Islamic Arab Insurance Co. (Salama) PJSC
and its subsidiaries

Directors' report and consolidated financial statements

for the year ended 31 December 2018

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Board of Directors Report

We present 39th Annual Report together with the audited consolidated financial statements for the year ended 31 December 2018.

SALAMA has many sustainable operations conducting Islamic insurance in their respective regions. During the year 2018 our operations across the region have recorded tremendous growth in total gross contribution showing an increase of 31% from previous year. Although net underwriting income was AED 152 MN, however losses arising from discontinued operation suppressed the overall profitability of the Group.

With the corrective measures and strong controls, we managed to turn–around the UAE Motor operations and now the portfolio is contributing positively to the profitability of the Group.

SALAMA UAE Family Takaful, as usual, has performed well during the year. The Individual Family Takaful solutions in UAE have also increased their momentum. Our success is the Shari'ah compliant product range of international standards with excellent market response.

S&P Global Ratings' 'BBB-' issuer credit rating on SALAMA reflects its position as the largest Shari'ah–compliant insurer in the UAE. The stable outlook reflects S&P opinion that SALAMA will maintain its improved operating performance, extremely strong capital adequacy, and strong liquidity.

During the year under review, SALAMA shareholding structure was significantly changed, however with the same Board as active, this will further enhance the ability of the Group to achieve market leadership in many segments and to grow continuously and organically with stronger partnerships and distribution channels. We want to ensure all our stakeholders that SALAMA is strong and will not have any impact on its growth strategy.

Insurance Authority in UAE is very active in developing and implementing the Insurance and Takaful regulations, and with these and more stringent insurance regulations insurance sector in UAE continues to see improvements that will benefit both companies and policyholders.

SALAMA net shareholders equity as of 31 December 2018 is AED 787 million which is substantially larger than other operators and higher than the minimum regulatory requirement.

The following are highlights from our consolidated financial statements for years ended 31 December 2018 and 2017:

	2018 AED '000	2017 AED '000 *(Restated)*
Gross written contributions	**1,062,960**	808,026
Contributions earned	**728,669**	554,423
Claims incurred	**247,886**	167,499
Net UW profit	**151,848**	145,175
Income from investment	**18,171**	62,088
Net profit for the year	**477**	37,509

SALAMA has remained strong and resilient in face of short term challenges and 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

27 MAR 2019

Head Office
4th Floor - Spectrum Building
Oud Metha Dubai, U.A.E.
P.O.Box: 10214
Tel: 800725262
E-mail: info@salama.ae
Web: www.salama.ae

KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

Independent Auditors' Report

To the Shareholders of Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Islamic Arab Insurance Co. (Salama) PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

1. ***Valuation of takaful contract liabilities and family takaful reserve***

Refer to note 2 and 23 of the consolidated financial statements.

Valuation of these liabilities involves significant judgement, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported ("IBNR") to the Group. IBNR and family takaful reserve is calculated by an independent qualified external actuary for the Group.

Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on consolidated profit or loss. The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business.

The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.

Our response: Our audit procedures supported by our actuarial specialists included:

- evaluating and testing of key controls around the claims handling and case reserve setting processes of the Group. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and consider if the amount recorded in the consolidated financial statements is valued appropriately;

- obtaining an understanding of and assessing the methodology and key assumptions applied by the management. Independently re-projecting the reserve balances for certain classes of business;

- assessing the experience and competence of the Group's actuary and degree of challenge applied through the reserving process;

- checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and

- assessing the Group's disclosure in relation to these liabilities including claims development table is appropriate.

Key Audit Matters (continued)

2. *Recoverability of contributions and takaful balance receivables*

Refer to note 2 and 20 of the consolidated financial statements.

The Group has significant contributions and takaful receivables against written premium policies. There is a risk over the recoverability of these receivables. The determination of the related impairment allowance is subjective and is influenced by judgements relating to the probability of default and probable losses in the event of default.

Our response:

- our procedure on the recoverability of contribution and takaful receivables included evaluating and testing key controls over the processes designed to record and monitor takaful receivables;

- testing the ageing of takaful receivables to assess if these have been accurately determined. Testing samples of long outstanding takaful receivables where no impairment allowance is made with the management's evidences to support the recoverability of these balances;

- obtaining balance confirmations from the respective counterparties such as policyholders, agents and brokers;

- verifying payments received from such counterparties post year end;

- considering the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on period overdue, existence of any disputes over the balance outstanding, history of settlement of receivables liabilities with the same counterparties; and

- discussing with management and reviewing correspondence, where relevant, to identify any disputes and assessing whether these were appropriately considered in determining the impairment allowance.

3. *Valuation of investment properties*

Refer to note 3 and 15 of the consolidated financial statements.

The valuation of investment properties is determined through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

Due to the significance of investment properties and the related estimation uncertainty, this is considered a key audit matter.

Key Audit Matters (continued)

3. Valuation of investment properties *(continued)*

Investment properties are held at fair value through profit or loss in the Group's statement of financial position and qualify under Level 3 of the fair value hierarchy as at 31 December 2018.

Our response:

- we assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;

- we obtained the external valuation reports for all properties and confirmed that the valuation approach is suitable for use in determining the fair value in the consolidated statement of financial position;

- we carried out procedures to test whether property specific standing data supplied to the external valuers by management is appropriate and reliable; and

- based on the outcome of our evaluation, we determined the adequacy of the disclosure in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditors' report, and the Shari'ah Supervisory Committee Report which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information 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 note 18 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2018;

vi) note 28 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 2018 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 2018; and

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

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: 2 7 MAR 2019

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Consolidated statement of profit or loss

for the year ended 31 December

CONTINUING OPERATIONS

UNDERWRITING RESULTS	*Note*	**2018**	2017
		AED'000	AED'000
			(Re-presented)*
Underwriting income			
Gross written contributions	*38*	**1,062,960**	808,026
Less: reinsurance and retakaful contributions ceded		**(296,735)**	(248,492)
Net contributions		**766,225**	559,534
Net movement in unearned contributions		**(37,556)**	(5,111)
Contributions earned		**728,669**	554,423
Commission received on ceded reinsurance and retakaful		**35,726**	23,307
		764,395	577,730
Underwriting expenses			
Gross claims paid		**378,500**	293,165
Less: reinsurance and retakaful share of claims paid		**(163,726)**	(105,403)
Net claims paid		**214,774**	187,762
Net movement in outstanding claims and family takaful reserve		**33,112**	(20,263)
Claims incurred		**247,886**	167,499
Commission paid and other costs		**364,661**	265,056
		612,547	432,555
Net underwriting income	*38*	**151,848**	145,175
Income from other sources			
Income from investments	*10*	**18,171**	62,088
Other income		**12,307**	8,671
		182,326	215,934
Expenses			
General, administrative and other expenses	*11*	**(137,619)**	(130,377)
Finance expenses		**(1,397)**	(798)
Provision for charitable donations	*12*	**-**	(1)
Net profit before tax		**43,310**	84,758
Taxation - current	*35*	**(11,421)**	(11,444)
Net profit after tax before policyholders' distribution		**31,889**	73,314
Distribution to policyholders of Company	*8*	**(12,034)**	-
Net profit after tax and distribution to policyholders from continuing operations		**19,855**	73,314
DISCONTINUED OPERATIONS			
Loss from discontinued operations	*40*	**(19,378)**	(35,805)
Net profit after tax and distribution to policyholders		**477**	37,509
Attributable to:			
Shareholders		**2,039**	27,509
Non-controlling interest		**(1,562)**	10,000
		477	37,509
Earnings per share (AED)	*34*	**0.002**	0.023
Earnings per share (AED) - continuing operations		**0.018**	0.053

The notes on pages 17 to 80 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 10.

* for details of the re-presentation, please refer note 44.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December

	2018	2017
	AED'000	AED'000
		(Re-presented)*
Net profit after tax and distribution to policyholders	**477**	37,509
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Net change in revaluation of property and equipment	**-**	5,699
Items that are or may be reclassified to profit or loss:		
Net change in fair value of available-for-sale investments	**(13,551)**	543
Foreign exchange translation reserve	**(5,160)**	(2,382)
Other comprehensive (loss) / income	**(18,711)**	3,860
Total comprehensive (loss) / income	**(18,234)**	41,369
Attributable to:		
Shareholders	**(16,059)**	29,930
Non-controlling interest	**(2,175)**	11,439
	(18,234)	41,369

The notes on pages 17 to 80 form an integral part of these consolidated financial statements.

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* for details of the re-presentation, please refer note 44.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Consolidated statement of financial position

as at 31 December

	Note	31 December 2018 AED'000	31 December 2017 AED'000 (Re-presented)*
ASSETS			
Property and equipment	*13*	59,188	63,798
Goodwill and intangibles	*14*	126,870	127,438
Investment properties	*15*	140,807	139,676
Investment in associates	*16*	119,276	114,777
Deposits	*17*	179,970	163,789
Investments	*18*	324,291	326,237
Participants' investments in unit-linked contracts	*18.3*	1,461,414	1,308,939
Deposits with takaful and retakaful companies	*19*	4,578	4,533
Contributions and takaful balance receivables	*20*	246,999	184,571
Retakafuls' share of outstanding claims	*23*	138,173	119,202
Retakafuls' share of unearned contributions	*24*	130,372	102,857
Amounts due from related parties	*28*	13,875	10,953
Other assets and receivables	*21*	386,058	369,871
Cash and bank balances	*22*	274,626	167,552
Assets held-for-sale	*41*	400,537	495,162
TOTAL ASSETS		4,007,034	3,699,355
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Outstanding claims and family takaful reserve	*23*	469,112	419,366
Payable to Participants for unit-linked contracts	*26*	1,451,395	1,301,249
Unearned contributions reserve	*24*	258,733	194,875
Takaful balances payable	*25*	130,376	153,497
Other payables and accruals	*27*	529,874	366,858
Amounts due to related parties	*28*	1	872
Liabilities against assets held-for-sale	*41*	380,352	455,597
TOTAL LIABILITIES		3,219,843	2,892,314
Policyholders' fund	*29*	-	-
NET ASSETS EMPLOYED		787,191	807,041
FINANCED BY:			
Shareholders' equity		724,455	740,514
Non-controlling interest		62,736	66,527
		787,191	807,041

The notes on pages 17 to 80 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 27 MAR 2019 and signed on their behalf by:

Sheikh Khaled Bin Zayed Al Nehayan
Chairman

Dr. Saleh J. Malaikah
Vice Chairman & Managing Director

The independent auditors' report is set out on pages 4 to 10.

