ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

Independent auditor's report and consolidated financial statements for the year ended 31 December 2019

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

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SALAMA
الشركة الإسلامية العربية للتأمين (ش.م.ع.)
ISLAMIC ARAB INSURANCE CO. (P.S.C.)
معاً. لمستقبل آمن.
SECURING OUR FUTURE together

مقيدة تحت الرقم (١٧) بموجب القانون الاتحادي رقم (٦) لسنة ٢٠٠٧.
Registration No. (17) under Federal Law No. (6) of 2007.

BOARD OF DIRECTORS REPORT

We are pleased to present the 40th report to the Shareholders, along with the audited consolidated financial statements for the year ended on 31st December 2019.

SALAMA is one of the Middle East's oldest takaful insurance company. As the pioneer in a relatively nascent industry, we pride ourselves for being at the forefront of strong business practices, customer-focused product offerings and technology-driven solutions for growth. In the year 2019, SALAMA entities have performed well in their respective markets. The Gross Written Contribution of the Group has increased from AED 1,041m in 2018 to AED 1,106m in 2019, reflecting growth of 6.25%. In the same period, SALAMA's net profit for the shareholders has increased from AED 2m in 2018 to a net profit of AED 55m in 2019.

2019 – A transformational year

2019 was a transformational year for SALAMA. In the beginning of the year, the Company saw a change of Board that brought new strategy to SALAMA. We are proud to note that the new Board has worked tirelessly to implement a multifaceted strategy to revitalize SALAMA. We focused on a three pronged strategy: improve the core business profitability, enhance the investment income, and implement superior corporate governance standards.

Performance of the Company and Corporate Governance

Over the last year, we have implemented disciplined and targeted underwriting practices to improve the core business performance.

In our home market UAE, the Gross Written Contribution grew by 3.78% despite a highly competitive environment. Improved quality of underwriting led to a considerable improvement in the net underwriting performance of 32.42% over 2018, i.e., from AED 143.4m in 2018 to AED 189.9m in 2019. Along with the growth in topline and underwriting income, we implemented cost optimization programs across the group companies to keep the costs at substantially the same level as those in 2018.

The subsidiaries in Egypt and Algeria have also shown considerable improvement in their performances. The Gross Written Contribution of the Egyptian Saudi Insurance House (Non-Life Company in Egypt) has increased by 37% in local currency terms. Similarly, the Misr Emirate Takaful Life Company (Life Company in Egypt) has also shown a growth of 28%. The underwriting income of these two companies increased by 74% and 52% respectively. The Board has identified Egypt as a core market for growth.

The SALAMA Assurance Algeria has been delivering profitable performance for the last several years. The quality of business has considerably improved, showing a rise of 108% in net underwriting income. Owing to the losses in our Saudi associate, SALAMA is taking proactive and aggressive measures for more involvement in their governance, and is coordinating with the regulators in this regard.

We continue to focus on improving the quality of the risk underwritten. To some extent, it has prevented our growth aspiration; however we believe it is the right step for a solid growth foundation and also to be a responsible market participant in a crowded insurance market. The Board has tasked the management to maintain a delicate balance between topline growth and underwriting income.

The regulatory framework in the UAE is evolving with various regulations issued in 2019. Board is confident that these regulatory changes will improve the overall framework in which the insurance market operates in UAE. One significant regulation issued by the insurance Authority in 2019 relates to changes in the life insurance market of the UAE. This regulation is going to have a far-reaching impact on the life insurance market from an initial adjustment phase where life insurance premiums may plummet and to healthy growth in years to come.

Another key area of focus is the improvement of our investment income. Over years SALAMA has not been able to profitably generate consistent cash earnings from its investment portfolio of near AED 1bn of assets. The Board is working to reprofile the investment book to low risk income yielding assets that provide stable cash income. We expect investment income to be a consistent and stable revenue stream and contribute to the bottom-line as more assets are deployed in cash income generating assets.

The Board of Directors has been working with the management to realign the investment strategy of the Company. Following the review of all the investments across the various SALAMA entities, the Board has made numerous changes, which has led to a considerable shift in investment profile, making it less violate and more oriented towards sustainable cash income. SALAMA had a history of investments in low yield "Mudarbah" investments with varying quality underlying assets from non-regulated counterparties. You will note that the auditors have had difficulty obtaining balance confirmations for these legacy investments. The external auditors have highlighted this matter through their qualified opinion to audited financial statements. The Board of Directors is endeavouring to resolve this matter with minimum financial impact and will vigorously defend the values and redemptions of all these assets.

The commitment of the Board on the realignment of the investment strategy and continued support toward business growth throughout the SALAMA group has led S&P to improve the rating of SALAMA to BBB with a stable outlook.

Despite the COVID-19 outbreak, we remain optimistic of the long term growth of SALAMA and its subsidiaries. Our zero debt balance sheet and AAA-rated capital adequacy will be our bedrock to a solid growth. The current volatility will likely offer attractive avenues of organic and inorganic growth, which the Board continues to explore.

Finally, the Board of Directors would like to convey their gratitude to our clients, reinsurers, regulators, and all other partners for their continued and invaluable support. Board would like to thank the management team of all subsidiaries of the SALAMA and team members for their continued efforts and contribution toward the growth of SALAMA.

Board of Directors

Jassim Alseddiqi – Chairman
Saeed Mubarak Al-Hajeri – Vice Chairman
Mohamed Hussain AlKhoori – Board Member
Fraih Saeed AlQubaisi – Board Member
Mustafa Ghazi Kheriba – Board Member & Managing Director

On behalf of the Board

Jassim Alseddiqi
Chairman
25th March 2020

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders of
Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries
Dubai
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of **Islamic Arab Insurance Co. (Salama) PJSC (the "Company") and its subsidiaries (the "Group")**, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, as at 31 December 2019, and its consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

1. The Group's investment property, which is carried at AED 144 million in the consolidated statement of financial position, includes investment property with a carrying amount of AED 85 million. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the aforementioned investment property because we were unable to verify the judgements applied and estimates made in the determination of the fair value of the investment property and we were unable to determine if the Group owned the investment property. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

2. The Group's investments, which are carried at AED 450 million in the consolidated statement of financial position, include Islamic placement investments of AED 46 million, available-for-sale investments of AED 58 million and held to maturity investments of AED 66 million. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the aforementioned investments because we were unable to verify the judgements applied and estimates made in the determination of the fair value of the investments and we were unable to determine if the Group owned the investments. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

3. The Group's other assets and receivables, which are carried at AED 429 million in the consolidated statement of financial position, includes other receivables with carrying amount of AED 34 million. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the aforementioned other receivables because we were unable to confirm, or inspect supporting documentation relating to, this amount. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

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INDEPENDENT AUDITOR'S REPORT
To The Shareholders of Islamic Arab Insurance Co. (Salama) and its subsidiaries (continued)

Basis for Qualified Opinion (continued)

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further describe in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of takaful contract liabilities and retakaful contract assets As at 31 December 2019, takaful contract liabilities and retakaful contract assets amounted to AED 750 million and AED 298 million respectively, as detailed in notes 14 and 15 to these consolidated financial statements. The valuation of these liabilities requires significant judgements to be applied and estimates to be made. Retakaful contract assets include amounts that the Group is entitled to receive in accordance with the retakaful contracts and, more specifically, the share of the reinsurer in the takaful contract liabilities of the Group.	Our audit procedures included: • Assessing the design and implementation of key controls related to the data used in the actuarial reserving process; • Evaluating and testing the claims handling and case reserve setting processes of the Group including allocation of reinsurance portion of claims; • Evaluating and testing the data used in the actuarial reserving process; • Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, confirmations obtained from lawyers, retakaful contracts etc; • Reperforming reconciliations between the claims data recorded in the Group's systems and the data used in the actuarial reserving calculations; • Evaluating the objectivity, skills, qualifications and competence of independent external actuary; • We reviewed the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes; • Testing samples of unearned contribution with appropriate documentation;

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INDEPENDENT AUDITOR'S REPORT
To The Shareholders of Islamic Arab Insurance Co. (Salama) and its subsidiaries (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter

***Valuation of takaful contract liabilities and retakaful contract assets** (continued)*
 	
This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves. A range of models are applied by management, the internal actuary and the independent external actuary to determine these liabilities. Underlying these models are a number of explicit or implicit estimates and judgements relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities.
 	
Consequently, as a result of all of the above factors, we consider valuation of takaful contract liabilities and retakaful contract assets as a key audit matter.
	In addition, with the assistance of our internal actuarial specialists, we:
	• performed necessary reviews to ascertain whether the results are appropriate for the valuation of takaful contract liabilities and retakaful contract assets;
	• reviewed the actuarial report compiled by the independent external actuary of the Group and calculations underlying these provisions, particularly the following areas:
	  ◦ Appropriateness of the calculation methods and approach (actuarial best practice)
	  ◦ Review of assumptions
	  ◦ Consistency between valuation periods
	  ◦ General application of financial and mathematical rules.
	We assessed the disclosures in the consolidated financial statements about takaful contract liabilities and retakaful contract assets to determine if they were in compliance with IFRSs.

Valuation of goodwill As at 31 December 2019, the carrying value of goodwill amounted to AED 115 million which is 3% of total assets. In accordance with International Accounting Standard (IAS) 36 Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment. An impairment is recognised in profit or loss when the recoverable amount is less than the net carrying amount in accordance with IAS 36. The determination of the recoverable amount is mainly based on the identification of the relevant cash generating unit ("CGU") and the related discounted future cash flows. We considered the impairment of goodwill to be a key audit matter, given the significant judgements applied and estimates made when determining the recoverable amount.	Our audit procedures included but were not limited to, the following: • We obtained an understanding of the process implemented by the Group to identify the CGU and the related discounted cash flows; • We assessed the design and implementation of controls over the determination of the recoverable amount of goodwill; • We assessed the principles and methods used for determining the recoverable amounts of the CGU to which the goodwill was allocated and assessing the methods used against the requirements of IAS 36; • We reconciled the net carrying amount of the goodwill allocated to the CGU to the Group's accounting records; • We utilised our internal valuation specialist to assess the valuation methodology and assumptions used, including the discount rate applied by benchmarking it against independent data;

INDEPENDENT AUDITOR'S REPORT
To The Shareholders of Islamic Arab Insurance Co. (Salama) and its subsidiaries (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill (continued) In addition, the recoverable amounts are based on the use of important assumptions, estimates and assessments made by management, in particular future cash flow projections, the determination of discount and long-term growth rates. Refer to Note 6 for information relating to goodwill.	Our audit procedures included but were not limited to, the following (continued): • We enquired of management about the assumptions on which budget estimates underlying the cash flows used in the valuation models are based and further assessed the assumptions based on the results of our enquiries. For this purpose, we also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the pertinence and reliability of the cash flow forecasting process; • Reviewed Management's sensitivity analysis in relation to the key inputs used in the goodwill impairment test model, as well as performing our own sensitivity analysis of the factors and assumptions used; • We re-performed the arithmetical accuracy of the cash flow forecasts prepared by the Group; and • We assessed the disclosures in the consolidated financial statements relating to goodwill against the requirements of IFRSs.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2019.

Other information

The Board of Directors and management is responsible for the other information, which comprises the Directors' Report which we obtained prior to the date of this auditors' report and the remaining of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our qualified opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard except for the matters described in the Basis for Qualified Opinion section of our report.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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INDEPENDENT AUDITOR'S REPORT
To The Shareholders of Islamic Arab Insurance Co. (Salama) and its subsidiaries (continued)

Responsibilities of the Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of Articles of Association of the Company, UAE Federal Law No. (2) of 2015 and, UAE Federal law no. 6 of 2007, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit except for the information mentioned in the Basis for Qualified Opinion;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in Note 11 to the consolidated financial statements, the Group has investment in securities as at 31 December 2019;

vi) Note 16 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii) Note 46 to the consolidated financial statements discloses fees and penalties paid by the Group during the year ended 31 December 2019;

viii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2019, contravened any of the applicable provisions of the UAE Federal Law No. (2) of 2015, or in respect of the Company, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2019; and

ix) The Group did not make any social contributions made during the financial year ended 31 December 2019.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit except for the matter described in the Basis for Qualified Opinion section of our report. The Group is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority pertaining to Article (3) of Section (1), relating to asset distribution and allocation limits and 6(h) – Addendum 1 of Section (1).

Deloitte & Touche (M.E.)

