Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the three-month period ended 31 March 2013

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for the three-month period ended 31 March 2013

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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 condensed consolidated interim statement of financial position of Islamic Arab Insurance Co.(Salama) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2013, the condensed consolidated interim statement of comprehensive income (comprising of a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim statement of income), condensed consolidated interim statement of changes in shareholders' equity and condensed consolidated interim statement of cash flows for the three-month period then ended, and notes to the condensed consolidated interim financial information("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 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 condensed consolidated interim financial information as at 31 March 2013 is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

Vijendra Nath Malhotra
Registration No: 48 B

15 MAY 2013

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of income

for the three-month period ended 31 March 2013

	Note	**Three-month period ended 31 March 2013 AED'000 (Un-audited)**	Three-month period ended 31 March 2012 AED'000 (Un-audited)
UNDERWRITING RESULTS			
Underwriting income			
Gross written contributions	*16*	**436,635**	706,495
Less: reinsurance and retakaful contributions ceded		**(69,986)**	(116,719)
Net contributions		**366,649**	589,776
Net movement in unearned contributions		**7,365**	(75,574)
Contributions earned	*16*	**374,014**	514,202
Commission received on ceded reinsurance and retakaful	*16*	**6,760**	17,965
	16	**380,774**	532,167
Underwriting expenses			
Gross claims paid		**307,948**	413,210
Less: reinsurance and retakaful share of claims paid		**(48,125)**	(69,014)
Net claims paid		**259,823**	344,196
Net movement in outstanding claims and technical reserve family takaful		**(21,354)**	(10,573)
Claims incurred	*16*	**238,469**	333,623
Commission paid and other costs	*16*	**112,048**	166,083
		350,517	499,706
Net underwriting income	*16*	**30,257**	32,461
Income			
Income from investments		**13,435**	18,297
Other income		**6,685**	11,133
		50,377	61,891
Expenses			
General, administrative and other expenses		**(46,910)**	(32,011)
Financial expenses		**(4,136)**	(3,858)
Provision for charitable donations		**(678)**	(1,460)
Net (loss) / profit before tax for the period		**(1,347)**	24,562
Taxation - current		**(7,353)**	(5,889)
Net (loss) / profit after tax for the period before policyholders' distribution		**(8,700)**	18,673
Policyholders' surplus		**-**	-
Net (loss) / profit after tax and distribution to policyholders for the period		**(8,700)**	18,673
Attributable to:			
Shareholders		**(8,348)**	13,016
Non-controlling interest		**(352)**	5,657
		(8,700)	18,673
(Loss) / earnings per share (AED) (Note 14)		**(0.007)**	0.011

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of comprehensive income

for the three-month period ended 31 March 2013

	Three-month period ended 31 March 2013	Three-month period ended 31 March 2012
	AED'000	AED'000
	(Un-audited)	(Un-audited)
Net (loss) / profit after tax and distribution to policyholders' for the period	**(8,700)**	18,673
Other comprehensive (loss) / income net of income tax		
Items that will be reclassified to profit or loss :		
Net change in fair value of available-for-sale investments	**32**	1,315
Foreign exchange translation reserve	**(8,307)**	1,357
Other comprehensive (loss) / income for the period	**(8,275)**	2,672
Total comprehensive (loss) / income for the period	**(16,975)**	21,345
Attributable to:		
Shareholders	**(12,757)**	15,541
Non-controlling interest	**(4,218)**	5,804
	(16,975)	21,345

