Islamic Arab Insurance Co. (Salama)
and its subsidiaries

Directors’ report and consolidated financial statements

for the year ended 31 December 2015

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Directors’ report and consolidated financial statements
for the year ended 31 December 2015

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SALAMA

We present 36th Annual Report together with the audited consolidated financial statements for the year ended 31 December 2015.

SALAMA has many sustainable operations which have been managed profitably since 2005. The loss witnessed in 2015 has been primarily due to the final closure of BEST RE which has led to writing off of a large part of Group's profit. The other area that has contributed to losses is Motor business in the UAE which by its very nature is highly competitive and volatile. In 2015 the motor insurance business faced many challenges leading to losses for many operators in the market.

SALAMA has been able to achieve market leadership in many segments and has grown continuously and organically with stronger partnerships and distribution channels. Rest assured SALAMA is strong and seasoned to weather cyclical losses without impacting its growth strategy.

SALAMA's net shareholders equity as of 31 December 2015 is about AED 960 million which is substantially larger than other operators and higher than the minimum regulatory requirement. Our credit rating remains BBB+ with stable outlook as per S&P.

During the year consolidated net underwriting income is AED 56 million as compared to AED 97 million last year. Consolidated results before distribution to policyholders and discontinued operation losses stands at AED 79 million loss as compared to AED 25 million loss last year.

Head Office
Dubai – Spectrum Building

Claims Department

Oud Metha Branch
Dubai – Al Nasr Plaza Building

Abu Dhabi Branch
Abu Dhabi – DIB Building

Al Ain Branch

Sharjah Branch

SALAMA

The following are highlights from our consolidated financial statements for years ended 31 December 2015 and 2014:

	2015 AED '000	2014 AED '000
Gross written contributions	**933,346**	**764,117**
Contributions earned	**699,854**	**544,615**
Incurred claims	**455,850**	**297,126**
Net UW income	**56,228**	**97,200**
Investment income	**18,914**	**26,650**
Net (loss)/ profit for the year	**(162,840)**	**36,744**

SALAMA remains strong and resilient in face of short term challenges. We are very confident that we will be able to right the temporary situation in UAE motor business and yield better results from this segment. While implementing corrective action for the motor business, SALAMA will continue to nurture other business areas which significantly contribute to its profitability. We will continue to lead Takaful market in UAE through strong leadership and innovation in different segments.

Finally, we would like to convey our thanks to our clients and reinsurers for their invaluable support. We would also like to thank the management and staff for their efforts and contribution towards the growth of SALAMA.

Board of Directors

30 MAR 2016

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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Islamic Arab Insurance Co. (Salama) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 and explanations we considered necessary for the purposes of our audit;

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 notes 16 and 18 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2015;

vi) note 29 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 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 consolidated financial position as at 31 December 2015; and

viii) note 12 to the consolidated financial statements discloses the social contributions made during the year.

Further, as required by the UAE Federal Law No. 6 of 2007, as amended, we report that we have obtained all the information and explanation we considered necessary for the purposes of our audit.

30 MAR 2016

KPMG Lower Gulf Limited
Munther Dajani
Registered Auditor Number: 268
Dubai, United Arab Emirates

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of profit or loss

for the year ended 31 December

CONTINUING OPERATIONS

UNDERWRITING RESULTS	*Note*	**2015**	2014
		AED’000	AED’000
Underwriting income			(Restated)
Gross written contributions	39	**933,346**	764,117
Less: reinsurance and retakaful contributions ceded		**(213,497)**	(183,155)
Net contributions		**719,849**	580,962
Net movement in unearned contributions		**(19,995)**	(36,347)
Contributions earned		**699,854**	544,615
Commission received on ceded reinsurance and retakaful		**52,945**	22,067
		752,799	566,682
Underwriting expenses			
Gross claims paid		**512,581**	340,586
Less: reinsurance and retakaful share of claims paid		**(146,593)**	(88,403)
Net claims paid		**365,988**	252,183
Net movement in outstanding claims and technical reserve family takaful		**89,862**	44,943
Claims incurred		**455,850**	297,126
Commission paid and other costs		**240,721**	172,356
		696,571	469,482
Net underwriting income	39	**56,228**	97,200
Income from other sources			
Income from investments	10	**18,914**	26,650
Other income		**24,104**	15,437
		99,246	139,287
Expenses			
General, administrative and other expenses	11	**(137,622)**	(147,733)
Finance expenses		**(992)**	(2,001)
Impairment on goodwill		**(27,043)**	-
Provision for charitable donations	12	**(658)**	(100)
Net loss before tax		**(67,069)**	(10,547)
Taxation - current	36	**(12,070)**	(14,775)
Net (loss) / profit after tax before policyholders’ distribution		**(79,139)**	(25,322)
Distribution to policyholders of Company	8	**(15,597)**	(7,092)
Policyholders' surplus	8	**-**	-
Net loss after tax and distribution to policyholders from continuing operations		**(94,736)**	(32,414)
DISCONTINUED OPERATIONS			
(Loss) / profit from discontinued operations	41	**(68,104)**	69,158
Net (loss) / profit after tax and distribution to policyholders		**(162,840)**	36,744
Attributable to:			
Shareholders		**(171,548)**	38,777
Non-controlling interest		**8,708**	(2,033)
		(162,840)	36,744
(Loss) / earnings per share (AED)	35	**(0.144)**	0.033
Loss per share (AED) - continuing operations		**(0.080)**	(0.027)

The notes on pages 11 to 69 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 3-4.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of comprehensive income

for the year ended 31 December

	2015 AED'000	2014 AED'000
Net (loss) / profit after tax and distribution to policyholders	**(162,840)**	36,744
Other comprehensive loss net of income tax		
Items that will never be reclassified to profit or loss:		
Net change in revaluation of property and equipment	**(1,165)**	(5,449)
Items that are or may be reclassified to profit or loss:		
Net change in fair value of available-for-sale investments	**(8,769)**	(1,198)
Foreign exchange translation reserve	**(36,127)**	(17,281)
Other comprehensive loss	**(46,061)**	(23,928)
Total comprehensive (loss) / income	**(208,901)**	12,816
Attributable to:		
Shareholders	**(212,360)**	17,933
Non-controlling interest	**3,459**	(5,117)
	(208,901)	12,816

The notes on pages 11 to 69 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 3-4.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of financial position

as at 31 December

	Note	31 December 2015 AED'000	31 December 2014 AED'000
ASSETS			
Property and equipments	*13*	**71,138**	99,370
Goodwill and intangibles	*14*	**127,194**	155,270
Investment properties	*15*	**53,873**	257,267
Investments in associates	*16*	**87,548**	42,559
Statutory deposits	*17*	**21,476**	13,557
Investments	*18*	**701,552**	840,119
Participants' investments in unit-linked contracts	*18.2*	**766,687**	664,210
Deposits with takaful and retakaful companies	*19*	**4,598**	144,211
Contributions and takaful balance receivables	*20*	**203,829**	461,408
Retakafuls' share of outstanding claims	*23*	**116,243**	195,115
Retakafuls' share of unearned contributions	*24*	**71,345**	72,142
Amounts due from related parties	*29*	**11,474**	15,648
Other assets and receivables	*21*	**339,320**	241,960
Cash and bank balances	*22*	**52,603**	388,753
Assets held-for-sale	*42*	**730,309**	-
TOTAL ASSETS		**3,359,189**	3,591,589
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Bank finance	*28*	**4,676**	147,842
Outstanding claims and family takaful reserve	*23*	**388,338**	671,023
Payable to Participants for unit-linked contracts	*26*	**759,597**	661,334
Unearned contributions reserve	*24*	**235,808**	303,302
Takaful balances payable	*25*	**120,742**	398,208
Other payables and accruals	*27*	**203,311**	171,276
Liabilities held-for-sale	*42*	**613,264**	-
TOTAL LIABILITIES		**2,325,736**	2,352,985
Policyholders' fund	*30*	**-**	-
NET ASSETS EMPLOYED		**1,033,453**	1,238,604
FINANCED BY:			
Shareholders' equity		**959,307**	1,172,933
Non-controlling interest		**74,146**	65,671
		1,033,453	1,238,604

The notes on pages 11 to 69 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 MAR 2016 and signed on their behalf by:

Sheikh Khaled Bin Zayed Al Nehayan
Chairman

Dr. Saleh J. Malaikah
Vice Chairman & CEO

The independent auditors' report is set out on page 3-4.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December

	2015 AED'000	2014 AED'000
Cash flows from operating activities		
Net (loss) / profit after tax and distribution to policyholders'	**(162,840)**	36,744
Adjustment for:		
Depreciation	**4,779**	7,678
Net movement in unearned contributions reserve	**(66,697)**	(64,739)
Unrealised loss on investments	**10,922**	3,281
Unrealised loss on investment properties	**1,945**	1,050
Realised gain on sale of investment property	**-**	(475)
Amortisation of intangible assets	**604**	988
Impairment of goodwill	**27,043**	-
Share of profit from associates	**(2,396)**	(1,674)
Dividend income	**(976)**	(1,591)
Operating loss before changes in working capital	**(187,616)**	(18,738)
Change in deposits with takaful and retakaful companies	**139,613**	7,143
Change in contributions and takaful balance receivable	**257,579**	240,322
Change in due from related parties	**4,174**	(2,948)
Change in other assets and receivables	**(97,360)**	(46,233)
Change in outstanding claims (net of retakaful)	**(203,813)**	(252,872)
Change in takaful payables and other payables	**(245,431)**	(287,160)
Change in payable to participants for unit-linked contracts	**98,263**	21,135
Net cash flows used in operating activities	**(234,591)**	(339,351)
Cash flows from investing activities		
Property and equipment-net	**23,453**	10,201
Net movement in intangible assets	**429**	(2,634)
Purchase of investment property	**-**	(17,388)
Sale proceeds from sale of investment property	**79,983**	66,549
Investment in associate	**(43,524)**	-
Dividend income from an associate	**931**	620
Statutory deposits	**(7,919)**	5,330
Investments-net	**(16,472)**	341,130
Dividends received	**976**	1,591
Net cash flows generated from investing activities	**37,857**	405,399
Cash flows from financing activities		
Bank finance-net	**(143,166)**	(17,884)
Net movement in non-controlling interest	**3,750**	(981)
Net cash flows used in financing activities	**(139,416)**	(18,865)
Net (decrease) / increase in cash and cash equivalents	**(336,150)**	47,183
Cash and cash equivalents at 1 January	**388,753**	341,570
Cash and cash equivalents at 31 December (note 22)	**52,603**	388,753

