

Islamic Arab Insurance Co.
(Salama) and its subsidiaries
Condensed consolidated interim financial
information
for the three-month period ended 31 March 2015

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

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

Introduction

We have reviewed the accompanying 31 March 2015 condensed consolidated interim financial information of Islamic Arab Insurance Co. (Salama) ("the Company") and its subsidiaries (collectively referred to as "the Group"), consisting of:

- the condensed consolidated interim statement of financial position as at 31 March 2015;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2015;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2015;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2015;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2015; and
- notes to 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 condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

KPMG Lower Gulf Limited
Austin Alan Henry Rudman
Registration No: 844
Dated: 14 May 2015

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the three-month period ended 31 March 2015

	<i>Note</i>	Three-month period ended 31 March 2015 AED'000 (Un-audited)	Three-month period ended 31 March 2014 AED'000 (Un-audited)
UNDERWRITING RESULTS			
Underwriting income			
Gross written contributions	16	231,996	224,609
Less: reinsurance and retakaful contributions ceded		<u>(71,795)</u>	<u>(55,032)</u>
Net contributions		160,201	169,577
Net movement in unearned contributions		<u>(4,432)</u>	<u>17,775</u>
Contributions earned	16	155,769	187,352
Commission received on ceded reinsurance and retakaful	16	<u>8,308</u>	<u>6,371</u>
	16	<u>164,077</u>	<u>193,723</u>
Underwriting expenses			
Gross claims paid		255,627	192,790
Less: reinsurance and retakaful share of claims paid		<u>(34,295)</u>	<u>(26,876)</u>
Net claims paid		221,332	165,914
Net movement in outstanding claims and technical reserve for family takaful		<u>(143,785)</u>	<u>(24,076)</u>
Claims incurred	16	77,547	141,838
Commission paid and other costs	16	<u>54,386</u>	<u>46,767</u>
		<u>131,933</u>	<u>188,605</u>
Net underwriting income	16	32,144	5,118
Income from other sources			
Income from investments		10,424	15,527
Other income		<u>25,009</u>	<u>11,852</u>
		<u>67,577</u>	<u>32,497</u>
Expenses			
General, administrative and other expenses		(47,165)	(41,746)
Financial expenses		(3,022)	(3,926)
Provision for charitable donations		<u>(434)</u>	<u>(1,375)</u>
Net profit / (loss) before tax for the period		16,956	(14,550)
Taxation - current			
Net profit / (loss) after tax for the period before policyholders' distribution		12,519	(19,062)
Policyholders' surplus		-	-
Net profit / (loss) after tax and distribution to policyholders for the period		12,519	(19,062)
Attributable to:			
Shareholders		9,357	(21,294)
Non-controlling interest		<u>3,162</u>	<u>2,232</u>
		<u>12,519</u>	<u>(19,062)</u>
Earnings / (loss) per share (AED) (Note 14)		0.008	(0.018)

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

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 2015

	Three-month period ended 31 March 2015	Three-month period ended 31 March 2014
	AED'000	AED'000
	(Un-audited)	(Un-audited)
Net profit / (loss) after tax and distribution to policyholders' for the period	12,519	(19,062)
Other comprehensive income / (loss) net of income tax		
<i>Items that are or may be reclassified to profit or loss:</i>		
Net change in fair value of available-for-sale investments	(4,275)	3,659
Foreign exchange translation reserve	(21,119)	146
Other comprehensive income / (loss) for the period	(25,394)	3,805
Total comprehensive loss for the period	(12,875)	(15,257)
Attributable to:		
Shareholders	(12,308)	(18,222)
Non-controlling interest	(567)	2,965
	(12,875)	(15,257)

