

Islamic Arab Insurance Co.
(Salama) and its subsidiaries
Condensed consolidated interim financial
information
for the nine-month period ended 30 September 2014

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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 September 2014 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 September 2014;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month period ended 30 September 2014;
- the condensed consolidated interim statement of comprehensive income for the three-month and nine-month period ended 30 September 2014;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2014;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2014; 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 September 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Austin Alan Henry Rudman
Registration No: 844
Dated: 13 November 2014

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the nine-month period ended 30 September 2014

		Nine-month period ended 30 September 2014 AED'000 (Un-audited)	Nine-month period ended 30 September 2013 AED'000 (Un-audited)	Three-month period ended 30 September 2014 AED'000 (Un-audited)	Three-month period ended 30 September 2013 AED'000 (Un-audited)
UNDERWRITING RESULTS					
Underwriting income					
Gross written contributions	16	554,984	886,575	146,769	156,480
Less: reinsurance and retakaful contributions ceded		(144,048)	(187,031)	(41,633)	(50,493)
Net contributions		410,936	699,544	105,136	105,987
Net movement in unearned contributions		29,679	116,550	(608)	81,966
Contributions earned	16	440,615	816,094	104,528	187,953
Commission received on ceded reinsurance and retakaful	16	16,736	18,995	5,739	5,116
	16	457,351	835,089	110,267	193,069
Underwriting expenses					
Gross claims paid		642,977	856,017	46,889	282,864
Less: reinsurance and retakaful share of claims paid		(245,780)	(113,254)	(85,899)	(33,992)
Net claims paid		397,197	742,763	(39,010)	248,872
Net movement in outstanding claims and technical reserve for family takaful		(152,875)	(160,186)	67,823	(55,089)
Claims incurred	16	244,322	582,577	28,813	193,783
Commission paid and other costs	16	116,909	210,727	23,889	32,893
		361,231	793,304	52,702	226,676
Net underwriting income	16	96,120	41,785	57,565	(33,607)
Income from other sources					
Income from investments		38,611	37,189	11,382	14,998
Other income		37,453	17,990	13,735	5,933
		172,184	96,964	82,682	(12,676)
Expenses					
General, administrative and other expenses		(122,673)	(148,054)	(41,373)	(66,749)
Financial expenses		(11,565)	(11,324)	(3,793)	(3,800)
Provision for charitable donations		(2,527)	(2,526)	47	(1,424)
Net profit / (loss) before tax for the period		35,419	(64,940)	37,563	(84,649)
Taxation - current		(13,817)	(9,636)	(5,304)	(2,477)
Net profit / (loss) after tax for the period before policyholders' distribution		21,602	(74,576)	32,259	(87,126)
Policyholders' surplus		-	-	-	-
Net profit / (loss) after tax and distribution to policyholders for the period		21,602	(74,576)	32,259	(87,126)
Attributable to:					
Shareholders		16,031	(80,386)	31,702	(89,603)
Non-controlling interest		5,571	5,810	557	2,477
		21,602	(74,576)	32,259	(87,126)
Earnings / (loss) per share (AED) (Note 14)		0.013	(0.068)	0.027	(0.075)

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 nine-month period ended 30 September 2014

	Nine-month period ended 30 September 2014 AED'000 (Un-audited)	Nine-month period ended 30 September 2013 AED'000 (Un-audited)	Three-month period ended 30 September 2014 AED'000 (Un-audited)	Three-month period ended 30 September 2013 AED'000 (Un-audited)
Net profit / (loss) after tax and distribution to policyholders' for the period	21,602	(74,576)	32,259	(87,126)
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	5,809	4,997	3,824	3,278
Foreign exchange translation reserve	(10,340)	(12,647)	(5,103)	882
Other comprehensive (loss) / income for the period	(4,531)	(7,650)	(1,279)	4,160
Total comprehensive income / (loss) for the period	17,071	(82,226)	30,980	(82,966)
Attributable to:				
Shareholders	13,544	(83,802)	30,853	(86,565)
Non-controlling interest	3,527	1,576	127	3,599
	17,071	(82,226)	30,980	(82,966)