The notes on pages 11 to 69 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 3-4.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Attributable to the equity holders of the Company									
	Share capital AED'000	**Statutory reserve AED'000**	**Revaluation reserve AED'000**	**Foreign exchange translation reserve AED'000**	**Investment fair value reserve AED'000**	**Treasury stock AED'000**	**Accumulated losses AED'000**	**Total AED'000**	**Non-controlling interest AED'000**	**Total equity AED'000**
Balance at 1 January 2015	1,210,000	73,861	42,173	(30,697)	12,719	(35,972)	(99,151)	1,172,933	65,671	1,238,604
Total comprehensive loss for the year										
Loss for the year	-	-	-	-	-	-	(171,548)	(171,548)	8,708	(162,840)
Other comprehensive loss										
Net changes in revaluation of property and equipment	-	-	(2,426)	-	-	-	-	(2,426)	1,261	(1,165)
Movement in foreign exchange translation reserve	-	-	-	(30,913)	-	-	-	(30,913)	(5,214)	(36,127)
Movement in net change in fair value of available-for-sale investments	-	-	-	-	(8,739)	-	-	(8,739)	(30)	(8,769)
Total other comprehensive loss	-	-	(2,426)	(30,913)	(8,739)	-	-	(42,078)	(3,983)	(46,061)
Total comprehensive loss for the year	-	-	(2,426)	(30,913)	(8,739)	-	(171,548)	(213,626)	4,725	(208,901)
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	6,718	6,718
Surplus revaluation reserve transferred to retained earnings	-	-	(4,278)	-	-	-	4,278	-	-	-
Transactions with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(2,968)	(2,968)
Balance at 31 December 2015	**1,210,000**	**73,861**	**35,469**	**(61,610)**	**3,980**	**(35,972)**	**(266,421)**	**959,307**	**74,146**	**1,033,453**

The notes on pages 11 to 69 form an integral part of these consolidated financial statements.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2015

	Attributable to the equity holders of the Company									
	Share capital AED'000	**Statutory reserve AED'000**	**Revaluation reserve AED'000**	**Foreign exchange translation reserve AED'000**	**Investment fair value reserve AED'000**	**Treasury stock AED'000**	**Accumulated losses AED'000**	**Total AED'000**	**Non-controlling interest AED'000**	**Total equity AED'000**
Balance at 1 January 2014	1,210,000	69,983	46,723	(15,601)	13,917	(35,972)	(134,050)	1,155,000	71,769	1,226,769
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	38,777	38,777	(2,033)	36,744
Other comprehensive loss										
Share in net changes in revaluation of property and equipment	-	-	(4,550)	-	-	-	-	(4,550)	(899)	(5,449)
Share in foreign exchange translation reserve	-	-	-	(15,096)	-	-	-	(15,096)	(2,185)	(17,281)
Share in net change in fair value of available-for-sale investments	-	-	-	-	(1,198)	-	-	(1,198)	-	(1,198)
Total other comprehensive loss	-	-	(4,550)	(15,096)	(1,198)	-	-	(20,844)	(3,084)	(23,928)
Total comprehensive income for the year	-	-	(4,550)	(15,096)	(1,198)	-	38,777	17,933	(5,117)	12,816
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	2,514	2,514
Transfer to statutory reserve	-	3,878	-	-	-	-	(3,878)	-	-	-
Transactions with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(3,495)	(3,495)
Balance at 31 December 2014	**1,210,000**	**73,861**	**42,173**	**(30,697)**	**12,719**	**(35,972)**	**(99,151)**	**1,172,933**	**65,671**	**1,238,604**

The notes on pages 11 to 69 form an integral part of these consolidated financial statements.

1 Legal status and activities

Islamic Arab Insurance Co. (Salama) ("the Company") is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari'ah principles and in accordance with the 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 40 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 2015**	31 December 2014	**Country of incorporation**
Directly owned			
Tariic Holding Company B.S.C	**99.40%**	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	*** 85.00%**	-	Egypt
Salama Immobilier	*** 81.50%**	-	Senegal
Through Tariic			
Salama Assurance Senegal	**57.41%**	57.41%	Senegal
Salama Assurances Algerie	**96.98%**	96.98%	Algeria
Egyptian Saudi Insurance Home	**51.15%**	51.15%	Egypt
Best Re Holding Company (discontinued operations)	**100%**	100%	Malaysia

* During the year, the Group formed two new subsidiaries i.e. MISR Emirates Takaful Life Insurance Co. in Egypt with an investment of AED 13.8 million and effective ownership of 85% and Salama Immobilier with an investment of AED 5.5 million and effective ownership of 81.50%.

2 Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and comply with applicable requirements of UAE Law.

On 1 April 2015, a new UAE Federal Law No 2 of 2015 for the Commercial Companies ("UAE Companies Law of 2015") was issued with effective date on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein. The Group is in the process of adopting the new Federal Law and will be fully compliant before the transitional provisions deadline.

Further, under UAE Federal Law No 6 of 2007, relating to Establishment of Insurance Authority and regulation of Insurance operations, new financial regulations for insurance companies were issued on 29 January 2015. The financial regulations provided an alignment period to the Insurance companies between one to three years from its publication in the Official Gazette to align the operations to the covenants of the regulations therein. The Group is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline given.

2 Basis of preparation (continued)

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

i) financial instruments at fair value through profit and loss ("FVTPL") and unit linked contracts are measured at fair value,

ii) available-for-sale ("AFS") financial assets are measured at fair value; and

iii) investment properties are measured at fair value.

c) 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.

d) Critical accounting estimates and judgment in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

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

The estimation of the ultimate liability arising from claims made under takaful contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in estimating the liability that the Group will ultimately pay for such claims. The provision for claims incurred but not reported ("IBNR") is an estimation of claims which are expected to be reported subsequent to the date of consolidated statement of financial position, for which the insured event has occurred prior to the date of consolidated statement of financial position.

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment within the next financial year relating to outstanding claims and family takaful reserves are included in note 23 to the consolidated financial statements.

Impairment losses on contributions and takaful balance receivables

The Group assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Group evaluates credit risk characteristics that consider industry, past-due status and an estimation of future cash flows being indicative of the ability to pay all amounts due as per the contractual terms.

Impairment losses on available-for-sale investments

The Group determines that available-for-sale quoted and unquoted equity securities are impaired when there has been a significant or prolonged decline in the fair value below its cost. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In making this judgment, the Group evaluates credit risk characteristics that consider industry, past due status and an estimation of future cash flows being indicative of the ability to pay all amounts due as per the contractual terms.

2 Basis of preparation (continued)

d) Critical accounting estimates and judgment in applying accounting policies(continued)

Deferred policy acquisition costs

The amount of acquisition costs to be deferred is dependent on judgments as to which issuance costs are directly related to and vary with the acquisition. Acquisition 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(b). 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.

e) Changes in accounting policy

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2015.

A. IAS 16, IAS 38 – proportionate restatement of accumulated depreciation/amortization on revaluation of property, plant and equipment

B. Amendments to IAS 27 – Equity method in Separate Financial Statements

C. Amendments to IAS 40 – Interrelationship between IFRS 3 and IAS 40

D. Amendment to IFRS 8 - Operating Segments – Aggregation of segments and reconciliations of segment assets

E. Amendment to IFRS 3 - Business Combination – Accounting for contingent consideration and scope exception for joint operation

The adoption of the above standards did not have an impact on these consolidated financial statements.

3 Significant accounting policies

Except for the change in accounting policy stated in note 2(e), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The consolidated financial statements of the subsidiary are included in the Group's consolidated financial statements from the date that control commences until the date that control ceases.

Non controlling interest in the equity and results of the entities that are controlled by the Group are shown separately as a part of consolidated statements of changes in shareholders equity in the Group's consolidated financial statements.

Any contribution or discounts on subsequent acquisition, after control is obtained, of equity instruments from (or sale of equity instruments to) non controlling interest is recognised directly in consolidated statement of shareholders' equity.

3 **Significant accounting policies** (continued)

a) **Basis of consolidation** (continued)

Investment in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the Group's consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated, wherever practicable, to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

3 Significant accounting policies (continued)

b) Takaful contracts

i. 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.

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.

ii. 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.

a) General Takaful contracts

Gross written contributions, in respect of annual policies, are recognised in the consolidated statement of profit or loss at policy inception. In respect to policies with a term of more than one year, 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.

b) Family Takaful contracts

These contracts relate to human life events for example death or survival, 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.

c) 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 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.

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.

3 Significant accounting policies (continued)

b) Takaful contracts (continued)

ii. Recognition and measurement (continued)

c) Investment featured unit-linked contracts (continued)

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 Sharia 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 Tabaru 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 (for example, death or survival) 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.

iii. 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.

iv. 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 Significant accounting policies (continued)

b) Takaful contracts (continued)

v. 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.

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 basis of estimating outstanding claims and IBNR are detailed in note 23.

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

vi. Contribution deficiency reserve and unearned contribution reserves

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. An additional provision is made at the consolidated financial position date for potential shortfall in, earned contribution reserve by reference to 1/24th method except for marine business where 1/6th method is used. Unearned contributions for Family takaful business are calculated by the actuary.

vii. 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

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)

b) Takaful contracts (continued)

viii. 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 amortised systematically over the average policy life. Commission that relates to investments feature has been allocated to Participants on prorata basis.

ix. 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.

x. 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.

xi. 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.

c) Revenue (other than takaful revenue)

Revenue (other than takaful revenue) comprises the following:

i) 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.

ii) Investment income

Investment income comprises income from financial assets, rental income from investment properties and marked to market gains/losses on investment properties.

Income from financial assets comprises profit and dividend income, net gains/losses on financial assets classified at fair value through profit or loss, and realised gains/losses on financial assets.

Profit income is recognised on a time proportion basis using effective yield basis. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains/losses on financial assets classified at fair value through profit or loss and realised gains on other financial assets are described in note 3 (d).

