Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial information

for the three-month period ended 31 March 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 31 March 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 31 March 2014;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2014;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2014;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2014;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 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 31 March 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
Vijendra Nath Malhothra
Registration No.: 48B
15 MAY 2014

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the three-month period ended 31 March 2014

	Note	**Three-month period ended 31 March 2014 AED'000 (Un-audited)**	Three-month period ended 31 March 2013 AED'000 (Un-audited)
UNDERWRITING RESULTS			
Underwriting income			
Gross written contributions	*16*	**224,609**	436,635
Less: reinsurance and retakaful contributions ceded		**(55,032)**	(69,986)
Net contributions		**169,577**	366,649
Net movement in unearned contributions		**17,775**	7,365
Contributions earned	*16*	**187,352**	374,014
Commission received on ceded reinsurance and retakaful	*16*	**6,371**	6,760
	16	**193,723**	380,774
Underwriting expenses			
Gross claims paid		**192,790**	307,948
Less: reinsurance and retakaful share of claims paid		**(26,876)**	(48,125)
Net claims paid		**165,914**	259,823
Net movement in outstanding claims and technical reserve for family takaful		**(24,076)**	(21,354)
Claims incurred	*16*	**141,838**	238,469
Commission paid and other costs	*16*	**46,767**	112,048
		188,605	350,517
Net underwriting income	*16*	**5,118**	30,257
Income			
Income from investments		**15,527**	13,435
Other income		**11,852**	6,685
		32,497	50,377
Expenses			
General, administrative and other expenses		**(41,746)**	(46,910)
Financial expenses		**(3,926)**	(4,136)
Provision for charitable donations		**(1,375)**	(678)
Net loss before tax for the period		**(14,550)**	(1,347)
Taxation - current		**(4,512)**	(7,353)
Net loss after tax for the period before policyholders' distribution		**(19,062)**	(8,700)
Policyholders' surplus		**-**	-
Net loss after tax and distribution to policyholders for the period		**(19,062)**	(8,700)
Attributable to:			
Shareholders		**(21,294)**	(8,348)
Non-controlling interest		**2,232**	(352)
		(19,062)	(8,700)
Loss per share (AED) (Note 14)		**(0.018)**	(0.007)

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of comprehensive income

for the three-month period ended 31 March 2014

	Three-month period ended 31 March 2014	Three-month period ended 31 March 2013
	AED'000	AED'000
	(Un-audited)	(Un-audited)
Net loss after tax and distribution to policyholders' for the period	**(19,062)**	(8,700)
Other comprehensive income / (loss) net of income tax		
Items that are or may be reclassified to profit or loss:		
Net change in fair value of available-for-sale investments	**3,659**	32
Foreign exchange translation reserve	**146**	(8,307)
Other comprehensive income / (loss) for the period	**3,805**	(8,275)
Total comprehensive loss for the period	**(15,257)**	(16,975)
Attributable to:		
Shareholders	**(18,222)**	(12,757)
Non-controlling interest	**2,965**	(4,218)
	(15,257)	(16,975)

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of financial position

as at 31 March 2014

	Note	31 March 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
ASSETS			
Property and equipments		121,530	122,698
Intangible assets		154,397	153,624
Investment properties	*8*	308,137	307,762
Investments in associates	*9*	42,275	41,505
Statutory deposits		19,056	18,887
Investments	*11*	1,192,357	1,222,816
Participants' investments in unit-linked contracts	*11.3*	650,244	643,644
Deposits with takaful and retakaful companies		166,388	151,354
Contributions and takaful balance receivables		590,013	701,730
Retakafuls' share of outstanding claims		295,119	327,450
Retakafuls' share of unearned contributions		68,406	62,740
Amounts due from related parties	*12*	13,607	12,700
Other assets and receivables		190,376	195,727
Cash and bank balances		352,372	341,570
TOTAL ASSETS		**4,164,277**	**4,304,207**
LIABILITIES			
Bank finance		166,198	165,726
Outstanding claims and family takaful reserve		1,026,446	1,056,230
Payable to Participants for unit-linked contracts		648,896	640,199
Unearned contributions reserve		332,502	358,639
Takaful balances payable		614,485	706,054
Other payables and accruals		165,738	149,931
Amounts due to related parties	*12*	104	659
TOTAL LIABILITIES		**2,954,369**	**3,077,438**
Policyholders' fund	*13*	-	-
NET ASSETS EMPLOYED		**1,209,908**	**1,226,769**
FINANCED BY:			
Shareholders' equity		1,136,778	1,155,000
Non-controlling interest		73,130	71,769
		1,209,908	**1,226,769**