Signed by:
Akbar Ahmad
Registration No. 1141
25 March 2020
Sharjah, United Arab Emirates

Consolidated statement of financial position
At 31 December 2019

	Notes	2019 AED'000	2018 AED'000
Assets			
Property and equipment	5	47,166	59,188
Goodwill and intangibles	6	116,217	126,870
Investment properties	7	144,451	140,807
Right of use assets	8.1	9,769	-
Investment in associates	9	96,215	119,276
Deposits	10	213,515	179,970
Investments	11	450,240	324,291
Participants' investments in unit-linked contracts	11.3	1,993,522	1,461,414
Deposits with takaful and retakaful companies	12	2,111	4,578
Contributions and takaful balance receivables	13	172,846	246,999
Retakafuls' share of outstanding claims	14	161,559	138,173
Retakafuls' share of unearned contribution	15	136,234	130,372
Amounts due from related parties	16	-	13,875
Other assets and receivables	17	428,958	386,058
Bank balances and cash	18	162,114	274,626
Assets held-for-sale	19.2	57,616	400,537
Total assets		4,192,533	4,007,034
Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve	14	485,017	469,112
Payable to participants for unit-linked contracts	20	1,983,043	1,451,395
Unearned contribution reserve	15	264,440	258,733
Takaful balances payable	21	123,577	130,376
Other payables and accruals	22	439,067	529,874
Lease liabilities	8.2	9,906	-
Amount due to related parties	16	-	1
Liabilities against assets held-for-sale	19.2	42,228	380,352
Total liabilities		3,347,278	3,219,843
Policyholders' fund	23	-	-
Total liabilities and policyholders' fund		3,347,278	3,219,843
Equity			
Share capital	24	1,210,000	1,210,000
Treasury shares	25	(35,972)	(35,972)
Statutory reserve	26	82,320	76,816
Accumulated losses		(376,824)	(426,358)
Other reserves	27	(107,740)	(100,031)
Equity attributable to Owners of the Company		771,784	724,455
Non-controlling interest	28	73,471	62,736
Total equity		845,255	787,191
Total liabilities, policyholders' fund and equity		4,192,533	4,007,034

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for the periods presented therein.

Chairman

Managing Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
For the year ended 31 December 2019

	Notes	2019 AED'000	2018 AED'000 Represented
Continuing operations			
Underwriting income			
Gross written contributions		**1,106,133**	1,041,030
Less: reinsurance and retakaful contributions Ceded		**(311,982)**	(288,637)
Net contributions		**794,151**	752,393
Net movement in unearned contributions		**2,461**	(37,228)
Contributions earned		**796,612**	715,165
Commission received on ceded reinsurance and Retakaful		**33,250**	34,290
		829,862	749,455
Underwriting expenses			
Gross claims paid		**415,961**	372,070
Less: reinsurance and retakaful share of claims paid		**(162,566)**	(161,162)
Net claims paid		**253,395**	210,908
Net movement in outstanding claims and family takaful reserve		**82**	32,935
Claims incurred		**253,477**	243,843
Commissions paid and other costs		**386,538**	362,258
		640,015	606,101
Net underwriting income		**189,847**	143,354
Income from other sources			
Income from investments	**29**	**1,441**	17,760
Other income	**29.1**	**30,667**	12,035
		221,955	173,149
Expenses			
General, administrative and other expenses	**30**	**(133,436)**	(130,636)
Financial expenses		**(2,300)**	(1,397)
Impairment of goodwill	**6**	**(10,192)**	-
Net profit before tax for the year		**76,027**	41,116
Taxation – current	**31**	**(12,395)**	(10,341)
Net profit after tax before distribution to policyholders'		**63,632**	30,775
Distribution to policyholders of Group		**(4,197)**	(12,034)
Net profit after tax and distribution to policyholders from continuing operations		**59,435**	18,741

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
For the year ended 31 December 2019 (continued)

	Notes	2019 AED'000	2018 AED'000
Discontinued operations			
Profit/(loss) from discontinued operations	**19.1**	**381**	(18,264)
Net profit after tax and distribution to Policyholders		**59,816**	477
Attributable to:			
Shareholders		**55,038**	2,039
Non-controlling interest		**4,778**	(1,562)
		59,816	477
Basic and diluted earnings per share (AED)	**32**	**0.046**	0.002
Basic and diluted earnings per share (AED) – continuing operations		**0.045**	0.016

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	2019 AED'000	2018 AED'000
Net profit after tax and distribution to policyholders	**59,816**	477
Other comprehensive (loss)/income net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Net movement or change in foreign exchange translation reserve	**8,067**	(5,160)
Net changes in fair value of available-for-sale investments	**(10,195)**	(13,551)
Share of other comprehensive loss of associates	**(1,017)**	-
Other comprehensive loss	**(3,145)**	(18,711)
Total comprehensive income/(loss)	**56,671**	(18,234)
Attributable to:		
Shareholders	**47,329**	(16,059)
Non-controlling interest	**9,342**	(2,175)
	56,671	(18,234)

The accompanying notes form an integral part of these consolidated financial statements

Consolidated statement of changes in equity
For the year ended 31 December 2019

	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 shares AED'000	Accumulated losses AED'000	Total AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at 1 January 2019	1,210,000	76,816	31,930	(115,546)	(16,415)	(35,972)	(426,358)	724,455	62,736	787,191
Profit for the year	-	-	-	-	-	-	55,038	55,038	4,778	59,816
Other comprehensive income										
Net movement or change in foreign exchange translation reserve	-	-	-	3,503	-	-	-	3,503	4,564	8,067
Net changes in fair value of available-for-sale investments	-	-	-	-	(11,212)	-	-	(11,212)	-	(11,212)
Total other comprehensive income/(loss)	-	-	-	3,503	(11,212)	-	-	(7,709)	4,564	(3,145)
Total comprehensive income/(loss) for the year	-	-	-	3,503	(11,212)	-	55,038	47,329	9,342	56,671
Transactions with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(366)	(366)
Transfer to statutory reserve	-	5,504	-	-	-	-	(5,504)	-	-	-
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	1,759	1,759
Balance at 31 December 2019	**1,210,000**	**82,320**	**31,930**	**(112,043)**	**(27,627)**	**(35,972)**	**(376,824)**	**771,784**	**73,471**	**845,255**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2019 (continued)

	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 shares AED'000	Accumulated losses AED'000	Total AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at 1 January 2018	1,210,000	76,612	31,930	(110,999)	(2,864)	(35,972)	(428,193)	740,514	66,527	807,041
Profit/(loss) for the year	-	-	-	-	-	-	2,039	2,039	(1,562)	477
Other comprehensive loss										
Net movement or change in foreign exchange translation reserve	-	-	-	(4,547)	-	-	-	(4,547)	(613)	(5,160)
Net changes in fair value of available-for-sale investments	-	-	-	-	(13,551)	-	-	(13,551)	-	(13,551)
Total other comprehensive loss	-	-	-	(4,547)	(13,551)	-	-	(18,098)	(613)	(18,711)
Total comprehensive income /(loss) for the year	-	-	-	(4,547)	(13,551)	-	2,039	(16,059)	(2,175)	(18,234)
Transactions with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(2,075)	(2,075)
Transfer to statutory reserve	-	204	-	-	-	-	(204)	-	-	-
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	459	459
Balance at 31 December 2018	1,210,000	76,816	31,930	(115,546)	(16,415)	(35,972)	(426,358)	724,455	62,736	787,191

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2019

	2019 AED'000	2018 AED'000
Cash flows from operating activities		
Net profit after tax and distribution to policyholders	**59,816**	477
Adjustments for:		
Depreciation on property and equipment	**3,801**	4,294
Depreciation on right-to-use assets	**3,892**	-
Net movement in unearned contribution reserve	**(155)**	36,343
Unrealised loss on investment	**8,712**	9,725
Unrealised gain on investment properties	**(746)**	(1,469)
Amortisation of intangible assets	**1,050**	899
Provision for liabilities no longer required written back	**(21,250)**	-
Impairment of goodwill	**10,192**	-
Share of loss/(profit) from associates	**21,113**	(5,740)
Provision and impairment of receivables	**6,885**	6,220
Dividend income	**(1,800)**	(3,070)
Operating cash flows before changes in operating assets and liabilities	**91,510**	47,679
Decrease/(increase) in deposits with takaful and retakaful companies	**2,467**	(45)
Decrease/(increase) in contributions and takaful balance receivable	**67,268**	(68,648)
Decrease/(increase) in due from related parties	**13,875**	(2,922)
Decrease in due to related parties	**(1)**	(871)
Increase in other assets and receivables	**(42,900)**	(16,187)
Decrease in assets held-for-sale	**342,921**	94,625
(Decrease)/increase in outstanding claims (net of retakaful)	**(7,481)**	30,775
(Decrease)/increase in takaful payables and other payables	**(76,356)**	139,895
Decrease in liabilities against assets held-for-sale	**(338,124)**	(75,245)
Net cash generated from operating activities	**53,179**	149,056
Cash flows from investing activities		
(Purchase)/disposal of property and equipment	**8,221**	316
(Purchase)/disposal of intangible assets	**(589)**	(331)
Investment property-net	**(2,898)**	(16,181)
Net movement in deposits	**(33,545)**	1,241
Repayment of principal and interest on lease liability	**(3,755)**	-
Dividend income from associates	**931**	338
Investments-net	**(136,789)**	(178,965)
Change in payable to participants for unit-linked contracts	**(460)**	150,146
Decrease/(increase) in term deposits under lien or with maturity after three months	**49,777**	(157,097)
Dividends received	**1,800**	3,070
Cash used in investing activities	**(117,307)**	(197,463)

Consolidated statement of cash flows
For the year ended 31 December 2019 (continued)

	2019 AED'000	2018 AED'000
Cash flows from financing activities		
Net movement in non-controlling interest	**1,393**	(1,616)
Cash used in financing activities	**1,393**	(1,616)
Net decrease in cash and cash equivalents	**(62,735)**	(50,023)
Cash and cash equivalents at 1 January	**117,529**	167,552
Cash and cash equivalents at the end of the year (note 18)	**54,794**	117,529
Non cash transaction:		
Provision for liabilities no longer required written back	**21,250**	-

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2019

1. General information

Islamic Arab Insurance Co. (Salama) PJSC (the "Company") is a public joint stock 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 under registration number 42381 with Ministry of Economic and Commerce and under registration number 17 with the Insurance Authority. 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 Articles of the Company, UAE Federal Law No. (2) of 2015 for 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), a subsidiary of the Company, is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. Details of the Company's subsidiaries are mentioned in note 28 of these consolidated financial statements. The Group has the following principal subsidiaries which are engaged in insurance and reinsurance under Islamic Shari'ah principles:

	Group's ownership		
Subsidiaries	**31 December 2019**	31 December 2018	**Country of incorporation**
Directly owned			
Tariic Holding Company B.S.C	**99.40%**	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	**85%**	85%	Egypt
Salama Immobilier	**84.25%**	84.25%	Senegal
Best Re Holding Limited (Note 19)	**0%**	0%	Malaysia
Through Tariic			
Salama Assurance Senegal (Note 19)	**68.87%**	58.45%	Senegal
Salama Assurances Algeria	**96.98%**	96.98%	Algeria
Egypt Saudi Insurance Home	**51.15%**	51.15%	Egypt

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised IFRSs applied with material effect on the consolidated financial statement

In the current year, the Group, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 New and revised IFRSs applied with material effect on the consolidated financial statement (continued)

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Group does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the consolidated statement of profit or loss.

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 New and revised IFRSs applied with material effect on the consolidated financial statement (continued)

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, the Company has reclassified certain of its sublease agreements as finance leases.

Financial impact of initial application of IFRS 16

Financial impact on lessee accounting:

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'General and administrative expenses' in consolidated statement of comprehensive income.