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 31 March 2013

	Note	31 March 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited)
ASSETS			
Property and equipments		**112,504**	114,728
Intangible assets		**2,381**	3,304
Goodwill		**186,194**	186,194
Investment properties	*8*	**284,748**	284,818
Investments in associates	*9*	**54,055**	53,888
Statutory deposits		**108,233**	100,809
Investments	*11*	**1,254,042**	1,154,817
Participants' investments in Unit-linked contracts	*11.1*	**571,809**	551,354
Deposits with takaful and retakaful companies		**298,724**	289,605
Contributions and takaful balance receivables		**888,483**	929,198
Retakafuls' share of outstanding claims		**345,882**	375,064
Retakafuls' share of unearned contributions		**70,052**	72,398
Amounts due from related parties	*12*	**12,697**	14,961
Other assets and receivables		**167,491**	175,393
Cash and bank balances		**433,362**	545,046
TOTAL ASSETS		**4,790,657**	4,851,577
LIABILITIES			
Bank finance		**154,999**	160,665
Outstanding claims and family takaful reserve		**1,394,318**	1,448,507
Payable to Participants for Unit-linked contracts		**571,067**	540,833
Unearned contributions reserve		**583,398**	597,417
Takaful balances payable		**677,599**	696,740
Other payables and accruals		**162,813**	143,295
Amounts due to related parties	*12*	**-**	682
TOTAL LIABILITIES		**3,544,194**	3,588,139
Policyholders' fund	*13*	**-**	-
NET ASSETS EMPLOYED		**1,246,463**	1,263,438
FINANCED BY:			
Shareholders' equity		**1,188,449**	1,201,206
Non-controlling interest		**58,014**	62,232
		1,246,463	1,263,438

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

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

15 MAY 2013

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 2013

	Three month period ended 31 March 2013 AED'000 (Un-audited)	Three month period ended 31 March 2012 AED'000 (Un-audited)
Cash flows from operating activities		
Net (loss) / profit before non-controlling interest	**(8,700)**	18,673
Adjustment for:		
Net movement in unearned contributions reserve	**(7,365)**	75,574
Investment properties	**70**	-
Amortisation of intangible assets	**923**	508
Share of (profit) / loss from associates	**(167)**	582
Operating (loss) / profit before changes in working capital	**(15,239)**	95,337
Change in deposits with takaful and retakaful companies	**(9,119)**	(10,122)
Change in contributions and takaful balance receivable	**40,715**	(132,958)
Change in due from / to related parties	**1,582**	2,709
Change in other assets and receivables	**7,902**	37,130
Change in outstanding claims (net of retakaful)	**(25,007)**	(10,874)
Change in takaful payables and other payables	**377**	48,386
Change in policyholders' fund	**-**	(53)
Net cash flows from operating activities	**1,211**	29,555
Cash flows from investing activities		
Property and equipment	**2,224**	1,259
Net movement in associates	**167**	(582)
Statutory deposits	**(7,424)**	(1,534)
Investments-net	**(107,757)**	50,418
Net movement in Participants' investments in Unit-linked contracts	**9,779**	(502)
Net cash flows from investing activities	**(103,011)**	49,059
Cash flows from financing activities		
Bank finance	**(5,666)**	(193)
Net movement in non-controlling interest	**(4,218)**	5,804
Net cash flows from financing activities	**(9,884)**	5,611
Net (decrease) / increase in cash and cash equivalents	**(111,684)**	84,225
Cash and cash equivalents at 1 January	**545,046**	434,720
Cash and cash equivalents at 31 March	**433,362**	518,945

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the three-month period ended 31 March 2013

	Attributable to the equity holders of the Company									
	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation reserve AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at 1 January 2012	1,210,000	69,983	7,109	(6,277)	4,596	(35,972)	329,717	1,579,156	43,826	1,622,982
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	13,016	13,016	5,657	18,673
Other comprehensive income										
Movement in foreign exchange translation reserve	-	-	-	1,304	-	-	-	1,304	53	1,357
Movement in net change in fair value of available-for-sale investments	-	-	-	-	1,221	-	-	1,221	94	1,315
Total other comprehensive income	-	-	-	1,304	1,221	-	-	2,525	147	2,672
Total comprehensive income for the period	-	-	-	1,304	1,221	-	13,016	15,541	5,804	21,345
Balance at 31 March 2012	1,210,000	69,983	7,109	(4,973)	5,817	(35,972)	342,733	1,594,697	49,630	1,644,327

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the three-month period ended 31 March 2013

