077	431,080	1,767,298	1,584,773	3,665,562	491,846	2,631,264	753,838	8,505,201	3,261,537
Net claims incurred	303,045	(390,895)	(24,143,401)	(25,193,812)	(663,851)	(1,452,085)	(2,538,846)	(1,776,766)	(27,043,183)	(28,813,558)
Net underwriting income	1,498,422	880,639	698,002	(955,460)	2,596,280	2,072,365	8,889,865	10,781,822	13,669,070	12,779,366

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
For the six month period ended 30 June 2010

In Qatari Riyals

11 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding at the balance sheet date.

The basic and diluted earnings per share are the same as there are no dilutive effects on earnings.

	30.06.10 Reviewed	30.06.09 Reviewed
Net profit attributable to shareholders	30,132,239	18,177,048
Weighted average number of ordinary shares	15,000,000	15,000,000
Basic earnings per share (QR)	2.01	1.21

12 DIVIDEND PAID

A cash dividend of 25% of share capital totalling QR. 37,500,000 for the year 2009 (2008: QR 45,000,000) has been approved at the Annual General Meeting. As of 30 June 2010, the dividends payable amounted to QR. 18,172,446.

13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	30.06.10 Reviewed	31.12.09 Audited
Bank guarantees	4,666,549	6,530,803

Operating leases

Future minimum lease rentals payables under non-cancellable operating leases as at 30 June 2010 are insignificant and immaterial.

14 OPERATING SEGMENT

For management purposes, the Company is organised into six business segments- Marine and Aviation, Motor, General accident, Takaful and health, real estate and Investments. These segments are the basis on which the Company reports its operating primary segment information.