

**Islamic Arab Insurance Co.
(Salama) and its subsidiaries**
Condensed consolidated interim financial
information
for the six-month period ended 30 June 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 30 June 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 30 June 2015;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month period ended 30 June 2015;
- the condensed consolidated interim statement of comprehensive income for the three-month and six-month period ended 30 June 2015;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2015;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 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 30 June 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No: 793
Dated: 13 August 2015

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the six-month period ended 30 June 2015

	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014	Three-month period ended 30 June 2015	Three-month period ended 30 June 2014
<i>Note</i>	AED'000	AED'000	AED'000	AED'000
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
UNDERWRITING RESULTS				
Underwriting income				
Gross written contributions	16 450,309	408,215	218,313	183,606
Less: reinsurance and retakaful contributions ceded	(122,313)	(102,415)	(50,518)	(47,383)
Net contributions	327,996	305,800	167,795	136,223
Net movement in unearned contributions	7,944	30,287	12,376	12,512
Contributions earned	16 335,940	336,087	180,171	148,735
Commission received on ceded reinsurance and retakaful	16 17,764	10,997	9,456	4,626
	353,704	347,084	189,627	153,361
Underwriting expenses				
Gross claims paid	399,623	596,088	143,996	403,298
Less: reinsurance and retakaful share of claims paid	(70,853)	(159,881)	(36,558)	(133,005)
Net claims paid	328,770	436,207	107,438	270,293
Net movement in outstanding claims and technical reserve for family takaful	(115,905)	(220,698)	27,880	(196,622)
Claims incurred	16 212,865	215,509	135,318	73,671
Commission paid and other costs	16 114,618	93,020	60,232	46,253
	327,483	308,529	195,550	119,924
Net underwriting income / (loss)	16 26,221	38,555	(5,923)	33,437
Income from other sources				
Income from investments	20,706	27,229	10,282	11,702
Other income	25,009	23,718	-	11,866
	71,936	89,502	4,359	57,005
Expenses				
General, administrative and other expenses	(91,348)	(83,874)	(43,749)	(40,753)
Financial expenses	(6,196)	(7,772)	(3,174)	(3,846)
Net (loss) / profit before tax for the period	(25,608)	(2,144)	(42,564)	12,406
Taxation - current	(5,709)	(8,513)	(1,272)	(4,001)
Net (loss) / profit after tax for the period before policyholders' distribution	(31,317)	(10,657)	(43,836)	8,405
Policyholders' surplus	-	-	-	-
Net (loss) / profit after tax and distribution to policyholders for the period	(31,317)	(10,657)	(43,836)	8,405
Attributable to:				
Shareholders	(35,306)	(15,671)	(44,663)	5,623
Non-controlling interest	3,989	5,014	827	2,782
	(31,317)	(10,657)	(43,836)	8,405
(Loss) / earnings per share (AED) (Note 14)	(0.030)	(0.013)	(0.038)	0.005

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 six-month period ended 30 June 2015

	Six-month period ended 30 June 2015	Six-month period ended 30 June 2014	Three-month period ended 30 June 2015	Three-month period ended 30 June 2014
	AED'000	AED'000	AED'000	AED'000
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net (loss) / profit after tax and distribution to policyholders' for the period	(31,317)	(10,657)	(43,836)	8,405
Other comprehensive (loss) / income 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	(5,855)	1,985	(1,580)	(1,674)
Foreign exchange translation reserve	(24,021)	(5,237)	(2,902)	(5,383)
Other comprehensive loss for the period	(29,876)	(3,252)	(4,482)	(7,057)
Total comprehensive (loss) / income for the period	(61,193)	(13,909)	(48,318)	1,348
Attributable to:				
Shareholders	(61,203)	(17,309)	(48,895)	913
Non-controlling interest	10	3,400	577	435
	(61,193)	(13,909)	(48,318)	1,348

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 financial position

as at 30 June 2015

	Note	30 June 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
ASSETS			
Property and equipments		87,243	99,370
Goodwill and intangibles		154,758	155,270
Investment properties	8	252,968	257,267
Investments in associates	9	43,923	42,559
Statutory deposits		13,340	13,557
Investments	11	724,737	840,119
Participants' investments in unit-linked contracts	11.2	787,489	664,210
Deposits with takaful and retakaful companies		133,914	144,211
Contributions and takaful balance receivables		432,121	461,408
Retakafuls' share of outstanding claims		184,162	195,115
Retakafuls' share of unearned contributions		84,775	72,142
Amounts due from related parties	12	14,161	15,648
Other assets and receivables		294,893	241,960
Cash and bank balances		326,141	388,753
TOTAL ASSETS		3,534,625	3,591,589
LIABILITIES			
Bank finance		135,586	147,842
Outstanding claims and family takaful reserve		553,552	671,023
Payable to Participants for unit-linked contracts		781,717	661,334
Unearned contributions reserve		299,579	303,302
Takaful balances payable		426,253	398,208
Other payables and accruals		161,632	171,276
TOTAL LIABILITIES		2,358,319	2,352,985
Policyholders' fund	13	-	-
NET ASSETS EMPLOYED		1,176,306	1,238,604
FINANCED BY:			
Shareholders' equity		1,111,750	1,172,933
Non-controlling interest		64,556	65,671
		1,176,306	1,238,604