	Attributable to the equity holders of the Company									
	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation reserve AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Retained earnings AED'000	Total AED'000	Non-controlling interest AED'000	Total equity 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 loss for the period										
Loss for the period	-	-	-	-	-	-	(8,348)	(8,348)	(352)	(8,700)
Other comprehensive loss										
Movement in foreign exchange translation reserve	-	-	-	(4,467)	-	-	-	(4,467)	(3,840)	(8,307)
Movement in net change in fair value of available-for-sale investments	-	-	-	-	58	-	-	58	(26)	32
Total other comprehensive (loss) / profit	-	-	-	(4,467)	58	-	-	(4,409)	(3,866)	(8,275)
Total comprehensive (loss) / profit for the period	-	-	-	(4,467)	58	-	(8,348)	(12,757)	(4,218)	(16,975)
Balance at 31 March 2013	**1,210,000**	**69,983**	**26,244**	**(15,830)**	**6,238**	**(35,972)**	**(72,214)**	**1,188,449**	**58,014**	**1,246,463**

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.

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 UAE 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) 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:

	Group's Ownership		
Subsidiaries	**31 March 2013**	31 December 2012	**Country of incorporation**
Directly owned			
Tariic Holding Company	**99.40%**	99.40%	Kingdom of Bahrain
Through Tariic			
Salama Senegal	**55.17%**	55.17%	Senegal
Salama Assurances Algerie	**96.98%**	96.98%	Algeria
Egyptian Saudi Insurance Home	**51.15%**	51.15%	Egypt
Best Re Holding Company	**100%**	100%	Malaysia

2 Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the, IAS 34 *Interim Financial Reporting*. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012.

b) Basis of measurement

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

i) financial instruments at fair value through profit ("FVTPL") and loss 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 statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

2 Basis of preparation (continued)

b) Basis of measurement (continued)

New standards, interpretations and amendments adopted (continued)

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. Several other new standards and amendments apply for the first time in 2013. However, the adoption of these standards do not impact the annual consolidated financial statements of the Group or the condensed consolidated interim financial statements of the Group. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

c) Functional and reporting currency

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

3 Significant accounting policies

The Groups' financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2012, except for the adoption of certain new accounting standards (note 2(b)).

4 Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were significantly same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2012.

5 Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not materially impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year. However, the interim results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

Notes *(continued)*

6 Allocation of the net profit (Un-audited)

	For the three-month period ended 31 March 2013				For the three-month period ended 31 March 2012			
	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	**-**	**30,257**	**-**	**30,257**	-	32,461	-	32,461
Income								
Wakalah share (note 7)	**18,165**	**(18,165)**	**-**	**-**	17,052	(17,052)	-	-
Mudarib share (note 7)	**37**	**(37)**	**-**	**-**	28	(28)	-	-
Net technical charges from/to shareholders to policyholders	**(815)**	**815**	**-**	**-**	(1,753)	1,753	-	-
Net underwriting income from subsidiaries	**25,785**	**(25,785)**	**-**	**-**	17,437	(17,437)	-	-
Income from investment	**13,159**	**276**	**-**	**13,435**	18,057	240	-	18,297
Other income	**6,685**	**-**	**-**	**6,685**	11,123	10	-	11,133
	63,016	**(12,639)**	**-**	**50,377**	61,944	(53)	-	61,891
Expenses								
General, administrative and other expenses	**(46,910)**	**-**	**-**	**(46,910)**	(32,011)	-	-	(32,011)
Finance expenses	**(4,136)**	**-**	**-**	**(4,136)**	(3,858)	-	-	(3,858)
Charitable donations	**(678)**	**-**	**-**	**(678)**	(1,460)	-	-	(1,460)
Net (loss)/profit before tax for the period	**11,292**	**(12,639)**	**-**	**(1,347)**	24,615	(53)	-	24,562
Tax – current	**(7,353)**	**-**	**-**	**(7,353)**	(5,889)	-	-	(5,889)
Net (loss) / profit after tax for the period	**3,939**	**(12,639)**	**-**	**(8,700)**	18,726	(53)	-	18,673
Share of non-controlling interest	**352**	**-**	**(352)**	**-**	(5,657)	-	5,657	-
Policyholders' loss financed by shareholders	**(12,639)**	**12,639**	**-**	**-**	(53)	53	-	-
Net (loss) / profit for the period	**(8,348)**	**-**	**(352)**	**(8,700)**	13,016	-	5,657	18,673