3 **Significant accounting policies** (continued)

c) Revenue (other than takaful revenue) (continued)

ii) Investment income (continued)

Rental income from investment properties under operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of each lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Fair value gains/losses on investment properties are included in the consolidated statement of profit or loss in the period these gains are determined. Details of valuations techniques and significant unobservable inputs used during the year are included in note 15.

d) Financial instruments (financials assets and financial liabilities)

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, takaful and other receivables, cash and cash equivalents, amount due to and from related party, deposits with takaful and retakaful companies, investment contract liabilities, bank finance, family takaful reserve, takaful and other payables and other liabilities.

i) Recognition, derecognition and initial measurement

Non-derivative financial instruments are measured initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Financial instruments are initially recognised on the trade date when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Group's contractual obligations specified in the contract expire or are discharged or cancelled. Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Group commits itself to purchase or sell the asset.

ii) Categories of financial instruments

Financial instruments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Subsequent to initial measurement, financial instruments at fair value through profit or loss are measured at fair value, with fair value changes recognised in consolidated statement of profit or loss. Net changes in the fair value of financial assets classified as at fair value through profit or loss includes profit income and any dividends received.

3 Significant accounting policies (continued)

d) Financial instruments (continued)

Non-derivative financial instruments (continued)

ii) Categories of financial instruments (continued)

In October 2008 the IASB issued Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures). The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

a) If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

b) If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in ‘rare circumstances’.

The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008.

Pursuant to these amendments, the Group reclassified certain non-derivative financial assets out of trading assets into available-for-sale investment securities.

All financial assets held by the Group in respect of its long term business funds are designated by the Group on initial recognition at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these assets were not measured at fair value and the changes in fair value were not recognised in profit or loss.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, and these debt securities 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 interest method, less any impairment

Available-for-sale financial assets

This category is used for financial assets that are not classified as at fair value through profit or loss or held-to-maturity investments. Profit income is recognised in consolidated statement of profit or loss using the effective interest method. Dividend income is recognised in consolidated statement of profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains/losses on monetary securities are recognised in consolidated statement of profit or loss. Other fair value changes are recognised directly in statement of comprehensive income until the investment is sold or impaired and the relevant balance in equity is recognised in consolidated statement of profit or loss.

Other financial assets

Other non-derivative financial assets, such as cash and cash equivalents and takaful and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

3 Significant accounting policies (continued)

d) Financial instruments (continued)

Non-derivative financial instruments (continued)

iii) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards. Gains and losses arising from a group of similar transactions are reported on a net basis.

iv) Fair value measurement principle

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the consolidated statement of profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3 Significant accounting policies (continued)

d) Financial instruments (continued)

Non-derivative financial instruments (continued)

v) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about any significant financial difficulty of the issuer, significant changes in the technological, market, economic or legal environment in which the issuer operates. A significant or prolonged decline in the fair value of an equity instrument below its cost is also objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in consolidated statement of profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in statement of comprehensive income is transferred to consolidated statement of profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in consolidated statement of profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in consolidated statement of comprehensive income.

vi) Payable to Participants for unit-linked contracts

Payable to unit holder is classified as financial liability, which is designated as fair value through profit or loss, upon initial recognition. Subsequent to initial measurement, financial liabilities fair value through profit or loss are measured at fair value and any fair value change are recognised in consolidated statement of profit or loss.

vii) Other financial instruments

Other financial liabilities include amounts payable in the future to agents and intermediaries in respect of investment contracts issued by the Group. Payments are made on an annual basis on the anniversary of the inception of a contract if a contract has not been surrendered at that date.

3 Significant accounting policies (continued)

d) Financial instruments (continued)

Non-derivative financial instruments (continued)

vii) Other financial instruments(continued)

These financial liabilities are measured at fair value on initial recognition. Fair value is determined by discounting the present value of the expected future payments at the discount rate that reflects current market assessment of the time value of money for a liability of equivalent average duration.

Subsequent to initial recognition these financial liabilities are stated at amortised cost using the yield basis.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

e) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in statement of income.

The Group determines fair value on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated statement of profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

f) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the spot exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the spot exchange rates ruling at the date of consolidated statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to AED at the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss. The assets and liabilities of foreign subsidiaries and the equity of associates are translated at the rate of exchange ruling at the reporting date.

The consolidated statements of profit or loss and comprehensive income of foreign subsidiaries and the results of associates are translated at the average exchange rates for the year. The exchange differences on the retranslation are taken directly to the consolidated statement of comprehensive income.

3 Significant accounting policies (continued)

g) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of tax effects.

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.

h) Property and equipment and depreciation

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any except for land and building which are stated at revalued amount.

Capital work in progress

Capital work in progress is stated at cost until the construction is complete. Upon the completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalised borrowing costs are transferred to the respective class of asset. Depreciation is charged if use of the asset commences before construction is complete.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised. All other expenditure is recognised in the consolidated statement of profit or loss as an expense.

Depreciation

Depreciation is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. The depreciation methods, useful lives and residual value of property and equipment are reassessed annually. The estimated useful lives of these assets (except for land) are 4-10 years.

i) Employee terminal benefits

Defined benefit plan

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The management considers that the difference between the liability as calculated using an actuarial method would not be materially different from the provision carried in the financial statements.

With respect to national employees, the Group makes contributions to local takaful schemes as per the local laws calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3 Significant accounting policies (continued)

j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current accounts with banks and bank deposits with maturities of less than three months, net of revolving bank finance and excluding deposits under lien.

k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

l) Operating lease

Leases in terms of which the substantial risk and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease rentals and payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

m) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiary.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised directly in statement of profit or loss.

Acquisitions of non controlling interest

Goodwill arising on the acquisition of a non controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Software

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets comprise of software costs, which are amortised over a period of 3-5 years. Expenditure on internally generated intangible assets is recognised in the consolidated statement of profit or loss as an expense as incurred.

n) 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.

o) 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 (refer note 30).

3 Significant accounting policies (continued)

p) 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.

Therefore, the Group maintains separate accounts for takaful operations on behalf of the policyholders.

q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

r) 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.

s) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Property and equipment

The fair value of property and equipment, where relevant is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

3 Significant accounting policies (continued)

s) Determination of fair values (continued)

ii) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

iii) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of profit at the reporting date.

iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the market rate of profit at the reporting date. In respect of the liability component of convertible notes, if any, the market rate of profit is determined by reference to similar liabilities that do not have a conversion option.

t) Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities using current estimates of future cash flows under takaful contracts. In performing these, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets supporting such liabilities are used. Any deficiency in the carrying amounts is immediately charged to the statement of profit or loss for takaful operations by establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision).

Where the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

u) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

Reference	Title	Financial year beginning on or after
- IFRS 15	Revenue from Contracts with Customers	1 January 2018
- IFRS 9	Financial Instruments	1 January 2018

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

3 Significant accounting policies (continued)

u) New standards and interpretations not yet effective (continued)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements. In particular, calculation of impairment of financial instruments on an expected credit loss basis is expected to result in an increase in the overall level of impairment allowances.

4 Risk management

The Group issues contracts that transfer either insurance risk or both insurance 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.

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 minimize the risk of default and insolvency on the part of the takaful companies to meet unforeseen liabilities as these arise.

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.

4 **Risk management** (continued)

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 mainly 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 damaged 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.

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.

4 Risk management (continued)

b) Takaful risk (continued)

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 financial 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.

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 reinsurer 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 exposure on any one single event is limited to AED 5 million (*2014: AED 5 million*).

4 **Risk management** (continued)

b) **Takaful risk** (continued)

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 income statement. 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 Individual Family Takaful Portfolio involve the use of actuarial analysis from an independent actuary.

4 Risk management (continued)

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.

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 minimize 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.

Exposure to credit risk

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 follows:

	2015	2014
	AED'000	AED'000
Financial assets		
Statutory deposits	**21,476**	13,557
Investments	**682,755**	819,633
Deposits with insurance and reinsurance companies	**4,598**	144,211
Contribution and takaful balance receivables	**203,829**	461,408
Amounts due from related parties	**11,474**	15,648
Other assets (excluding prepayments)	**18,575**	33,278
Cash at bank	**51,871**	388,695
Total	**994,578**	1,876,430

4 Risk management (continued)

c) Financial risks (continued)

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.

31 December 2015	**Carrying value**	**Total**	**Less than 180 days**	**180 days to 1 year**	**1-5 year**	**Over 5 year**	**No stated maturity**
		Contractual cash flows AED '000					
Family takaful reserves	**45,544**	**(45,544)**	**-**	**-**	**(45,544)**	**-**	**-**
Takaful balance payable	**120,742**	**(120,742)**	**(53,116)**	**(11,671)**	**(46,674)**	**-**	**(9,281)**
Payable to Participants for unit-linked contracts	**759,597**	**(759,597)**	**-**	**-**	**-**	**-**	**(759,597)**
Other payables	**173,602**	**(173,602)**	**(79,371)**	**(76,983)**	**-**	**-**	**(17,248)**
Bank finance	**4,676**	**(4,676)**	**(4,676)**	**-**	**-**	**-**	**-**
Total liabilities	**1,104,161**	**(1,104,161)**	**(137,163)**	**(88,654)**	**(92,218)**	**-**	**(786,126)**

31 December 2014	Carrying value	Total	Less than 180 days	180 days to 1 year	1-5 year	Over 5 year	No stated maturity
		Contractual cash flows AED '000					
Family takaful reserves	21,083	(21,083)	-	-	(21,083)	-	-
Takaful balance payable	398,208	(398,208)	(65,058)	(10,163)	(40,653)	-	(282,334)
Payable to Participants for unit-linked contracts	661,334	(661,334)	-	-	-	-	(661,334)
Other payables	140,781	(140,781)	(92,450)	(36,116)	-	-	(12,215)
Bank finance	147,842	(220,372)	(11,019)	(6,327)	(30,007)	(173,019)	-
Total liabilities	1,369,248	(1,441,778)	(168,527)	(52,606)	(91,743)	(173,019)	(955,883)

4 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 Company'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 2015	**Financial assets**	**Financial liabilities**	**Net**
Currency	**AED'000**	**AED'000**	**AED'000**
USD	**370,259**	**(29,644)**	**340,615**
EGP	**265,963**	**(127,433)**	**138,530**
CFA	**18,838**	**(19,441)**	**(603)**
DZD	**186,693**	**(80,449)**	**106,244**
Others	**114,247**	**(6,479)**	**107,768**

31 December 2014	Financial assets	Financial liabilities	Net
Currency	AED'000	AED'000	AED'000
EURO	31,134	(143,185)	(112,051)
USD	1,149,403	(667,939)	481,464
EGP	305,939	(192,299)	113,640
TND	92	(1,335)	(1,243)
CFA	11,828	(19,242)	(7,414)
DZD	200,230	(87,792)	112,438
Others	183,233	(31,717)	151,516

4 Risk management (continued)

c) Financial risks (continued)

iii) Market risk (continued)

(a) Currency risk (continued)

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 Company's own assets and liabilities is considered insignificant.