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

These condensed consolidated interim financial information were approved and authorised for issue by the Board of Directors on 13 AUG 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 six-month period ended 30 June 2015

	Six month period ended 30 June 2015 AED'000 (Un-audited)	Six month period ended 30 June 2014 AED'000 (Un-audited)
Cash flows from operating activities		
Net loss before non-controlling interest	(31,317)	(10,657)
<i>Adjustments for:</i>		
Depreciation	3,324	3,648
Net movement in unearned contributions reserve	(16,356)	(46,513)
Investment properties	4,299	(17,622)
Amortisation of intangible assets	471	452
Share of profit from associates	(2,295)	(1,951)
Dividend income	(1,035)	620
<i>Operating loss before changes in working capital</i>	<u>(42,909)</u>	<u>(72,023)</u>
Change in deposits with takaful and retakaful companies	10,297	(3,170)
Change in contributions and takaful balance receivable	29,287	(75,094)
Change in due from / to related parties	1,457	(777)
Change in other assets and receivables	(52,933)	5,514
Change in outstanding claims (net of retakaful)	(106,518)	(218,501)
Change in takaful payables and other payables	18,431	209,212
Change in policyholders' fund	-	-
<i>Net cash flows used in operating activities</i>	<u>(142,888)</u>	<u>(154,839)</u>
Cash flows from investing activities		
Property and equipment - net	8,803	(895)
Net movement in intangible assets	41	(1,064)
Statutory deposits	217	15
Dividend received	1,035	-
Investments-net	85,506	135,253
Dividend income from associate	931	-
Net movement in Participants' investments in unit-linked contracts	(2,896)	3,772
<i>Net cash flows provided by investing activities</i>	<u>93,637</u>	<u>137,081</u>
Cash flows from financing activities		
Bank finance	(12,256)	(2,139)
Net movement in non-controlling interest	(1,105)	(92)
<i>Net cash flows used in financing activities</i>	<u>(13,361)</u>	<u>(2,231)</u>
Net decrease in cash and cash equivalents	(62,612)	(19,989)
Cash and cash equivalents at 1 January	388,753	341,570
Cash and cash equivalents at 30 June	<u>326,141</u>	<u>321,581</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 six-month period ended 30 June 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	-	-	-	-	-	-	(15,671)	(15,671)	5,014	(10,657)
Other comprehensive loss										
Movement in foreign exchange translation reserve	-	-	-	(3,616)	-	-	-	(3,616)	(1,621)	(5,237)
Movement in net change in fair value of available-for-sale investments	-	-	-	-	1,978	-	-	1,978	7	1,985
Total other comprehensive (loss) / income	-	-	-	(3,616)	1,978	-	-	(1,638)	(1,614)	(3,252)
Total comprehensive (loss) / income for the period	-	-	-	(3,616)	1,978	-	(15,671)	(17,309)	3,400	(13,909)
Transaction with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(1,746)	(1,746)
Balance at 30 June 2014	1,210,000	69,983	46,723	(19,217)	15,895	(35,972)	(149,721)	1,137,691	73,423	1,211,114

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the six-month period ended 30 June 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										
(Loss) / profit for the period	-	-	-	-	-	-	(35,306)	(35,306)	3,989	(31,317)
Other comprehensive loss										
Movement in foreign exchange translation reserve	-	-	-	(20,069)	-	-	-	(20,069)	(3,952)	(24,021)
Movement in net change in fair value of available-for-sale investments	-	-	-	-	(5,828)	-	-	(5,828)	(27)	(5,855)
Total other comprehensive loss	-	-	-	(20,069)	(5,828)	-	-	(25,897)	(3,979)	(29,876)
Total comprehensive (loss) / income for the period	-	-	-	(20,069)	(5,828)	-	(35,306)	(61,203)	10	(61,193)
Surplus revaluation reserve transferred on disposals of property	-	-	(4,258)	-	-	-	4,278	20	(20)	-
Transaction with owners, recorded directly in equity										
Movement upon the acquisition of subsidiary	-	-	-	-	-	-	-	-	1,467	1,467
Dividend paid	-	-	-	-	-	-	-	-	(2,572)	(2,572)
Balance at 30 June 2015	1,210,000	73,861	37,915	(50,766)	6,891	(35,972)	(130,179)	1,111,750	64,556	1,176,306