* for details of the re-presentation, please refer note 44.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Consolidated statement of cash flows

for the year ended 31 December

	2018	2017
	AED'000	AED'000
		(Re-presented)*
Cash flows from operating activities		
Net profit after tax and distribution to policyholders	**477**	37,509
Adjustment for:		
Depreciation	**4,294**	3,940
Net movement in unearned contributions reserve	**36,343**	(49,154)
Unrealised loss / (gain) on investments	**9,725**	(1,437)
Unrealised gain on investment properties	**(1,469)**	(6,927)
Amortisation of intangible assets	**899**	415
Share of profit from associates	**(5,740)**	(20,041)
Provision and impairment of receivables	**4,461**	9,716
Dividend income	**(3,070)**	(3,291)
Operating income / (loss) before changes in working capital	**45,920**	(29,270)
Change in deposits with takaful and retakaful companies	**(45)**	71
Change in contributions and takaful balance receivable	**(66,889)**	35,430
Change in due from related parties	**(2,922)**	277
Change in due to related parties	**(871)**	568
Change in other assets and receivables	**(16,187)**	(3,966)
Change in assets held-for-sale	**94,625**	503,806
Change in outstanding claims (net of retakaful)	**30,775**	(27,763)
Change in takaful payables and other payables	**139,895**	30,906
Change in payable to participants for unit-linked contracts	**150,146**	318,657
Change in liabilities held-for-sale	**(75,245)**	(439,964)
Net cash flows generated from operating activities	**299,202**	388,752
Cash flows from investing activities		
Property and equipment-net	**316**	(7,784)
Intangible assets-net	**(331)**	(640)
Investment property-net	**338**	5,870
Dividend income from an associate	**1,241**	-
Deposits	**(16,181)**	(18,659)
Investments-net	**(178,965)**	(323,450)
Dividends received	**3,070**	3,291
Net cash flows used in investing activities	**(190,512)**	(341,372)
Cash flows from financing activities		
Bank finance-net	**-**	(420)
Net movement in non-controlling interest	**(1,616)**	(1,187)
Net cash flows used in financing activities	**(1,616)**	(1,607)
Net increase in cash and cash equivalents	**107,074**	45,773
Cash and cash equivalents at 1 January	**167,552**	121,779
Cash and cash equivalents at 31 December (note 22)	**274,626**	167,552

The notes on pages 17 to 80 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 4 to 10.

* for details of the re-presentation, please refer note 44.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Consolidated statement of changes in equity

for the year ended 31 December

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

The notes on pages 17 to 80 form an integral part of these consolidated financial statements.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Consolidated statement of changes in equity (continued)

for the year ended 31 December

	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 2017	1,210,000	73,861	39,189	(107,613)	(3,407)	(35,972)	(465,474)	710,584	56,275	766,859
Total comprehensive icome for the year										
Profit for the year	-	-	-	-	-	-	27,509	27,509	10,000	37,509
Other comprehensive income / (loss)										
Net changes in revaluation of property and equipment	-	-	5,264	-	-	-	-	5,264	435	5,699
Movement in foreign exchange translation reserve	-	-	-	(3,386)	-	-	-	(3,386)	1,004	(2,382)
Movement in net change in fair value of available-for-sale investments	-	-	-	-	543	-	-	543	-	543
Total other comprehensive income / (loss)	-	-	5,264	(3,386)	543	-	-	2,421	1,439	3,860
Total comprehensive income / (loss) for the year	-	-	5,264	(3,386)	543	-	27,509	29,930	11,439	41,369
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	463	463
Surplus revaluation reserve transferred to retained earnings	-	-	(12,523)	-	-	-	12,253	-	-	-
Transactions with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(1,650)	(1,650)
Transfer to statutory reserve	-	2,751	-	-	-	-	(2,751)	-	-	-
Balance at 31 December 2017	**1,210,000**	**76,612**	**31,930**	**(110,999)**	**(2,864)**	**(35,972)**	**(428,193)**	**740,514**	**66,527**	**807,041**

The notes on pages 17 to 80 form an integral part of these consolidated financial statements.

1 Legal status and activities

Islamic Arab Insurance Co. (Salama) PJSC ("the Company") is a public joint stock company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates under registration number 42381 with Ministry of Economic and Commerce and under registration number 17 with the Insurance Authority. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari'ah principles and in accordance with the Articles of the Company, UAE Federal Law No. (2) of 2015 for commercial companies and UAE Federal Law No. (6) of 2007, concerning regulations of insurance operations.

The Company and its subsidiaries are referred to as "the Group". Tariic Holding BSC (Tariic), a subsidiary of the Company, is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. Details of the Company's subsidiaries are mentioned in note 39 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 2018**	31 December 2017	**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%**	85.00%	Egypt
Salama Immobilier	**84.25%**	84.25%	Senegal
Best Re Holding Limited - Classified as held-for-sale (see note 40 & 44)	**0%**	100%	Malaysia
Through Tariic			
Salama Assurance Senegal	**58.45%**	58.45%	Senegal
Salama Assurances Algerie	**96.98%**	96.98%	Algeria
Egypt Saudi Insurance Home	**51.15%**	51.15%	Egypt

As explained in note 40, the Company has undertaken to sell its entire investment in Best Re Holding Limited. The Company's investment in Best Re Holding has been classified as held-for-sale in these consolidated financial statements. Subsequent to 31 December 2018, the sale transaction has been concluded.

2 Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and applicable provisions of UAE Federal Law No. (2) of 2015 and UAE Federal Law No. (6) of 2007.

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 which are stated at fair value :

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

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 consolidated 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.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and the factors including expectations of future events that are believed to be reasonable under the circumstances.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included in the following notes:

- Note 15: Investment properties
- Note 18: Investments
- Note 23: Outstanding claims and family takaful reserve

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 consolidated 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.

2 **Basis of preparation** (continued)

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

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

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. For available-for-sale investments where fair values are not available, the Group makes an assessment of whether there is objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognised if the estimated recoverability assumed is assessed to be below the cost of the investment. 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.

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) **Change in accounting policy**

IFRS 15 'Revenue from Contracts with Customers' (effective 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. Under IFRS 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue arising from insurance contracts and from financial instruments is outside the scope of IFRS 15. The impact on the recognition of revenue from other services delivered to customers by the Group is not material to the consolidated financial statements.

3 **Significant accounting policies**

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

3 Significant accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the consolidated statement of profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

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 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.

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. Interest in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statement include the Group's share of the profit or loss and OCI of equity accounted investees less dividends received, until the date on which significant influence or joint control 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)

a) 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. 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, 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 for embedded derivatives separately.

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

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)

a) 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 Tabarru fund after accounting for the claims, relevant expenses, investment returns and reserves. The surplus is available for the distribution to eligible participants provided there is net surplus in the Tabarru Fund in respect of the relevant year. The distribution is at the discretion of the Board of Directors. This contractual right is supplement to the other benefits mentioned in the contract.

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

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

iii. Unearned premium reserve

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

iv. 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.

v. 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)

a) Takaful contracts (continued)

vi. 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.

vii. Contribution deficiency reserve

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

viii. Retakaful

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

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

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

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

3 Significant accounting policies (continued)

a) Takaful contracts (continued)

ix. Deferred commission cost

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

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

x. 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.

xi. 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.

xii. 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.

b) 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) Income from investments

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(s).

3 Significant accounting policies (continued)

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

ii) Income from investments (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.

c) Financial instruments (financials assets and financial liabilities)

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, takaful and other receivables, cash and bank balances, amount due to and from related party, deposits with takaful and retakaful companies, investment contract liabilities, 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)

c) Financial instruments (continued)

Non-derivative financial instruments (continued)

ii) Categories of financial instruments (continued)

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 losses.

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. Available-for-sale investments are initially measured at cost, being the fair value, including transaction costs, and are subsequently re-measured to fair value. Unrealised gains and losses arising from changes in the fair values of AFS investments are recognised in consolidated statement of profit or loss and other comprehensive income and recognised in a reserve as a separate component of equity. In the event of sale, disposal, collection or impairment, the cumulative gains and losses recognised in equity are transferred to the profit or loss. Purchases and sales of AFS investments are accounted for on the trade date. AFS investments which have no quoted market price or other appropriate methods from which to derive reliable fair values are carried at cost less impairment.

Other financial assets

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

iii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset 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.

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Non-derivative financial instruments (continued)

iv) Fair value measurement principle (continued)

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 minimise 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.

v) Identification and measurement of impairment

Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Group.

3 Significant accounting policies (continued)

c) Financial instruments (continued)

Non-derivative financial instruments (continued)

v) Identification and measurement of impairment (continued)

Impairment of loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset. All individually significant receivables are assessed for specific impairment.