7 Wakalah and Mudarib Share

The shareholders manage the takaful operations of the Group for the policyholders and charge 15% *(2012: 15%)* of gross written contributions of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (*2012:15%*) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and charge 15% *(2012: 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 2013 AED'000 (Un-audited)	31 December 2012 AED'000 (Audited)
Within UAE	**159,457**	159,457
GCC Countries	**125,291**	125,361
	284,748	284,818

Based on management's internal assessment, the carrying value of the investment properties reflects the market conditions as at 31 March 2013.

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 Investment in associates

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

Associates	**Ownership 2013**	**Ownership 2012**	**Country of incorporation**	**31 March 2013 AED'000 (Un-audited)**	31 December 2012 AED'000 (Audited)
GEPAR	**20.00%**	20.00%	Tunisia	**1,049**	924
Salama Cooperative Insurance Company (formerly Saudi IAIC)	**30.00%**	30.00%	KSA	**24,657**	25,452
Islamic Insurance Jordan	**20.00%**	20.00%	Jordan	**28,349**	27,512
				54,055	53,888

Movements during the period/year	**31 March 2013 AED'000 (Un-audited)**	31 December 2012 AED'000 (Audited)
Balance at the beginning of period/year	**53,888**	57,563
Share of profit / (loss) in associates	**167**	(3,054)
Change in reserve	**-**	(621)
Balance at the ending of period/year	**54,055**	53,888

10 Classes and categories of financials assets and financial liabilities

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

At 31 March 2013 (Un-audited)

Financial assets	**FVTPL**	**AFS**	**Amortised cost**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Investments	**27,516**	**257,839**	**968,687**	**1,254,042**
Participants' investments in unit-linked contracts	**571,809**	**-**	**-**	**571,809**
Contributions and takaful balance receivables	**-**	**-**	**888,483**	**888,483**
Other assets and receivables	**-**	**-**	**167,491**	**167,491**
Retakafuls' share of outstanding claims	**-**	**-**	**345,882**	**345,882**
Statutory deposits	**-**	**-**	**108,233**	**108,233**
Cash and bank balances	**-**	**-**	**433,362**	**433,362**
	599,325	**257,839**	**2,912,138**	**3,769,302**
Financial liabilities				
Payable to Participants for unit-linked contracts	**571,067**	**-**	**-**	**571,067**
Takaful balances payable	**-**	**-**	**677,599**	**677,599**
Other payables and accruals	**-**	**-**	**162,813**	**162,813**
Outstanding claims and family takaful reserve	**-**	**-**	**1,394,318**	**1,394,318**
Bank finance	**-**	**-**	**154,999**	**154,999**
	571,067	**-**	**2,389,729**	**2,960,796**

At 31 December 2012 (Audited)

Financial assets	FVTPL	AFS	Amortised cost	Total
	AED'000	AED'000	AED'000	AED'000
Investments	33,813	243,505	877,499	1,154,817
Participants' investments in unit-linked contracts	551,354	-	-	551,354
Contributions and takaful balance receivables	-	-	929,198	929,198
Other assets and receivables	-	-	175,393	175,393
Retakafuls' share of outstanding claims	-	-	375,064	375,064
Statutory deposits	-	-	100,809	100,809
Cash and bank balances	-	-	545,046	545,046
	585,167	243,505	3,003,009	3,831,681
Financial liabilities				
Payable to Participants for unit-linked contracts	540,833	-	-	540,833
Takaful balances payable	-	-	696,740	696,740
Other payables and accruals	-	-	143,295	143,295
Outstanding claims and family takaful reserve	-	-	1,448,507	1,448,507
Bank finance	-	-	160,665	160,665
	540,833	-	2,449,207	2,990,040