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 30 September 2014

	Note	30 September 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
ASSETS			
Property and equipment		119,742	122,698
Intangible assets		154,328	153,624
Investment properties	8	325,084	307,762
Investments in associates	9	43,193	41,505
Statutory deposits		21,525	18,887
Investments	11	930,542	1,222,816
Participants' investments in unit-linked contracts	11.2	677,351	643,644
Deposits with takaful and retakaful companies		147,439	151,354
Contributions and takaful balance receivables		609,967	701,730
Retakafuls' share of outstanding claims		183,112	327,450
Retakafuls' share of unearned contributions		67,508	62,740
Amounts due from related parties	12	15,870	12,700
Other assets and receivables		194,793	195,727
Cash and bank balances		381,273	341,570
TOTAL ASSETS		3,871,727	4,304,207
LIABILITIES			
Bank finance		153,766	165,726
Outstanding claims and family takaful reserve		733,812	1,056,230
Payable to Participants for unit-linked contracts		674,639	640,199
Unearned contributions reserve		315,605	358,639
Takaful balances payable		577,622	706,054
Other payables and accruals		174,193	150,590
TOTAL LIABILITIES		2,629,637	3,077,438
Policyholders' fund	13	-	-
NET ASSETS EMPLOYED		1,242,090	1,226,769
FINANCED BY:			
Shareholders' equity		1,168,544	1,155,000
Non-controlling interest		73,546	71,769
		1,242,090	1,226,769

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 13 NOV 2014 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 nine-month period ended 30 September 2014

	Nine month period ended 30 September 2014 AED'000 (Un-audited)	Nine month period ended 30 September 2013 AED'000 (Un-audited)
Cash flows from operating activities		
Net profit / (loss) before non-controlling interest	21,602	(74,576)
<i>Adjustments for:</i>		
Depreciation	5,197	5,424
Net movement in unearned contributions reserve	(47,802)	(116,550)
Investment properties	(17,322)	490
Amortisation of intangible assets	690	1,484
Share of (profit) / loss from associates	(2,308)	4,793
Dividend income	620	621
<i>Operating loss before changes in working capital</i>	<u>(39,323)</u>	<u>(178,314)</u>
Change in deposits with takaful and retakaful companies	3,915	5,009
Change in contributions and takaful balance receivable	91,763	111,630
Change in due from / to related parties	(3,829)	2,994
Change in other assets and receivables	934	21,791
Change in outstanding claims (net of retakaful)	(178,080)	(164,956)
Change in takaful payables and other payables	(104,170)	119,286
Change in policyholders' fund	-	-
<i>Net cash flows used in operating activities</i>	<u>(228,790)</u>	<u>(82,560)</u>
Cash flows from investing activities		
Property and equipment - net	(2,241)	(458)
Net movement in intangible assets	(1,394)	-
Net movement in associates	-	(5,414)
Statutory deposits	(2,638)	(8,796)
Investments-net	285,966	(19,207)
Dividend paid	(1,750)	(176)
Net movement in Participants' investments in unit-linked contracts	733	6,824
<i>Net cash flows provided by / (used in) investing activities</i>	<u>278,676</u>	<u>(27,227)</u>
Cash flows from financing activities		
Bank finance	(11,960)	2,128
Net movement in non-controlling interest	1,777	2,709
<i>Net cash flows (used in) / provided by financing activities</i>	<u>(10,183)</u>	<u>4,837</u>
Net increase / (decrease) in cash and cash equivalents	39,703	(104,950)
Cash and cash equivalents at 1 January	341,570	545,046
Cash and cash equivalents at 30 September	<u>381,273</u>	<u>440,096</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 nine-month period ended 30 September 2014