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

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 financial position

as at 31 March 2015

	Note	31 March 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
ASSETS			
Property and equipments		86,845	99,370
Goodwill and intangibles		154,858	155,270
Investment properties	8	253,550	257,267
Investments in associates	9	44,065	42,559
Statutory deposits		13,325	13,557
Investments	11	756,161	840,119
Participants' investments in unit-linked contracts	11.2	709,154	664,210
Deposits with takaful and retakaful companies		134,587	144,211
Contributions and takaful balance receivables		450,493	461,408
Retakafuls' share of outstanding claims		203,205	195,115
Retakafuls' share of unearned contributions		80,523	72,142
Amounts due from related parties	12	13,794	15,648
Other assets and receivables		230,426	241,960
Cash and bank balances		417,444	388,753
TOTAL ASSETS		3,548,430	3,591,589
LIABILITIES			
Bank finance		130,662	147,842
Outstanding claims and family takaful reserve		546,058	671,023
Payable to Participants for unit-linked contracts		705,146	661,334
Unearned contributions reserve		308,572	303,302
Takaful balances payable		467,213	398,208
Other payables and accruals		165,938	171,276
TOTAL LIABILITIES		2,323,589	2,352,985
Policyholders' fund	13	-	-
NET ASSETS EMPLOYED		1,224,841	1,238,604
FINANCED BY:			
Shareholders' equity		1,157,297	1,172,933
Non-controlling interest		67,544	65,671
		1,224,841	1,238,604

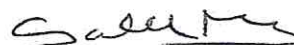
The notes on pages 8 to 18 form an integral part of these condensed consolidated interim financial information.

These condensed consolidated interim financial information were approved and authorised for issue by the Board of

Directors on 14 MAY 2015 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 2015

	Three month period ended 31 March 2015 AED'000 (Un-audited)	Three month period ended 31 March 2014 AED'000 (Un-audited)
Cash flows from operating activities		
Net profit / (loss) before non-controlling interest	12,519	(19,062)
<i>Adjustments for:</i>		
Depreciation	1,729	1,895
Net movement in unearned contributions reserve	(3,111)	(31,803)
Investment properties	3,717	(375)
Amortisation of intangible assets	255	213
Share of profit from associates	(1,506)	(770)
<i>Operating loss before changes in working capital</i>	<u>13,603</u>	<u>(49,902)</u>
Change in deposits with takaful and retakaful companies	9,624	(15,034)
Change in contributions and takaful balance receivable	10,915	111,717
Change in due from / to related parties	1,824	(1,462)
Change in other assets and receivables	11,534	5,351
Change in outstanding claims (net of retakaful)	(133,055)	2,547
Change in takaful payables and other payables	63,697	(75,762)
Change in policyholders' fund	-	-
<i>Net cash flows used in operating activities</i>	<u>(21,858)</u>	<u>(22,545)</u>
Cash flows from investing activities		
Property and equipment - net	10,796	(727)
Net movement in intangible assets	157	(986)
Statutory deposits	232	(169)
Investments-net	58,564	32,903
Net movement in Participants' investments in unit-linked contracts	(1,132)	2,097
<i>Net cash flows provided by investing activities</i>	<u>68,617</u>	<u>33,118</u>
Cash flows from financing activities		
Bank finance	(17,180)	472
Net movement in non-controlling interest	(888)	(243)
<i>Net cash flows (used in) / provided by financing activities</i>	<u>(18,068)</u>	<u>229</u>
Net increase in cash and cash equivalents	28,691	10,802
Cash and cash equivalents at 1 January	388,753	341,570
Cash and cash equivalents at 31 March	<u>417,444</u>	<u>352,372</u>

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

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 2015

	Attributable to the equity holders of the Company							Total	Non-controlling interest	Total equity
	Share capital	Statutory reserve	Revaluation reserve	Foreign exchange translation reserve	Investment fair value reserve	Treasury stock	Accumulated losses			
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2014	1,210,000	69,983	46,723	(15,601)	13,917	(35,972)	(134,050)	1,155,000	71,769	1,226,769
Total comprehensive income for the period										
(Loss) / profit for the period	-	-	-	-	-	-	(21,294)	(21,294)	2,232	(19,062)
Other comprehensive loss										
Movement in foreign exchange translation reserve	-	-	-	(285)	-	-	-	(285)	431	146
Movement in net change in fair value of available-for-sale investments	-	-	-	-	3,357	-	-	3,357	302	3,659
Total other comprehensive (loss) / income	-	-	-	(285)	3,357	-	-	3,072	733	3,805
Total comprehensive (loss) / income for the period	-	-	-	(285)	3,357	-	(21,294)	(18,222)	2,965	(15,257)
Transaction with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(1,604)	(1,604)
Balance at 31 March 2014	<u>1,210,000</u>	<u>69,983</u>	<u>46,723</u>	<u>(15,886)</u>	<u>17,274</u>	<u>(35,972)</u>	<u>(155,344)</u>	<u>1,136,778</u>	<u>73,130</u>	<u>1,209,908</u>