The tables below show the amount of adjustment for each consolidated financial statement line item affected by the application of IFRS 16 for the year 31 December 2019:

Impact on profit or loss

	31 December 2019 AED '000
Increase in depreciation for Right-of-use assets	3,892
Increase in financial expenses	530
Decrease in rent, rates and service charges	(4,285)
Decrease in profit for the year	137

Impact on statement of cash flows

	31 December 2019 AED '000
Operating lease payments	
Depreciation	3,892
Net cash flows from operating activities	3,892
Payment of principal portion of lease liabilities	(3,755)
Net cash flows from financing activities	(3,755)

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 New and revised IFRSs applied with material effect on the consolidated financial statement (continued)

Financial impact of initial application of IFRS 16 (continued)

The associated right-of-use assets were measured on a modified retrospective basis. The Group has used a combined approach in recognizing its right-of-use assets. Certain right-of-use assets are measured as if the new rules had always been applied, whereas others were measured at the amount equal to the lease liability, further adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at the reporting period. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right of use of assets relate to the following types of assets:

	31 December 2019	1 January 2019
Total right-of-use assets	**AED '000**	**AED '000**
Building	**9,769**	-

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in rent, rates and service charges, an increase in depreciation expense and in financial expenses.

2.2 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*	1 January 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.*	1 January 2019
IAS 12 *Income Taxes* The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	1 January 2019

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IAS 23 *Borrowing costs*	1 January 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	
IFRS 3 *Business Combinations*	1 January 2019
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	
IFRS 11 *Joint Arrangements*	1 January 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019
The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.3 New and amended IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	1 January 2020
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	1 January 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform.	1 January 2020
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2021, which is effective date. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed in the deferral of the date of initial application of IFRS 17 by two year to annual periods beginning on or after 1 January 2023.	1 January 2023
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 17, mentioned below, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.4 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.

The Group has performed an assessment of the amendment and concluded that its activities are predominantly connected with insurance. Management has applied the temporary exemption in its reporting period starting on 1 January 2018. The Group has decided to opt for the options to defer application of IFRS 9 given in said amendments to IFRS 4 "Insurance contracts" and concluded to apply IFRS 9 w.e.f. from 1 January 2023.

3. Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and applicable provisions of UAE federal Law No. 2 of 2015, the UAE Federal law No. (6) of 2007, and the articles of association of the Company.

The Group is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority pertaining to Article (3) of Section (1), relating to asset distribution and allocation limits and 6(h) – Addendum 1 of Section (1).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for revaluation of certain financial instruments as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

The principal accounting policies are set out below.

3.3 Functional and presentation currency

These consolidated financial statements are presented in UAE Dirham (AED), which is the functional currency of the Company. Except as otherwise indicated, financial information presented in UAE Dirham has been rounded to the nearest thousand.

3. Significant accounting policies (continued)

3.4 Basis of consolidation

The consolidated financial statements of Islamic Arab Insurance Co. (Salama) PJSC and its subsidiary (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) made up to 31 December each year.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and consolidated statement of comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

3. Significant accounting policies (continued)

3.4 Basis of consolidation (continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Details of the Group's subsidiary at 31 December 2019 are mentioned in Note 1.

3.5 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. Significant accounting policies (continued)

3.5 Business combination (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.6 Investments in associates

An associates is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant accounting policies (continued)

3.6 Investments in associates (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.7 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

3.8 Takaful contracts

3.8.1 Classification

The Group issues contracts that transfer either takaful risk or both takaful and financial risks. The Group does not issue contracts that transfer only financial risks.

3. Significant accounting policies (continued)

3.8 Takaful contracts (continued)

3.8.1 Classification (continued)

Contracts under which the Group accepts significant takaful risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as takaful contracts. Takaful risk is significant if an insured event could cause the Group to pay significant additional benefits due to happening of the insured event compared to its non happening.

Takaful contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified profit rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where takaful risk is not significant are classified as investment contracts. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expire.

3.8.2 Recognition and measurement

Takaful contracts are classified into three main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

General Takaful contracts

Gross written contributions, in respect of annual policies, are recognised in the consolidated statement of profit or loss at policy inception. The contributions are spread over the tenure of the policies on a straight line basis, and the unexpired portion of such contributions are included under "unearned contributions" in the consolidated statement of financial position.

Family Takaful contracts

These contracts relate to human life events, for example death, bodily injury etc. For short term contracts, normally with group customers, the contributions are recognised when due. For long term contracts, normally with individual customers, the contributions are booked on receipt.

Investment featured unit-linked contracts

A unit-linked takaful contract is a takaful contract linking payments on the contract to units of investment funds administrated by the Group with the contributions received from the plan holder. These funds are administrated by the Group on behalf of plan holders in fiduciary trust as a Mudarib (Manager). In addition Group manages Tabarru fund on behalf of plan holders to meet the obligations arising out of takaful operations. The Group has no recourse to the assets of Tabarru fund. An investment charge based on a certain percentage of value of fund is charged as fee. The liability towards the plan holder is linked to the performance of the underlying assets of these funds. This embedded derivative meets the definition of a takaful contract. Since all the liabilities arising from the embedded derivative are already measured at fair value and since all the investments on behalf of plan holders are classified as fair value through profit and loss, the Group does not account for embedded derivatives separately.

In case of a claim, the amount paid is the higher of the sum assured or the unit value. The liability is calculated through actuarial valuation based on the present value of expected benefits to plan holders.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

3.8 Takaful contracts (continued)

3.8.2 Recognition and measurement (continued)

Investment featured unit-linked contracts (continued)

Where the Tabarru Fund is insufficient to meet the liabilities, the shareholders shall grant profit free loan to the fund to meet its liabilities under the contracts held with participants. This loan is called Qard-e-Hasan. The Qard-e-Hasan is repaid to shareholders from the future surplus of Tabarru Fund.

The contribution after allocation to unit fund/investment fund of plan holder is called Takaful Donation and is taken to Tabarru fund from where Wakala fee is paid to shareholders. Takaful Donation is based on appropriate rates of mortality and morbidity. The Tabarru fund is a collective pool established, invested and managed in accordance with Shari'ah Principles with the purpose of providing benefits on the lives of covered members (plan holders) and for the repayment of Qard-e-Hasan (if applicable).

The long term individual life contracts contain investment participation feature. A surplus may arise in Tabarru fund after accounting for the claims, relevant expenses, investment returns and reserves. The surplus is available for the distribution to eligible participants provided there is net surplus in the Tabarru Fund in respect of the relevant year. The distribution is at the discretion of the Board of Directors. This contractual right is supplement to the other benefits mentioned in the contract.

These takaful contracts insure human life events over a long duration. However, Takaful contributions are recognised directly as liabilities. These liabilities are increased by fair value movement of underlying investments/unit prices and are decreased by policy administration fees, mortality and surrender charges and withdrawals, if any.

The liability for these contracts includes any amounts necessary to compensate the Group for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders as a group are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

3.8.3 Unearned contribution reserve

The unearned contribution considered in the unearned contributions reserve comprise the estimated proportion of the gross contribution written which relates to the periods of takaful subsequent to the consolidated statement of financial position date. Unearned contribution reserve is calculated using the 1/365 method except for marine and engineering business. The unearned contribution reserve for marine is recognised as fixed proportion of the written contribution as required in the financial regulation. The rate at which the contribution is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned contribution for Family Takaful business are considered by the Group's actuary in the calculation for family takaful reserve.

3.8.4 Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the consolidated financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

3. **Significant accounting policies** (continued)

3.8 **Takaful contracts** (continued)

3.8.5 Gross claims paid

Gross claims paid are recognised in the consolidated statement of profit or loss when the claim amount payable to policyholders' and third parties are determined as per the terms of the takaful contracts.

3.8.6 Claims recovered

Claims recovered include amounts recovered from retakaful companies in respect of the gross claims paid by the Group, in accordance with the retakaful contracts held by the Group. It also includes salvage and other claims recoveries.

3.8.7 Gross outstanding and IBNR claims

Gross outstanding claims comprise the estimated costs of claims incurred but not settled at the consolidated financial position date. Provisions for reported claims not paid as at the date of consolidated statement of financial position are made on the basis of individual case estimates. This provision is based on the estimate of the loss, which will eventually be payable on each unpaid claim, established by the management in the light of currently available information and past experience. An additional net provision is also made for any claims incurred but not reported ("IBNR") at the date of consolidated statement of financial position on the basis of management estimates.

The retakaful share of the gross outstanding claims is estimated and shown separately.

3.8.8 Contribution deficiency reserve

Provision is made for contribution deficiency arising from general takaful contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the consolidated financial position date exceeds the unearned contributions provision and already recorded claim liabilities in relation to such policies. The provision for contribution deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned contributions and claims provisions.

3.8.9 Retakaful

The Group cedes retakaful in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded retakaful contracts are presented separately from the assets, liabilities, income and expense from the related takaful contracts because the retakaful arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from retakaful operators are accounted for in a manner consistent with the related contributions is included in retakaful assets.

Retakaful assets are assessed for impairment at each consolidated financial position date. A retakaful asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on retakaful assets are recognised in consolidated statement of profit or loss in the year in which they are incurred.

Profit commission in respect of retakaful contracts is recognised on an accrual basis.

3. Significant accounting policies (continued)

3.8 Takaful contracts (continued)

3.8.10 Deferred commission cost

For short term takaful contracts, the deferred commission cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross contributions written that is unearned at the date of consolidated statement of financial position and becomes part of unearned contribution reserves.

For individual family takaful and long term unit-linked takaful contracts, commission relating to takaful features are amortised systematically over the average policy life. Commission that relates to investments feature is allocated to Participants on prorata basis.

3.8.11 Takaful receivables and payables

Amounts due from and to policyholders, agents, reinsurers and retakaful companies and liability towards Participant Investment Account are financial instruments and are included in takaful receivables and payables, and not in takaful contract provisions or retakaful assets.

3.8.12 Family takaful reserves

The risk reserves are determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income.

3.8.13 Salvage and subrogation reimbursements

Some takaful contracts permit the Group to sell property (usually damaged) acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Estimates of salvage recoveries and subrogation reimbursements are recognised as an allowance in the measurement of the takaful liability for claims.

3.8.14 Liability adequacy test

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

3.9 Revenue recognition

3.9.1 Takaful contract income

Revenue from takaful contracts is measured under revenue recognition criteria stated under takaful contracts in these consolidated financial statements.

3.9.2 Profit from deposits

Profit from deposits is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3. Significant accounting policies (continued)

3.9 Revenue recognition (continued)

3.9.3 Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3.9.4 Fee and commission income

Fee and commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies.

3.9.5 Rental income

Rental income from investment properties which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.10 Foreign currencies

The consolidated financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3. Significant accounting policies (continued)

3.11 Employee benefits

3.11.1 Defined contribution plan

U.A.E. national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3.11.2 Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting period. The provision relating to end of service indemnity is a non-current liability.

3.12 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any identified impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives of these assets (except for land) are 4 – 10 years.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is capitalised. When capitalised, capital work-in-progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group's accounting policies.

3.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs.

Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants

3. Significant accounting policies (continued)

3.14 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Computer Software

Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 3 - 5 years.

3.15 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant accounting policies (continued)

3.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.17 Income tax

The Company is not subject to any taxes on profits in the UAE. Taxation on foreign operations of the subsidiaries is provided for in accordance with fiscal regulations applicable in each territory.

3.18 Policyholders' fund

Any deficit in the policyholders' fund is financed by the shareholders through Qard-e-Hasan as per their undertaking. The Group maintains a full provision against such balances (note 23).

3.19 Leases

[Policy applicable from 1 January 2019]

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

3. Significant accounting policies (continued)

3.19 Leases (continued)

[Policy applicable from 1 January 2019] (continued)

The Group as lessee (continued)

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'General and administrative expenses' in the statement of comprehensive income.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

3.19 Leases (continued)

[Policy applicable from 1 January 2019] (continued)

The Group as lessor (continued)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

[Leases under IAS 17, applicable before 1 January 2019]

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.20 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at held for trading, which are initially measured at fair value.

Financial assets of the Group are classified into the following specified categories: bank and cash balance, available-for-sale securities, fair value through profit or loss, held to maturity investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.20.1 Bank balances and cash

Bank balances and cash comprise cash on hand and deposits and current accounts with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.20.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term with any resultant gain or loss recognised in profit or loss.

3. Significant accounting policies (continued)

3.20 Financial assets (continued)

3.20.3 Held to maturity investment

If the Group has the positive intent and ability to hold debt securities and islamic placements to maturity, and these debt securities and islamic placements have not been designated at fair value through profit or loss, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective profit sharing rate, less any impairment losses.

3.20.4 Available-for-sale securities

Available-for-sale securities are initially measured as cost, being fair value, including transaction costs, and are subsequently re-measured to fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative changes in fair value of available-for-sale securities reserve with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair value is reclassified to profit or loss.