31 December 2015	**Change in exchange rates**	**Profit or loss**	**Other comprehensive income**
		AED'000	**AED'000**
Financial assets	**+5%**	**-**	**+47,800**
	-5%	**-**	**-47,800**
Financial liabilities	**+5%**	**-**	**+13,172**
	-5%	**-**	**-13,172**

31 December 2014	Change in exchange rates	Profit or loss	Other comprehensive income
		AED'000	AED'000
Financial assets	+5%	-	+94,093
	-5%	-	-94,093
Financial liabilities	+5%	-	+57,175
	-5%	-	-57,175

(b) Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

The Group mainly placed financial instruments through islamic structures. The rates are contractually fixed and not exposed to any significant market risk.

(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 equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

4 Risk management (continued)

c) Financial risks (continued)

iii) Market risk (continued)

(c) Equity price risk (continued)

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 2015

Change in equity prices	Profit or loss AED'000	Other comprehensive income AED'000
+10%	**+3,301**	**+11,026**
-10%	**-3,301**	**-11,026**

31 December 2014

Change in equity prices	Profit or loss AED'000	Other comprehensive income AED'000
+10%	+4,337	+30,067
-10%	-4,337	-30,067

d) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks.

The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

5 Acquisition of subsidiaries

As stated in note 1, with effect from 1 January 2005, the Company 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 Company as the Group has control over the operating and financial policies of Tariic. The above acquisition resulted in recognition of Goodwill in statement of financial position amounting to AED 186.19 million.

Subsequent to the above acquisition, as stated in note 1, the Company increased its holding in Tariic to 99.40% as at September 30, 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 Company's shareholder's equity.

In addition to the acquisitions in Tariic, as stated in note 1, Company acquired shares in Best Re, subsidiary of Tariic. The goodwill amounting to AED 25.6 million was recognised in Company's shareholder's equity. After the acquisition, Tariic acquired further holding in Best Re and recognised AED 7.4 million discounts directly in Tariic's shareholder's equity. Consequently, the share of Company to the above discount of AED 7.0 million was recognised directly in shareholders' equity.

The management has allocated goodwill to each subsidiary on systematic basis. Based on the decision of the Board of Directors of the Group to sell its investment in one of its subsidiary Best Re Holding (see note 41), the management has written off the remaining carrying value of goodwill attributable to subsidiary in full to profit or loss being the difference between carrying value and recoverable amount. The management had earlier written off AED 34.4 million of goodwill in the year 2013.

The carrying value has been tested for impairment by using an earnings multiples model based of comparable peers. Companies exist in the similar market with similar size.

The key assumptions described above may change as the economic and market conditions change. Management estimates that reasonably possible changes in these assumptions are not expected to cause the recoverable amount of goodwill to decline below the carrying amount.

6 Accounting 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.

At 31 December 2015	FVTPL	Available-for-sale investments	Amortised cost	Others	Total carrying amount
	AED '000	AED '000	AED '000	AED '000	AED '000
Financial assets					
Investments	**33,009**	**110,260**	**558,283**	**-**	**701,552**
Investments in associates	**-**	**-**	**-**	**87,548**	**87,548**
Statutory deposits	**-**	**-**	**21,476**	**-**	**21,476**
Participants' investments in unit-linked contracts	**766,687**	**-**	**-**	**-**	**766,687**
Deposits with takaful and retakaful companies	**-**	**-**	**4,598**	**-**	**4,598**
Contributions and takaful balance receivables	**-**	**-**	**203,829**	**-**	**203,829**
Amounts due from related parties	**-**	**-**	**11,474**	**-**	**11,474**
Other assets and receivables	**-**	**-**	**18,575**	**-**	**18,575**
Cash and bank balances	**-**	**-**	**52,603**	**-**	**52,603**
	799,696	**110,260**	**870,838**	**87,548**	**1,868,342**
Financial liabilities					
Bank finances	**-**	**-**	**4,676**	**-**	**4,676**
Payable to Participants for unit-linked contracts	**759,597**	**-**	**-**	**-**	**759,597**
Takaful balances payable	**-**	**-**	**120,742**	**-**	**120,742**
Other payables	**-**	**-**	**173,602**	**-**	**173,602**
	759,597	**-**	**299,020**	**-**	**1,058,617**

6 Accounting classification of financial assets and financial liabilities (continued)

At 31 December 2014	FVTPL	Available-for-sale investments	Amortised cost	Others	Total carrying amount
	AED '000	AED '000	AED '000	AED '000	AED '000
Financial assets					
Investments	43,365	300,665	496,089	-	840,119
Investments in associates	-	-	-	42,559	42,559
Statutory deposits	-	-	13,557	-	13,557
Participants' investments in unit-linked contracts	664,210	-	-	-	664,210
Deposits with takaful and retakaful companies	-	-	144,211	-	144,211
Contributions and takaful balance receivables	-	-	461,408	-	461,408
Amounts due from related parties	-	-	15,648	-	15,648
Other assets and receivables	-	-	33,278	-	33,278
Cash and bank balances	-	-	388,753	-	388,753
	707,575	300,665	1,552,944	42,559	2,603,743
Financial liabilities					
Bank finances	-	-	147,842	-	147,842
Payable to Participants for unit-linked contracts	661,334	-	-	-	661,334
Takaful balances payable	-	-	398,208	-	398,208
Other payables	-	-	140,781	-	140,781
	661,334	-	686,831	-	1,348,165

7 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.

7 Fair value of financial instrument (continued)

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 between the instruments.

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.

a) Fair value hierarchy of assets measured at fair value

The following table analyses financial instruments 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.

As at 31 December 2015

Financial assets	**Level 1 AED '000**	**Level 2 AED '000**	**Level 3 AED '000**	**Total AED '000**
Financial asset at fair value through profit or loss				
Mutual fund	**15,765**	**3,234**	**-**	**18,999**
Participants' investments in unit-linked contracts	**-**	**766,687**	**-**	**766,687**
Shares and securities	**14,010**	**-**	**-**	**14,010**
	29,775	**769,921**	**-**	**799,696**
Available for sale				
Mutual fund	**-**	**105,473**	**-**	**105,473**
Shares and securities	**4,358**	**429**	**-**	**4,787**
	4,358	**105,902**	**-**	**110,260**
Non-financial assets				
Investment properties	**-**	**-**	**53,873**	**53,873**

7 Fair value of financial instrument (continued)

a) Fair value hierarchy of assets measured at fair value (continued)

As at 31 December 2014

Financial assets	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Financial asset at fair value through profit or loss				
Mutual fund	25,669	4,584	-	30,253
Participants' investments in unit-linked contracts	-	664,210	-	664,210
Shares and securities	13,112	-	-	13,112
	38,781	668,794	-	707,575
Available for sale				
Mutual fund	-	293,291	-	293,291
Shares and securities	6,766	608	-	7,374
	6,766	293,899	-	300,665
Non-financial assets				
Investment properties	-	-	257,267	257,267

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:

	2015 AED'000	2014 AED'000
Balance at 1 January	**257,267**	307,762
Purchases	**-**	17,388
Sales	**(79,983)**	(66,549)
Foreign exchange differences	**(6,374)**	(759)
Fair value movement (refer note 15)	**(1,263)**	(1,050)
Classified as held for sale	**(115,774)**	-
Realised gain on sale of investment property	**-**	475
Balance at 31 December	**53,873**	257,267

7 Fair value of financial instrument (continued)

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2015

Financial assets	**Level 1 AED '000**	**Level 2 AED '000**	**Level 3 AED '000**	**Total fair value AED '000**	**Total carrying amount AED '000**
Statutory deposits	-	**21,476**	-	**21,476**	**21,476**
Deposits with takaful and retakaful companies	-	**4,598**	-	**4,598**	**4,598**
Contributions and takaful balance receivables	-	-	**203,829**	**203,829**	**203,829**
Amounts due from related parties	-	-	**11,474**	**11,474**	**11,474**
Other assets and receivables	-	-	**18,575**	**18,575**	**18,575**
	-	**26,074**	**233,878**	**259,952**	**259,952**
Financial liabilities					
Bank finances	-	-	**4,676**	**4,676**	**4,676**
Takaful balances payable	-	-	**120,742**	**120,742**	**120,742**
Other payables	-	-	**173,602**	**173,602**	**173,602**
	-	-	**299,020**	**299,020**	**299,020**

As at 31 December 2014

Financial assets	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total fair value AED '000	Total carrying amount AED '000
Statutory deposits	-	13,557	-	13,557	13,557
Deposits with takaful and retakaful companies	-	144,211	-	144,211	144,211
Contributions and takaful balance receivables	-	-	461,408	461,408	461,408
Amounts due from related parties	-	-	15,648	15,648	15,648
Other assets and receivables	-	-	33,278	33,278	33,278
	-	157,768	510,334	668,102	668,102
Financial liabilities					
Bank finances	-	-	147,842	147,842	147,842
Takaful balances payable	-	-	398,208	398,208	398,208
Other payables	-	-	140,781	140,781	140,781
	-	-	686,831	686,831	686,831

a) In respect of those financial assets and financial liabilities measured at amortised cost, which are of short term nature (up to 1 year), management believes that carrying amount is equivalent to it's fair value.

b) Fair value of deposits with banks are measured at their amortised cost, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is considered to be the amount payable at the reporting date.