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

These condensed consolidated financial information were approved and authorised for issue by the Board of Directors on 15 MAY 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 three-month period ended 31 March 2014

	Three month period ended 31 March 2014 AED'000 (Un-audited)	Three month period ended 31 March 2013 AED'000 (Un-audited)
Cash flows from operating activities		
Net loss before non-controlling interest	**(19,062)**	(8,700)
Adjustments for:		
Depreciation	**1,895**	6,255
Net movement in unearned contributions reserve	**(31,803)**	(7,365)
Investment properties	**(375)**	70
Amortisation of intangible assets	**213**	923
Share of profit from associates	**(770)**	(167)
Operating loss before changes in working capital	**(49,902)**	(8,984)
Change in deposits with takaful and retakaful companies	**(15,034)**	(9,119)
Change in contributions and takaful balance receivable	**111,717**	40,715
Change in due from / to related parties	**(1,462)**	1,582
Change in other assets and receivables	**5,351**	7,902
Change in outstanding claims (net of retakaful)	**2,547**	(25,007)
Change in takaful payables and other payables	**(75,762)**	377
Change in policyholders' fund	**-**	-
Net cash flows (used in) / provided by operating activities	**(22,545)**	7,466
Cash flows from investing activities		
Property and equipment	**(727)**	(4,031)
Net movement in intangible assets	**(986)**	-
Net movement in associates	**-**	167
Statutory deposits	**(169)**	(7,424)
Investments-net	**32,903**	(107,757)
Dividend paid	**(1,604)**	-
Net movement in Participants' investments in Unit-linked contracts	**2,097**	9,779
Net cash flows provided by / (used in) investing activities	**31,514**	(109,266)
Cash flows from financing activities		
Bank finance	**472**	(5,666)
Net movement in non-controlling interest	**1,361**	(4,218)
Net cash flows from / (used in) financing activities	**1,833**	(9,884)
Net increase / (decrease) in cash and cash equivalents	**10,802**	(111,684)
Cash and cash equivalents at 1 January	**341,570**	545,046
Cash and cash equivalents at 31 March	**352,372**	433,362

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the three-month period ended 31 March 2014

	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 income 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	-	-	-	(4,467)	58	-	-	(4,409)	(3,866)	(8,275)
Total comprehensive (loss) / income for the per	-	-	-	(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 information.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the three-month period ended 31 March 2014

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

The notes on pages 8 to 18 form an integral part of these 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:

	Group's Ownership		
Subsidiaries	**31 March 2014**	31 December 2013	**Country of incorporation**
Directly owned			
Tariic Holding Company B.S.C	**99.40%**	99.40%	Kingdom of Bahrain
Through Tariic			
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 the, 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.

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.

Notes *(continued)*

6 Allocation of the net profit (Un-audited)

	For the three-month period ended 31 March 2014				For the three-month period ended 31 March 2013			
	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	**-**	**5,118**	**-**	**5,118**	-	30,257	-	30,257
Income								
Wakalah share (note 7)	**14,740**	**(14,740)**	**-**	**-**	18,165	(18,165)	-	-
Mudarib share (note 7)	**5**	**(5)**	**-**	**-**	37	(37)	-	-
Net technical charges from shareholders to policyholders	**2,943**	**(2,943)**	**-**	**-**	(815)	815	-	-
Net underwriting (loss) / income from subsidiaries	**(8,264)**	**8,264**	**-**	**-**	25,785	(25,785)	-	-
Income from investments	**15,477**	**50**	**-**	**15,527**	13,159	276	-	13,435
Other income	**11,852**	**-**	**-**	**11,852**	6,685	-	-	6,685
	36,753	**(4,256)**	**-**	**32,497**	63,016	(12,639)	-	50,377
Expenses								
General, administrative and other expenses	**(41,746)**	**-**	**-**	**(41,746)**	(46,910)	-	-	(46,910)
Financial expenses	**(3,926)**	**-**	**-**	**(3,926)**	(4,136)	-	-	(4,136)
Charitable donations	**(1,375)**	**-**	**-**	**(1,375)**	(678)	-	-	(678)
Net (loss) / profit before tax for the period	**(10,294)**	**(4,256)**	**-**	**(14,550)**	11,292	(12,639)	-	(1,347)
Tax – current	**(4,512)**	**-**	**-**	**(4,512)**	(7,353)	-	-	(7,353)
Net (loss) / profit after tax for the period	**(14,806)**	**(4,256)**	**-**	**(19,062)**	3,939	(12,639)	-	(8,700)
Share of non-controlling interest	**(2,232)**	**-**	**2,232**	**-**	352	-	(352)	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund	**(4,256)**	**4,256**	**-**	**-**	(12,639)	12,639	-	-
Net (loss) / profit for the period	**(21,294)**	**-**	**2,232**	**(19,062)**	(8,348)	-	(352)	(8,700)