	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 2013	1,210,000	69,983	26,244	(11,363)	6,180	(35,972)	(63,866)	1,201,206	62,232	1,263,438
Total comprehensive income for the period										
Loss for the period	-	-	-	-	-	-	(80,386)	(80,386)	5,810	(74,576)
Other comprehensive loss										
Movement in foreign exchange translation reserve	-	-	-	(8,405)	-	-	-	(8,405)	(4,242)	(12,647)
Movement in net change in fair value of available-for-sale investments	-	-	-	-	4,989	-	-	4,989	8	4,997
Total other comprehensive (loss) / income	-	-	-	(8,405)	4,989	-	-	(3,416)	(4,234)	(7,650)
Total comprehensive (loss) / income for the period	-	-	-	(8,405)	4,989	-	(80,386)	(83,802)	1,576	(82,226)
Transaction with owners, recorded directly in equity										
Acquisition of non controlling interest without a change in control	-	-	-	-	-	-	187	187	1,309	1,496
Dividend paid	-	-	-	-	-	-	-	-	(176)	(176)
Balance at 30 September 2013	<u>1,210,000</u>	<u>69,983</u>	<u>26,244</u>	<u>(19,768)</u>	<u>11,169</u>	<u>(35,972)</u>	<u>(144,065)</u>	<u>1,117,591</u>	<u>64,941</u>	<u>1,182,532</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 nine-month period ended 30 September 2014

	Attributable to the equity holders of the Company									
	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign	Investment	Treasury stock AED'000	Accumulated losses AED'000	Total AED'000	Non- controlling interest AED'000	Total equity AED'000
				exchange translation reserve AED'000	fair value reserve 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										
Profit for the period	-	-	-	-	-	-	16,031	16,031	5,571	21,602
Other comprehensive income										
Movement in foreign exchange translation reserve	-	-	-	(8,283)	-	-	-	(8,283)	(2,057)	(10,340)
Movement in net change in fair value of available-for-sale investments	-	-	-	-	5,796	-	-	5,796	13	5,809
Total other comprehensive (loss) / income	-	-	-	(8,283)	5,796	-	-	(2,487)	(2,044)	(4,531)
Total comprehensive (loss) / income for the period	-	-	-	(8,283)	5,796	-	16,031	13,544	3,527	17,071
Transaction with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(1,750)	(1,750)
Balance at 30 September 2014	1,210,000	69,983	46,723	(23,884)	19,713	(35,972)	(118,019)	1,168,544	73,546	1,242,090

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 BSC (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 September 2014	31 December 2013	
<i>Directly owned</i>			
Tariic Holding Company B.S.C	99.40%	99.40%	Kingdom of Bahrain
<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

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 2013.

b) Basis of measurement

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

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

New standards, interpretations and amendments adopted

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 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

b) Basis of measurement (continued)

New standards, interpretations and amendments adopted (continued)

The adoption of the new and amended standards and interpretations effective 1 January 2014 did not have an impact on the financial position or performance of the Group during the period.

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 2013.

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 2013, 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 nine-month period ended 30 September 2014				For the nine-month period ended 30 September 2013			
	Shareholders	Policyholders	Non-	Total	Shareholders	Policyholders	Non -	Total
			controlling				controlling	
AED'000	AED'000	interest	AED'000	AED'000	AED'000	AED'000	interest	AED'000
Net underwriting income	-	96,120	-	96,120	-	41,785	-	41,785
Income								
Wakalah share (Note 7)	52,937	(52,937)	-	-	49,641	(49,641)	-	-
Mudarib share (Note 7)	24	(24)	-	-	62	(62)	-	-
Net technical charges from shareholders to policyholders	8,259	(8,259)	-	-	(3,743)	3,743	-	-
Net underwriting income from subsidiaries	77,532	(77,532)	-	-	32,506	(32,506)	-	-
Income from investments	38,385	226	-	38,611	36,691	498	-	37,189
Other income	37,453	-	-	37,453	17,990	-	-	17,990
	214,590	(42,406)	-	172,184	133,147	(36,183)	-	96,964
Expenses								
General, administrative and other expenses	(122,673)	-	-	(122,673)	(148,054)	-	-	(148,054)
Financial expenses	(11,565)	-	-	(11,565)	(11,324)	-	-	(11,324)
Charitable donations	(2,527)	-	-	(2,527)	(2,526)	-	-	(2,526)
Net profit / (loss) before tax for the period	77,825	(42,406)	-	35,419	(28,757)	(36,183)	-	(64,940)
Tax – current	(13,817)	-	-	(13,817)	(9,636)	-	-	(9,636)
Net profit / (loss) after tax for the period	64,008	(42,406)	-	21,602	(38,393)	(36,183)	-	(74,576)
Share of non-controlling interest	(5,571)	-	5,571	-	(5,810)	-	5,810	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 13)	(42,406)	42,406	-	-	(36,183)	36,183	-	-
Net profit / (loss) for the period	16,031	-	5,571	21,602	(80,386)	-	5,810	(74,576)