Dividend on available-for-sale securities are recognised in profit or loss when the Group's right to receive the dividend is established.

3.20.5 Loans and receivables

Takaful and other receivables (excluding prepayments) and due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.20.6 Impairment of financial assets

Financial assets, other than those at held for trading, are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as takaful and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For held to maturity investment, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. Significant accounting policies (continued)

3.20 Financial assets (continued)

3.20.6 Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When a contract receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale securities is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of available-for-sale, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.20.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

3.21 Financial liabilities and equity instruments issued by the Group

3.21.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.21.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.21.3 Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity in consolidated statement of changes in equity.

3. Significant accounting policies (continued)

3.21 Financial liabilities and equity instruments issued by the Group (continued)

3.21.4 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

3.21.5 Other financial liabilities

Takaful and other payables and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities (except for deferred reinsurance commission) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.21.6 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.21.7 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the Group's shareholders.

3.22 Underwriting income attributable to policyholders and shareholders

As stated in note 1, the Group operates in accordance with Islamic Shari'ah principles. As a result, the net underwriting income from the operations of the Group is attributable to policyholders in accordance with the terms and conditions of takaful contracts acquired by the policyholder which stipulates that the insured, on taking out this policy from the Group becomes entitled to participate in the contributions pool with insured parties in the class of takaful on cooperative (mutual) basis.

The relationship of the insured with the Group is determined particularly as to his share in the surplus net of management expenses, liabilities for claims and necessary reserves, by the Board of Directors of the Group for the class of takaful at the end of fiscal year of the Group. The Group undertakes to pay such share to the insured in the net profits in accordance with the resolution of the Board of Directors of the Company after the close of fiscal year of the Group. However, the net underwriting income from the operations of subsidiaries is attributable to the shareholders in accordance with the regulations prevailing in the jurisdiction of each subsidiary.

3.23 Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading or available-for-sale. The Group classifies investments at held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Equity instruments are classified as available-for-sale securities when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

Management is satisfied that the Group's investments in securities are appropriately classified.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, plant and equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.1 The ultimate liability arising from claims made under takaful and retakaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on internal and external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Further, a range of methods are used by management and the internal actuary/independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.2.2 Impairment of takaful receivables

An estimate of the collectible amount of takaful receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful receivables are impaired, entails the Group evaluating, the credit and liquidity position of the policyholders and the insurance/takaful companies, historical recovery rates and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.3 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of takaful contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

4.2.4 Amortization of deferred commission costs and deferred commission income

The amount of commission costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the commission. commission cost on long-term Takaful contracts without fixed terms with investment participation feature are amortised over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts in accordance with the accounting policy stated in note 3.7.10. The pattern of expected profit margins is based on historical and anticipated future experiences which consider assumptions, such as expenses, lapse rates or investment income and are updated at the end of each accounting period.

4.2.5 Depreciation of property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.6 Impairment of available-for-sale securities

The Group determines whether available for sale securities are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

4.2.7 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Estimating the value-in-use required the Group to make an estimate of the expected future cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

5. Property and equipment

	Land AED'000	Building AED'000	Furniture and fixtures AED'000	Computer AED'000	Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost							
At 1 January 2018	14,350	44,255	15,862	8,004	2,518	1,264	86,253
Additions during the year	-	-	483	1,620	367	-	2,470
Foreign exchange translation	(487)	(1,415)	(315)	(204)	(54)	(7)	(2,482)
Disposals	-	-	(1,156)	(1,220)	(89)	(887)	(3,352)
At 31 December 2018	13,863	42,840	14,874	8,200	2,742	370	82,889
Additions during the year	-	-	1,282	454	271	26	2,033
Foreign exchange translation	(171)	(328)	218	206	(2)	-	(77)
Disposals	-	-	(560)	(125)	(232)	-	(917)
Transfer to held for sale	(3,789)	(8,134)	(1,493)	(838)	(493)	-	(14,747)
Transfer from CWIP	-	-	-	50	-	(50)	-
At 31 December 2019	**9,903**	**34,378**	**14,321**	**7,947**	**2,286**	**346**	**69,181**
Accumulated depreciation							
At 1 January 2018	-	2,913	11,136	6,627	1,783	-	22,459
Charge for the year	-	1,842	1,042	1,080	330	-	4,294
On disposals	-	-	(1,137)	(1,255)	(89)	-	(2,481)
Foreign exchange translation	-	(130)	(265)	(128)	(48)	-	(571)
At 31 December 2018	-	4,625	10,776	6,324	1,976	-	23,701
Charge for the year	-	1,651	953	941	256	-	3,801
Disposals	-	-	(206)	(97)	(57)	-	(360)
Foreign exchange translation	-	(61)	90	102	(4)	-	127
Transfer to held for sale	-	(2,892)	(1,180)	(724)	(458)	-	(5,254)
At 31 December 2019	**-**	**3,323**	**10,433**	**6,546**	**1,713**	**-**	**22,015**
At 31 December 2019	**9,903**	**31,055**	**3,888**	**1,401**	**573**	**346**	**47,166**
At 31 December 2018	13,863	38,215	4,098	1,876	766	370	59,188

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

6. Goodwill and intangibles

	Goodwill AED'000	Computer software AED'000	Total AED'000
Cost			
At 1 January 2018	186,194	9,959	196,153
Additions	-	383	383
Transfers	-	(231)	(231)
Effect of movements in exchange rates	-	(136)	(136)
At 31 December 2018	186,194	9,975	196,169
At 1 January 2019	186,194	9,975	196,169
Additions	-	721	721
Written-off on disposal	(61,362)	-	(61,362)
Disposals	-	(199)	(199)
Effect of movements in exchange rates	-	(13)	(13)
At 31 December 2019	**124,832**	**10,484**	**135,316**
Accumulated amortization and impairment losses			
At January 2018	61,362	7,353	68,715
Charge for the year	-	899	899
Transfers	-	(234)	(234)
Effect of movements in exchange rates	-	(81)	(81)
At 31 December 2018	61,362	7,937	69,299
At 1 January 2019	61,362	7,937	69,299
Charge for the year	-	1,050	1,050
Impairment	10,192	-	10,192
Written-off on disposal	(61,362)	-	(61,362)
Transfers	-	(82)	(82)
Effect of movements in exchange rates	-	2	2
At 31 December 2019	**10,192**	**8,907**	**19,099**
Net book value			
At 31 December 2019	**114,640**	**1,577**	**116,217**
At 31 December 2018	124,832	2,038	126,870

Computer software licences acquired by the Group are capitalised on the basis of the costs incurred to acquire and bring into their internal use.

With effect from 1 January 2005, the Group acquired 82.21% share in Tariic. The operating results and financial position of Tariic for the year ended 31 December 2005 have been consolidated with the financial statements of the Group as at that date as the Group has control over the operating and financial policies of Tariic. The above acquisition resulted in recognition of Goodwill in the statement of financial position amounting to AED 186.19 million.

6. Goodwill and intangibles (continued)

Subsequently the Group increased its holding in Tariic to 99.40% as at 30 September 2007 by further acquisitions of 4,080,465 shares. The net resultant discount of AED 2.62 million on these acquisitions was recognised directly in the Group's shareholder's equity.

The management has allocated goodwill to each subsidiary on systematic basis in 2015. In 2018, based on the decision of the Board of Directors of the Group to sell its investment in one of its subsidiary Best Re Holding, accordingly management has impaired goodwill amounting to AED 61.36 million attributable to Best Re Holding in full to profit or loss. During the year, management written-off goodwill amounting to AED 61.36 million on conclusion of sales of Best Re.

During the current year, Board of Directors of the Group approved to sell one of its subsidiary of Tariic, Salama Assurance Senegal, the management has impaired the goodwill amounting to AED 10.2 million attributable to subsidiary to profit or loss being the difference between carrying value and recoverable amount.

For the purpose of impairment testing, recoverable amount was based on fair value less cost of disposal using estimated discounted cash flows.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth, consistent with the assumption that a market participant would note.

The key assumptions described above may change as the economic and market conditions change. Management estimates if key assumptions increase/decrease by 0.5%, the carrying amount of goodwill may (decrease)/increase by AED 1.2 million.

7. Investment properties

Investment property portfolio of the Group represents land and building acquired by the Group directly and through its controlled subsidiaries.

Geographical representation of investment properties are as follows:

	2019 **AED'000**	2018 AED'000
Within U.A.E.	**10,000**	12,000
Outside U.A.E.	**134,451**	128,807
At 31 December	**144,451**	140,807

The fair value of the Group's investments properties as at 31 December 2019 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Group and have appropriate qualifications and recent market experience in the valuation of properties.

The fair value of plots of land was determined based on the acceptable approach that reflects recent transactions prices for similar properties. The fair value of buildings was determined using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

7. Investment properties (continued)

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2019 (2018: Level 3).

Investment property amoutning to AED 85 million (2018: AED 85 million) is in the name of third party in trust and benefit of the Group.

The rental income of properties amount to AED 0.6 million in 2019 (2018: AED 0.6 million), there is no direct related expenses in respect of investment property.

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.

	2019 **AED'000**	2018 AED'000
Movement in investment properties		
Balance at 1 January	**140,807**	139,676
Acquired during the year	**1,594**	683
Unrealised gain on investment properties (note 29)	**746**	1,469
Currency translation differences	**1,304**	(1,021)
	144,451	140,807

8. Right-of-use assets

8.1 Assets

	Building **AED'000**
Cost	
At 1 January 2019 and 31 December 2019	**13,661**
Accumulated depreciation	
At 1 January 2019	-
Additions	3,892
At 31 December 2019	**3,892**
Carrying amount	
At 31 December 2019	**9,769**

The Group leases several buildings. The average lease term is 3-5 years.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

8. Right-of-use assets (continued)

8.2 Lease liabilities

The maturity analysis of lease liabilities are as follow;

	AED'000
2020	3,995
2021	3,461
2022	2,143
2023	737
2024	313
2025-2030	12
Less: unearned interest	(755)
	9,906

Amounts recognized in profit or loss

	2019 AED'000
Depreciation expenses of right-of-use assets	**3,892**
Interest expense on lease liabilities	**530**

9. Investment in associates

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

Associates	Ownership 2019	2018	Country of incorporation	2019 AED'000	2018 AED'000
Salama Cooperative Insurance Company	**30.00%**	**30.00%**	KSA	**64,685**	87,020
Islamic Insurance Jordan	**20.00%**	**20.00%**	Jordan	**31,530**	32,256
				96,215	119,276

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

9. Investment in associates (continued)

	2019 AED'000	2018 AED'000
Movement during the year		
Balance at 1 January	**119,276**	114,777
Share of (loss)/profit from associates (note 29)	**(21,113)**	5,740
Dividend received	**(931)**	(1,241)
Share of other comprehensive loss	**(1,017)**	-
	96,215	119,276

Summarised financial information of the Group's Associates is set out below:

	2019 AED'000	2018 AED'000
Total assets	**971,011**	1,158,137
Total liabilities	**(673,677)**	(786,594)
Net assets/(liabilities)	**297,334**	371,543
Revenue	**610,619**	637,357
(Loss)/profit	**(67,404)**	27,448

10. Deposits

	2019 AED'000	2018 AED'000
Company		
Islamic Arab Insurance Co. (Salama)	**10,000**	10,000
Egypt Saudi Insurance Home	**87,042**	68,700
Salama Algeria	**97,713**	91,170
Salama Senegal	**-**	1,185
Misr Emirates Takaful Life Insurance Co.	**18,760**	8,915
	213,515	179,970

10.1 The deposits include AED 10.76 million (2018: AED 11.86 million) as statutory deposits, which are required to be placed by all insurance and takaful companies operating in respective countries mentioned above with the designated national banks.

10.2 The deposits include AED 202.76 million (2018: AED 168.11 million) as investments and deposits, which are depending on the nature of takaful activities of takaful companies and cannot be withdrawn except with the prior approval of the regulatory authorities.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

11. Investments

	31 December 2019			31 December 2018		
	Domestic investment AED'000	**International investment AED'000**	**Total AED'000**	Domestic investment AED'000	International investment AED'000	Total AED'000
Financial assets at fair value through profit or loss						
Mutual fund and externally managed portfolios	-	-	-	-	23,355	23,355
Shares and securities	**2,950**	**18,915**	**21,865**	3,574	28,987	32,561
	2,950	**18,915**	**21,865**	3,574	52,342	55,916
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	**61,919**	**61,919**	-	72,107	72,107
Shares and securities	-	**1,025**	**1,025**	-	2,067	2,067
	-	**62,944**	**62,944**	-	74,174	74,174
Islamic placements (Note 11.1)	-	**148,415**	**148,415**	-	151,912	151,912
Held to maturity						
Sukuk and Government bonds	-	**38,795**	**38,795**	-	15,467	15,467
Other investments	-	**178,221**	**178,221**	-	26,822	26,822
	2,950	**447,290**	**450,240**	3,574	320,717	324,291

11.1 Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5.00% (2018: 0.22% to 5.00%) and maturing in more than three months from date of acquisition.