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:

	31 March 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
Within UAE	**16,600**	16,600
Outside UAE	**291,537**	291,162
	308,137	307,762

The carrying values of the investment properties reflect their fair values at 31 March 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 31 March 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 Investment in associates

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

Associates	**Ownership 2014**	Ownership 2013	**Country of incorporation**	**31 March 2014 AED'000 (Un-audited)**	31 December 2013 AED'000 (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	**13,251**	13,076
Best Invest	**36.11%**	36.11%	Tunisia	**-**	-
Islamic Insurance Jordan	**20.00%**	20.00%	Jordan	**28,528**	27,933
				42,275	41,505

Movements during the period/year	**31 March 2014 AED'000 (Un-audited)**	31 December 2013 AED'000 (Audited)
Balance at the beginning of period/year	**41,505**	53,888
Share of profit/(loss) in associates	**770**	(11,334)
Change in reserve	**-**	(1,049)
Balance at the ending of period/year	**42,275**	41,505

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes *(continued)*

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 2014 (Un-audited)

Financial assets	**FVTPL**	**AFS**	**Amortised cost**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Investments	**35,617**	**346,114**	**810,626**	**1,192,357**
Statutory deposits	-	-	**19,056**	**19,056**
Participants' investments in unit-linked contracts	**650,244**	-	-	**650,244**
Deposits with takaful and retakaful companies	-	-	**166,388**	**166,388**
Contributions and takaful balance receivables	-	-	**590,013**	**590,013**
Amounts due from related parties	-	-	**13,607**	**13,607**
Other assets and receivables	-	-	**185,192**	**185,192**
Cash and bank balances	-	-	**352,372**	**352,372**
	685,861	**346,114**	**2,137,254**	**3,169,229**

Financial liabilities				
Bank finance	-	-	**166,198**	**166,198**
Payable to participants for unit-linked contracts	**648,896**	-	-	**648,896**
Takaful balances payable	-	-	**614,485**	**614,485**
Other payables and accruals	-	-	**165,738**	**165,738**
Amounts due to related parties	-	-	**104**	**104**
	648,896	-	**946,525**	**1,595,421**

At 31 December 2013 (Audited)

Financial assets	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	-	-	125,411	125,411
Amounts due to related parties	-	-	659	659
	640,199	-	997,850	1,638,049

Notes *(continued)*

11 Investments

	31 March 2014 (Un-audited)			31 December 2013 (Audited)		
	Domestic investments AED'000	**International investments AED'000**	**Total AED'000**	Domestic investments AED'000	International investments AED'000	Total AED'000
Financial assets at fair value through profit or loss						
Mutual fund and externally managed portfolios	-	26,425	26,425	-	28,401	28,401
Shares and securities	7,516	1,676	9,192	6,707	-	6,707
	7,516	28,101	35,617	6,707	28,401	35,108
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	335,079	335,079	-	326,560	326,560
Shares and securities	10,950	85	11,035	7,968	89	8,057
	10,950	335,164	346,114	7,968	326,649	334,617
Islamic placements (refer 11.1)	-	639,560	639,560	-	676,731	676,731
Held to maturity						
SUKUK and Government bonds (refer 11.2)	-	171,066	171,066	-	176,360	176,360
Total investments	18,466	1,173,891	1,192,357	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 Amount includes AED 116.59 million relating to 3 sukuks matured on 31 December 2013. The payment of both principal and profit are expected to be received during first half of 2014.

11.3 Participants' investments in unit-linked contracts

	31 March 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
Financial asset at fair value through profit or loss	650,244	643,644

11 Investments (continued)

Determining fair values

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

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

Investments securities	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 March 2014 (Un-audited)				
Fair value through profit or loss				
Mutual fund	**26,332**	**93**	-	**26,425**
Participants' investments in unit-linked contracts	-	**650,244**	-	**650,244**
Shares and securities	**9,192**	-	-	**9,192**
Investment properites	-	**308,137**	-	**308,137**
	35,524	**958,474**	-	**993,998**
Available-for-sale				
Mutual fund	**14,714**	**320,365**	-	**335,079**
Shares and securities	**10,950**	**85**	-	**11,035**
	25,664	**320,450**	-	**346,114**
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
Investment properties	-	307,762	-	307,762
	29,798	956,716	-	986,514
Available-for-sale				
Mutual fund	12,740	313,820	-	326,560
Shares and securities	7,967	90	-	8,057
	20,707	313,910	-	334,617