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% (2013: 15%) of gross written contributions of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2013:15%) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and charge 15% (2013: 15%) of investment income earned by the policyholders as Mudarib share.

8 Investment properties

The geographic dispersion of investment properties is as follows:

	30 September 2014	31 December 2013
	AED'000	AED'000
	(Un-audited)	(Audited)
Within UAE	16,600	16,600
Outside UAE	308,484	291,162
	325,084	307,762

The carrying values of the investment properties reflect their fair values at 30 September 2014. These investment properties were previously stated at fair values as determined by independent external valuers at 31 December 2013. An independent external valuation has not been carried out at 30 September 2014 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 September 2014	31 December 2013
	2014	2013		AED'000	AED'000
				(Un-audited)	(Audited)
Generale d'Etudes et de Placement en Assurance Reassurance ("GEPAR")	20.00%	20.00%	Tunisia	496	496
Salama Cooperative Insurance Company (formerly Saudi IAIC)	30.00%	30.00%	KSA	14,308	13,076
Best Invest	36.11%	36.11%	Tunisia	-	-
Islamic Insurance Jordan	20.00%	20.00%	Jordan	28,389	27,933
				43,193	41,505
				30 September 2014	31 December 2013
				AED'000	AED'000
				(Un-audited)	(Audited)
Balance at the beginning of period/year				41,505	53,888
Share of profit/(loss) in associates				2,308	(11,334)
Change in reserves				-	(1,049)
Dividend received				(620)	-
Balance at the end of period/year				43,193	41,505

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 amortized cost management believes that their carrying values approximates to their fair values.

At 30 September 2014 (Un-audited)

<u>Financial assets</u>	FVTPL	AFS	Amortised cost	Total
	AED'000	AED'000	AED'000	AED'000
Investments	41,200	410,822	478,520	930,542
Statutory deposits	-	-	21,525	21,525
Participants' investments in unit-linked contracts	677,351	-	-	677,351
Deposits with takaful and retakaful companies	-	-	147,439	147,439
Contributions and takaful balance receivables	-	-	609,967	609,967
Amounts due from related parties	-	-	15,870	15,870
Other assets and receivables	-	-	189,162	189,162
Cash and bank balances	-	-	381,273	381,273
	718,551	410,822	1,843,756	2,973,129
Financial liabilities				
Bank finance	-	-	153,766	153,766
Payable to Participants for unit-linked contracts	674,639	-	-	674,639
Takaful balances payable	-	-	577,622	577,622
Other payables and accruals	-	-	174,193	174,193
	674,639	-	905,581	1,580,220

At 31 December 2013 (Audited)