At each reporting date, the Group assesses on a case-by-case basis whether there is any objective evidence that an asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

When a receivable is uncollectible, it is written off against the related allowance impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for impairment in the consolidated statement of profit and loss.

Impairment losses are recognised in the consolidated statement of profit and loss and reflected in an allowance account against receivables.

Impairment of available for sale financial assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to the consolidated statement of profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss. If the fair value of an impaired available for sale debt security subsequently increases and the increase can be related to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through the consolidated statement of profit or loss; otherwise, it is reversed through the consolidated statement of profit or loss and other comprehensive income. Any subsequent recovery in the fair value of an impaired available for sale equity securities is always recognised in the consolidated statement of profit or loss and other comprehensive income.

vi) Payable to Participants for unit-linked contracts

Payable to unit holders is classified as a 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)

c) 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.

d) 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 consolidated statement of profit or loss.

The Group determines fair value on the basis of valuation provided by independent valuers who hold recognised and relevant professional qualifications and have 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 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 and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

e) 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 profit or loss and other comprehensive income.

3 Significant accounting policies (continued)

f) 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.

g) Property and equipment

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.

h) Employee terminal benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment are not less than the liability arising under UAE Labour Law.

The Group contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Group's contributions are charged to the statement of profit or loss in the period to which they relate. In respect of this scheme, the Group has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

3 Significant accounting policies (continued)

i) Cash and bank balances

Cash and bank balances 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. Cash and bank balances are carried at amortised cost in the consolidated statement of financial position.

j) 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.

k) 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.

l) 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. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(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.

m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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.

3 Significant accounting policies (continued)

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 29).

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. 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.

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 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 adopted

A number of new standards and amendments to standards and interpretations applicable to the Group are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

For those new standards and amendments to standards that are expected to have an effect on the consolidated financial statements of the Group in future financial periods, the Group is assessing the transition options and the potential impact on its consolidated financial statements, and to implement these standards. The Group does not plan to adopt these standards early.

(i) IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of the premises. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

3 Summary of significant accounting policies (continued)

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

(i) IFRS 16 Leases (continued)

i. Leases in which the Group is a lessee (continued)

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

The Group is in the process of evaluating the potential impact of IFRS 16 on the financial statements.

(ii) Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

The amendments introduce two approaches for entities that apply IFRS 4 to reduce the impact of differing effective dates with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments: an overlay approach and a temporary exemption from applying IFRS 9.

The amended IFRS 4:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 till the earlier of annual reporting periods beginning before 1 January 2021 or when IFRS 17 becomes effective. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of the consolidated financial statements to understand:

a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and

b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies IFRS 9.

An insurer that elects to apply the temporary exemption from IFRS 9 shall disclose information to enable users of the consolidated financial statements:

a) to understand how the insurer qualified for the temporary exemption; and

b) to compare insurers applying the temporary exemption with entities applying IFRS 9.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2021 and will expire once IFRS 17 becomes effective.

Potential impact on the consolidated financial statements

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Group's consolidated financial statements. That standard may impact how the classification and measurement of financial instruments requirements under IFRS 9 is adopted.

The Group qualifies for temporary exemption from applying IFRS 9 on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance with the carrying amount of its liabilities within the scope of IFRS 4 being greater than 90 per cent of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

3 Summary of significant accounting policies (continued)

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

(ii) Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (continued)

The fair value information of the Group's directly held financial assets at 31 December 2018 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of IFRS 9, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9, together with all other financial assets:

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9		All other financial assets	
	Fair value at 31 December 2018	Movement in fair value during the year	Fair value at 31 December 2018	Movement in fair value during the year
	AED '000	AED '000	AED '000	AED '000
Held to maturity investments	42,289	-	-	-
Available for sale investments	-	-	72,107	(13,551)
Investments carried at fair value through profit and loss	-	-	23,355	(5,700)
Islamic Placements	151,912	-	-	-
Deposits	179,970	-	-	-
Deposits with takaful and retakaful companies	4,578	-	-	-
Contributions and takaful balance receivables	246,999	-	-	-
Other assets and receivables	18,196	-	-	-
Cash and cash equivalents	274,626	-	-	-
	918,570	**-**	**95,462**	**(19,251)**

The financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 in the table above are classified as amortised cost under IAS 39. The credit ratings of investment securities, deposits and bank balaces are as follows:

	Credit ratings		
	AAA to BBB-	Below BBB- or not rated	Total
	AED '000	AED '000	AED '000
Held to maturity investments	26,822	15,467	42,289
Islamic placements	71,152	80,760	151,912
Deposits	27,465	152,505	179,970
Cash and cash equivalents	190,405	84,221	274,626
	315,844	**332,953**	**648,797**

All the financial assets disclosed above have low credit risk at the end of the reporting year.

3 Significant accounting policies (continued)

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

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' as of 1 January 2022.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is not practical, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2022. The application of IFRS 17 will have a significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts. However, it is not practical to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

v) Other standards

- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.

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.

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

Capital management framework

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

4 Risk management (continued)

a) Introduction and overview (continued)

Regulatory framework

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

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

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.

b) Takaful risk

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

Frequency and severity of claims

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

Property

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

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

4 Risk management (continued)

b) Takaful risk (continued)

Engineering

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

Motor

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

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

Miscellaneous accident

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

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

Marine

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

Family takaful contracts

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

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

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

4 Risk management (continued)

b) Takaful risk (continued)

Retakaful risk

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

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

Assets, liabilities, income and expense arising from ceded reinsurance contracts are presented separately from assets, liabilities, income and expense from the related insurance contract because the retakaful ceded contracts do not relieve the Group from its obligations and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the 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 retention on any one single event is limited to AED 1 million (*2017: AED 1 million)* .

Terms and conditions of takaful contracts

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

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

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

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

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

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

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

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

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:

	2018 **AED’000**	2017 AED’000 (Re-presented)
Financial assets		
Deposits	**179,970**	163,789
Investments	**289,663**	301,040
Deposits with insurance and reinsurance companies	**4,578**	4,533
Contribution and takaful balance receivables	**246,999**	184,571
Amounts due from related parties	**13,875**	10,953
Other assets (excluding prepayments)	**18,196**	13,254
Retakafuls' share of outstanding claims	**138,173**	119,202
Cash at bank	**274,595**	167,524
Total	**1,166,049**	964,866

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.

		Contractual cash flows					
31 December 2018	**Carrying value**	**Total**	**Less than 180 days**	**180 days to 1 year**	**1-5 year**	**Over 5 year**	**No stated maturity**
		AED '000					
Payable to Participants for unit-linked contracts	**1,451,395**	**1,451,395**	**-**	**-**	**-**	**-**	**1,451,395**
Takaful balance payable	**130,376**	**(130,376)**	**(47,814)**	**(13,161)**	**(52,643)**	**-**	**(16,758)**
Other payables	**529,874**	**(496,242)**	**(118,317)**	**(114,713)**	**(263,212)**	**-**	**-**
Total liabilities	**2,111,645**	**824,777**	**(166,131)**	**(127,874)**	**(315,855)**	**-**	**1,434,637**

		Contractual cash flows					
31 December 2017 (Re-presented)	Carrying value	Total	Less than 180 days	180 days to 1 year	1-5 year	Over 5 year	No stated maturity
		AED '000					
Payable to Participants for unit-linked contracts	1,301,249	1,301,249	-	-	-	-	1,301,249
Takaful balance payable	153,497	(153,497)	(71,618)	(47,635)	(2,272)	-	(31,972)
Other payables	367,072	(338,485)	(48,603)	(85,182)	(204,700)	-	-
Total liabilities	1,821,818	809,267	(120,221)	(132,817)	(206,972)	-	1,269,277

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

31 December 2017	Financial assets	Financial liabilities	Net
Currency	AED'000	AED'000	AED'000
USD	186,815	(66,954)	119,861
EGP	166,090	(59,957)	106,133
CFA	24,939	(25,479)	(540)
DZD	248,751	(153,362)	95,389
Others	155,157	(15,230)	139,927

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

31 December 2017	Change in exchange rates	Profit or loss AED'000	Other comprehensive income AED'000
Financial assets	+5%	-	+39,088
	-5%	-	-39,088
Financial liabilities	+5%	-	+16,049
	-5%	-	-16,049

(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 2018

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

31 December 2017

	Change in equity prices	Profit or loss AED'000	Other comprehensive income AED'000
	+10%	**+6,988**	+8,419
	-10%	**-6,988**	-8,419

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 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 at that date as the Group has control over the operating and financial policies of Tariic. The above acquisition resulted in recognition of Goodwill in the statement of financial position amounting to AED 186.19 million.

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

In addition to the acquisitions in Tariic, the Company directly acquired shares in Best Re, subsidiary of Tariic. The goodwill amounting to AED 25.6 million was recognised in the 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 Company's share of the above discount of AED 7.35 million was recognised directly in shareholders’ equity.

The management has allocated goodwill to each subsidiary on systematic basis. In 2015, 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 40), the management has written off the remaining carrying value of goodwill amounting to AED 27.04 million attributable to subsidiary in full to profit or loss, being the difference between carrying value and recoverable amount. Management had earlier provided a provision of AED 34.4 million for impairment of goodwill in the year 2013.