8 Allocation between participants and shareholders

Consolidated statement of profit or loss

	For the year ended 31 December 2015				For the year ended 31 December 2014			
	Shareholders	**Participants**	**Non-controlling interest**	**Total**	Shareholders	Participants	Non -controlling interest	Total
	AED'000	**AED'000**	**AED'000**	**AED'000**	AED'000	AED'000	AED'000	AED'000
Net underwriting income	**-**	**56,228**	**-**	**56,228**	-	97,200	-	97,200
Income								
Wakalah share (note 9)	**105,361**	**(105,361)**	**-**	**-**	76,592	(76,592)	-	-
Mudarib share (note 9)	**34**	**(34)**	**-**	**-**	31	(31)	-	-
Net technical charges from/to shareholders to poliyholders	**8,458**	**(8,458)**	**-**	**-**	11,719	(11,719)	-	-
Net underwriting income from subsidiaries	**60,514**	**(60,514)**	**-**	**-**	66,105	(66,105)	-	-
Income from investments (note 10)	**18,598**	**316**	**-**	**18,914**	26,347	303	-	26,650
Other income and foreign exchange gain	**24,104**	**-**	**-**	**24,104**	15,437	-	-	15,437
	217,069	**(117,823)**	**-**	**99,246**	196,231	(56,944)	-	139,287
Expenses								
General, administrative and other expenses	**(138,280)**	**-**	**-**	**(138,280)**	(147,833)	-	-	(147,833)
Finance expenses	**(992)**	**-**	**-**	**(992)**	(2,001)	-	-	(2,001)
Impairment on goodwill	**(27,043)**	**-**	**-**	**(27,043)**	-	-	-	-
Net profit / (loss) before tax	**50,754**	**(117,823)**	**-**	**(67,069)**	46,397	(56,944)	-	(10,547)
Tax – current	**(12,070)**	**-**	**-**	**(12,070)**	(14,775)	-	-	(14,775)
Net profit / (loss) after tax	**38,684**	**(117,823)**	**-**	**(79,139)**	31,622	(56,944)	-	(25,322)
(Loss)/profit from discontinued operations	**(68,104)**	**-**	**-**	**(68,104)**	69,158	-	-	69,158
Share of non-controlling interest	**(8,708)**	**-**	**8,708**	**-**	2,033	-	(2,033)	-
Distribution to policyholders of Company	**-**	**(15,597)**	**-**	**(15,597)**	-	(7,092)	-	(7,092)
Policyholders' loss financed by shareholders / recovery of loss from policyholders' funds (note 30)	**(133,420)**	**133,420**	**-**	**-**	(64,036)	64,036	-	-
Net (loss) / profit	**(171,548)**	**-**	**8,708**	**(162,840)**	38,777	-	(2,033)	36,744

Notes (*continued*)

8 Allocation between participants and shareholders (continued)

Consolidated statement of financial position

	2015	2014
	AED'000	AED'000
ASSETS		
Participants' assets		
Participants' investments in unit-linked contracts	**766,687**	664,210
Contributions and takaful balance receivables	**136,742**	93,699
Retakafuls' share of outstanding claims	**81,429**	61,737
Retakafuls' share of unearned contributions	**51,802**	42,901
Other assets and receivables	**-**	497
Cash and bank balances	**3,257**	33,889
Total participants' assets	**1,039,917**	896,933
Total shareholders' assets *	**2,319,272**	2,694,656
Total assets	**3,359,189**	3,591,589
LIABILITIES		
Participants' liabilities		
Outstanding claims and family takaful reserve	**262,386**	168,900
Payable to Participants for unit-linked contracts	**759,597**	661,334
Unearned contributions reserve	**128,007**	108,266
Takaful balances payable	**70,012**	60,979
Other payables and accruals	**51,164**	30,301
Total participants' liabilities	**1,271,166**	1,029,780
Total shareholders' liabilities *	**1,054,570**	1,323,205
Total liabilities	**2,325,736**	2,352,985
NET ASSETS EMPLOYED	**1,033,453**	1,238,604
FINANCED BY:		
Shareholders' equity	**959,307**	1,172,933
Non-controlling interest	**74,146**	65,671
	1,033,453	1,238,604

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

9 Wakalah and Mudarib share

The shareholders manage the takaful operations of the Group for the policyholders and charge 15% *(2014: 15%)* of gross written contributions of non family takaful business (excluding subsidiaries) as share. For family takaful business, sharing ratio is 15% (*2014:15%*) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and subsidiaries and charge 15% *(2014: 15%)* of investment income earned by the policyholders as Mudarib share.

10 Income from investments

	For the year ended 31 December 2015		
	Shareholders AED'000	**Policyholders AED'000**	**Total AED'000**
Income from investments in Mudaraba and fund	**3,213**	**-**	**3,213**
Realised profit on sale of investments	**(273)**	**-**	**(273)**
Unrealised loss on investments	**(10,922)**	**-**	**(10,922)**
Unrealised loss on investments properties	**(1,945)**	**-**	**(1,945)**
Income from bank deposits and loans and receivables	**24,741**	**316**	**25,057**
Dividend income	**976**	**-**	**976**
Share of profit from associates	**2,396**	**-**	**2,396**
Rental income (note 15)	**412**	**-**	**412**
	18,598	**316**	**18,914**

	For the year ended 31 December 2014		
	Shareholders AED'000	Policyholders AED'000	Total AED'000
Income from investments in Mudaraba and IPO fund	1,930	-	1,930
Realised profit on sale of investments	7,140	-	7,140
Unrealised loss on investments	(4,257)	-	(4,257)
Unrealised gain on investments properties	1,320	-	1,320
Income from bank deposits and loans and receivables	16,461	303	16,764
Dividend income	1,591	-	1,591
Share of loss from associates	1,654	-	1,654
Rental income (note 15)	508	-	508
	26,347	303	26,650

11 General, administrative and other expenses

These include:

	2015	2014
	AED'000	AED'000
Staff costs	**76,706**	69,661
Rent, rates and service charges	**7,462**	6,143
Repair and maintenance	**1,982**	1,967
Travelling and conveyance	**603**	819
Printing and stationery	**1,989**	2,940
Licenses and other government expenses	**1,145**	1,180
Depreciation	**4,779**	5,146
Amortisation	**604**	832
Marketing and advertising	**13,599**	6,596
Legal and professional fees - Company	**3,261**	3,211
Provision and impairment of receivables	**8,633**	27,119
Exchange losses	**289**	3,827

12 Provision for charitable donations

In accordance with Islamic Shari'ah requirements, certain profits earned by the subsidiaries have been reduced from income and transferred to a separate provision which are utilised for charitable donations. Movement in the provision recognised in the consolidated statement of financial position are as follows:

	2015	2014
	AED'000	AED'000
Balance at 1 January	**1,110**	7,222
Provided during the year	**658**	2,078
Utilised during the year	**-**	(8,190)
Balance at 31 December (included in other payables and accruals) (note 27)	**1,768**	1,110

13 Property and equipments

	Land	Building	Furniture and fixtures	Computer	Vehicles	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost							
At 1 January 2014	10,222	106,359	24,934	12,463	3,666	3,018	160,662
Additions	-	5,325	1,052	647	428	932	8,384
Revaluations	-	7,766	-	-	-	-	7,766
Disposals	(4,062)	(24,999)	(1,183)	(792)	(651)	(3,691)	(35,378)
At 31 December 2014	6,160	94,451	24,803	12,318	3,443	259	141,434
At 1 January 2015	**6,160**	**94,451**	**24,803**	**12,318**	**3,443**	**259**	**141,434**
Additions	**4,902**	**169**	**3,112**	**1,512**	**202**	**2,793**	**12,690**
Revaluations	**-**	**776**	**-**	**-**	**-**	**-**	**776**
Disposals	**(2,054)**	**-**	**-**	**(49)**	**(166)**	**-**	**(2,269)**
Foreign exchange translation	**(419)**	**(10,835)**	**(572)**	**(286)**	**(57)**	**-**	**(12,169)**
Transfer to held for sale	**-**	**(27,788)**	**(7,085)**	**(2,157)**	**(1,808)**	**(38)**	**(38,876)**
At 31 December 2015	**8,589**	**56,773**	**20,258**	**11,338**	**1,614**	**3,014**	**101,586**
Depreciation							
At 1 January 2014	-	6,522	18,051	11,072	2,287	32	37,964
Charge for the year	-	3,927	2,182	1,002	567	-	7,678
Revaluations	-	13,289	(54)	-	(20)	-	13,215
On disposals	-	(14,634)	(1,005)	(720)	(434)	-	(16,793)
At 31 December 2014	-	9,104	19,174	11,354	2,400	32	42,064
At 1 January 2015	**-**	**9,104**	**19,174**	**11,354**	**2,400**	**32**	**42,064**
Charge for the year	**-**	**2,331**	**1,959**	**389**	**100**	**-**	**4,779**
Revaluations	**-**	**(4,150)**	**-**	**-**	**-**	**-**	**(4,150)**
On disposals	**-**	**10**	**-**	**(49)**	**(282)**	**-**	**(321)**
Foreign exchange translation	**-**	**(1,362)**	**(470)**	**(268)**	**(52)**	**-**	**(2,152)**
Transfer to held for sale	**-**	**(1,150)**	**(6,052)**	**(1,790)**	**(780)**	**-**	**(9,772)**
At 31 December 2015	**-**	**4,783**	**14,611**	**9,636**	**1,386**	**32**	**30,448**
Net book value							
At 31 December 2015	**8,589**	**51,990**	**5,647**	**1,702**	**228**	**2,982**	**71,138**
At 31 December 2014	6,160	85,347	5,629	964	1,043	227	99,370

14 Goodwill and intangibles

	Goodwill	Computer software	Total
	AED'000	AED'000	AED'000
Cost			
At 1 January 2014	186,194	18,000	204,194
Additions	-	1,546	1,546
Disposals	-	(687)	(687)
Effect of movements in exchange rates	-	569	569
At 31 December 2014	186,194	19,428	205,622
At 1 January 2015	**186,194**	**19,428**	**205,622**
Additions	**-**	**876**	**876**
Disposals	**-**	**-**	**-**
Effect of movements in exchange rates	**-**	**(872)**	**(872)**
Transfers	**-**	**(9,384)**	**(9,384)**
At 31 December 2015	**186,194**	**10,048**	**196,242**
Accumulated amortisation and impairment losses			
At 1 January 2014	34,398	16,172	50,570
Charge for the year	-	988	988
On disposals	-	(665)	(665)
Effect of movements in exchange rates	-	(541)	(541)
At 31 December 2014	34,398	15,954	50,352
At 1 January 2015	**34,398**	**15,954**	**50,352**
Charge for the year	**-**	**604**	**604**
Impairment	**27,043**	**-**	**27,043**
On disposals	**-**	**-**	**-**
Effect of movements in exchange rates	**-**	**(494)**	**(494)**
Transfers	**-**	**(8,457)**	**(8,457)**
At 31 December 2015	**61,441**	**7,607**	**69,048**
Net book value			
At 31 December 2015	**124,753**	**2,441**	**127,194**
At 31 December 2014	151,796	3,474	155,270

Computer software licences acquired by the Group are capitalised on the basis of the costs incurred to acquire and bring into their internal use. For goodwill, refer note 5.

15 Investment properties

Investment property portfolio of the Group represents land and building acquired by Group directly and through its controlled subsidiaries. During the year, the Group has sold one of its property situated in Kingdom of Saudi Arabia at its carrying value of AED 79.9 million *(2014: AED 66 million)*.