11.2 During the year ended 31 December 2019, the Group purchased shares worth AED 1.6 million (2018: AED 3.9 million) which are classified as fair value through profit or loss and available-for-sale investments.

11.3 Participants' investments in unit-linked contracts

	2019 AED'000	2018 AED'000
Financial asset at fair value through profit or loss	**1,993,522**	1,461,414

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

12. Deposits with takaful and retakaful companies

	2019 AED'000	2018 AED'000
Contributions deposits	**84**	2,475
Claim deposits	**2,027**	2,103
	2,111	4,578

As per the relevant local regulations, the ceding Group retains a portion of unearned contributions and outstanding claims after net payments to the insurer.

13. Contributions and takaful balance receivables

	2019 AED'000	2018 AED'000
Takaful contributions receivables	**141,323**	204,603
Due from takaful and retakaful companies	**74,915**	78,903
	216,238	283,506
Provision for impairment losses		
Takaful contributions receivables	**(20,237)**	(13,871)
Due from takaful and retakaful companies	**(23,155)**	(22,636)
	172,846	246,999

Aging of contributions and takaful balance receivables

	2019 Gross amount AED'000	2019 Impairment AED'000
Not yet due	27,135	-
Past due over 0 to 60 days	24,543	(41)
Past due over 60 to 120 days	33,453	(442)
Past due over 120 to 180 days	21,135	(39)
Past due over 180 days to 1 year	45,556	(271)
Over 1 year	64,416	(42,599)
Total contributions and takaful balance receivables	**216,238**	(43,392)
Net contributions and takaful balance receivables	**172,846**	

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

13. Contributions and takaful balance receivables (continued)

Aging of contributions and takaful balance receivables

	2018 Gross amount AED'000	2018 Impairment AED'000
Not yet due	22,440	-
Past due over 0 to 60 days	90,460	(79)
Past due over 60 to 120 days	42,218	(531)
Past due over 120 to 180 days	18,599	(203)
Past due over 180 days to 1 year	40,142	(282)
Over 1 year	69,647	(35,412)
Total contributions and takaful balance receivables	283,506	(36,507)
Net contributions and takaful balance receivables	246,999	

Movement of provision for impairment losses

	2019 AED'000	2018 AED'000
Balance at the beginning of the year	**36,507**	30,287
Allowance made during the year	**6,885**	6,220
Balance at the end of the year	**43,392**	36,507

14. Outstanding claims and family takaful reserve

	2019 AED'000	2018 AED'000
Reserve for outstanding claims and family takaful reserve	**400,736**	370,973
Reserve for incurred but not reported claims	**84,281**	98,139
	485,017	469,112
Less: Retakafuls' share of outstanding claims	**(161,559)**	(138,173)
	323,458	330,939

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

14. Outstanding claims and family takaful reserve (continued)

Movements in outstanding claims reserve and family takaful reserve

	2019			
	Gross AED'000	**Retakaful AED'000**	**Adjustment AED'000**	**Net AED'000**
Balance at 1 January	**469,112**	**(138,173)**	**-**	**330,939**
Currency translation differences	**-**	**-**	**801**	**801**
Net movement during the year	**31,211**	**(30,328)**	**(801)**	**82**
Net movement during the year – for discontinued operation	**(455)**	**1,439**	**-**	**984**
Classify as held for sales	**(14,851)**	**5,503**	**-**	**(9,348)**
	485,017	**(161,559)**	**-**	**323,458**

	2018			
	Gross AED'000	Retakaful AED'000	Adjustment AED'000	Net AED'000
Balance at 1 January	419,366	(119,202)	-	300,164
Currency translation differences	-	-	(2,337)	(2,337)
Net movement during the year	46,789	(15,807)	1,953	32,935
Net movement during the year – for discontinued operation	2,957	(3,164)	384	177
	469,112	(138,173)	-	330,939

15. Unearned contribution reserve

Movements in unearned contributions reserve:

	2019			
	Gross AED'000	**Retakafuls' AED'000**	**Adjustment AED'000**	**Net AED'000**
Balance at 1 January	**258,733**	**(130,372)**	**-**	**128,361**
Currency translation differences	**-**	**-**	**(345)**	**(345)**
Provision made during the year	**264,440**	**(136,234)**	**345**	**128,551**
Provision released during the year	**(253,349)**	**127,259**	**-**	**(126,090)**
Net movement during the year – for discontinued operation	**1,055**	**(1,391)**	**-**	**(336)**
Classify as held for sales	**(6,439)**	**4,504**	**-**	**(1,935)**
	264,440	**(136,234)**	**-**	**128,206**

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

15. Unearned contribution reserve (continued)

	2018			
	Gross AED'000	Retakafuls' AED'000	Adjustment AED'000	Net AED'000
Balance at 1 January	194,875	(102,857)	-	92,018
Currency translation differences	-	-	(1,213)	(1,213)
Provision made during the year	257,765	(129,639)	1,776	129,902
Provision released during the year	(194,875)	102,857	-	(92,018)
Net movement during the year – for discontinued operation	968	(733)	(563)	(328)
	258,733	(130,372)	-	128,361

16. 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 International Accounting Standard 24. 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.

	2019 AED'000	2018 AED'000
Contribution	**6,482**	-
Claims paid	**5,362**	-
General and administrative expenses	**13**	2,501
Investments		
Available-for-sale investments		
Mutual fund and externally managed portfolio	-	68,432
Islamic Placement		
Rusd Investment Bank	-	45,467
Rusd Capital Ltd.	-	1,200
	-	46,667
Held-to-maturity		
Rusd Capital Ltd.	-	3,675
Cash and bank balances		
Abu Dhabi Commercial Bank	**20,206**	-
Ajman Bank	**43,000**	-
Rusd Investment Bank	-	65,765
Rusd Capital Ltd.	-	5,000
	63,206	70,765

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

16. Related party transactions (continued)

	2019 AED'000	2018 AED'000
Amounts due from related parties		
Bin Zayed Group	-	13,863
Other entities under common management with the Group	-	12
	-	13,875
Amounts due to related parties		
Other entities under common management with the Group	-	1
Compensation of key management personnel		
Short term benefits	**7,896**	6,694
Employees end of service benefits	**720**	768
	8,616	7,462

17. Other assets and receivables

	2019 AED'000	2018 AED'000
Deferred commission	**314,558**	297,191
Prepaid commission	**57,099**	63,319
Others	**57,301**	25,548
	428,958	386,058

18. Bank balances and cash

	2019 AED'000	2018 AED'000
Cash in hand	**24**	31
Cash at bank	**51,471**	84,415
Term deposits (Note 18.1)	**110,619**	190,180
	162,114	274,626
Less: term deposits with maturity after three months	**(89,374)**	(140,387)
Less: term deposits under lien	**(17,946)**	(16,710)
	54,794	117,529

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

18. Bank balances and cash (continued)

Cash and bank balances – by geographical distribution

	2019 AED'000	2018 AED'000
Domestic	**133,438**	176,236
International	**28,676**	98,390
	162,114	274,626

18.1 Term deposits carried profit ranging from 0.9% to 3.55% per annum (2018: 1.18% to 3.00% per annum).

19. Discontinued operations

Salama Assurance Senegal

During the year, the Board of Directors have approved to dispose of the one of subsidiary of Tariic, Salama Assurance Senegal. Pursuant to Board resolution, management has initiated the process of entering into a sale and purchase agreement ("SPA") to sell the Group's entire shareholding in Salama Assurance Senegal. This SPA is however subject to the approval of regulatory authorities of Senegal.

Consequently, in 2019, the Group's investment in Salama Assurance Senegal was classified as investment held-for-sale in the annual consolidated financial statements. An impairment loss of AED 10.19 million was charged to profit or loss being a difference between expected realisation of cash from disposal of investment classified as held-for-sale and its carrying value.

Best Re Holding Limited

In 2018, the Board of Directors has resolved to dispose of the Group's investment in Best Re Holding Limited ("Best Re"). Pursuant to Board resolution, management has entered into a sale and purchase agreement ("SPA") with Bernheim Corporation Limited to sell the Group's entire shareholding in Best Re. As per the terms of SPA, USD 0.1 million (equivalent AED 0.37 million) will be paid in cash by the buyer and remaining USD 5.4 million (equivalent to AED 19.85 million) is contingent upon the future recoveries from portfolio of Best Re to be paid in two years' time from the date of signing of SPA, i.e. 11 November 2018. The sale has been concluded in 2019.

Consequently, in 2018, the Group's investment in Best Re Holding Limited was classified as investment held-for-sale in the annual consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

19. Discontinued operations (continued)

19.1 Results from discontinued operations

	2019 AED'000	2018 AED'000 (Represented)
Revenue	**18,135**	21,239
Expenses	**(17,754)**	(17,239)
Results from operating activities	**381**	4,000
Results from operating activities, net of tax	**381**	4,000
Impairment losses	**-**	(22,264)
Loss from discontinued operations, net of tax	**381**	(18,264)

Cash flows (used in)/from discontinued operations

	2019 AED'000	2018 AED'000 (Represented)
Net cash used in operating activities	**(1,152)**	(23,738)
Net cash from investing activities	**5,560**	3,182
Net cash (used in)/from financing activities	**-**	(4,287)
Net cash flows for the year	**4,408**	(24,843)

19.2 Disposal group held-for-sale

Assets and liabilities of disposal group held-for-sale

At 31 December 2019, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	2019 AED'000	2018 AED'000
Property and equipment	**9,187**	10,933
Intangible assets	**-**	450
Investment property	**-**	79,676
Investments in associates	**-**	516
Right-of-use asset	**90**	-
Statutory and investment deposits	**1,161**	754
Investments	**4,232**	60,735
Deposits with insurance and reinsurance companies	**2,523**	86,185
Premiums and insurance balance receivables	**20,076**	134,299
Reinsurers' share of outstanding claims	**6,942**	43,683
Reinsurers' share of unearned premium	**3,112**	-
Other assets	**1,855**	18,851
Cash in hand and at bank	**8,438**	8,067
Delinquencies relating to disposal group	**-**	(43,612)
Assets held for sale	**57,616**	400,537

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

19. Discontinued operations (continued)

19.2 Disposal group held-for-sale (continued)

Liabilities against assets held for sale

	2019 **AED'000**	2018 AED'000
Gross outstanding claims	**15,306**	40,278
Unearned premiums	**5,384**	-
Insurance balance payable	**17,457**	189,556
Other payables and accruals	**3,990**	16,191
Lease liability – Right-of-use assets	**91**	-
Bank loan - long term portion	-	134,327
Liabilities held for sale	**42,228**	380,352
Net assets	**15,388**	20,185

Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of AED 15.39 (2018: AED 20.19 million) before costs to sell of AED 15.39 (2018: AED 20.19 million) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

ii. Valuation technique

The Group has done the individual assessment of each asset and liability based on the current situation. The expected recoverable amount of the assets and settlement amount of liabilities has been computed based on the most recent information available.