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

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

The key assumptions described above may change as the economic and market conditions change. Management estimates 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 2018	FVTPL AED '000	Available-for-sale investments AED '000	Amortised cost AED '000	Total carrying amount AED '000
Financial assets				
Investments	55,916	74,174	194,201	324,291
Investments in associates	-	-	119,276	119,276
Deposits	-	-	179,970	179,970
Participants' investments in unit-linked contracts	1,461,414	-	-	1,461,414
Deposits with takaful and retakaful companies	-	-	4,578	4,578
Contributions and takaful balance receivables	-	-	246,999	246,999
Amounts due from related parties	-	-	13,875	13,875
Other assets and receivables	-	-	18,196	18,196
Cash and bank balances	-	-	274,626	274,626
	1,517,330	74,174	1,051,721	2,643,225
Financial liabilities				
Payable to Participants for unit-linked contracts	1,451,395	-	-	1,451,395
Takaful balances payable	-	-	130,376	130,376
Other payables	-	-	496,242	496,242
Amounts due to related parties	-	-	1	1
	1,451,395	-	626,619	2,078,014

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

At 31 December 2017 (Re-presented)	FVTPL AED '000	Available-for-sale investments AED '000	Amortised cost AED '000	Total carrying amount AED '000
Financial assets				
Investments	69,884	84,194	172,159	326,237
Investments in associates	-	-	114,777	114,777
Deposits	-	-	163,789	163,789
Participants' investments in unit-linked contracts	1,308,939	-	-	1,308,939
Deposits with takaful and retakaful companies	-	-	4,533	4,533
Contributions and takaful balance receivables	-	-	184,571	184,571
Amounts due from related parties	-	-	10,953	10,953
Other assets and receivables	-	-	13,254	13,254
Cash and bank balances	-	-	167,552	167,552
	1,378,823	84,194	831,588	2,294,605
Financial liabilities				
Bank finances	-	-	-	-
Payable to Participants for unit-linked contracts	1,301,249	-	-	1,301,249
Takaful balances payable	-	-	153,497	153,497
Other payables	-	-	338,485	338,485
Amounts due to related parties	-	-	872	872
	1,301,249	-	492,854	1,794,103

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.

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.

7 Fair value of financial instrument (continued)

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

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

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

a) Fair value hierarchy of assets and liabilities measured at fair value

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

As at 31 December 2018

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

7 Fair value of financial instrument (continued)

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

As at 31 December 2017 (Re-presented)

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	46,485	-	-	46,485
Participants' investments in unit-linked contracts	-	1,308,939	-	1,308,939
Shares and securities	23,399	-	-	23,399
	69,884	1,308,939	-	1,378,823
Available for sale				
Mutual fund	-	82,396	-	82,396
Shares and securities	635	1,163	-	1,798
	635	83,559	-	84,194
Non-financial assets				
Investment properties	-	-	139,676	139,676
Financial liabilities				
Payable to Participants for unit-linked contracts	-	1,301,249	-	1,301,249

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:

	2018 **AED'000**	2017 AED'000 (Re-presented)
Balance at 1 January	**139,676**	132,920
Purchases	**683**	221
Currency translation differences	**(1,021)**	(392)
Fair value movement (refer note 15)	**1,469**	6,927
Balance at 31 December	**140,807**	139,676

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 2018

Financial assets	**Level 1 AED '000**	**Level 2 AED '000**	**Level 3 AED '000**	**Total fair value AED '000**	**Total carrying amount AED '000**
Deposits	**-**	**179,970**	**-**	**179,970**	**179,970**
Deposits with takaful and retakaful companies	**-**	**4,578**	**-**	**4,578**	**4,578**
Contributions and takaful balance receivables	**-**	**-**	**246,999**	**246,999**	**246,999**
Amounts due from related parties	**-**	**-**	**13,875**	**13,875**	**13,875**
Other assets and receivables	**-**	**-**	**18,196**	**18,196**	**18,196**
	-	**184,548**	**279,070**	**463,618**	**463,618**
Financial liabilities					
Takaful balances payable	**-**	**-**	**130,376**	**130,376**	**130,376**
Other payables	**-**	**-**	**496,242**	**496,242**	**496,242**
	-	**-**	**626,618**	**626,618**	**626,618**

As at 31 December 2017 (Re-presented)

Financial assets	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total fair value AED '000	Total carrying amount AED '000
Deposits	-	163,789	-	163,789	163,789
Deposits with takaful and retakaful companies	-	4,533	-	4,533	4,533
Contributions and takaful balance receivables	-	-	184,571	184,571	184,571
Amounts due from related parties	-	-	10,953	10,953	10,953
Other assets and receivables	-	-	13,254	13,254	13,254
	-	168,322	208,778	377,100	377,100
Financial liabilities					
Bank finances	-	-	-	-	-
Takaful balances payable	-	-	153,497	153,497	153,497
Other payables	-	-	338,485	338,485	338,485
	-	-	491,982	491,982	491,982

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.

Notes (*continued*)

8 Allocation between participants and shareholders

Consolidated statement of profit or loss

	For the year ended 31 December 2018				For the year ended 31 December 2017 (Re-presented)			
	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	**-**	**151,848**	**-**	**151,848**	-	145,175	-	145,175
Income								-
Wakalah share (note 9)	**144,319**	**(144,319)**	**-**	**-**	90,957	(90,957)	-	-
Mudarib share	**50**	**(50)**	**-**	**-**	35	(35)	-	-
Net technical charges from/to shareholders to policyholders	**51,737**	**(51,737)**	**-**	**-**	53,098	(53,098)	-	-
Net underwriting income from subsidiaries	**52,600**	**(52,600)**	**-**	**-**	45,766	(45,766)	-	-
Income from investments (note 10)	**17,750**	**421**	**-**	**18,171**	61,875	213	-	62,088
Other income	**12,307**	**-**	**-**	**12,307**	8,671	-	-	8,671
	278,763	**(96,437)**	**-**	**182,326**	260,402	(44,468)	-	215,934
Expenses								
General, administrative and other expenses	**(137,619)**	**-**	**-**	**(137,619)**	(130,378)	-	-	(130,378)
Finance expenses	**(1,397)**	**-**	**-**	**(1,397)**	(798)	-	-	(798)
Commission paid and other costs	**(38,504)**	**38,504**	**-**	**-**	(23,480)	23,480	-	-
Net profit / (loss) before tax	**101,243**	**(57,933)**	**-**	**43,310**	105,746	(20,988)	-	84,758
Tax – current	**(11,421)**	**-**	**-**	**(11,421)**	(11,444)	-	-	(11,444)
Net profit / (loss) after tax	**89,822**	**(57,933)**	**-**	**31,889**	94,302	(20,988)	-	73,314
Loss from discontinued operations	**(19,378)**	**-**	**-**	**(19,378)**	(35,805)	-	-	(35,805)
Share of non-controlling interest	**1,562**	**-**	**(1,562)**	**-**	(10,000)	-	10,000	-
Distribution to policyholders of Company	**-**	**(12,034)**	**-**	**(12,034)**	-	-	-	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' funds (note 29)	**(69,967)**	**69,967**	**-**	**-**	(20,988)	20,988	-	-
Net profit / (loss)	**2,039**	**-**	**(1,562)**	**477**	27,509	-	10,000	37,509

8 Allocation between participants and shareholders (continued)

Consolidated statement of financial position

	2018	2017
	AED'000	AED'000
		(Re-presented)
ASSETS		
Participants' assets		
Participants' investments in unit-linked contracts	**1,461,414**	1,308,939
Contributions and takaful balance receivables	**168,174**	108,276
Retakafuls' share of outstanding claims	**111,866**	96,952
Retakafuls' share of unearned contributions	**76,622**	66,060
Other assets and receivables	**91**	3,366
Cash and bank balances	**67,777**	42,026
Total participants' assets	**1,885,944**	1,625,619
Total shareholders' assets *	**2,121,090**	2,073,736
Total assets	**4,007,034**	3,699,355
LIABILITIES		
Participants' liabilities		
Outstanding claims and family takaful reserve	**208,719**	194,274
Payable to Participants for unit-linked contracts	**1,451,395**	1,301,249
Unearned contributions reserve	**152,352**	109,480
Takaful balances payable	**78,964**	97,542
Other payables and accruals	**31,028**	30,887
Total participants' liabilities	**1,922,458**	1,733,432
Total shareholders' liabilities *	**1,297,385**	1,158,882
Total liabilities	**3,219,843**	2,892,314
NET ASSETS EMPLOYED	**787,191**	807,041
FINANCED BY:		
Shareholders' equity	**724,455**	740,514
Non-controlling interest	**62,736**	66,527
	787,191	807,041

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

9 Wakalah share

The shareholders manage the takaful operations of the Group for the policyholders and charge 35% (2017: 35%) of gross written contributions and participant investment revenues of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2017: 15%) of mortality costs.