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

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 2015

	Attributable to the equity holders of the Company									
	Share capital	Statutory reserve	Revaluation reserve	Foreign exchange translation reserve	Investment fair value reserve	Treasury stock	Accumulated losses	Total	Non-controlling interest	Total equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2015	1,210,000	73,861	42,173	(30,697)	12,719	(35,972)	(99,151)	1,172,933	65,671	1,238,604
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	9,357	9,357	3,162	12,519
Other comprehensive loss										
Movement in foreign exchange translation reserve	-	-	-	(20,731)	-	-	-	(20,731)	(388)	(21,119)
Movement in net change in fair value of available-for-sale investments	-	-	-	-	(4,262)	-	-	(4,262)	(13)	(4,275)
Total other comprehensive loss	-	-	-	(20,731)	(4,262)	-	-	(24,993)	(401)	(25,394)
Total comprehensive (loss) / income for the period	-	-	-	(20,731)	(4,262)	-	9,357	(15,636)	2,761	(12,875)
Surplus revaluation reserve transferred to retained earnings on disposals of property	-	-	(4,258)	-	-	-	4,258	-	-	-
Transaction with owners, recorded directly in equity										
Movement upon the acquisition of subsidiary	-	-	-	-	-	-	-	-	1,468	1,468
Dividend paid	-	-	-	-	-	-	-	-	(2,356)	(2,356)
Balance at 31 March 2015	1,210,000	73,861	37,915	(51,428)	8,457	(35,972)	(85,536)	1,157,297	67,544	1,224,841

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes

(forming part of the condensed consolidated interim financial information)

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, in accordance with Islamic Shari'ah 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 U.A.E. Federal Law No. 6 of 2007, concerning regulations of insurance operations.

The Company and its subsidiaries are referred to as "the Group". Tariic Holding B.S.C (Tariic), a subsidiary of the company, 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 Shari'ah principles:

Subsidiaries	Group's Ownership		Country of incorporation
	31 March 2015	31 December 2014	
<i>Directly owned</i>			
Tariic Holding Company B.S.C	99.40%	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	* 85.00%	-	Egypt
Salama Immobilier	* 81.50%	-	Senegal
<i>Through Tariic</i>			
Salama Assurances Senegal	57.41%	57.41%	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

* During the period, the Group formed two new subsidiaries i.e. MISR Emirates Takaful Life Insurance Co. in Egypt with an investment of AED 13.8 million and effective ownership of 85% and Salama Immobilier with an investment of AED 5.5 million and effective ownership of 81.50%.

2 Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for the full annual audited consolidated financial statements, and should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 December 2014.

b) Basis of measurement

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

- financial instruments at fair value through profit and loss ("FVTPL") and unit-linked contracts are measured at fair value,
- available-for-sale ("AFS") financial assets are measured at fair value, and
- investment properties are measured at fair value.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual audited consolidated financial statements for the year ended 31 December 2014.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

c) Functional and reporting currency

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

3 Significant accounting policies

The Groups' financial risk management objectives, policies and accounting policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2014.

4 Estimates

The preparation of the condensed consolidated interim financial information 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

In preparing these condensed consolidated interim financial information, 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 annual audited consolidated financial statements as at and for the year ended 31 December 2014, except for the valuation of investment properties as explained in note 8.