20. Payable to Participants for unit-linked contracts

	2019 **AED'000**	2018 AED'000
Balance at 1 January	**1,451,395**	1,301,249
Amounts invested by Participants	**812,745**	702,008
Refund during the year	**(20,876)**	(7,319)
Net movement including redemption in fund	**(260,221)**	(544,543)
	1,983,043	1,451,395

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

21. Takaful balances payable

	2019 AED'000	2018 AED'000
Takaful companies	**18,251**	18,093
Retakaful companies	**105,326**	112,283
	123,577	130,376

22. Other payables and accruals

	2019 AED'000	2018 AED'000
Payable to garages and brokers	**14,866**	75,843
Payable to suppliers	**52,546**	58,210
Bonus and Incentive Payable Family Takaful	**8,972**	23,741
Staff related accruals	**20,661**	20,292
Accrued expenses	**4,955**	3,825
Other provisions	**10,533**	9,515
Taxes payable	**22,300**	24,668
Surplus payable to policyholders	**3,167**	2,520
Funded commission payable	**252,302**	263,213
Other payables	**48,765**	48,047
	439,067	529,874

23. Policyholders' fund

	2019 AED'000	2018 AED'000
Balance at 1 January	**(545,099)**	(475,132)
Net deficit attributable to policyholders for the year (note 35)	**(62,755)**	(57,933)
Surplus distribution to policyholders of family takaful	**(4,197)**	(12,034)
	(612,051)	(545,099)
Financed by shareholders'	**612,051**	545,099
	-	-

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

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

24. Share capital

	2019 AED'000	2018 AED'000
Authorised, issued and fully paid up capital 1,210,000,000 shares of AED 1 each (*2018: 1,210,000,000 shares of AED 1*)	**1,210,000**	1,210,000

25. Treasury shares

In 2008, the Group bought back 21,667,377 shares amounting to AED 35.97 million. The treasury shares are debited as a separate category of shareholders' equity at cost. The buyback of shares was duly approved by the Board of Directors. The Board of Directors on 27 March 2019 approved a capital reduction of the Group by utilizing the treasury shares which were bought back in 2008 amounting to AED 35.97 million. The process for capital reduction has been initiated by the Company.

26. Statutory reserve

In accordance with Article 239 of the U.A.E. Federal Law No. (2) of 2015 and the Articles of Association of the Company, 10% of the net profit is required to be transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

27. Other reserves

Other reserves includes following:

	2019 AED'000	2018 AED'000
Revaluation reserve	**31,930**	31,930
Foreign exchange translation reserve	**(112,043)**	(115,546)
Investment fair value reserve	**(27,627)**	(16,415)
	(107,740)	(100,031)

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

28. Non-controlling interest

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests (NCI) as at the reporting date, before any intra group eliminations:

Salama Assurance Company-Senegal

	2019 AED'000	2018 AED'000
Non-controlling interest share	**31.13%**	41.55%
Current assets	**47,178**	35,518
Non-current assets	**10,437**	10,768
Current liabilities	**(42,227)**	(39,170)
Carrying amount of non-controlling interest (A)	**4,790**	2,957
Underwriting income	**4,661**	8,496
Profit	**381**	1,116
Total comprehensive income	**239**	826
Profit allocated to non-controlling interest	**74**	343
Cash flows(used in)/generated from operating activities	**(1,152)**	374
Cash flows generated from/(used in) investing activities	**5,560**	(800)
Cash flows used in financing activities, before dividends to non-controlling interest	-	-
	4,408	(426)

Egypt Saudi Insurance Home

	2019 AED'000	2018 AED'000
Non-controlling interest share	**48.85%**	48.85%
Current assets	**100,723**	95,780
Non-current assets	**109,054**	84,861
Current liabilities	**(114,621)**	(100,459)
Carrying amount of non-controlling interest (B)	**46,484**	39,169
Underwriting income	**12,467**	7,145
Profit	**5,751**	(5,325)
Total comprehensive income/(loss)	**14,974**	(5,978)
Profit/ (loss) allocated to non-controlling interest	**7,315**	(2,920)
Cash flows generated from operating activities	**20,042**	10,614
Cash flows used in investing activities	**(19,069)**	(11,553)
Cash flows used in financing activities - cash dividends to NCI	-	(1,806)
	973	(2,745)

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

28. Non-controlling interest (continued)

Other Subsidiary

	2019 AED'000	2018 AED'000
Carrying amount of non-controlling interest (C)	**22,197**	20,610
Total Carrying amount of non-controlling interest (A+B+C)	**73,471**	62,736

29. Income from investments

	For the year ended 31 December 2019 Shareholders AED'000	Policyholders AED'000	Total AED'000
Income from investments in Mudaraba and fund	3,022	-	3,022
Realised loss on sale of investments	(249)	-	(249)
Unrealised loss on investments	(8,712)	-	(8,712)
Unrealised gain on investments properties (note 7)	746	-	746
Loss on sukuk and other held to maturity investments	(4)	-	(4)
Income from bank deposits and loans and receivables	24,984	388	25,372
Dividend income	1,800	-	1,800
Share of loss from associates (note 9)	(21,113)	-	(21,113)
Rental income (note 7)	579	-	579
	1,053	**388**	**1,441**

	For the year ended 31 December 2018 (Represented) Shareholders AED'000	Policyholders AED'000	(Represented) Total AED'000
Income from investments in Mudaraba and fund	3,612	-	3,612
Realised loss on sale of investments	(5,975)	-	(5,975)
Unrealised loss on investments	(9,725)	-	(9,725)
Unrealised gain on investments properties (note 7)	1,469	-	1,469
Loss on sukuk and other held to maturity investments	(4)	-	(4)
Income from bank deposits and loans and receivables	18,556	420	18,976
Dividend income	3,070	-	3,070
Share of profit from associates (note 9)	5,740	-	5,740
Rental income (note 7)	597	-	597
	17,340	420	17,760

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

29. Income from investments (continued)

29.1 Other income

Other income for the year includes provision for liabilities no longer required written back of AED 21 million (2018: nil).

30. General, administrative and other expenses

	2019 AED'000	2018 AED'000 Represented
Staff costs	72,741	77,736
Rent, rates and service charges	2,147	5,795
Repair and maintenance	2,712	2,508
Travelling and conveyance	617	322
Printing and stationery	1,525	1,660
Licenses and other government expenses	1,273	1,745
Depreciation of property and equipment	3,801	4,294
Depreciation of right-of-use assets	3,892	-
Amortisation	1,050	899
Marketing and advertising	878	4,327
Legal and professional fees	8,235	5,528
Provision and impairment of receivables	6,885	6,220
Exchange losses	1,791	2,322
Others	25,889	17,280
	133,436	130,636

31. Taxation – current

Taxation comprises of taxation of foreign operation, in view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide reconciliation between the accounting and taxable profits together with details with effective tax rates.

32. Basic and diluted earnings per share

	2019	2018
Profit for the year attributable to shareholders (AED'000)	55,038	2,039
Number of shares (in thousands)	1,188,333	1,188,333
Basic and diluted earnings per share (AED)	0.046	0.002

Basic earnings per share are calculated by dividing the profit for the year by the number of weighted average shares outstanding at the end of the reporting period after taking into account the treasury shares held. Diluted earnings per share is equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

33. Contingent liabilities and capital commitments

	2019 AED'000	2018 AED'000
Letters of guarantee	**17,677**	16,440

Statutory deposits of AED 17.95 million (2018: AED 16.71 million) are held as lien by the bank against the above guarantees.

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 December 2019 (2018: nil).

34. Operating lease commitments

Company as a lessee

The future minimum lease payments for one year contracts under non-cancellable operating lease are as follows:

	2019 AED	2018 AED
Future minimum lease payments:		
Due within one year	**116**	1,827

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

35. Allocation between participants and shareholders

Consolidated statement of profit or loss

	For the year ended 31 December 2019				For the year ended 31 December 2018			
	Shareholders AED'000	Participants AED'000	Non-controlling interest AED'000	Total AED'000	Shareholders AED'000 (Represented)	Participants AED'000 (Represented)	Non-controlling interest AED'000	Total AED'000 (Represented)
Net underwriting income	-	189,847	-	189,847	-	143,354	-	143,354
Income								
Wakalah share (note 36)	142,127	(142,127)	-	-	144,319	(144,319)	-	-
Mudarib share	45	(45)	-	-	50	(50)	-	-
Net technical charges from/to shareholders to policyholders	63,601	(63,601)	-	-	51,737	(51,737)	-	-
Net underwriting income from subsidiaries	88,838	(88,838)	-	-	44,105	(44,105)	-	-
Income from investments (note 29)	1,053	388	-	1,441	17,340	420		17,760
Other income	30,667	-	-	30,667	12,035	-	-	12,035
	326,331	(104,376)	-	221,955	269,586	(96,437)	-	173,149
Expenses								
General, administrative and other expenses	(133,436)	-	-	(133,436)	(130,636)	-	-	(130,636)
Finance expenses	(2,300)	-	-	(2,300)	(1,397)	-	-	(1,397)
Commission paid and other costs	(41,621)	41,621	-	-	(38,504)	38,504	-	-
Impairment of goodwill	(10,192)	-	-	(10,192)	-	-	-	-
Net profit/(loss) before tax	138,782	(62,755)	-	76,027	99,049	(57,933)	-	41,116
Tax – current	(12,395)	-	-	(12,395)	(10,341)	-	-	(10,341)
Net profit/(loss) after tax	126,387	(62,755)	-	63,632	88,708	(57,933)	-	30,775
Profit/(loss) from discontinued operations	381	-	-	381	(18,264)	-	-	(18,264)
Share of non-controlling interest	(4,778)	-	4,778	-	1,562	-	(1,562)	-
Distribution to policyholders of Group	-	(4,197)	-	(4,197)	-	(12,034)	-	(12,034)
Policyholders' loss financed by shareholders/recovery of loss from policyholders' funds (note 23)	(66,952)	66,952	-	-	(69,967)	69,967	-	-
	55,038	-	4,778	59,816	2,039	-	(1,562)	477

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

35. Allocation between participants and shareholders (continued)

	2019 AED'000	2018 AED'000
ASSETS		
Participants' assets		
Participants' investments in unit-linked contracts	**1,993,522**	1,461,414
Contributions and takaful balance receivables	**109,970**	168,174
Retakafuls' share of outstanding claims	**131,445**	111,866
Retakafuls' share of unearned contributions	**85,627**	76,622
Other assets and receivables	**9**	91
Cash and bank balances	**40,048**	67,777
Total participants' assets	**2,360,621**	1,885,944
Total shareholders' assets*	**1,831,912**	2,121,090
Total assets	**4,192,533**	4,007,034
LIABILITIES		
Participants' liabilities		
Outstanding claims and family takaful reserve	**230,841**	208,719
Payable to Participants for unit-linked contracts	**1,983,043**	1,451,395
Unearned contributions reserve	**143,478**	152,352
Takaful balances payable	**83,621**	78,964
Other payables and accruals	**32,003**	31,028
Total participants' liabilities	**2,472,986**	1,922,458
Total shareholders' liabilities*	**874,292**	1,297,385
Total liabilities	**3,347,278**	3,219,843
NET ASSETS EMPLOYED	**845,255**	787,191
FINANCED BY:		
Shareholders' equity	**771,784**	724,455
Non-controlling interest	**73,471**	62,736
	845,255	787,191

* Shareholders' assets and liabilities represents affairs of the subsidiaries as shareholder funds are used for the investments thereon.