10 Income from investments

	For the year ended 31 December 2018		
	Shareholders AED'000	**Policyholders AED'000**	**Total AED'000**
Income from investments in Mudaraba and fund	**3,612**	**-**	**3,612**
Realised loss on sale of investments	**(5,975)**	**-**	**(5,975)**
Unrealised loss on investments	**(9,725)**	**-**	**(9,725)**
Unrealised gain on investments properties (note 15)	**1,469**	**-**	**1,469**
Loss on Sukuk and other held to maturity			-
investments	**(4)**	**-**	**(4)**
Income from bank deposits and loans and receivables	**19,320**	**420**	**19,740**
Dividend income	**3,070**	**-**	**3,070**
Share of profit from associates (note 16)	**5,740**	**-**	**5,740**
Rental income (note 15)	**664**	**-**	**664**
	18,171	**420**	**18,591**

	For the year ended 31 December 2017 (Re-presented)		
	Shareholders AED'000	Policyholders AED'000	Total AED'000
Income from investments in Mudaraba and IPO fund	2,758	-	2,758
Realised profit on sale of investments	6,683	-	6,683
Unrealised gain on investments	1,437	-	1,437
Unrealised gain on investments properties (note 15)	6,927	-	6,927
Income on Sukuk and other held to maturity investments	(3)	-	(3)
Income from bank deposits and loans and receivables	20,606	214	20,820
Dividend income	3,291	-	3,291
Share of profit from associates (note 16)	20,041	-	20,041
Rental income (note 15)	134	-	134
	61,874	214	62,088

11 General, administrative and other expenses

These include:

	2018 AED'000	2017 AED'000 (Re-presented)
Staff costs	**80,752**	79,415
Rent, rates and service charges	**5,997**	6,623
Repair and maintenance	**2,508**	2,255
Travelling and conveyance	**456**	566
Printing and stationery	**1,904**	1,911
Licenses and other government expenses	**2,307**	1,503
Depreciation	**4,294**	3,861
Amortisation	**899**	395
Marketing and advertising	**4,428**	4,147
Legal and professional fees - Company	**6,336**	5,401
Provision and impairment of receivables	**4,461**	9,716
Exchange losses	**2,322**	2,417
Others	**20,955**	12,167
	137,619	130,377

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:

	2018 AED'000	2017 AED'000
Balance at 1 January	**20**	19
Provided during the year	**-**	1
Utilised during the year	**(20)**	-
Balance at 31 December (included in other payables and accruals) (note 27)	**-**	20

13 Property and equipment

	Land AED'000	Building AED'000	Furniture and fixtures AED'000	Computer AED'000	Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost							
At 1 January 2017	13,643	45,577	14,580	7,472	2,213	1,385	84,870
Additions	-	318	1,129	607	556	385	2,995
Disposals	-	-	(77)	-	(244)	-	(321)
Foreign exchange translation	(1)	(645)	42	113	(7)	18	(480)
Transfer to held for sale	-	(2,603)	(332)	(188)	-	-	(3,123)
Reclassification	708	1,608	520	4	-	(524)	2,316
At 31 December 2017 (Re-presented)	14,350	44,255	15,862	8,004	2,518	1,264	86,257
At 1 January 2018	**14,350**	**44,255**	**15,862**	**8,004**	**2,518**	**1,264**	**86,257**
Additions	**-**	**-**	**483**	**1,620**	**367**	**-**	**2,470**
Foreign exchange translation	**(487)**	**(1,415)**	**(315)**	**(204)**	**(54)**	**(7)**	**(2,482)**
Disposals	**-**	**-**	**(1,156)**	**(1,220)**	**(89)**	**(887)**	**(3,352)**
Transfer to held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reclassification	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2018	**13,863**	**42,840**	**14,874**	**8,200**	**2,742**	**370**	**82,893**
Depreciation							
At 1 January 2017	-	4,404	10,370	6,104	1,675	-	22,553
Charge for the year	-	1,886	1,046	576	353	-	3,861
On disposals	-	-	(2)	-	(244)	-	(246)
Foreign exchange translation	-	(3,457)	-	-	-	-	(3,457)
Transfer to held for sale	-	80	(278)	(53)	(1)	-	(252)
At 31 December 2017 (Re-presented)	-	2,913	11,136	6,627	1,783	-	22,459
At 1 January 2018	**-**	**2,913**	**11,136**	**6,627**	**1,783**	**-**	**22,459**
Charge for the year	**-**	**1,842**	**1,042**	**1,080**	**330**	**-**	**4,294**
On disposals	**-**	**-**	**(1,137)**	**(1,255)**	**(89)**	**-**	**(2,481)**
Foreign exchange translation	**-**	**(130)**	**(265)**	**(128)**	**(48)**	**-**	**(571)**
Transfer to held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2018	**-**	**4,625**	**10,776**	**6,324**	**1,976**	**-**	**23,701**
Net book value							
At 31 December 2018	**13,863**	**38,215**	**4,098**	**1,876**	**766**	**370**	**59,188**
At 31 December 2017 (Re-presented)	14,350	41,342	4,726	1,377	735	1,264	63,798

14 Goodwill and intangibles

	Goodwill AED'000	Computer software AED'000	Total AED'000
Cost			
At 1 January 2017	186,194	9,593	195,787
Additions	-	721	721
Transfers	-	(231)	(231)
Effect of movements in exchange rates	-	(124)	(124)
At 31 December 2017 (Re-presented)	186,194	9,959	196,153
At 1 January 2018	**186,194**	**9,959**	**196,153**
Additions	**-**	**383**	**383**
Transfers	**-**	**(231)**	**(231)**
Effect of movements in exchange rates	**-**	**(136)**	**(136)**
At 31 December 2018	**186,194**	**9,975**	**196,169**
Accumulated amortisation and impairment losses			
At 1 January 2017	61,362	7,192	68,554
Charge for the year	-	415	415
Transfers	-	(211)	(211)
Effect of movements in exchange rates	-	(43)	(43)
At 31 December 2017 (Re-presented)	61,362	7,353	68,715
At 1 January 2018	**61,362**	**7,353**	**68,715**
Charge for the year	**-**	**899**	**899**
Transfers	**-**	**(234)**	**(234)**
Effect of movements in exchange rates	**-**	**(81)**	**(81)**
At 31 December 2018	**61,362**	**7,937**	**69,299**
Net book value			
At 31 December 2018	**124,832**	**2,038**	**126,870**
At 31 December 2017 (Re-presented)	124,832	2,606	127,438

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 the Group directly and through its controlled subsidiaries.

Geographical representation of investment properties are as follows:

	2018	2017
	AED'000	AED'000
Within UAE	**12,000**	14,500
Outside UAE	**128,807**	125,176
	140,807	139,676

The rental income of properties amount to AED 0.7 million in 2018 (*2017: AED 0.1 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)

As required by Insurance Authority, the Group has engaged two investment property valuers for the properties having fair values that exceed the amount stipulated by the Authority. The fair values of these properties have been evaluated as per method recommended by the Authority i.e. mean of values computed by the external property appraisers.

	2018	2017
	AED'000	AED'000
Movement in investment properties		
Balance at 1 January	**139,676**	132,920
Acquired during the year	**683**	221
Fair value gain (note 10)	**1,469**	6,927
Currency translation differences	**(1,021)**	(392)
Balance at 31 December	**140,807**	139,676

16 Investment in associates

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

	Ownership		**Country of**	**2018**	2017
Associates	**2018**	2017	**incorporation**	**AED'000**	AED'000
Salama Cooperative Insurance Company	**30.00%**	30.00%	KSA	**87,020**	82,433
Islamic Insurance Jordan	**20.00%**	20.00%	Jordan	**32,256**	32,344
				119,276	114,777

Movements during the year	**2018**	2017
	AED'000	AED'000
Balance at 1 January	**114,777**	94,736
Share of profit from associates (note 10)	**5,740**	20,041
Dividend received	**(1,241)**	-
Balance at 31 December	**119,276**	114,777

Summarised financial information of the major associates is as under:

	2018	2017
	AED'000	AED'000
Total assets	**1,158,137**	1,065,792
Total liabilities	**(786,594)**	(683,505)
Revenue	**637,357**	701,285
Profit	**27,448**	76,470

17 Deposits

Company	2018 AED'000	2017 AED'000
Islamic Arab Insurance Co. (Salama)	**10,000**	10,000
Egypt Saudi Insurance Home	**68,700**	67,739
Salama Algeria	**91,170**	82,359
Salama Senegal	**1,185**	1,240
Misr Emirates Takaful Life Insurance Co.	**8,915**	2,451
	179,970	163,789

17.1 The deposits include AED 11.86 Million (2017: AED 11.92 Million) as statutory deposits, which are required to be placed by all insurance and takaful companies operating in respective countries mentioned above with the designated national banks.

17.2 The deposits include AED 168.11 Million (2017: AED 151.87 Million) as investments and Deposits, which are depending on the nature of takaful activities of takaful companies and cannot be withdrawn except with the prior approval of the regulatory authorities.

18 Investments

	31 December 2018			31 December 2017 (Re-presented)		
	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	**-**	**23,355**	**23,355**	-	46,485	46,485
Shares and securities	**3,574**	**28,987**	**32,561**	4,702	18,697	23,399
	3,574	**52,342**	**55,916**	4,702	65,182	69,884
Available-for-sale investments						
Mutual fund and externally managed portfolio	**-**	**72,107**	**72,107**	-	82,396	82,396
Shares and Securities	**-**	**2,067**	**2,067**	-	1,798	1,798
	-	**74,174**	**74,174**	-	84,194	84,194
Islamic placements (refer 18.1)	**-**	**151,912**	**151,912**	-	144,130	144,130
Held to maturity						
SUKUK and Government bonds	**-**	**15,467**	**15,467**	-	1,207	1,207
Other investments	**-**	**26,822**	**26,822**	-	26,822	26,822
Total investments	**3,574**	**320,717**	**324,291**	4,702	321,535	326,237

18.1 Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5.00% *(2017: 0.22% to 5.00%)* and maturing in more than three months from date of acquisition.

18.2 During the year ended 31 December 2018, the Group purchased shares worth AED 3.9 million (2017: AED 12.9 million) which are classified as fair value through profit or loss and available-for-sale investments.