Geographical representation of investment properties are as follows:

	2015	2014
	AED'000	AED'000
Within UAE	**15,500**	17,445
Outside UAE	**38,373**	239,822
	53,873	257,267

The rental income of properties amount to AED 0.4 million in 2015 (*2014: AED 2.3 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.

Valuation of investment properties

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio annually.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Company has taken the highest and best use fair values for the fair value measurement of its investment properties.

Valuation technique	**Significant unobservable inputs**	**Interrelationship between key unobservable inputs and fair value measurements**
1) Income valuation approach 2) Sales comparative valuation approach 3) Market value approach	-Expected market rental growth rate -Risk adjusted discount rates -Free hold property -Free of covenants , third party rights and obligations -Statutory and legal validity -Condition of the property -Sales value of comparable properties	The estimated fair value increase/decrease if: -Expected market rental growth rate were higher -The risk adjusted discount rates were lower / higher -The property is not free hold -The property is subject to any covenants, rights and obligations -The property is subject to any adverse legal notices / judgment -The property is subject to any defect / damages -The property is subject to sales value fluctuations of surrounding properties in the area.

15 Investment properties (continued)

	2015 AED'000	2014 AED'000
Movement in investment properties		
Balance at 1 January	**257,267**	307,762
Acquired during the year	**-**	17,388
Disposal during the year	**(79,983)**	(66,549)
Fair value loss (note 10)	**(1,263)**	(1,050)
Realised gain on sale of investment property	**-**	475
Foreign exchange differences	**(6,374)**	(759)
Transfer to held-for-sale	**(115,774)**	-
Balance at 31 December	**53,873**	257,267

16 Investment in associates

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

Associates	Ownership 2015	Ownership 2014	Country of incorporation	2015 AED'000	2014 AED'000
Generale d'Etudes et de Placement en Assurance Reassurance ("GEPAR")	**28.00%**	28.00%	Tunisia	-	516
Salama Cooperative Insurance Company (formerly Saudi IAIC)	**30.00%**	30.00%	KSA	**58,204**	13,613
Islamic Insurance Jordan	**20.00%**	20.00%	Jordan	**29,344**	28,430
				87,548	42,559

Movements during the year	2015 AED'000	2014 AED'000
Balance at 1 January	**42,559**	41,505
Rights share issue in Salama Cooperative Insurance Company	**44,040**	-
Share of profit from associates (note 10)	**2,396**	1,674
Investment in GEPAR transferred to held-for-sale	**(516)**	-
Dividend received	**(931)**	(620)
Balance at 31 December	**87,548**	42,559

Summarised financial information of the major associates is as under:

	2015 AED'000	2014 AED'000
Total assets	**669,459**	464,163
Total liabilities	**(397,831)**	(344,010)
Revenue	**419,514**	423,388
Profit / (loss)	**11,061**	7,375

17 Statutory deposits

Company	2015 AED'000	2014 AED'000
Islamic Arab Insurance Co. (Salama)	**10,000**	10,000
Egypt Saudi Insurance Home	**1,411**	1,544
Salama Senegal	**1,130**	1,258
Best Re Holding	**-**	755
Misr Emirates Takaful Life Insurance Co.	**8,935**	-
	21,476	13,557

These statutory deposits are required to be placed by all insurance and takaful companies operating in respective countries mentioned above with the designated National Banks. Statutory deposits, which depend on the nature of takaful activities, cannot be withdrawn except with the prior approval of the regulatory authorities.

18 Investments

	31 December 2015			31 December 2014		
	Domestic investments AED'000	**International investments AED'000**	**Total AED'000**	Domestic investments AED'000	International investments AED'000	Total AED'000
Financial asset at fair value through profit or loss						
Mutual fund and externally managed portfolios	**-**	**18,999**	**18,999**	-	30,253	30,253
Shares and securities	**4,492**	**9,518**	**14,010**	5,743	7,369	13,112
	4,492	**28,517**	**33,009**	5,743	37,622	43,365
Available-for-sale investments						
Mutual fund and externally managed portfolio	**-**	**105,473**	**105,473**	-	293,291	293,291
Shares and Securities	**4,358**	**429**	**4,787**	6,766	608	7,374
	4,358	**105,902**	**110,260**	6,766	293,899	300,665
Islamic placements (refer 18.1)	**-**	**116,605**	**116,605**	-	440,938	440,938
Held to maturity						
SUKUK and Government bonds	**-**	**230,976**	**230,976**	-	55,151	55,151
Other investments	**-**	**210,702**	**210,702**	-	-	-
Total investments	**8,850**	**692,702**	**701,552**	12,509	827,610	840,119

18.1 Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 4.75% *(2014: 0.22% to 4.75%)* and maturing in more than three months when acquired.

18.2 Participants' investments in unit-linked contracts

	2015 AED'000	2014 AED'000
Financial asset at fair value through profit or loss	**766,687**	664,210

19 Deposits with takaful and retakaful companies

	2015	2014
	AED'000	AED'000
Contributions deposits	**327**	60,106
Claim deposits	**4,271**	84,105
	4,598	144,211

Contribution deposits with takaful companies have reduced to AED 0.3 million *(2014: AED 60 million)* whereas claim deposits have reduced to AED 4.3 million *(2014: AED 84 million)*. As per the relevant local regulations, the ceding company retains a portion of unearned contributions and outstanding claims after net payments to the insurer. The deposits pertaining to Best Re have been reclassified to assets held for sale.

20 Contributions and takaful balance receivables

	2015	2014
	AED'000	AED'000
Takaful contributions receivables	**102,149**	133,462
Due from takaful and retakaful companies	**124,866**	352,919
	227,015	486,381
Provision for impairment losses		
Takaful contributions receivables	**(13,964)**	(10,010)
Due from takaful and retakaful companies	**(9,222)**	(14,963)
	203,829	461,408

Aging of contributions and takaful balance receivables

	2015	
	Gross amount	**Impairment**
	AED'000	**AED'000**
Not yet due	**19,901**	**AED'000**
Past due over 0 to 60 days	**38,894**	**-**
Past due over 60 to 120 days	**27,078**	**-**
Past due over 120 to 180 days	**23,035**	**-**
Past due over 180 days to 1 year	**45,643**	**-**
Over 1 year	**72,464**	**(23,186)**
Total contributions and takaful balance receivables	**227,015**	**(23,186)**
Net contributions and takaful balance receivables	**203,829**	

Aging of contributions and takaful balance receivables

	2014	
	Gross amount	Impairment
	AED'000	AED'000
Not yet due	27,267	-
Past due over 0 to 60 days	47,421	-
Past due over 60 to 120 days	89,735	-
Past due over 120 to 180 days	27,256	-
Past due over 180 days to 1 year	80,471	-
Over 1 year	214,231	(24,973)
Total contributions and takaful balance receivables	486,381	(24,973)
Net contributions and takaful balance receivables	461,408	

21 Other assets and receivables

	2015	2014
	AED'000	AED'000
Deferred commission and bonus	**219,155**	114,753
Prepaid commission	**96,424**	70,612
Advance against acquisition of subsidiaries	**-**	15,952
Others	**23,741**	40,643
	339,320	241,960

22 Cash and bank balances

	2015	2014
	AED'000	AED'000
Cash in hand	**732**	58
Cash at bank	**9,304**	110,562
Term deposits (note 22.1)	**42,567**	278,133
	52,603	388,753

Cash and bank balances - by geographical distribution

	2015	2014
	AED'000	AED'000
Domestic	**5,786**	289,474
International	**46,817**	99,279
	52,603	388,753

22.1 Term deposits carried profit ranging from 0.22% to 1.7% per annum *(2014: 0.22% to 4.5% per annum)* .

23 Outstanding claims and family takaful reserve

	2015	2014
	AED'000	AED'000
Reserve for outstanding claims	**344,274**	552,519
Reserve for incurred but not reported claims	**44,064**	118,504
	388,338	671,023
Less: Retakafuls' share of outstanding claims	**(116,243)**	(195,115)
	272,095	475,908

Movements in outstanding claims reserve and family takaful reserve

	2015			
	Gross	**Retakaful**	**Adjustment**	**Net**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Balance at 1 January	**671,023**	**(195,115)**	**-**	**475,908**
Foreign exchange differences	**-**	**-**	**(21,892)**	**(21,892)**
Transferred to held for sale	**(322,341)**	**50,558**		**(271,783)**
Net movement during the year	**39,656**	**28,314**	**21,892**	**89,862**
Balance at 31 December	**388,338**	**(116,243)**	**-**	**272,095**

	2014			
	Gross	Retakaful	Adjustment	Net
	AED'000	AED'000	AED'000	AED'000
Balance at 1 January	1,056,230	(327,450)	-	728,780
Foreign exchange differences	-	-	21,243	21,243
Net movement during the year	(385,207)	132,335	(21,243)	(274,115)
Balance at 31 December	671,023	(195,115)	-	475,908

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are reviewed annually.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

23 Outstanding claims and family takaful reserve (continued)

Process used to determine the assumptions (continued)

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying takaful contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of retakaful recoveries. The method used by the Group takes into account historical data, past estimates and details of the retakaful programme, to assess the expected size of retakaful recoveries.

Assumptions and sensitivities to changes in key variables

The assumptions that have the greatest effect on the measurement of takaful contract provisions are the expected loss ratios for the most recent accident years for accident and liabilities. These are used for assessing the IBNR for the 2014 and 2015 accident years.

Where variables are considered to be immaterial, no impact has been assessed for insignificant changes to these variables. Particular variables may not be considered material at present. However, should the materiality level of an individual variable change, assessment of changes to that variable in the future may be required.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group’s estimation process. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims arise.