11 Investments

	31 March 2013 (Un-audited)			31 December 2012 (Audited)		
	Domestic investments AED'000	**International investments AED'000**	**Total AED'000**	Domestic investments AED'000	International investments AED'000	Total AED'000
Financial asset at fair value through profit or loss						
Mutual fund and externally managed portfolios	**-**	**21,179**	**21,179**	-	27,822	27,822
Shares and securities	**4,907**	**1,430**	**6,337**	4,381	1,610	5,991
	4,907	**22,609**	**27,516**	4,381	29,432	33,813
Available-for-sale investments						
Mutual fund and externally managed portfolios	**-**	**254,338**	**254,338**	-	240,140	240,140
Shares and securities	**3,408**	**93**	**3,501**	3,272	93	3,365
	3,408	**254,431**	**257,839**	3,272	240,233	243,505
Islamic placements *	**-**	**770,813**	**770,813**	-	689,603	689,603
Held to maturity						
SUKUK and Government bonds	**-**	**197,874**	**197,874**	-	187,896	187,896
Total investments	**8,315**	**1,245,727**	**1,254,042**	7,653	1,147,164	1,154,817

*Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 4.75% (*2012: 0.22% to 4.75%*) and maturing in more than 3 months when acquired.

11.1 Participants' investments in unit-linked contracts

	31 March 2013 AED'000 (Un-audited)	31 December 2012 AED'000 (Audited)
Financial asset at fair value through profit or loss	**571,809**	551,354

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 categorisec

Investments securities	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 March 2013 (Un-audited)				
Fair value through profit or loss				
Mutual fund	**21,093**	**86**	**-**	**21,179**
Participants' investments in unit-linked contracts	**-**	**571,809**	**-**	**571,809**
Shares and securities	**6,337**	**-**	**-**	**6,337**
	27,430	**571,895**	**-**	**599,325**
Available for sale				
Mutual fund	**22,007**	**232,331**	**-**	**254,338**
Shares and securities	**3,408**	**93**	**-**	**3,501**
	25,415	**232,424**	**-**	**257,839**
31 December 2012 (Audited)				
Fair value through profit or loss				
Mutual fund	25,640	2,182	-	27,822
Participants' investments in unit-linked contracts	-	551,354	-	551,354
Shares and securities	5,991	-	-	5,991
	31,631	553,536	-	585,167
Available for sale				
Mutual fund	23,545	216,595	-	240,140
Shares and securities	3,273	92	-	3,365
	26,818	216,687	-	243,505

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 2013 AED'000 (Un-audited)	Three-month period ended 31 March 2012 AED'000 (Un-audited)
General and administrative expenses	**411**	431
Retakaful on contributions	**1,420**	1,164
Retakaful on claims	**865**	930

Transactions and receivables related to Bin Zayed Group are in respect of management of the Group's investment portfolio.

Compensation of key management personnel

Short term benefits	**2,683**	2,612
Employees end of service benefits	**484**	88
	3,167	2,700

Amounts due from related parties	**31 March 2013 AED'000 (Un-audited)**	31 December 2012 AED'000 (Audited)
Bin Zayed Group	**11,128**	11,128
IAIC Bahrain	**-**	21
Salama Cooperative Insurance Company (formerly Saudi IAIC)	**1,569**	-
Other entities under common management with the Group	**-**	3,812
	12,697	14,961

Amounts due to related parties

Other entities under common management with the Group	**-**	682
	-	682

13 Policyholders' fund

	31 March 2013 AED'000 (Un-audited)	31 December 2012 AED'000 (Audited)
Balance at 1 January	**-**	721
Net (deficit)/surplus attributable to policyholders for the period/year (note 6)	**(12,639)**	3,475
Proposed surplus distribution to policyholders of family takaful	**-**	(5,650)
	(12,639)	(1,454)
Financed by shareholders'	**12,639**	1,454
	-	-

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 earnings per share for the period ended 31 March 2013 is based on the loss attributable to shareholders of AED 8.35 million *(31 March 2012: profit attributable to shareholders of AED 13.01 million)* divided by the weighted average number of shares of 1,188 million (*31 March 2012: 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 2013 AED'000 (Un-audited)	31 December 2012 AED'000 (Audited)
Letters of guarantee	**14,102**	14,278

Statutory deposits of AED 14.38 million (*31 December 2012: AED 14.55million*) are held as lien by the bank against the above guarantees.