18.3 Participants' investments in unit-linked contracts

	2018 AED'000	2017 AED'000
Financial asset at fair value through profit or loss	**1,461,414**	1,308,939

19 Deposits with takaful and retakaful companies

	2018	2017
	AED'000	AED'000
		(Re-presented)
Contributions deposits	**2,475**	2,405
Claim deposits	**2,103**	2,128
	4,578	4,533

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

20 Contributions and takaful balance receivables

	2018	2017
	AED'000	AED'000
		(Re-presented)
Takaful contributions receivables	**204,603**	123,090
Due from takaful and retakaful companies	**78,903**	91,768
	283,506	214,858
Provision for impairment losses		
Takaful contributions receivables	**(13,871)**	(11,473)
Due from takaful and retakaful companies	**(22,636)**	(18,814)
	246,999	184,571

Aging of contributions and takaful balance receivables

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

Aging of contributions and takaful balance receivables

	2017 (Re-presented)	
	Gross amount	Impairment
	AED'000	AED'000
Not yet due	11,726	-
Past due over 0 to 60 days	47,189	-
Past due over 60 to 120 days	43,026	(299)
Past due over 120 to 180 days	29,711	-
Past due over 180 days to 1 year	31,598	-
Over 1 year	51,608	(29,988)
Total contributions and takaful balance receivables	214,858	(30,287)
Net contributions and takaful balance receivables	184,571	

21 Other assets and receivables

	2018 AED'000	2017 AED'000 (Re-presented)
Deferred commission	**297,191**	286,373
Prepaid commission	**63,319**	63,065
Others	**25,548**	20,433
	386,058	369,871

22 Cash and bank balances

	2018 AED'000	2017 AED'000 (Re-presented)
Cash in hand	**31**	28
Cash at bank	**84,415**	68,110
Term deposits (note 22.1 and 28)	**190,180**	99,414
	274,626	167,552

Cash and bank balances - by geographical distribution

	2018 AED'000	2017 AED'000 (Re-presented)
Domestic	**176,236**	66,702
International	**98,390**	100,850
	274,626	167,552

22.1 Term deposits carried profit ranging from 1.18% to 3.00% per annum *(2017: 1.07% to 1.67% per annum)* .

23 Outstanding claims and family takaful reserve

	2018	2017
	AED'000	AED'000
		(Re-presented)
Reserve for outstanding claims	**370,973**	343,278
Reserve for incurred but not reported claims	**98,139**	76,088
	469,112	419,366
Less: Retakafuls' share of outstanding claims	**(138,173)**	(119,202)
	330,939	300,164

Movements in outstanding claims reserve and family takaful reserve

	2018			
	Gross	**Retakaful**	**Adjustment**	**Net**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Balance at 1 January	**419,366**	**(119,202)**	**-**	**300,164**
Currency translation differences	**-**	**-**	**(2,337)**	**(2,337)**
Net movement during the year	**49,746**	**(18,971)**	**2,337**	**33,112**
Balance at 31 December	**469,112**	**(138,173)**	**-**	**330,939**

	2017 (Re-presented)			
	Gross	Retakaful	Adjustment	Net
	AED'000	AED'000	AED'000	AED'000
Balance at 1 January	493,627	(157,023)	-	336,604
Currency translation differences	-	-	(1,894)	(1,894)
Transferred to held for sale	(14,283)	-		(14,283)
Net movement during the year	(59,978)	37,821	1,894	(20,263)
Balance at 31 December	419,366	(119,202)	-	300,164

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. IBNR reserves are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by new regulations.

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 2017 and 2018 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 consolidated 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)	**2014 AED'000**	**2015 AED'000**	**2016 AED'000**	**2017 AED'000**	**2018 AED'000**	**Total AED'000**
Development year 1	125,623	187,901	118,415	111,711	275,834	-
Development year 2	261,055	454,420	161,010	223,837	-	-
Development year 3	290,802	488,439	179,010	-	-	-
Development year 4	295,456	548,717	-	-	-	-
Development year 5	307,966	-	-	-	-	-
Current estimate of cumulative claims **(A)**	307,966	548,717	179,010	223,837	275,834	1,535,364
Cumulative payments to date **(B)**	(275,830)	(472,152)	(140,711)	(186,259)	(165,373)	(1,240,325)
Net **(A-B)**	32,136	76,565	38,299	37,578	110,461	295,039

Liability recognised in the consolidated statement of financial position as part of gross claim	295,039
Reserve in respect of years prior to 2013 part of the gross claim	44,971
Total reserve included in the consolidated statement of financial position as part of the gross claim (excluding family takaful reserve)	340,010

23 Outstanding claims and family takaful reserve (continued)

Claims development *(continued)*

Takaful claims-net Underwriting year (cumulative amounts)	**2014** AED'000	**2015** AED'000	**2016** AED'000	**2017** AED'000	**2018** AED'000	**Total** AED'000
Development year 1	90,499	171,758	94,635	58,431	96,899	
Development year 2	193,621	397,791	104,390	81,585	-	-
Development year 3	212,208	423,553	110,564	-	-	-
Development year 4	215,028	450,847	-	-	-	-
Development year 5	219,411	-	-	-	-	-
Current estimate of cumulative claims **(A)**	219,411	450,847	110,564	81,585	96,899	959,306
Cumulative payments to date **(B)**	(200,535)	(408,548)	(87,068)	(60,956)	(39,242)	(796,349)
Net **(A-B)**	18,876	42,299	23,496	20,629	57,657	162,957

Liability recognised in the consolidated statement of financial position as part of net claim	162,957
Reserve in respect of years prior to 2013 part of the net claim	38,880
Total reserve included in the consolidated statement of financial position as part of the net claim (excluding family takaful reserve)	201,837

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 2018

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

31 December 2017

		Impact on gross liabilities AED'000	*Impact on net profit AED'000
Current claims	+10%	+42,804	+30,884
	-10%	-42,804	-30,884

* the impact on net profit is net of retakaful.

24 Unearned contribution reserve

Movements in unearned contributions reserve:

	2018			
	Gross AED’000	**Retakafuls' AED’000**	**Adjustment AED’000**	**Net AED’000**
Balance at 1 January	**194,875**	**(102,857)**	**-**	**92,018**
Currency translation differences	**-**	**-**	**(1,213)**	**(1,213)**
Provision made during the year	**258,733**	**(130,372)**	**1,213**	**129,574**
Provision released during the year	**(194,875)**	**102,857**	**-**	**(92,018)**
Balance at 31 December	**258,733**	**(130,372)**	**-**	**128,361**

	2017 (Re-presented)			
	Gross AED’000	Retakafuls' AED’000	Adjustment AED’000	Net AED’000
Balance at 1 January	211,976	(70,796)	-	141,180
Currency translation differences	-	-	(1,138)	(1,138)
Provision made during the year	194,875	(102,857)	1,138	93,156
Transfer to held for sale	(53,547)	412		(53,135)
Provision released during the year	(158,429)	70,384		(88,045)
Balance at 31 December	194,875	(102,857)	-	92,018

25 Takaful balances payable

	2018 AED’000	2017 AED’000 (Re-presented)
Takaful companies	**18,093**	37,119
Retakaful companies	**112,283**	116,378
	130,376	153,497

26 Payable to Participants for unit-linked contracts

	2018 AED'000	2017 AED'000
Balance at 1 January	**1,301,249**	982,592
Amounts invested by Participants	**702,008**	629,429
Refund during the year	**(7,319)**	(18,569)
Net movement including redemption in fund	**(544,543)**	(292,203)
	1,451,395	1,301,249

27 Other payables and accruals

	2018 AED'000	2017 AED'000 (Re-presented)
Payable to garages and brokers	**75,843**	28,435
Payable to suppliers	**58,210**	21,054
Bonus and Incentive Payable Family Takaful	**23,741**	27,047
Staff related accruals	**20,292**	17,774
Accrued expenses	**3,825**	2,342
Other provisions	**9,515**	8,257
Taxes payable	**24,668**	29,640
Surplus payable to policyholders	**2,520**	4,359
Funded commission payable	**263,213**	188,691
Provision for charitable donations	**-**	20
Other payables	**48,047**	39,239
	529,874	366,858

28 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.

	2018 AED'000	2017 AED'000
General and administrative expenses	**2,501**	2,479

Investments	**2018 AED'000**	2017 AED'000
Available-for-sale investments		
Mutual fund and externally managed portfolio	**68,432**	82,396
lslamic Placement		
Rusd Investment Bank	**45,467**	45,677
Rusd Capital Ltd.	**1,200**	-
	46,667	45,677
Held-to-maturity		
Rusd Capital Ltd.	**3,675**	-
Cash and bank balances		
Rusd Investment Bank (note 22)	**65,765**	64,933
Rusd Capital Ltd. (note 22)	**5,000**	-
	70,765	64,933
Amounts due from related parties		
Bin Zayed Group	**13,863**	10,928
Other entities under common management with the Group	**12**	25
	13,875	10,953
Amounts due to related parties		
Other entities under common management with the Group	**1**	872
Compensation of key management personnel		
Short term benefits	**6,694**	6,892
Employees end of service benefits	**768**	705
	7,462	7,597

29 Policyholders' fund

	2018 AED'000	2017 AED'000
Balance at 1 January	**(475,132)**	(454,144)
Net deficit attributable to policyholders for the year (note 8)	**(57,933)**	(20,988)
Surplus distribution to policyholders of family takaful	**(12,034)**	-
	(545,099)	(475,132)
Financed by shareholders'	**545,099**	475,132
	-	-

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

30 Share capital

	2018	2017
	AED'000	AED'000
Authorised, issued and fully paid up capital		
1,210,000,000 shares of AED 1 each (*2017: 1,210,000,000 shares of AED 1*)	**1,210,000**	1,210,000

31 Statutory reserve

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

32 Revaluation reserve

The Group's share on revaluation amounting to AED nil (*2017: AED 5.7 million*) on land and building during the year has been transferred to a non distributable reserve (refer note 3).