<u>Financial assets</u>	FVTPL	AFS	Amortised cost	Total
	AED'000	AED'000	AED'000	AED'000
Investments	35,108	334,617	853,091	1,222,816
Statutory deposits	-	-	18,887	18,887
Participants' investments in unit-linked contracts	643,644	-	-	643,644
Deposits with takaful and retakaful companies	-	-	151,354	151,354
Contributions and takaful balance receivables	-	-	701,730	701,730
Amounts due from related parties	-	-	12,700	12,700
Other assets and receivables	-	-	188,865	188,865
Cash and bank balances	-	-	341,570	341,570
	678,752	334,617	2,268,197	3,281,566
Financial liabilities				
Bank finance	-	-	165,726	165,726
Payable to Participants for unit-linked contracts	640,199	-	-	640,199
Takaful balances payable	-	-	706,054	706,054
Other payables	-	-	150,590	150,590
	640,199	-	1,022,370	1,662,569

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments

	30 September 2014 (Un-audited)			31 December 2013 (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	-	29,359	29,359	-	28,401	28,401
Shares and securities	8,219	3,622	11,841	6,707	-	6,707
	8,219	32,981	41,200	6,707	28,401	35,108
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	399,786	399,786	-	326,560	326,560
Shares and securities	10,951	85	11,036	7,968	89	8,057
	10,951	399,871	410,822	7,968	326,649	334,617
Islamic placements (refer 11.1)	-	400,577	400,577	-	676,731	676,731
Held to maturity						
SUKUK and Government bonds	-	77,943	77,943	-	176,360	176,360
Total investments	19,170	911,372	930,542	14,675	1,208,141	1,222,816

11.1 Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 4.75% (2013: 0.22% to 4.75%) and with original maturities of more than 3 months.

11.2 Participants' investments in unit-linked contracts

	30 September 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
Financial asset at fair value through profit or loss	677,351	643,644

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 September 2014 (Un-audited)				
Fair value through profit or loss				
Mutual fund	29,265	94	-	29,359
Participants' investments in unit-linked contracts	-	677,351	-	677,351
Shares and securities	11,841	-	-	11,841
	<u>41,106</u>	<u>677,445</u>	<u>-</u>	<u>718,551</u>
Available-for-sale				
Mutual fund	14,145	385,641	-	399,786
Shares and securities	10,951	85	-	11,036
	<u>25,096</u>	<u>385,726</u>	<u>-</u>	<u>410,822</u>
31 December 2013 (Audited)				
Fair value through profit or loss				
Mutual fund	23,091	5,310	-	28,401
Participants' investments in unit-linked contracts	-	643,644	-	643,644
Shares and securities	6,707	-	-	6,707
	<u>29,798</u>	<u>648,954</u>	<u>-</u>	<u>678,752</u>
Available-for-sale				
Mutual fund	12,740	313,820	-	326,560
Shares and securities	7,968	89	-	8,057
	<u>20,708</u>	<u>313,909</u>	<u>-</u>	<u>334,617</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.

	Nine-month period ended 30 September 2014 AED'000 (Un-audited)	Nine-month period ended 30 September 2013 AED'000 (Un-audited)
General and administrative expenses	1,967	1,327
Retakaful on contributions	1,022	4,311
Retakaful on claims	2,246	1,464
	6,173	9,399
Compensation of key management personnel		
Short term benefits	5,964	8,855
Employees end of service benefits	209	544
	6,173	9,399
	30 September 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
Amounts due from related parties		
Bin Zayed Group (funds advanced for investment)	11,128	11,128
IAIC Bahrain	1,910	19
Other entities under common management with the Group	2,832	1,553
	15,870	12,700

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

13 Policyholders' fund

	30 September 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
Balance at 1 January	(34,371)	(1,454)
Net deficit attributable to policyholders for the period/year (note 6)	(42,406)	(18,880)
Proposed surplus distribution to policyholders of family takaful	-	(14,037)
	<u>(76,777)</u>	<u>(34,371)</u>
Financed by shareholders'	<u>76,777</u>	<u>34,371</u>
	<u>-</u>	<u>-</u>
	30 September 2014 AED'000 (Un-audited)	30 September 2013 AED'000 (Un-audited)
Balance at 1 January	(34,371)	(1,454)
Net deficit attributable to policyholders for the period (note 6)	(42,406)	(36,183)
	<u>(76,777)</u>	<u>(37,637)</u>
Financed by shareholders'	<u>76,777</u>	<u>37,637</u>
	<u>-</u>	<u>-</u>