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 information were prepared on the accrual basis, 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 three-month period ended 31 March 2015				For the three-month period ended 31 March 2014			
	Shareholders AED'000	Policyholders AED'000	Non- controlling interest AED'000	Total AED'000	Shareholders AED'000	Policyholders AED'000	Non - controlling interest AED'000	Total AED'000
Net underwriting income	-	32,144	-	32,144	-	5,118	-	5,118
Income								
Wakalah share (Note 7)	21,563	(21,563)	-	-	14,740	(14,740)	-	-
Mudarib share (Note 7)	149	(149)	-	-	5	(5)	-	-
Net technical charges from shareholders to policyholders	2,630	(2,630)	-	-	2,943	(2,943)	-	-
Net underwriting income / (loss) from subsidiaries	10,302	(10,302)	-	-	(8,264)	8,264	-	-
Income from investments	10,354	70	-	10,424	15,477	50	-	15,527
Other income	25,009	-	-	25,009	11,852	-	-	11,852
	70,007	(2,430)	-	67,577	36,753	(4,256)	-	32,497
Expenses								
General, administrative and other expenses	(47,165)	-	-	(47,165)	(41,746)	-	-	(41,746)
Financial expenses	(3,022)	-	-	(3,022)	(3,926)	-	-	(3,926)
Charitable donations	(434)	-	-	(434)	(1,375)	-	-	(1,375)
Net profit / (loss) before tax for the period	19,386	(2,430)	-	16,956	(10,294)	(4,256)	-	(14,550)
Tax – current	(4,437)	-	-	(4,437)	(4,512)	-	-	(4,512)
Net profit / (loss) after tax for the period	14,949	(2,430)	-	12,519	(14,806)	(4,256)	-	(19,062)
Share of non-controlling interest	(3,162)	-	3,162	-	(2,232)	-	2,232	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 13)	(2,430)	2,430	-	-	(4,256)	4,256	-	-
Net profit / (loss) for the period	9,357	-	3,162	12,519	(21,294)	-	2,232	(19,062)

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% (2014: 15%) of gross written contributions of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2014: 15%) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and charge 15% (2014: 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 2015	31 December 2014
	AED'000	AED'000
	(Un-audited)	(Audited)
Within UAE	17,445	17,445
Outside UAE	236,105	239,822
	253,550	257,267

The carrying values of the investment properties reflect their fair values at 31 March 2015. These investment properties were previously stated at fair values as determined by independent external valuers at 31 December 2014. An independent external valuation has not been carried out at 31 March 2015 and accordingly, the carrying values are based on management's internal assessment, which equates to their fair values.

The Group investment property portfolio is being managed and maintained by a third party; administrative and the rental income received from these properties are being set off with the administrative fees.

9 Investments in associates

The principal significant associates of the Group, all of which have 31 December as their year end are as follows:

Associates	Ownership		Country of incorporation	31 March 2015	31 December 2014
	2015	2014		AED'000	AED'000
				(Un-audited)	(Audited)
Generale d'Etudes et de Placement en Assurance Reassurance ("GEPAR")	28.00%	28.00%	Tunisia	516	516
Salama Cooperative Insurance Company (formerly Saudi IAIC)	30.00%	30.00%	KSA	14,276	13,613
Islamic Insurance Jordan	20.00%	20.00%	Jordan	29,273	28,430
				44,065	42,559
				31 March 2015	31 December 2014
				AED'000	AED'000
				(Un-audited)	(Audited)
Balance at the beginning of period/year				42,559	41,505
Share of profit from associates				1,506	1,674
Dividend received				-	(620)
Balance at the end of period/year				44,065	42,559

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

10 Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities and their fair values.

For instruments carried at amortised cost management believes that their carrying values approximates to their fair values.

At 31 March 2015 (Un-audited)

<u>Financial assets</u>	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised</u>	<u>Others</u>	<u>Total</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>cost</u>	<u>AED'000</u>	<u>AED'000</u>
Investments	39,490	256,279	460,392	-	756,161
Investments in associates	-	-	-	44,065	44,065
Statutory deposits	-	-	13,325	-	13,325
Participants' investments in unit-linked contracts	709,154	-	-	-	709,154
Deposits with takaful and retakaful companies	-	-	134,587	-	134,587
Contributions and takaful balance receivables	-	-	450,493	-	450,493
Amounts due from related parties	-	-	13,794	-	13,794
Other assets and receivables	-	-	31,479	-	31,479
Cash and bank balances	-	-	417,444	-	417,444
	<u>748,644</u>	<u>256,279</u>	<u>1,521,514</u>	<u>44,065</u>	<u>2,570,502</u>
<u>Financial liabilities</u>					
Bank finance	-	-	130,662	-	130,662
Payable to Participants for unit-linked contracts	705,146	-	-	-	705,146
Takaful balances payable	-	-	467,213	-	467,213
Other payables and accruals	-	-	154,360	-	154,360
	<u>705,146</u>	<u>-</u>	<u>752,235</u>	<u>-</u>	<u>1,457,381</u>

At 31 December 2014 (Audited)