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 2014 AED'000 (Un-audited)	Three-month period ended 31 March 2013 AED'000 (Un-audited)
General and administrative expenses	**617**	411
Retakaful on contributions	**946**	1,420
Retakaful on claims	**1,335**	865

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	**2,186**	2,683
Employees end of service benefits	**82**	484
	2,268	3,167

Amounts due from related parties	**31 March 2014 AED'000 (Un-audited)**	31 December 2013 AED'000 (Audited)
Bin Zayed Group (funds advanced for investment)	**11,128**	11,128
IAIC Bahrain	**19**	19
Other entities under common management with the Group	**2,460**	1,553
	13,607	12,700

Amounts due to related parties

Other entities under common management with the Group	**104**	659
	104	659

13 Policyholders' fund

	31 March 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
Balance at 1 January	**(34,371)**	(1,454)
Reversal of cost charged to family takaful policyholders for prior years	**-**	-
Net deficit attributable to policyholders for the period/year (note 6)	**(4,256)**	(18,880)
Proposed surplus distribution to policyholders of family takaful	**-**	(14,037)
	(38,627)	(34,371)
Financed by shareholders'	**38,627**	34,371
	-	-

	31 March 2014 AED'000 (Un-audited)	31 March 2013 AED'000 (Un-audited)
Balance at 1 January	**(34,371)**	(1,454)
Net deficit attributable to policyholders for the period/year (note 6)	**(4,256)**	(12,639)
	(38,627)	(14,093)
Financed by shareholders'	**38,627**	14,093
	-	-

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

14 Loss per share

The calculation of loss per share for the period ended 31 March 2014 is based on the loss attributable to shareholders of AED 21.3 million (31 March 2013: loss attributable to shareholders of AED 8.3 million) divided by the weighted average number of shares of 1,188 million (31 March 2013: 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 2014 AED'000 (Un-audited)	31 December 2013 AED'000 (Audited)
Letters of guarantee	**14,212**	15,026

Statutory deposits of AED 14.48 million (31 December 2013: AED 15.29 million) 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. The Group, through Best Re (L) Limited, one of its subsidiary, is facing certain claims and litigations in Labuan Malaysia and Korea. These include winding up petition by a cedant claim for nonpayment of a committed debt in connection with a claim being contested in Korea as well.

15 Contingent liabilities and capital commitments (continued)

Subsequent to the period end, Labuan Court issued a winding-up order against nonpayment of the promised liability, which the subsidiary appealed against and has obtained stay order against the winding-up order and pursuant to the court order placed the disputed funds with relevant regulatory authority until a final verdict on the case.

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 consolidated financial statements. However a provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no significant capital commitments at 31 March 2014 (31 December 2013: nil).

16 Operating segment

By business

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

	Non -motor	**Motor**	**Health**	**Family takaful**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Gross written contributions	**68,397**	**76,646**	**27,936**	**51,630**	**224,609**
Net contributions earned	**61,619**	**78,408**	**8,434**	**38,891**	**187,352**
Commissions received on ceded reinsurance and retakaful	**5,553**	**20**	**107**	**691**	**6,371**
	67,172	**78,428**	**8,541**	**39,582**	**193,723**
Net claims incurred	**(69,127)**	**(67,713)**	**(9)**	**(4,989)**	**(141,838)**
Commissions paid and other costs	**(12,801)**	**(11,179)**	**(2,575)**	**(20,212)**	**(46,767)**
Net underwriting income	**(14,756)**	**(464)**	**5,957**	**14,381**	**5,118**
Investment and other income					**27,379**
Unallocated expenses and tax					**(51,559)**
Net loss after tax					**(19,062)**

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

	Non -motor	Motor	Health	Family takaful	Total
	AED'000	AED'000	AED'000	AED'000	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)

16 Operating segment (continued)

By Geography

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

	Africa	Far East	Middle East	Turkey and Central Asia	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	91,600	27,116	100,713	5,180	224,609
Net contributions earned	72,805	26,078	77,873	10,596	187,352
Commissions received on ceded reinsurance and retakaful	4,212	757	1,402	-	6,371
	77,017	26,835	79,275	10,596	193,723
Net claims incurred	(43,557)	(581)	(62,134)	(35,566)	(141,838)
Commissions paid and other cost	(12,914)	(3,815)	(27,341)	(2,697)	(46,767)
Net underwriting income	20,546	22,439	(10,200)	(27,667)	5,118
Investment and other income					27,379
Unallocated expenses and tax					(51,559)
Net loss after tax					(19,062)

(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)

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 information.