23 Outstanding claims and family takaful reserve (continued)

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)	**2011 AED'000**	**2012 AED'000**	**2013 AED'000**	**2014 AED'000**	**2015 AED'000**	**Total AED'000**
Development year 1	112,639	110,374	138,288	153,539	345,374	-
Development year 2	160,301	179,490	157,669	312,659	-	-
Development year 3	159,728	184,381	190,187	-	-	-
Development year 4	155,225	197,943	-	-	-	-
Development year 5	155,896	-	-	-	-	-
Current estimate of cumulative claims **(A)**	155,896	197,943	190,187	312,659	345,374	1,202,059
Cumulative payments to date **(B)**	(132,965)	(183,549)	(169,683)	(235,283)	(156,671)	(878,151)
Net **(A-B)**	22,931	14,394	20,504	77,376	188,703	323,908

Liability recognised in the consolidated statement of financial position as part of gross claim	323,908
Reserve in respect of years prior to 2011 part of the gross claim	18,886
Total reserve included in the consolidated statement of financial position as part of the gross claim	342,794

23 Outstanding claims and family takaful reserve (continued)

Claims development *(continued)*

Takaful claims-net

Underwriting year **(cumulative amounts)**	**2011** AED'000	**2012** AED'000	**2013** AED'000	**2014** AED'000	**2015** AED'000	**Total** AED'000
Development year 1	72,836	82,979	108,601	102,938	246,681	
Development year 2	105,612	119,170	116,947	199,519	-	-
Development year 3	102,825	125,242	132,639	-	-	-
Development year 4	103,306	125,645	-	-	-	-
Development year 5	98,501	-	-	-	-	-
Current estimate of cumulative claims **(A)**	98,501	125,645	132,639	199,519	246,681	802,985
Cumulative payments to date **(B)**	(90,666)	(115,510)	(117,641)	(155,409)	(105,598)	(584,824)
Net **(A-B)**	7,835	10,135	14,998	44,110	141,083	218,161

Liability recognised in the consolidated statement of financial position as part of net claim	218,161
Reserve in respect of years prior to 2011 part of the net claim	8,390
Total reserve included in the consolidated statement of financial position as part of the net claim	226,551

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 2015

		Impact on gross liabilities **AED'000**	***Impact on net profit** **AED'000**
Current claims	**+10%**	**+38,834**	**+27,210**
	-10%	**-38,834**	**-27,210**

31 December 2014

		Impact on gross liabilities AED'000	*Impact on net profit AED'000
Current claims	+10%	+67,102	+47,591
	-10%	-67,102	-47,591

* the impact on net profit is net of retakaful.

24 Unearned contribution reserve

Movements in unearned contributions reserve:

	2015			
	Gross AED'000	**Retakafuls' AED'000**	**Adjustment AED'000**	**Net AED'000**
Balance at 1 January	**303,302**	**(72,142)**	**-**	**231,160**
Foreign exchange differences	**-**	**-**	**(8,293)**	**(8,293)**
Provision made during the year	**235,808**	**(71,345)**	**8,293**	**172,756**
Transfer to held for sale	**(81,248)**	**2,851**	**-**	**(78,397)**
Provision released during the year	**(222,054)**	**69,291**	**-**	**(152,763)**
Balance at 31 December	**235,808**	**(71,345)**	**-**	**164,463**

	2014			
	Gross AED'000	Retakafuls' AED'000	Adjustment AED'000	Net AED'000
Balance at 1 January	358,639	(62,740)	-	295,899
Foreign exchange differences	-	-	(21,191)	(21,191)
Provision made during the year	303,302	(72,142)	21,191	252,351
Provision released during the year	(358,639)	62,740	-	(295,899)
Balance at 31 December	303,302	(72,142)	-	231,160

25 Takaful balances payable

	2015 AED'000	2014 AED'000
Takaful companies	**43,991**	302,298
Retakaful companies	**76,751**	95,910
	120,742	398,208

26 Payable to Participants for unit-linked contracts

	2015 AED'000	2014 AED'000
Balance at 1 January	**661,334**	640,199
Amounts invested by Participants	**499,367**	292,686
Refund / redemption during the year	**(11,398)**	(6,136)
Net movement including redemption in fund	**(341,667)**	(225,882)
	807,636	700,867
Deferred acquisition cost	**(48,039)**	(39,533)
	759,597	661,334

27 Other payables and accruals

	2015	2014
	AED'000	AED'000
Payable to garages and brokers	**40,864**	26,508
Provision for charitable donations	**1,768**	1,110
Payable to suppliers	**49,637**	31,440
Staff related accruals	**19,274**	18,517
Accrued expenses	**1,622**	3,786
Other provisions	**7,045**	7,082
Taxes payable	**20,079**	20,000
Due to related parties (note 29)	**-**	30
Surplus payable to policyholders	**16,451**	9,685
Other payables	**46,571**	53,118
	203,311	171,276

28 Bank finances

	2015	2014
	AED'000	AED'000
Long-term portion	**-**	143,184
Short-term portion	**4,676**	4,658
	4,676	147,842

In 2006, a bank finance equivalent to AED 143.2 million was arranged by one of the Group's subsidiary from Merrill Lynch International. The financing has a repayment period of 20 years with an early redemption option after 10 years. The profit is payable quarterly at rate of 8.75 % p.a. In the current year, this bank financing has been classified to liabilities held-for-sale, refer note 42.

29 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.

	2015	2014
	AED'000	AED'000
General and administrative expenses	**2,671**	2,548
Retakaful on contributions	**1,815**	1,022
Retakaful on claims	**84**	2,247

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

Amounts due from related parties	**2015**	2014
	AED'000	AED'000
Bin Zayed Group	**11,128**	11,128
IAIC Bahrain	**-**	18
Other entities under common management with the Group	**346**	4,502
	11,474	15,648

Amounts due to related parties

Other entities under common management with the Group (note 27)	**-**	30
	-	30

Compensation of key management personnel

Short term benefits	**8,503**	8,247
Employees end of service benefits	**369**	347
	8,872	8,594

30 Policyholders' fund

	2015	2014
	AED'000	AED'000
Balance at 1 January	**(98,407)**	(34,371)
Reversal of cost charged to family takaful policyholders for prior years	**-**	-
Net deficit attributable to policyholders for the year (note 8)	**(117,823)**	(56,944)
Surplus distribution to policyholders of family takaful	**(15,597)**	(7,092)
	(231,827)	(98,407)
Financed by shareholders'	**231,827**	98,407
	-	-

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

31 Share capital

	2015	2014
	AED'000	AED'000
Authorised, issued and fully paid up capital		
1,210,000,000 shares of AED 1 each (*2014: 1,210,000,000 shares of AED 1*)	**1,210,000**	1,210,000

32 Statutory reserve

In accordance with Article 255 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit of the Company is required to be allocated every year to a statutory reserve, which is not distributable. Such allocations may be ceased when the statutory reserve equals half of the paid up share capital of the Company.

33 Revaluation reserve

The Group's share on revaluation amounting to AED 2.4 million (*2014: AED 4.6 million*) on land and building during the year has been credited to a non distributable reserve (refer note 3 and 13).

34 Treasury shares

In 2012, the Company bought back 19,697,615 shares amounting to AED 35.97 million. The buyback of shares was duly approved by the Board of Directors.

The treasury shares are debited as a separate category of shareholders' equity at cost.

35 Earnings per share

The calculation of earnings per share for the year ended 31 December 2015 is based on loss of AED 171.5 million *(2014: profit of AED 38.8 million)* divided by the weighted average number of shares of 1,188 million *(2014: 1,188 million)* outstanding during the year after taking into account the treasury shares held. There is no dilutive effect on basic earnings per share.

36 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.

37 Contingent liabilities and capital commitments

	2015	2014
	AED'000	AED'000
Letters of guarantee	**11,873**	17,407

Statutory deposits of AED 12.14 million (*2014: AED 17.68 million*) are held as lien by the bank against the above guarantees.

37 **Contingent liabilities and capital commitments** (continued)

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by policyholders, cedants and retakaful operators in connection with policies issued. The management believes, based on independent legal counsel opinions that the ascertainment of liabilities and its timing is highly subjective and dependent on outcomes of court's decisions. Furthermore. as per independent legal counsel, the Group has strong grounds to defend the suits successfully. Accordingly, no additional provision for these claims has been made in the 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 2015 (2014: nil).

38 Operating lease commitments

The Group’s non-cancellable operating lease commitments are payable as follows:

	2015	2014
	AED’000	AED’000
Less than one year	**2,104**	1,621

39 Operating segment

By business

(for the year ended 31 December 2015)

	General takaful	**Family takaful**	**Total**
	AED'000	**AED'000**	**AED'000**
Gross written contributions	**676,925**	**256,421**	**933,346**
Net contributions earned	**478,960**	**220,894**	**699,854**
Commissions received on ceded reinsurance and retakaful	**39,369**	**13,576**	**52,945**
	518,329	**234,470**	**752,799**
Net claims incurred	**(429,756)**	**(26,094)**	**(455,850)**
Commissions paid and other costs	**(111,744)**	**(128,977)**	**(240,721)**
Net underwriting income	**(23,171)**	**79,399**	**56,228**
Investment and other income			**43,018**
Unallocated expenses and tax			**(151,342)**
Impairment on goodwill			**(27,043)**
Distribution to policyholders of the Company			**(15,597)**
Loss from discontinued operations			**(68,104)**
Net loss after tax			**(162,840)**

(for the year ended 31 December 2014)

	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Gross written contributions	578,312	185,805	764,117
Net contributions earned	388,493	156,122	544,615
Commissions received on ceded reinsurance and retakaful	19,784	2,283	22,067
	408,277	158,405	566,682
Net claims incurred	(286,897)	(10,229)	(297,126)
Commissions paid and other costs	(84,270)	(88,086)	(172,356)
Net underwriting income	37,110	60,090	97,200
Investment and other income			42,087
Unallocated expenses and tax			(164,609)
Distribution to policyholders of the Company			(7,092)
Profit from discontinued operations			69,158
Net profit after tax			36,744

Notes (*continued*)

39 **Operating segment** (continued)

By geography

(for the year ended 31 December 2015)

	Africa AED'000	**Asia AED'000**	**Total AED'000**
Gross written contributions	**286,145**	**647,201**	**933,346**
Net contributions earned	**236,422**	**463,432**	**699,854**
Commissions received on ceded reinsurance and retakaful	**11,625**	**41,320**	**52,945**
	248,047	**504,752**	**752,799**
Net claims incurred	**(133,925)**	**(321,925)**	**(455,850)**
Commissions paid and other cost	**(53,608)**	**(187,113)**	**(240,721)**
Net underwriting income	**60,514**	**(4,286)**	**56,228**
Investment and other income			**43,018**
Unallocated expenses and tax			**(151,342)**
Impairment on goodwill			**(27,043)**
Distribution to policyholders of the Company			**(15,597)**
Loss from discontinued operations			**(68,104)**
Net loss after tax			**(162,840)**