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

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
	30 June 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 six-month period ended 30 June 2015				For the six-month period ended 30 June 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	-	26,221	-	26,221	-	38,555	-	38,555
Income								
Wakalah share (Note 7)	46,249	(46,249)	-	-	32,463	(32,463)	-	-
Mudarib share (Note 7)	11	(11)	-	-	7	(7)	-	-
Net technical charges from shareholders to policyholders	4,749	(4,749)	-	-	(1,622)	1,622	-	-
Net underwriting (loss) / income from subsidiaries	(1,963)	1,963	-	-	27,840	(27,840)	-	-
Income from investments	20,592	114	-	20,706	27,141	88	-	27,229
Other income	25,009	-	-	25,009	23,718	-	-	23,718
	94,647	(22,711)	-	71,936	109,547	(20,045)	-	89,502
Expenses								
General, administrative and other expenses	(91,348)	-	-	(91,348)	(83,874)	-	-	(83,874)
Financial expenses	(6,196)	-	-	(6,196)	(7,772)	-	-	(7,772)
Net (loss) / profit before tax for the period	(2,897)	(22,711)	-	(25,608)	17,901	(20,045)	-	(2,144)
Tax – current	(5,709)	-	-	(5,709)	(8,513)	-	-	(8,513)
Net (loss) / profit after tax for the period	(8,606)	(22,711)	-	(31,317)	9,388	(20,045)	-	(10,657)
Share of non-controlling interest	(3,989)	-	3,989	-	(5,014)	-	5,014	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 13)	(22,711)	22,711	-	-	(20,045)	20,045	-	-
Net (loss) / profit for the period	(35,306)	-	3,989	(31,317)	(15,671)	-	5,014	(10,657)

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 :

	30 June 2015	31 December 2014
	AED'000	AED'000
	(Un-audited)	(Audited)
Within UAE	17,445	17,445
Outside UAE	235,523	239,822
	<u>252,968</u>	<u>257,267</u>

The carrying values of the investment properties reflect their fair values at 30 June 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 30 June 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	30 June 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	14,771	13,613
Islamic Insurance Jordan	20.00%	20.00%	Jordan	28,636	28,430
				<u>43,923</u>	<u>42,559</u>
				30 June 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				2,295	1,674
Dividend received				(931)	(620)
Balance at the end of period/year				<u>43,923</u>	<u>42,559</u>

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 30 June 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	38,035	232,517	454,185	-	724,737
Investments in associates	-	-	-	43,923	43,923
Statutory deposits	-	-	13,340	-	13,340
Participants' investments in unit-linked contracts	787,489	-	-	-	787,489
Deposits with takaful and retakaful companies	-	-	133,914	-	133,914
Contributions and takaful balance receivables	-	-	432,121	-	432,121
Amounts due from related parties	-	-	14,161	-	14,161
Other assets and receivables	-	-	65,911	-	65,911
Cash and bank balances	-	-	326,141	-	326,141
	<u>825,524</u>	<u>232,517</u>	<u>1,439,773</u>	<u>43,923</u>	<u>2,541,737</u>
<u>Financial liabilities</u>					
Bank finance	-	-	135,586	-	135,586
Payable to Participants for unit-linked contracts	781,717	-	-	-	781,717
Takaful balances payable	-	-	426,253	-	426,253
Other payables and accruals	-	-	161,632	-	161,632
	<u>781,717</u>	<u>-</u>	<u>723,471</u>	<u>-</u>	<u>1,505,188</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	-	-	171,276	-	171,276
	<u>661,334</u>	<u>-</u>	<u>717,326</u>	<u>-</u>	<u>1,378,660</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments

	30 June 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	-	23,655	23,655	-	30,253	30,253
Shares and securities	5,980	8,400	14,380	5,743	7,369	13,112
	5,980	32,055	38,035	5,743	37,622	43,365
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	225,300	225,300	-	293,291	293,291
Shares and securities	6,670	547	7,217	6,766	608	7,374
	6,670	225,847	232,517	6,766	293,899	300,665
Islamic placements (refer 11.1)	-	384,655	384,655	-	440,938	440,938
Held to maturity						
SUKUK and Government bonds	-	69,530	69,530	-	55,151	55,151
Total investments	12,650	712,087	724,737	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 three months.