The Group, in common with other insurance companies, is involved as a defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

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 made. 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.

There are no significant capital commitments at 31 March 2013 (*31 December 2012: nil*).

16 Operating segment

By business

(for the three-month period ended 31 March 2013)

	Non -motor AED'000	**Motor AED'000**	**Health AED'000**	**Family takaful AED'000**	**Total AED'000**
Gross written contributions	**269,645**	**95,667**	**25,230**	**46,093**	**436,635**
Net contributions earned	**215,712**	**112,215**	**7,809**	**38,278**	**374,014**
Commissions received on ceded reinsurance and retakaful	**6,415**	**43**	**302**	**-**	**6,760**
	222,127	**112,258**	**8,111**	**38,278**	**380,774**
Net claims incurred	**(133,625)**	**(79,572)**	**(7,395)**	**(17,877)**	**(238,469)**
Commissions paid and other costs	**(84,351)**	**(11,341)**	**(2,103)**	**(14,253)**	**(112,048)**
Net underwriting income	**4,151**	**21,345**	**(1,387)**	**6,148**	**30,257**
Investment and other income					**20,120**
Unallocated expenses and tax					**(59,077)**
Net loss after tax					**(8,700)**

(for the three-month period ended 31 March 2012)

	Non -motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	446,069	186,205	20,513	53,708	706,495
Net contributions earned	303,092	164,116	7,783	39,211	514,202
Commissions received on ceded reinsurance and retakaful	17,535	38	392	-	17,965
	320,627	164,154	8,175	39,211	532,167
Net claims incurred	(259,407)	(48,961)	(5,081)	(20,174)	(333,623)
Commissions paid and other costs	(115,209)	(40,538)	(2,537)	(7,799)	(166,083)
Net underwriting income	(53,989)	74,655	557	11,238	32,461
Investment and other income					29,430
Unallocated expenses and tax					(43,218)
Net profit after tax					18,673

16 **Operating segment** (continued)

By Geography

(for the three-month period ended 31 March 2013)

	Africa	**Far East**	**Middle East**	**Turkey and Central Asia**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Gross written contributions	**104,949**	**150,270**	**128,925**	**52,491**	**436,635**
Net contributions earned	**76,530**	**186,819**	**82,565**	**28,100**	**374,014**
Commissions received on ceded reinsurance and retakaful	**3,625**	**1,042**	**1,774**	**319**	**6,760**
	80,155	**187,861**	**84,339**	**28,419**	**380,774**
Net claims incurred	**(33,404)**	**(143,333)**	**(55,978)**	**(5,754)**	**(238,469)**
Commissions paid and other cost	**(22,300)**	**(42,772)**	**(28,286)**	**(18,690)**	**(112,048)**
Net underwriting income	**24,451**	**1,756**	**75**	**3,975**	**30,257**
Investment and other income					**20,120**
Unallocated expenses and tax					**(59,077)**
Net loss after tax					**(8,700)**

(for the three-month period ended 31 March 2012)

	Africa	Far East	Middle East	Turkey and Central Asia	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	125,082	436,269	122,207	22,937	706,495
Net contributions earned	81,843	349,231	74,128	9,000	514,202
Commissions received on ceded reinsurance and retakaful	5,354	10,364	2,247	-	17,965
	87,197	359,595	76,375	9,000	532,167
Net claims incurred	(35,111)	(244,260)	(44,266)	(9,986)	(333,623)
Commissions paid and other cost	(21,927)	(119,190)	(19,239)	(5,727)	(166,083)
Net underwriting income	30,159	(3,855)	12,870	(6,713)	32,461
Investment and other income					29,430
Unallocated expenses and tax					(43,218)
Net profit after tax					18,673

17 **Comparative figures**

Certain comparative figures have been reclassified where appropriate to conform with the presentation and accounting policies adopted in these condensed consolidated interim financial statements.