36. Wakalah share

The shareholders manage the takaful operations of the Group for the policyholders and charge 35% (2018: 35%) of gross written contributions and participant investment revenues of non-family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2018: 15%) of mortality costs.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

37. Operating segment

By business

(for the year ended 31 December 2019)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	**642,503**	**463,630**	**1,106,133**
Net contributions earned	**398,447**	**398,165**	**796,612**
Commissions received on ceded reinsurance and retakaful	**26,676**	**6,574**	**33,250**
	425,123	**404,739**	**829,862**
Net claims incurred	**(221,842)**	**(31,635)**	**(253,477)**
Commissions paid and other costs	**(90,764)**	**(295,774)**	**(386,538)**
Net underwriting income	**112,517**	**77,330**	**189,847**
Investment and other income			**32,108**
Unallocated expenses and tax			**(158,323)**
Distribution to policyholders of the Group			**(4,197)**
Profit from discontinued operations			**381**
Net profit after tax			**59,816**

By business

(for the year ended 31 December 2018)

	General takaful AED'000 Represented	Family takaful AED'000	Total AED'000 Represented
Gross written contributions	622,081	418,949	1,041,030
Net contributions earned	351,587	363,578	715,165
Commissions received on ceded reinsurance and retakaful	23,157	11,133	34,290
	374,744	374,711	749,455
Net claims incurred	(213,522)	(30,321)	(243,843)
Commissions paid and other costs	(89,573)	(272,685)	(362,258)
Net underwriting income	71,649	71,705	143,354
Investment and other income			29,795
Unallocated expenses and tax			(142,374)
Distribution to policyholders of the Group			(12,034)
Loss from discontinued operations			(18,264)
Net profit after tax			477

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

37. Operating segment (continued)

By geography

(for the year ended 31 December 2019)

	Africa AED'000	**Asia AED'000**	**Total AED'000**
Gross written contributions	**284,568**	**821,565**	**1,106,133**
Net contributions earned	**208,798**	**587,814**	**796,612**
Commissions received on ceded reinsurance and retakaful	**11,485**	**21,765**	**33,250**
	220,283	**609,579**	**829,862**
Net claims incurred	**(73,707)**	**(179,770)**	**(253,477)**
Commissions paid and other costs	**(57,737)**	**(328,801)**	**(386,538)**
Net underwriting income	**88,839**	**101,008**	**189,847**
Investment and other income			**32,108**
Unallocated expenses and tax			**(158,323)**
Distribution to policyholders of the Group			**(4,197)**
Loss from discontinued operations			**381**
Net profit after tax			**59,816**

By geography

(for the year ended 31 December 2018)

	Africa AED'000 Represented	Asia AED'000	Total AED'000 Represented
Gross written contributions	249,580	791,450	1,041,030
Net contributions earned	178,235	536,930	715,165
Commissions received on ceded reinsurance and retakaful	9,648	24,642	34,290
	187,883	561,572	749,455
Net claims incurred	(100,154)	(143,689)	(243,843)
Commissions paid and other costs	(48,878)	(313,380)	(362,258)
Net underwriting income	38,851	104,503	143,354
Investment and other income			29,795
Unallocated expenses and tax			(142,374)
Distribution to policyholders of the Group			(12,034)
Loss from discontinued operations			(18,264)
Net profit after tax			477

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

37. Operating segment (continued)

By business

(for the year ended 31 December 2019)

	General takaful AED'000	Family takaful AED'000	Total AED'000
ASSETS			
Property and equipments	43,582	3,584	47,166
Goodwill and intangibles	116,217	-	116,217
Investment properties	144,451	-	144,451
Right of use assets	7,133	2,636	9,769
Investments in associates	96,215	-	96,215
Deposits	190,755	22,760	213,515
Investments	368,576	81,664	450,240
Participants' investments in unit-linked contracts	-	1,993,522	1,993,522
Deposits with takaful and retakaful companies	2,111	-	2,111
Contributions and takaful balance receivables	161,556	11,290	172,846
Retakafuls' share of outstanding claims	102,331	59,228	161,559
Retakafuls' share of unearned contributions	133,425	2,809	136,234
Other assets and receivables	54,356	374,602	428,958
Cash and bank balances	67,655	94,459	162,114
Assets held-for-sale	57,616	-	57,616
	1,545,979	2,646,554	4,192,533
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Outstanding claims and family takaful reserve	261,641	223,376	485,017
Payable to Participants for unit-linked contracts	-	1,983,043	1,983,043
Unearned contributions reserve	239,856	24,584	264,440
Takaful balances payable	113,214	10,363	123,577
Other payables and accruals	125,282	313,785	439,067
Lease liability – Right-of-use assets	7,223	2,683	9,906
Liabilities held-for-sale	42,228	-	42,228
Total liabilities	789,444	2,557,834	3,347,278
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	756,535	88,720	845,255
FINANCED BY:			
Shareholders' equity			771,784
Non-controlling interest			73,471
			845,255

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

37. Operating segment (continued)

By business

(for the year ended 31 December 2018)

	General takaful AED'000	Family takaful AED'000	Total AED'000
ASSETS			
Property and equipments	56,473	2,715	59,188
Goodwill and intangibles	126,465	405	126,870
Investment properties	140,807	-	140,807
Investments in associates	119,276	-	119,276
Deposits	167,055	12,915	179,970
Investments	309,727	14,564	324,291
Participants' investments in unit-linked contracts	-	1,461,414	1,461,414
Deposits with takaful and retakaful companies	4,292	286	4,578
Contributions and takaful balance receivables	187,366	59,633	246,999
Retakafuls' share of outstanding claims	86,996	51,177	138,173
Retakafuls' share of unearned contributions	128,674	1,698	130,372
Amounts due from related parties	13,875	-	13,875
Other assets and receivables	23,494	362,564	386,058
Cash and bank balances	142,225	132,401	274,626
Assets held-for-sale	380,033	20,504	400,537
	1,886,758	2,120,276	4,007,034
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Outstanding claims and family takaful reserve	281,494	187,618	469,112
Payable to Participants for unit-linked contracts	-	1,451,395	1,451,395
Unearned contributions reserve	244,174	14,559	258,733
Takaful balances payable	120,503	9,873	130,376
Other payables and accruals	136,762	393,112	529,874
Amounts due to related parties	1	-	1
Liabilities held-for-sale	380,033	319	380,352
	1,162,967	2,056,876	3,219,843
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	723,791	63,400	787,191
FINANCED BY:			
Shareholders' equity			724,455
Non-controlling interest			62,736
			787,191

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

38. Summary of technical provisions

	As at 31 December 2019		
	General takaful AED'000	**Family takaful AED'000**	**Total AED'000**
Gross reserves			
Reserve for outstanding claims (including IBNR)	261,641	66,945	328,586
Family takaful reserves	-	156,431	156,431
Unearned contribution	239,856	24,584	264,440
	501,497	247,960	749,457

	As at 31 December 2019		
	General takaful AED'000	**Family takaful AED'000**	**Total AED'000**
Net reserves			
Reserve for outstanding claims (including IBNR)	159,310	7,717	167,027
Family takaful reserves	-	156,431	156,431
Unearned contribution	106,431	21,775	128,206
	265,741	185,923	451,664

	As at 31 December 2018		
	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross reserves			
Reserve for outstanding claims (including IBNR)	281,493	58,519	340,012
Family takaful reserves	-	129,099	129,099
Unearned contribution	244,175	14,559	258,734
	525,668	202,177	727,845

	As at 31 December 2018		
	General takaful AED'000	Family takaful AED'000	Total AED'000
Net reserves			
Reserve for outstanding claims (including IBNR)	194,498	7,342	201,840
Family takaful reserves	-	129,099	129,099
Unearned contribution	115,500	12,861	128,361
	309,998	149,302	459,300

The technical reserves above includes reserves of Company and its subsidiaries. Reserves that relates to UAE have been computed by a qualified independent actuary appointed by the Group, except for unearned contribution that relates to General Takaful, which has been computed using an internal model. Reserves that relates to subsidiaries have been computed with respect to applicable territorial regulatory requirements.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

39. Claims development

The Group maintains adequate reserves in respect of its takaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year.

Takaful claims-gross Underwriting year (cumulative amounts)	**2015 AED'000**	**2016 AED'000**	**2017 AED'000**	**2018 AED'000**	**2019 AED'000**	**Total AED'000**
Development year 1	182,392	113,821	104,686	172,763	322,539	322,539
Development year 2	449,206	156,568	200,586	350,196	-	350,196
Development year 3	483,571	159,739	207,069	-	-	207,069
Development year 4	490,372	162,699	-	-	-	162,699
Development year 5	533,352	-	-	-	-	533,352
Current estimate of cumulative claims **(A)**	533,352	162,699	207,069	350,196	322,539	1,575,855
Cumulative payments to date **(B)**	(474,494)	(137,971)	(183,413)	(294,122)	(178,919)	(1,268,919)
	58,858	24,728	23,656	56,074	143,620	306,936
Liability recognised in the consolidated statement of financial position as part of gross claim						
Reserve in respect of years prior to 2013 part of the gross claim						21,650
Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve)						328,586

Takaful claims-net Underwriting year (cumulative amounts)	**2015 AED'000**	**2016 AED'000**	**2017 AED'000**	**2018 AED'000**	**2019 AED'000**	**Total AED'000**
Development year 1	159,600	94,611	62,206	63,019	113,799	113,799
Development year 2	392,931	105,143	79,403	121,236	-	121,236
Development year 3	419,049	104,482	67,910	-	-	67,910
Development year 4	423,594	99,277	-	-	-	99,277
Development year 5	437,744	-	-	-	-	437,744
Current estimate of cumulative claims **(A)**	437,744	99,277	67,910	121,236	113,799	839,966
Cumulative payments to date **(B)**	(413,167)	(83,296)	(53,981)	(96,499)	(49,408)	(696,351)
	24,577	15,981	13,929	24,737	64,391	143,615
Liability recognised in the consolidated statement of financial position as part of net claim						23,412
Reserve in respect of years prior to 2013 part of the net claim						
Total reserve included in the consolidated statement of financial position as part of the net claim (excluding family takaful reserve)						167,027

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

39. Claims development (continued)

Sensitivities

The general takaful claims provision is sensitive to the above key assumptions. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant showing the impact on liabilities and net income.

31 December 2019

		Impact on gross liabilities AED'000	*Impact on net profit AED'000
Current claims	+10%	+48,501	+32,346
	-10%	-48,501	-32,346

31 December 2018

		Impact on gross liabilities AED'000	*Impact on net profit AED'000
Current claims	+10%	+46,911	+33,094
	-10%	-46,911	-33,094

40. Classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2019	FVTPL AED'000	Available for-sale investments AED'000	Amortised cost AED'000	Total carrying amount AED'000
Financial assets				
Investments	21,865	62,944	365,431	450,240
Deposits	-	-	213,515	213,515
Participants' investments in unit-linked contracts	1,993,522	-	-	1,993,522
Deposits with takaful and retakaful companies	-	-	2,111	2,111
Contributions and takaful balance receivables	-	-	172,846	172,846
Other assets and receivables	-	-	48,881	48,881
Bank balances and cash	-	-	162,114	162,114
	2,015,387	62,944	964,898	3,043,229

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

40. Classification of financial assets and financial liabilities (continued)

31 December 2019	**FVTPL AED'000**	**Available for-sale investments AED'000**	**Amortised cost AED'000**	**Total carrying amount AED'000**
Financial liabilities				
Payable to Participants for unit-linked contracts	1,983,043	-	-	1,983,043
Takaful balances payable	-	-	123,577	123,577
Other payables	-	-	402,898	402,898
Lease liabilities	-	-	9,906	9,906
	1,983,043	-	536,381	2,519,424

31 December 2018	FVTPL AED'000	Available for-sale investments AED'000	Amortised cost AED'000	Total carrying amount AED'000
Financial assets				
Investments	55,916	74,174	194,201	324,291
Deposits	-	-	179,970	179,970
Participants' investments in unit-linked contracts	1,461,414	-	-	1,461,414
Deposits with takaful and retakaful Companies	-	-	4,578	4,578
Contributions and takaful balance Receivables	-	-	246,999	246,999
Amounts due from related parties	-	-	13,875	13,875
Other assets and receivables	-	-	18,196	18,196
Bank balances and cash	-	-	274,626	274,626
	1,517,330	74,174	932,445	2,523,949
Financial liabilities				
Payable to Participants for unit-linked contracts	1,451,395	-	-	1,451,395
Takaful balances payable	-	-	130,376	130,376
Other payables	-	-	496,242	496,242
Amounts due to related parties	-	-	1	1
	1,451,395	-	626,619	2,078,014

41. Fair value of financial instrument

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of assets and liabilities measured at fair value

The following table analyses assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

41. Fair value of financial instrument (continued)

Fair value hierarchy of assets and liabilities measured at fair value (continued)

As at 31 December 2019

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Financial asset at fair value through profit or loss				
Participants' investments in unit-linked contracts	-	1,993,522		1,993,522
Shares and securities	21,865	-	-	21,865
	21,865	1,993,522	-	2,015,387
Available for sale				
Mutual fund	-	61,919	-	61,919
Shares and securities	610	415	-	1,025
	610	62,334	-	62,944
Non-financial assets				
Investment properties	-	-	144,451	144,451
Financial liabilities				
Payable to Participants for unit-linked contracts	-	1,983,043	-	1,983,043

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

41. Fair value of financial instrument (continued)

Fair value hierarchy of assets and liabilities measured at fair value (continued)

As at 31 December 2018

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets				
Financial asset at fair value through profit or loss				
Mutual fund	23,355	-	-	23,355
Participants' investments in unit-linked contracts	-	1,461,414	-	1,461,414
Shares and securities	32,561	-	-	32,561
	55,916	1,461,414	-	1,517,330
Available for sale				
Mutual fund	-	72,107	-	72,107
Shares and securities	616	1,451	-	2,067
	616	73,558	-	74,174
Non-financial assets				
Investment properties	-	-	140,807	140,807
Financial liabilities				
Payable to Participants for unit-linked contracts	-	1,451,395	-	1,451,395

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	2019 AED'000	2018 AED'000
Balance at 1 January	**140,807**	139,676
Purchases	**1,594**	683
Currency translation differences	**1,304**	(1,021)
Fair value movement	**746**	1,469
Balance at 31 December	**144,451**	140,807

42. Risk management

The Group issues contracts that transfer either insurance risk or both takaful and financial risks. The Group does not issue contracts that transfer only financial risk. This section summarises these risks and the way the Group manages them.

a) Introduction and overview

Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group is in the phase of establishing a risk management function with clear terms of reference from the Board of Directors, its committees and the associated executive management committees.

Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Group as a whole are exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

42. Risk management (continued)

a) Introduction and overview (continued)

Asset liability management (ALM) framework

Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is the equity price risk. The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under takaful and investment contracts.

The Group's ALM framework is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with takaful and investment liabilities.

The Group's ALM framework also forms an integral part of the takaful risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful and investment contracts.

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of risk management includes takaful risk and financial risk

b) Takaful risk

Takaful risk is where the Group agrees to indemnify the insured parties against happening of unforeseen future insured events. The frequency and severity of claims are the main risk factors. As per the practices adopted by the Group, actual claim amounts can vary marginally compared to the outstanding claim reserves but are not expected to have a material impact.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Group underwrites property, engineering, motor, miscellaneous accident, marines and personal accident classes. These classes of takaful are generally regarded as short-term takaful contracts where claims are normally intimated and settled within a short time span. This helps to mitigate takaful risk.

Property

For property takaful contracts, the main perils are fire damage and other allied perils and business interruption resulting there from.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of takaful are the main factors that influence the level of claims.

Engineering

For engineering takaful contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plants, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

42. Risk management (continued)

Motor

For motor takaful contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for death and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous accident

For miscellaneous accident classes of takaful such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten.

The extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine

In marine takaful the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Family takaful contracts

Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Health selection is part of the Group's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Retakaful risk

In line with other takaful and retakaful companies, in order to minimise net loss exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful arrangement provides for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimise its exposure to significant losses from reinsurers' insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

42. Risk management (continued)

Retakaful risk (continued)

Assets, liabilities, income and expense arising from ceded retakaful contracts are presented separately from assets, liabilities, income and expense from the related takaful contract because the retakaful ceded contracts do not relieve the Group from its obligations and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the retakaful fails to meet the obligations under the retakaful agreements.

Concentration of takaful risk

The Group has certain single takaful contracts which it considers as risks of high severity but very low frequency. The Group cedes substantial part of these risks and its net retention on any one single event is limited to AED 1 million (2018: AED 1 million) .

Terms and conditions of takaful contracts

Takaful is based on uncertainty of event. As such the terms and conditions of takaful contracts varies but are normally based on the international guidance and policy wordings as followed by all takaful companies in the market.

Normally a takaful contract contains the coverage of the subject of takaful, the exclusions and obligations of the insured and the insurers. Deviations are reported forthwith to the insurer by the insured and any accident event to be reported immediately. Long tail business is generally that where the time period to ultimately finalise and settle claims could take a number of years.

The Group's estimates for reported and unreported losses and establishing resulting provisions and related retakaful recoverables are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of profit or loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future claims.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written by the Group, thus ensuring that sufficient funds are available to cover future claims. Reserving practises for the General Takaful and Individual Family Takaful Portfolio involve the use of actuarial analysis from an independent actuary.

c) Financial risks

The Group has exposure to the following primary risks from its use of financial instruments:

- Credit risk,
- Liquidity risk,
- Market risk, and
- Operational risk.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk.

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

42. Risk management (continued)

c) Financial risks (continued)

For all classes of financial assets held by the Group, other than those relating to retakaful contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the consolidated financial position date.

Retakaful is placed with reinsures and retakaful companies approved by the management, which are generally international companies that are rated by international rating agencies or other GCC companies.

To minimise its exposure to significant losses from reinsurer and retakaful insolvencies, the Group evaluates the financial condition of its reinsures and retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures and retakaful companies

At each reporting date, management performs an assessment of creditworthiness of reinsures and retakaful companies updates the retakaful purchase strategy, ascertaining suitable allowance for impairment if required.

The Group monitors concentrations of credit risk by sector and by geographic location.

Credit risk is controlled through terms of trade for receipt of contributions. Most of the counterparties are takaful companies that are generally not rated. However, they are selected on their standing in the market, rating, relationship experience and length of association. All retakaful counterparties are rated.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as disclosed in Note 41.

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notices were to be given immediately.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

42. Risk management (continued)

c) Financial risks (continued)

ii) Liquidity risk (continued)

31 December 2019	Less than 180 days AED'000	180 days to 1 year AED'000	1-5 year AED'000	Over 5 year AED'000	No stated maturity AED'000	Total AED'000
Financial assets						
Investments	142,201	25,885	282,129	25	-	450,240
Deposits	49,790	33,924	98,755	31,046	-	213,515
Participants' investments in unit-linked contracts	-	-	-	-	1,993,522	1,993,522
Deposits with takaful and retakaful companies	-	2,111	-	-	-	2,111
Contributions and takaful balance receivables	105,745	45,285	21,816	-	-	172,846
Other assets and receivables	16,387	32,494	-	-	-	48,881
Bank balances and cash	162,114	-	-	-	-	162,114
	476,237	139,699	402,700	31,071	1,993,522	3,043,229
Financial liabilities						
Payable to participants for unit-linked contracts	-	-	-	-	1,983,043	1,983,043
Takaful balances payable	53,893	13,937	55,747	-	-	123,577
Other payables and accruals	86,742	63,854	252,302	-	-	402,898
Lease liabilities	3,995	-	5,911	-	-	9,906
	144,630	77,791	313,960	-	1,983,043	2,519,424

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

42. Risk management (continued)

c) Financial risks (continued)

ii) Liquidity risk (continued)

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2018	Less than 180 days AED'000	180 days to 1 year AED'000	1-5 year AED'000	Over 5 year AED'000	No stated maturity AED'000	Total AED'000
Financial assets						
Investments	222,900	14,629	86,756	6	-	324,291
Deposits	65,982	17,658	58,397	37,933	-	179,970
Participants' investments in unit-linked contracts	-	-	-	-	1,461,414	1,461,414
Deposits with takaful and retakaful companies	-	4,578	-	-	-	4,578
Contributions and takaful balance receivables	172,904	35,282	38,813	-	-	246,999
Amounts due from related parties	13,875	-	-	-	-	13,875
Other assets and receivables	5,138	13,058	-	-	-	18,196
Bank balances and cash	274,626	-	-	-	-	274,626
	755,425	85,205	183,966	37,939	1,461,414	2,523,949
Financial liabilities						
Payable to participants for unit-linked contracts	-	-	-	-	1,451,395	1,451,395
Takaful balances payable	64,572	13,161	52,643	-	-	130,376
Other payables and accruals	151,949	114,713	229,580	-	-	496,242
Amounts due to related parties	1	-	-	-	-	1
	216,522	127,874	282,223	-	1,451,395	2,078,014

The Group's exposure to profit rate risk relates to its deposits. At 31 December 2019, deposits carried profit at the range of 0.9% to 3.55% per annum (2018: 1.18% to 3% per annum).

If profit rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2019 and equity as at 31 December 2019 would increase/decrease by approximately AED 3.4 million (2018: AED 2.8 million). The Group's sensitivity to profit rates has not changed significantly from the prior year.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

42. Risk management (continued)

c) Financial risks (continued)

iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and sukuk markets. In addition, the Group actively monitors the key factors that affect stock and sukuk market movements, including analysis of the operational and financial performance of investees.

(a) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Group's functional currency is the UAE Dirham.

The significant financial assets and liabilities exposed to currency risk in equivalent thousand of Dirham are as under:

31 December 2019	**Financial assets AED'000**	**Financial liabilities AED'000**	**Net AED'000**
Currency			
USD	**165,218**	**(68,521)**	**96,747**
EGP	**205,117**	**(67,955)**	**137,162**
CFA	**118**	**(748)**	**(630)**
DZD	**282,032**	**(143,307)**	**138,725**
Others	**123,590**	**(54)**	**123,536**

31 December 2018	Financial assets AED'000	Financial liabilities AED'000	Net AED'000
Currency			
USD	162,312	(65,611)	96,701
EGP	175,478	(65,585)	109,893
CFA	33,378	(32,081)	1,297
DZD	247,134	(150,400)	96,734
Others	146,287	(6,672)	139,615

Sensitivities
The analysis below is performed for reasonably possible movements in foreign exchange rate with all other assumptions held constant showing the impact on net profit or equity. The sensitivities carried out for subsidiaries only as the impact of currency risk on the Group's own assets and liabilities is considered insignificant.

31 December 2019	**Change in exchange rates**	**Profit or loss AED'000**	**Other comprehensive income AED'000**
Financial assets	+5%	-	+38,804
	-5%	-	-38,804
Financial liabilities	+5%	-	+14,029
	-5%	-	-14,029

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

42. Risk management (continued)

c) Financial risks (continued)

(a) Currency risk (continued)

31 December 2018	Change in exchange rates	Profit or loss AED'000	Other comprehensive income AED'000
Financial assets	+5%	-	+38,229
	-5%	-	-38,229
Financial liabilities	+5%	-	+16,017
	-5%	-	-16,017

(c) Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments.

Sensitivities

The analysis below is performed for reasonably possible movements in equity prices with all other assumptions held constant showing the impact on net profit or equity.

31 December 2019	**Change in equity prices**	**Profit or loss AED'000**	**Other comprehensive income AED'000**
	+10%	+2,186	+6,294
	-10%	-2,186	-6,294

31 December 2018	Change in equity prices	Profit or loss AED'000	Other comprehensive income AED'000
	+10%	+5,592	+7,417
	-10%	-5,592	-7,417

43. Capital risk management

The Group's objectives when managing capital are:

- To comply with the capital requirements required by the UAE Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

In UAE, the local takaful regulator specifies the minimum amount and type of capital that must be held by the Group in addition to its takaful liabilities. The minimum required capital (presented below) must be maintained at all times throughout the year. The Group is subject to local takaful solvency regulations with which it has complied during the year.

The below summaries the minimum regulatory capital of the Group and the total held.

	2019 AED'000	2018 AED'000
Minimum regulatory capital	**100,000**	100,000
Total shareholders' equity	**771,784**	724,455

The UAE Insurance Authority has issued a Resolution No. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing takaful companies and AED 250 million for re-insurance companies. The resolution also stipulates that atleast 75 percent of the capital of the takaful companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Group is in compliance with these requirements.

44. Re-presentation

During the year, Group had re-classified its investments in its subsidiary, as asset held-for-sale, based on the Board of Directors resolution to dispose of Salama Assurance Senegal, due to which consolidated statement of profit or loss is re-presented of the prior year as if the subsidiary was held-for-sale prior year as well. The following table summaries the impact of re-presentation:

	Impact of re-presentation		
	Previously reported AED'000	Re-presentation AED'000	As re-presented AED'000
UNDERWRITING RESULTS			
Underwriting income	764,395	(14,940)	749,455
Underwriting expenses	(612,547)	6,446	(606,101)
Net underwriting income	151,848	(8,494)	143,354
Income from other sources	30,478	(683)	29,795
Expenses	(139,016)	6,983	(132,033)
Net profit before tax	43,310	(2,194)	41,116
Taxation - current	(11,421)	1,080	(10,341)
Net loss after tax before policyholders' distribution	31,889	(1,114)	30,775
Distribution to policyholders of Group	(12,034)	-	(12,034)
Net loss after tax and distribution to policyholders from continuing operations	19,855	(1,114)	18,741
DISCONTINUED OPERATIONS			
Loss from discontinued operations	(19,378)	1,114	(18,264)
Net loss after tax and distribution to policyholders	477	-	477
Attributable to:			
Shareholders	2,039	-	2,039
Non-controlling interest	(1,562)	-	(1,562)
	477	-	477

There is no impact on Group's statement of financial position for the year ended 31 December 2018.

Notes to the consolidated financial statements
For the year ended 31 December 2019 (continued)

45. Subsequent events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the globe, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it is practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

46. Fees and penalties

During the year ended 31 December 2019, Group has paid fees and penalties amounting to AED 15,000 (2018: Nil).

47. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 25 March 2020.