<u>Financial assets</u>	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised</u>	<u>Others</u>	<u>Total</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>cost</u>	<u>AED'000</u>	<u>AED'000</u>
Investments	43,365	300,665	496,089	-	840,119
Investments in associates	-	-	-	42,559	42,559
Statutory deposits	-	-	13,557	-	13,557
Participants' investments in unit-linked contracts	664,210	-	-	-	664,210
Deposits with takaful and retakaful companies	-	-	144,211	-	144,211
Contributions and takaful balance receivables	-	-	461,408	-	461,408
Amounts due from related parties	-	-	15,648	-	15,648
Other assets and receivables	-	-	33,278	-	33,278
Cash and bank balances	-	-	388,753	-	388,753
	<u>707,575</u>	<u>300,665</u>	<u>1,552,944</u>	<u>42,559</u>	<u>2,603,743</u>
<u>Financial liabilities</u>					
Bank finance	-	-	147,842	-	147,842
Payable to Participants for unit-linked contracts	661,334	-	-	-	661,334
Takaful balances payable	-	-	398,208	-	398,208
Other payables	-	-	140,781	-	140,781
	<u>661,334</u>	<u>-</u>	<u>686,831</u>	<u>-</u>	<u>1,348,165</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments

	31 March 2015 (Un-audited)			31 December 2014 (Audited)		
	Domestic investments	International investments	Total	Domestic investments	International investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through profit or loss						
Mutual fund and externally managed portfolios	-	27,153	27,153	-	30,253	30,253
Shares and securities	5,509	6,828	12,337	5,743	7,369	13,112
	5,509	33,981	39,490	5,743	37,622	43,365
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	250,526	250,526	-	293,291	293,291
Shares and securities	5,668	85	5,753	6,766	608	7,374
	5,668	250,611	256,279	6,766	293,899	300,665
Islamic placements (refer 11.1)	-	395,031	395,031	-	440,938	440,938
Held to maturity						
SUKUK and Government bonds	-	65,361	65,361	-	55,151	55,151
Total investments	11,177	744,984	756,161	12,509	827,610	840,119

11.1 Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 4.75% (2014: 0.22% to 4.75%) and with original maturities of more than 3 months.

11.2 Participants' investments in unit-linked contracts

	31 March 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
Financial asset at fair value through profit or loss	709,154	664,210

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments (continued)

Determining fair values

The determination of fair value for financial assets and liabilities is based on quoted market price in an active market under level 1 of fair value hierarchy.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Investments securities	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2015 (Un-audited)				
Fair value through profit or loss				
Mutual fund	23,126	4,027	-	27,153
Participants' investments in unit-linked contracts	-	709,154	-	709,154
Shares and securities	12,337	-	-	12,337
	<u>35,463</u>	<u>713,181</u>	<u>-</u>	<u>748,644</u>
Available-for-sale				
Mutual fund	12,215	238,311	-	250,526
Shares and securities	5,668	85	-	5,753
	<u>17,883</u>	<u>238,396</u>	<u>-</u>	<u>256,279</u>
31 December 2014 (Audited)				
Fair value through profit or loss				
Mutual fund	25,669	4,584	-	30,253
Participants' investments in unit-linked contracts	-	664,210	-	664,210
Shares and securities	13,112	-	-	13,112
	<u>38,781</u>	<u>668,794</u>	<u>-</u>	<u>707,575</u>
Available-for-sale				
Mutual fund	-	293,291	-	293,291
Shares and securities	6,766	608	-	7,374
	<u>6,766</u>	<u>293,899</u>	<u>-</u>	<u>300,665</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12 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 2015 AED'000 (Un-audited)	Three-month period ended 31 March 2014 AED'000 (Un-audited)
General and administrative expenses	539	617
Retakaful on contributions	302	946
Retakaful on claims	-	1,335
Compensation of key management personnel		
Short term benefits	2,937	2,186
Employees end of service benefits	230	82
	<u>3,167</u>	<u>2,268</u>
Amounts due from related parties		
	31 March 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
Bin Zayed Group (funds advanced for investment)	11,128	11,128
IAIC Bahrain	17	18
Other entities under common management with the Group	2,649	4,502
	<u>13,794</u>	<u>15,648</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