By Geography

(for the year ended 31 December 2014)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	318,241	445,876	764,117
Net contributions earned	252,636	291,979	544,615
Commissions received on ceded reinsurance and retakaful	12,637	9,430	22,067
	265,273	301,409	566,682
Net claims incurred	(141,295)	(155,831)	(297,126)
Commissions paid and other cost	(57,873)	(114,483)	(172,356)
Net underwriting income	66,105	31,095	97,200
Investment and other income			42,087
Unallocated expenses and Tax			(164,609)
Distribution to policyholders of the Company			(7,092)
Profit from discontinued operations			69,158
Net profit after tax			36,744

39 **Operating segment** (continued)

By business

(for the year ended 31 December 2015)

ASSETS	**General takaful**	**Family takaful**	**Total**
	AED'000	**AED'000**	**AED'000**
Property and equipments	**70,561**	**577**	**71,138**
Goodwill and intangibles	**127,147**	**47**	**127,194**
Investment properties	**53,873**	**-**	**53,873**
Investments in associates	**87,548**	**-**	**87,548**
Statutory deposits	**17,476**	**4,000**	**21,476**
Investments	**701,552**	**-**	**701,552**
Participants' investments in unit-linked contracts	**-**	**766,687**	**766,687**
Deposits with takaful and retakaful companies	**4,598**	**-**	**4,598**
Contributions and takaful balance receivables	**192,718**	**11,111**	**203,829**
Retakafuls' share of outstanding claims	**100,485**	**15,758**	**116,243**
Retakafuls' share of unearned contributions	**70,483**	**862**	**71,345**
Amounts due from related parties	**11,474**	**-**	**11,474**
Other assets and receivables	**22,446**	**316,874**	**339,320**
Cash and bank balances	**38,660**	**13,943**	**52,603**
Assets held-for-sale	**703,688**	**26,621**	**730,309**
TOTAL ASSETS	**2,202,709**	**1,156,480**	**3,359,189**

LIABILITIES EXCLUDING POLICYHOLDERS' FUND	**General takaful**	**Family takaful**	**Total**
	AED'000	**AED'000**	**AED'000**
Bank finance	**4,676**	**-**	**4,676**
Outstanding claims and family takaful reserve	**325,165**	**63,173**	**388,338**
Payable to Participants for unit-linked contracts	**-**	**759,597**	**759,597**
Unearned contributions reserve	**232,646**	**3,162**	**235,808**
Takaful balances payable	**114,204**	**6,538**	**120,742**
Other payables and accruals	**126,850**	**76,461**	**203,311**
Amounts due to related parties	**-**	**-**	**-**
Liabilities held-for-sale	**590,977**	**22,287**	**613,264**
TOTAL LIABILITIES	**1,394,518**	**931,218**	**2,325,736**
Policyholders' fund	**-**	**-**	**-**
NET ASSETS EMPLOYED	**808,191**	**225,262**	**1,033,453**

FINANCED BY:	
Shareholders' equity	**959,307**
Non-controlling interest	**74,146**
	1,033,453

39 **Operating segment** (continued)

By business

(for the year ended 31 December 2014)

ASSETS	General takaful	Family takaful	Total
	AED’000	AED’000	AED’000
Property and equipments	98,905	465	99,370
Goodwill and intangibles	155,005	265	155,270
Investment properties	257,267	-	257,267
Investments in associates	42,559	-	42,559
Statutory deposits	9,557	4,000	13,557
Investments	840,119	-	840,119
Participants' investments in unit-linked contracts	-	664,210	664,210
Deposits with takaful and retakaful companies	144,211	-	144,211
Contributions and takaful balance receivables	450,709	10,699	461,408
Retakafuls’ share of outstanding claims	166,574	28,541	195,115
Retakafuls’ share of unearned contributions	71,085	1,057	72,142
Amounts due from related parties	15,648	-	15,648
Other assets and receivables	55,246	186,714	241,960
Cash and bank balances	382,914	5,839	388,753
TOTAL ASSETS	2,689,799	901,790	3,591,589

LIABILITIES EXCLUDING POLICYHOLDERS’ FUND	General takaful	Family takaful	Total
	AED’000	AED’000	AED’000
Bank finance	147,842	-	147,842
Outstanding claims and family takaful reserve	618,749	52,274	671,023
Payable to Participants for unit-linked contracts	-	661,334	661,334
Unearned contributions reserve	300,053	3,249	303,302
Takaful balances payable	391,898	6,310	398,208
Other payables and accruals	110,317	60,959	171,276
TOTAL LIABILITIES	1,568,859	784,126	2,352,985
Policyholders’ fund	-	-	-
NET ASSETS EMPLOYED	1,120,940	117,664	1,238,604

FINANCED BY:	
Shareholders’ equity	1,172,933
Non-controlling interest	65,671
	1,238,604

40 Non-controlling interest

The following table summaries the information relating to each of the Group's subsidiaries as at the reporting date, before any intra group eliminations:-

Salama Assurance Company-Senegal

	2015	2014
	AED'000	AED'000
Non-contolling interest share	**42.59%**	42.59%
Current assets	**18,728**	13,058
Non-current assets	**12,966**	17,484
Current liabilities	**(23,906)**	(22,394)
Carrying amount of non-contolling interest	**3,317**	3,470
Underwriting income	**5,879**	6,111
Profit / (loss)	**481**	(11,127)
Total comprehensive loss	**(360)**	(13,605)
Loss allocated to non-contolling interest	**205**	(4,739)
Cash flows from / (used in) operating activities	**319**	(3,252)
Cash flows (used in) / from investing activities	**(462)**	2,279
Cash flows from financing activities, before dividends to non-contolling interest	**18**	606
Net decrease in cash and cash equivalents	**(125)**	(367)

Egypt Saudi Insurance Home

	2015	2014
	AED'000	AED'000
Non-contolling interest share	**48.85%**	48.85%
Current assets	**265,697**	323,015
Non-current assets	**18,710**	20,434
Current liabilities	**(188,091)**	(253,432)
Carrying amount of non-contolling interest	**47,050**	43,973
Underwriting income	**22,196**	6,595
Profit	**15,319**	4,562
Total comprehensive income	**7,230**	1,674
Profit allocated to non-contolling interest	**7,483**	2,229
Cash flows from operating activities	**15,069**	24,317
Cash flows from / (used in) investing activities	**393**	(42,818)
Cash flows from financing activities, before dividends to non-contolling interest	**-**	12,904
Cash flows used in financing activities- cash dividends to NCI	**(2,756)**	-
Net increase / (decrease) in cash and cash equivalents	**12,706**	(5,597)

41 Discontinued operations

During the year, the Board of Directors of the Group has approved to sell its investment in one of its subsidiary Best Re Holding. The subsidiary was not previously classified as held-for-sale. The comparative information has been restated to reflect discontinued operations from continuing operating activities.

The management has allocated goodwill to each subsidiary on systematic basis. On the basis of assumptions they consider appropriatness of carrying value of each business unit after assessing the external market conditions. The carrying value of goodwill attributable to subsidiary has been charged to profit or loss in full during the period as a difference between carrying value and recoverable amount.

Results from discontinued operations

	2015 **AED'000**	2014 AED'000
Revenue	**69,600**	115,484
Expenses	**(132,199)**	(46,249)
Results from operating activities	**(62,599)**	69,235
Income tax	**-**	(77)
Results from operating activities, net of tax	**(62,599)**	69,158
Delinquencies relating to subsidiary	**(5,505)**	-
(Loss) / profit from discontinued operations, net of tax	**(68,104)**	69,158
(Loss) / earnings per share	**(0.057)**	0.058

Cash flows from / (used in) discontinued operations

	2015 **AED'000**
Net cash used in operating actvities	**(227,169)**
Net cash from investing actvities	**203,017**
Net cash used in financing actvities	**(15,517)**
Net cash flows for the year	**(39,669)**

42 Disposal group held-for-sale

Delinquencies relating to the disposal group

An amount of AED 5,505 has been charged to profit or loss with respect to difference between carrying value and the recoverable amount of disposal group.

42 **Disposal group held-for-sale** (continued)

Assets and liabilities of disposal group held-for-sale

At 31 December 2015, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	2015
	AED'000
Property and equipment	**11,594**
Intangible assets	**547**
Investment property	**115,774**
Investments in associates	**517**
Statutory and investment deposits	**756**
Investments	**51,861**
Deposits with insurance and reinsurance companies	**116,449**
Premiums and insurance balance receivables	**250,320**
Reinsurers' share of outstanding claims	**45,559**
Reinsurers' share of unearned premium	**1,020**
Other assets	**16,404**
Islamic placements	**97,928**
Cash in hand and at bank	**27,085**
Delinquencies relating to disposal group	**(5,505)**
Assets held-for-sale	**730,309**
Gross outstanding claims	**176,674**
Unearned premiums	**55,039**
Insurance balance payable	**250,166**
Other payables and accruals	**3,717**
Bank loan - long term portion	**127,668**
Liabilities held-for-sale	**613,264**
Net assets	**117,045**

Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of AED 118,883 thousand (before costs to sell of AED 1,838 thousand) 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.

43 Capital risk management

The Company'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 Company'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 Company in addition to its takaful liabilities. The minimum required capital (presented below) must be maintained at all times throughout the year. The company is subject to local takaful solvency regulations with which it has complied during the year. The company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

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

	2015	2014
	AED'000	AED'000
Minimum regulatory captial	**100,000**	100,000
Total shareholders' equity	**959,307**	1,172,933

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 Company is in compliance with the minimum capital requirements.

44 Summary of technical provisions

	As at 31 December 2015		
	General takaful	**Family takaful**	**Total**
Gross reserves	**AED'000**	**AED'000**	**AED'000**
Reserve for outstanding claims (including IBNR)	**325,165**	**17,629**	**342,794**
Family takaful reserves	**-**	**45,544**	**45,544**
Unearned contribution	**232,646**	**3,162**	**235,808**
Total	**557,811**	**66,335**	**624,146**

	As at 31 December 2015		
	General takaful	**Family takaful**	**Total**
Net reserves	**AED'000**	**AED'000**	**AED'000**
Reserve for outstanding claims (including IBNR)	**224,680**	**1,871**	**226,551**
Family takaful reserves	**-**	**45,544**	**45,544**
Unearned contribution	**162,163**	**2,300**	**164,463**
Total	**386,843**	**49,715**	**436,558**

The technical reserves above includes reserves of Company and its subsidiaries. Reserves that relates to UAE have been computed by a qualified independant actuary appointed by the Company, 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. Comparative information has not been presented as the requirement is applicable from 2015 only.

45 Comparative figures

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the financial statements.