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

14 Earnings / loss per share

The calculation of earnings per share for the period ended 30 September 2014 is based on the profit attributable to shareholders of AED 16 million (30 September 2013: loss attributable to shareholders of AED 80.4 million) divided by the weighted average number of shares of 1,188 million (30 September 2013: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

15 Contingent liabilities and capital commitments

	30 September 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
Letters of guarantee	<u>12,513</u>	<u>15,026</u>

Statutory deposits of AED 12.79 million (31 December 2013: AED 15.29 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, in common with other insurance companies, is involved as a defendant in a number of legal cases in respect of its underwriting activities. One of the subsidiary was facing certain claims, litigations and winding up petition in Labuan Malaysia and Korea. However during the period, these were withdrawn after successful out of court settlement.

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 information. 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 September 2014 (31 December 2013: nil).

16 Operating segment

By business

(for the nine-month period ended 30 September 2014)

	Non -motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	69,525	251,902	57,180	176,377	554,984
Net contributions earned	53,192	224,003	19,101	144,319	440,615
Commissions received on ceded reinsurance and retakaful	14,302	803	993	638	16,736
	67,494	224,806	20,094	144,957	457,351
Net claims incurred	(33,849)	(158,325)	(9,283)	(42,865)	(244,322)
Commissions paid and other costs	(5,693)	(36,092)	(4,740)	(70,384)	(116,909)
Net underwriting income	27,952	30,389	6,071	31,708	96,120
Investment and other income					76,064
Unallocated expenses and tax					(150,582)
Net profit after tax					21,602

(for the nine-month period ended 30 September 2013)

	Non -motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	452,338	229,867	50,924	153,446	886,575
Net contributions earned	420,650	251,688	18,925	124,831	816,094
Commissions received on ceded reinsurance and retakaful	18,591	(518)	669	253	18,995
	439,241	251,170	19,594	125,084	835,089
Net claims incurred	(282,002)	(244,475)	(17,072)	(39,028)	(582,577)
Commissions paid and other costs	(130,223)	(27,522)	(4,575)	(48,407)	(210,727)
Net underwriting income	27,016	(20,827)	(2,053)	37,649	41,785
Investment and other income					55,179
Unallocated expenses and tax					(171,540)
Net loss after tax					(74,576)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

16 Operating segment (continued)

By geography

(for the nine-month period ended 30 September 2014)

	Africa	Far East	Middle East	Turkey and Central Asia	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	243,929	(21,806)	327,317	5,544	554,984
Net contributions earned	200,704	(1,062)	225,517	15,456	440,615
Commissions received on ceded reinsurance and retakaful	10,595	31	6,110	-	16,736
	211,299	(1,031)	231,627	15,456	457,351
Net claims incurred	(91,169)	5,420	(149,575)	(8,998)	(244,322)
Commissions paid and other cost	(41,308)	10,362	(85,654)	(309)	(116,909)
Net underwriting income	78,822	14,751	(3,602)	6,149	96,120
Investment and other income					76,064
Unallocated expenses and tax					(150,582)
Net profit after tax					21,602

(for the nine-month period ended 30 September 2013)

	Africa	Far East	Middle East	Turkey and Central Asia	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	274,701	239,108	311,116	61,650	886,575
Net contributions earned	216,202	331,430	219,538	48,924	816,094
Commissions received on ceded reinsurance and retakaful	10,073	3,387	5,535	-	18,995
	226,275	334,817	225,073	48,924	835,089
Net claims incurred	(122,052)	(282,273)	(151,693)	(26,559)	(582,577)
Commissions paid and other cost	(53,333)	(69,413)	(69,626)	(18,355)	(210,727)
Net underwriting income	50,890	(16,869)	3,754	4,010	41,785
Investment and other income					55,179
Unallocated expenses and tax					(171,540)
Net loss after tax					(74,576)