33 Treasury shares

In 2008, the Company bought back 21,667,377 shares amounting to AED 35.97 million. The treasury shares are debited as a separate category of shareholders' equity at cost. The buyback of shares was duly approved by the Board of Directors. Please refer note 45 for details of subsequent event related to treasury shares.

34 Earnings per share

The calculation of earnings per share for the year ended 31 December 2018 is based on profit of AED 2.0 million *(2017: profit of AED 27.5 million)* divided by the weighted average number of shares of 1,188 million *(2017: 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.

35 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.

36 Contingent liabilities and capital commitments

	2018	2017
	AED'000	AED'000
Letters of guarantee	**16,440**	13,045

Statutory deposits of AED 16.71 million (*2017: AED 13.32 million*) are held as lien by the bank against the above guarantees.

36 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 2018 (2017: nil).

37 Operating lease commitments

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

	2018	2017
	AED’000	AED’000
Less than one year	**1,827**	1,057
Between one to five years	**-**	17
	1,827	1,074

38 Operating segment

By business

(for the year ended 31 December 2018)

	General takaful	**Family takaful**	**Total**
	AED'000	**AED'000**	**AED'000**
Gross written contributions	**644,011**	**418,949**	**1,062,960**
Net contributions earned	**365,091**	**363,578**	**728,669**
Commissions received on ceded reinsurance and retakaful	**24,593**	**11,133**	**35,726**
	389,684	**374,711**	**764,395**
Net claims incurred	**(217,565)**	**(30,321)**	**(247,886)**
Commissions paid and other costs	**(91,976)**	**(272,685)**	**(364,661)**
Net underwriting income	**80,143**	**71,705**	**151,848**
Investment and other income			**30,478**
Unallocated expenses and tax			**(150,437)**
Distribution to policyholders of the Company			**(12,034)**
Loss from discontinued operations			**(19,378)**
Net profit after tax			**477**

(for the year ended 31 December 2017) (Re-presented)

	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Gross written contributions	467,121	340,905	808,026
Net contributions earned	260,151	294,272	554,423
Commissions received on ceded reinsurance and retakaful	23,307	-	23,307
	283,458	294,272	577,730
Net claims incurred	(133,120)	(34,379)	(167,499)
Commissions paid and other costs	(65,736)	(199,320)	(265,056)
Net underwriting income	84,602	60,573	145,175
Investment and other income			70,759
Unallocated expenses and tax			(142,620)
Distribution to policyholders of the Company			-
Profit from discontinued operations			(35,805)
Net profit after tax			37,509

38 **Operating segment** (continued)

By geography

(for the year ended 31 December 2018)

	Africa AED'000	**Asia AED'000**	**Total AED'000**
Gross written contributions	**271,510**	**791,450**	**1,062,960**
Net contributions earned	**191,739**	**536,930**	**728,669**
Commissions received on ceded reinsurance and retakaful	**11,084**	**24,642**	**35,726**
	202,823	**561,572**	**764,395**
Net claims incurred	**(104,197)**	**(143,689)**	**(247,886)**
Commissions paid and other cost	**(51,281)**	**(313,380)**	**(364,661)**
Net underwriting income	**47,345**	**104,503**	**151,848**
Investment and other income			**30,478**
Unallocated expenses and tax			**(150,437)**
Distribution to policyholders of the Company			**(12,034)**
Loss from discontinued operations			**(19,378)**
Net profit after tax			**477**

By Geography

(for the year ended 31 December 2017) (Re-presented)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	239,455	568,571	808,026
Net contributions earned	183,142	371,281	554,423
Commissions received on ceded reinsurance and retakaful	9,148	14,159	23,307
	192,290	385,440	577,730
Net claims incurred	(100,899)	(66,600)	(167,499)
Commissions paid and other cost	(45,625)	(219,431)	(265,056)
Net underwriting income	45,766	99,409	145,175
Investment and other income			70,759
Unallocated expenses and Tax			(142,620)
Distribution to policyholders of the Company			-
Profit from discontinued operations			(35,805)
Net profit after tax			37,509

38 **Operating segment** (continued)

By business

(for the year ended 31 December 2018)

ASSETS	**General takaful AED'000**	**Family takaful AED'000**	**Total AED'000**
Property and equipments	**56,473**	**2,715**	**59,188**
Goodwill and intangibles	**126,465**	**405**	**126,870**
Investment properties	**140,807**	**-**	**140,807**
Investments in associates	**119,276**	**-**	**119,276**
Deposits	**167,055**	**12,915**	**179,970**
Investments	**309,727**	**14,564**	**324,291**
Participants' investments in unit-linked contracts	**-**	**1,461,414**	**1,461,414**
Deposits with takaful and retakaful companies	**4,292**	**286**	**4,578**
Contributions and takaful balance receivables	**187,366**	**59,633**	**246,999**
Retakafuls' share of outstanding claims	**86,996**	**51,177**	**138,173**
Retakafuls' share of unearned contributions	**128,674**	**1,698**	**130,372**
Amounts due from related parties	**13,875**	**-**	**13,875**
Other assets and receivables	**23,494**	**362,564**	**386,058**
Cash and bank balances	**142,225**	**132,401**	**274,626**
Assets held-for-sale	**380,033**	**20,504**	**400,537**
TOTAL ASSETS	**1,886,758**	**2,120,276**	**4,007,034**

LIABILITIES EXCLUDING POLICYHOLDERS' FUND

	General takaful AED'000	**Family takaful AED'000**	**Total AED'000**
Bank finance	**-**	**-**	**-**
Outstanding claims and family takaful reserve	**281,494**	**187,618**	**469,112**
Payable to Participants for unit-linked contracts	**-**	**1,451,395**	**1,451,395**
Unearned contributions reserve	**244,174**	**14,559**	**258,733**
Takaful balances payable	**120,503**	**9,873**	**130,376**
Other payables and accruals	**136,762**	**393,112**	**529,874**
Amounts due to related parties	**1**	**-**	**1**
Liabilities held-for-sale	**380,033**	**319**	**380,352**
TOTAL LIABILITIES	**1,162,967**	**2,056,876**	**3,219,843**
Policyholders' fund	**-**	**-**	**-**
NET ASSETS EMPLOYED	**723,791**	**63,400**	**787,191**

FINANCED BY:	
Shareholders' equity	**724,455**
Non-controlling interest	**62,736**
	787,191

38 **Operating segment** (continued)

By business

(for the year ended 31 December 2017) (Re-presented)

ASSETS	General takaful AED'000	Family takaful AED'000	Total AED'000
Property and equipments	60,379	3,419	63,798
Goodwill and intangibles	127,189	249	127,438
Investment properties	139,676	-	139,676
Investments in associates	114,777	-	114,777
Deposits	157,338	6,451	163,789
Investments	321,672	4,565	326,237
Participants' investments in unit-linked contracts	-	1,308,939	1,308,939
Deposits with takaful and retakaful companies	4,309	224	4,533
Contributions and takaful balance receivables	172,006	12,565	184,571
Retakafuls' share of outstanding claims	92,323	26,879	119,202
Retakafuls' share of unearned contributions	101,474	1,383	102,857
Amounts due from related parties	10,908	45	10,953
Other assets and receivables	19,262	350,609	369,871
Cash and bank balances	122,992	44,560	167,552
Assets held-for-sale	442,074	53,088	495,162
TOTAL ASSETS	1,886,379	1,812,976	3,699,355

LIABILITIES EXCLUDING POLICYHOLDERS' FUND

	General takaful AED'000	Family takaful AED'000	Total AED'000
Bank finance	-	-	-
Outstanding claims and family takaful reserve	282,904	136,462	419,366
Payable to Participants for unit-linked contracts	-	1,301,249	1,301,249
Unearned contributions reserve	187,884	6,991	194,875
Takaful balances payable	142,108	11,389	153,497
Other payables and accruals	98,555	268,303	366,858
Amounts due to related parties	563	309	872
Liabilities held-for-sale	442,074	13,523	455,597
TOTAL LIABILITIES	1,154,088	1,738,226	2,892,314
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	732,291	74,750	807,041

FINANCED BY:	
Shareholders' equity	740,514
Non-controlling interest	66,527
	807,041

39 Non-controlling interest

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

Salama Assurance Company-Senegal

	2018 AED'000	2017 AED'000
Non-controlling interest share	**41.55%**	41.55%
Current assets	**35,518**	26,505
Non-current assets	**10,768**	11,509
Current liabilities	**(39,170)**	(31,723)
Carrying amount of non-controlling interest	**2,957**	2,614
Underwriting income	**8,496**	6,492
Profit / (loss)	**1,116**	(2,822)
Total comprehensive income / (loss)	**826**	(1,751)
Profit / (loss) allocated to non-controlling interest	**464**	(1,173)
Cash flows generated from operating activities	**374**	4,209
Cash flows (used in) / generated from investing activities	**(800)**	1,835
Cash flows used in financing activities, before dividends to non-controlling interest	**-**	(3,982)
Net (decrease) / increase in cash and cash equivalents	**(426)**	2,062

Egypt Saudi Insurance Home

	2018 AED'000	2017 AED'000
Non-controlling interest share	**48.85%**	48.85%
Current assets	**95,780**	91,115
Non-current assets	**84,861**	81,089
Current liabilities	**(100,459)**	(82,343)
Carrying amount of non-controlling interest	**39,169**	43,897
Underwriting income	**7,145**	5,901
Profit	**(5,325)**	22,475
Total comprehensive (loss) / income	**(5,978)**	24,457
Profit allocated to non-controlling interest	**(2,601)**	10,979
Cash flows (used in) / generated from operating activities	**10,614**	17,010
Cash flows (used in) / generated from investing activities	**(11,553)**	(15,708)
Cash flows used in financing activities - cash dividends to NCI	**(1,806)**	-
Net (decrease) / increase in cash and cash equivalents	**(2,745)**	1,302

Other Subsidiaries

	2018 AED'000	2017 AED'000
Carrying amount of non-controlling interest	**20,610**	20,016

40 Discontinued operations

During 2015, the Board of Directors of the Group approved to sell its investment in its subsidiary Best Re Holding Limited. The subsidiary was not previously classified as held-for-sale or discontinued operations. During 2017, this was re-classified as held-for-use because the investment no longer met the criteria to be classified as held-for-sale. The regulatory authority of Best Re (L) Limited imposed restrictions on all financial and banking transactions without taking prior approval from the authority. In addition, it also requested all overseas assets be transferred back to country of incorporation upon maturity or disposals.This in the Board's view is considered to be a loss of control over the operations of the subsidiary. In light of these developments the net investment in Best Re (L) Limited was reclassified as available-for-sale.