13 Policyholders' fund

	31 March 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
Balance at 1 January	(98,407)	(34,371)
Net deficit attributable to policyholders for the period/year (note 6)	(2,430)	(56,944)
Proposed surplus distribution to policyholders of family takaful	-	(7,092)
	(100,837)	(98,407)
Financed by shareholders'	100,837	98,407
	-	-
	31 March 2015 AED'000 (Un-audited)	31 March 2014 AED'000 (Un-audited)
Balance at 1 January	(98,407)	(34,371)
Net deficit attributable to policyholders for the period (note 6)	(2,430)	(4,256)
	(100,837)	(38,627)
Financed by shareholders'	100,837	38,627
	-	-

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

14 Earnings / loss per share

The calculation of earnings per share for the period ended 31 March 2015 is based on the profit attributable to shareholders of AED 12.6 million (31 March 2014: loss attributable to shareholders of AED 21.2 million) divided by the weighted average number of shares of 1,188 million (31 March 2014: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

15 Contingent liabilities and capital commitments

	31 March 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
Letters of guarantee	14,554	17,407

Statutory deposits of AED 14.73 million (31 December 2014: AED 17.68 million) are held as lien by the bank against the above guarantees.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15 Contingent liabilities and capital commitments (continued)

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by policyholders, cedants and retakaful operators in connection with policies issued. The management believes, based on independent legal counsel opinions that the ascertainment of liabilities and its timing is highly subjective and dependent on outcomes of court's decisions. Furthermore, as per independent legal counsel, the Group has strong grounds to defend the suits successfully. Accordingly, no additional provision for these claims has been made in the condensed consolidated interim financial statements. However 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 2015 (31 December 2014: nil).

16 Operating segment

By business

(for the three-month period ended 31 March 2015)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	175,128	56,868	231,996
Net contributions earned	104,995	50,774	155,769
Commissions received on ceded reinsurance and retakaful	8,308	-	8,308
	113,303	50,774	164,077
Net claims incurred	(73,720)	(3,827)	(77,547)
Commissions paid and other costs	(28,905)	(25,481)	(54,386)
Net underwriting income	10,678	21,466	32,144
Investment and other income			35,433
Unallocated expenses and tax			(55,058)
Net profit after tax			12,519

(for the three-month period ended 31 March 2014)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	172,979	51,630	224,609
Net contributions earned	148,461	38,891	187,352
Commissions received on ceded reinsurance and retakaful	5,680	691	6,371
	154,141	39,582	193,723
Net claims incurred	(136,849)	(4,989)	(141,838)
Commissions paid and other costs	(26,555)	(20,212)	(46,767)
Net underwriting income	(9,263)	14,381	5,118
Investment and other income			27,379
Unallocated expenses and tax			(51,559)
Net loss after tax			(19,062)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

16 Operating segment (continued)

By geography

(for the three-month period ended 31 March 2015)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>82,336</u>	<u>149,660</u>	<u>231,996</u>
Net contributions earned	<u>54,807</u>	<u>100,962</u>	<u>155,769</u>
Commissions received on ceded reinsurance and retakaful	<u>5,824</u>	<u>2,484</u>	<u>8,308</u>
	<u>60,631</u>	<u>103,446</u>	<u>164,077</u>
Net claims incurred	<u>(29,250)</u>	<u>(48,297)</u>	<u>(77,547)</u>
Commissions paid and other cost	<u>(13,368)</u>	<u>(41,018)</u>	<u>(54,386)</u>
Net underwriting income	<u>18,013</u>	<u>14,131</u>	<u>32,144</u>
Investment and other income			<u>35,433</u>
Unallocated expenses and tax			<u>(55,058)</u>
Net profit after tax			<u><u>12,519</u></u>

(for the three-month period ended 31 March 2014)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>91,600</u>	<u>133,009</u>	<u>224,609</u>
Net contributions earned	<u>72,805</u>	<u>114,547</u>	<u>187,352</u>
Commissions received on ceded reinsurance and retakaful	<u>4,212</u>	<u>2,159</u>	<u>6,371</u>
	<u>77,017</u>	<u>116,706</u>	<u>193,723</u>
Net claims incurred	<u>(43,557)</u>	<u>(98,281)</u>	<u>(141,838)</u>
Commissions paid and other cost	<u>(12,914)</u>	<u>(33,853)</u>	<u>(46,767)</u>
Net underwriting income	<u>20,546</u>	<u>(15,428)</u>	<u>5,118</u>
Investment and other income			<u>27,379</u>
Unallocated expenses and tax			<u>(51,559)</u>
Net loss after tax			<u><u>(19,062)</u></u>