11.2 Participants' investments in unit-linked contracts

	30 June 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
Financial asset at fair value through profit or loss	787,489	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
30 June 2015 (Un-audited)				
Fair value through profit or loss				
Mutual fund	19,871	3,784	-	23,655
Participants' investments in unit-linked contracts	-	787,489	-	787,489
Shares and securities	14,380	-	-	14,380
	<u>34,251</u>	<u>791,273</u>	<u>-</u>	<u>825,524</u>
Available-for-sale				
Mutual fund	7,128	218,172	-	225,300
Shares and securities	6,670	547	-	7,217
	<u>13,798</u>	<u>218,719</u>	<u>-</u>	<u>232,517</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.

	Six-month period ended 30 June 2015 AED'000 (Un-audited)	Six-month period ended 30 June 2014 AED'000 (Un-audited)
General and administrative expenses	1,436	1,307
Retakaful on contributions	988	1,022
Retakaful on claims	26	2,246
Compensation of key management personnel		
Short term benefits	4,653	4,567
Employees end of service benefits	250	236
	<u>4,903</u>	<u>4,803</u>
Amounts due from related parties		
	30 June 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
Bin Zayed Group (funds advanced for investment)	11,128	11,128
IAIC Bahrain	18	18
Other entities under common management with the Group	3,015	4,502
	<u>14,161</u>	<u>15,648</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

13 Policyholders' fund

	30 June 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)	(22,711)	(56,944)
Proposed surplus distribution to policyholders of family takaful	-	(7,092)
	(121,118)	(98,407)
Financed by shareholders'	121,118	98,407
	-	-
	30 June 2015 AED'000 (Un-audited)	30 June 2014 AED'000 (Un-audited)
Balance at 1 January	(98,407)	(34,371)
Net deficit attributable to policyholders for the period (note 6)	(22,711)	(20,045)
	(121,118)	(54,416)
Financed by shareholders'	121,118	54,416
	-	-

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

14 Loss / earnings per share

The calculation of loss / earnings per share for the period ended 30 June 2015 is based on the loss attributable to shareholders of AED 35.3 million (30 June 2014: loss attributable to shareholders of AED 15.7 million) divided by the weighted average number of shares of 1,188 million (30 June 2014: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

15 Contingent liabilities and capital commitments

	30 June 2015 AED'000 (Un-audited)	31 December 2014 AED'000 (Audited)
Letters of guarantee	11,888	17,407

Statutory deposits of AED 13.16 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 30 June 2015 (31 December 2014: nil).

16 Operating segment

By business

(for the six-month period ended 30 June 2015)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	331,206	119,103	450,309
Net contributions earned	222,838	113,102	335,940
Commissions received on ceded reinsurance and retakaful	15,966	1,798	17,764
	238,804	114,900	353,704
Net claims incurred	(189,677)	(23,188)	(212,865)
Commissions paid and other costs	(58,348)	(56,270)	(114,618)
Net underwriting (loss) / income	(9,221)	35,442	26,221
Investment and other income			45,715
Unallocated expenses and tax			(103,253)
Net loss after tax			(31,317)

(for the six-month period ended 30 June 2014)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	298,810	109,405	408,215
Net contributions earned	243,811	92,276	336,087
Commissions received on ceded reinsurance and retakaful	10,990	7	10,997
	254,801	92,283	347,084
Net claims incurred	(180,369)	(35,140)	(215,509)
Commissions paid and other costs	(47,272)	(45,748)	(93,020)
Net underwriting income	27,160	11,395	38,555
Investment and other income			50,947
Unallocated expenses and tax			(100,159)
Net loss after tax			(10,657)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

16 Operating segment (continued)

By geography

(for the six-month period ended 30 June 2015)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>152,317</u>	<u>297,992</u>	<u>450,309</u>
Net contributions earned	117,595	218,345	335,940
Commissions received on ceded reinsurance and retakaful	<u>7,624</u>	<u>10,140</u>	<u>17,764</u>
	125,219	228,485	353,704
Net claims incurred	(67,343)	(145,522)	(212,865)
Commissions paid and other cost	<u>(28,070)</u>	<u>(86,548)</u>	<u>(114,618)</u>
Net underwriting income / (loss)	29,806	(3,585)	26,221
Investment and other income			45,715
Unallocated expenses and tax			<u>(103,253)</u>
Net loss after tax			<u>(31,317)</u>

(for the six-month period ended 30 June 2014)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>166,655</u>	<u>241,560</u>	<u>408,215</u>
Net contributions earned	131,901	204,186	336,087
Commissions received on ceded reinsurance and retakaful	<u>7,755</u>	<u>3,242</u>	<u>10,997</u>
	139,656	207,428	347,084
Net claims incurred	(46,154)	(169,355)	(215,509)
Commissions paid and other cost	<u>(29,069)</u>	<u>(63,951)</u>	<u>(93,020)</u>
Net underwriting income	64,433	(25,878)	38,555
Investment and other income			50,947
Unallocated expenses and tax			<u>(100,159)</u>
Net loss after tax			<u>(10,657)</u>