The Board of Directors also decided to provide full impairment amounting to AED 43,893 thousand against Best Re (L) Limited, as the Group is not expecting any positive cash flow from this unit due to negative operational results. The results below are for this subsidiary for the nine month period ended 30 September 2017.

During the year, the Board of Directors has resolved to dispose of the Group's investment in Best Re Holding Limited ("Best Re"). Pursuant to Board resolution, management has entered into a sale and purchase agreement ("SPA") with Bernheim Corporation Limited to sell the Group's entire shareholding in Best Re. As per the terms of SPA, USD 0.1 million (equivalent AED 0.37 million) will be paid in cash by the buyer and remaining USD 5.4 million (equivalent to AED 19.85 million) is contingent upon the future recoveries from portfolio of Best Re to be paid in two years' time from the date of signing of SPA, i.e. 11 November 2018. Subsequent to 31 December 2018, the sale has been concluded in 2019.

Consequently, the Group's investment in Best Re Holding Limited has been classified as investment held-for-sale in these consolidated financial statements. An impairment loss of AED 22.26 million has been charged to profit or loss being a difference between expected realisation of cash from disposal of investment classified as held-for-sale and its carrying value.

Results from discontinued operations

	2018	2017
	AED'000	AED'000
		(Re-presented)
Revenue	**5,616**	38,667
Expenses	**(2,730)**	(30,579)
Results from operating activities	**2,886**	8,088
Income tax	**-**	-
Results from operating activities, net of tax	**2,886**	8,088
Impairment losses	**(22,264)**	**(43,893)**
Loss from discontinued operations, net of tax	**(19,378)**	(35,805)

Cash flows (used in) / from discontinued operations

	2018	2017
	AED'000	AED'000
Net cash used in operating activities	**(24,964)**	**(59,369)**
Net cash from investing activities	**3,982**	**35,434**
Net cash (used in) / from financing activities	**(4,287)**	**13,740**
Net cash flows for the year	**(25,269)**	(10,195)

41 Disposal group held-for-sale

Assets and liabilities of disposal group held-for-sale

At 31 December 2018, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	2018	2017
	AED'000	AED'000
		(Re-presented)
Property and equipment	**10,933**	11,263
Intangible assets	**450**	470
Investment property	**79,676**	83,870
Investments in associates	**516**	516
Statutory and investment deposits	**754**	754
Investments	**60,735**	64,472
Deposits with insurance and reinsurance companies	**86,185**	140,951
Premiums and insurance balance receivables	**134,299**	155,022
Reinsurers' share of outstanding claims	**43,683**	46,317
Reinsurers' share of unearned premium	**-**	-
Other assets	**18,851**	12,807
Islamic placements	**-**	-
Cash in hand and at bank	**8,067**	33,336
Delinquencies relating to disposal group	**(43,612)**	(54,616)
Assets held for sale	**400,537**	495,162
Liabilities against assets held for sale		
Gross outstanding claims	**40,278**	97,714
Unearned premiums	**-**	15
Insurance balance payable	**189,556**	207,376
Other payables and accruals	**16,191**	11,878
Bank loan - long term portion	**134,327**	138,614
Liabilities held for sale	**380,352**	455,597
Net assets	**20,185**	39,565

Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of AED 20.19 million *(2017: AED 39.57 million)* before costs to sell of AED 20.19 million *(2017: AED 39.57 million)* has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

ii. Valuation technique

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

42 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.

	2018 **AED'000**	2017 AED'000
Minimum regulatory capital	**100,000**	100,000
Total shareholders' equity	**724,455**	740,514

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 these requirements.

43 Summary of technical provisions

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

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

43 Summary of technical provisions (continued)

	As at 31 December 2017 (Re-presented)		
	General takaful	Family takaful	Total
Gross reserves	AED'000	AED'000	AED'000
Reserve for outstanding claims (including IBNR)	282,904	31,560	314,464
Family takaful reserves	-	104,902	104,902
Unearned contribution	187,884	6,991	194,875
Total	470,788	143,453	614,241

	As at 31 December 2017 (Re-presented)		
	General takaful	Family takaful	Total
Net reserves	AED'000	AED'000	AED'000
Reserve for outstanding claims (including IBNR)	190,581	4,681	195,262
Family takaful reserves	-	104,902	104,902
Unearned contribution	86,410	5,608	92,018
Total	276,991	115,191	392,182

The technical reserves above includes reserves of Company and its subsidiaries. Reserves that relates to UAE have been computed by a qualified independent actuary appointed by the 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.

44 Re-presentation

In 2015, the Group had re-classified its investments in its subsidiary, Best Re Holding Limited, as asset held-for-sale. Best Re Holding Limited consists of Best Re Holding, Best Re Family and Best Re (L) Limited. During 2017, these were re-classified as held-for-use as they no longer met the criteria to be classified as held-for-sale. In December 2018, the Group received an offer to buy the subsidiary, which has now been reclassified as held-for-sale including representation of the prior year as if the subsidiary had always been held-for-sale. The following table summaries the impact of re-presentation:

44 Re-presentation (continued)

Impact on the consolidated financial position

31 December 2017

	Impact of re-presentation		
	Previously reported AED'000	Re-presentation AED'000	As re-presented AED'000
ASSETS			
Property and equipments	66,161	(2,363)	63,798
Goodwill and intangibles	127,458	(20)	127,438
Investment properties	139,676	-	139,676
Investments in associates	114,777	-	114,777
Deposits	163,789	-	163,789
Investments	349,146	(22,909)	326,237
Participants' investments in unit-linked contracts	1,308,939	-	1,308,939
Deposits with takaful and retakaful companies	6,125	(1,592)	4,533
Contributions and takaful balance receivables	197,380	(12,809)	184,571
Retakafuls' share of outstanding claims	119,202	-	119,202
Retakafuls' share of unearned contributions	102,857	-	102,857
Amounts due from related parties	10,953	-	10,953
Other assets and receivables	371,757	(1,886)	369,871
Cash and bank balances	179,062	(11,510)	167,552
Assets held-for-sale	-	495,162	495,162
TOTAL ASSETS	3,257,282	442,073	3,699,355
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Bank finance	-	-	-
Outstanding claims and family takaful reserve	428,043	(8,677)	419,366
Payable to Participants for unit-linked contracts	1,301,249	-	1,301,249
Unearned contributions reserve	194,883	(8)	194,875
Takaful balances payable	158,122	(4,625)	153,497
Other payables and accruals	367,072	(214)	366,858
Amounts due to related parties	872	-	872
Liabilities against assets held-for-sale	-	455,597	455,597
TOTAL LIABILITIES	2,450,241	442,073	2,892,314
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	807,041	-	807,041
FINANCED BY:			
Shareholders' equity	740,514	-	740,514
Non-controlling interest	66,527	-	66,527
	807,041	-	807,041

There is no impact of first impacted period relating to total assets and liabilities.

44 Re-presentation (continued)

Impact on the consolidated profit or loss

31 December 2017

	Impact of re-presentation		
	Previously reported AED'000	Re-presentation AED'000	As re-presented AED'000
UNDERWRITING RESULTS			
Underwriting income	613,532	(35,802)	577,730
Underwriting expenses	(435,794)	(3,239)	(432,555)
Net underwriting income	177,738	(32,563)	145,175
Income from other sources	71,650	(891)	70,759
Expenses	(135,308)	4,132	(131,176)
Net loss before tax	114,080	(29,322)	84,758
Taxation - current	(11,444)	-	(11,444)
Net loss after tax before policyholders' distribution	102,636	(29,322)	73,314
Distribution to policyholders of Company	-	-	-
Net loss after tax and distribution to policyholders from continuing operations	102,636	(29,322)	73,314
DISCONTINUED OPERATIONS			
Loss from discontinued operations	(65,127)	29,322	(35,805)
Net loss after tax and distribution to policyholders	37,509	-	37,509
Attributable to:			
Shareholders	27,509	-	27,509
Non-controlling interest	10,000	-	10,000
	37,509	-	37,509
Loss per share (AED)	0.023	-	0.023
Loss per share (AED) - continuing operations	0.078	(0.025)	0.053

There is no impact on Group's net loss and retained earnings for the year ended 31 December 2017.

45 Subsequent event

The Board of Directors on 27 March 2019 approved a capital reduction of the Group by utilising the treasury shares which were bought back in 2008 amounting to AED 35.97 million. The process for capital reduction has been initiated by the Company.