Dubai Islamic Insurance & Reinsurance Co. (AMAN) (P.J.S.C)

Directors' report and consolidated financial statements
for the year ended 31 December 2020

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AMAN

رقم القيد في سجل شركات التأمين: 70 بتاريخ 16/9/2003
Register of Insurance Companies entry: 70 dated 16/9/2003
Commercial License No. 543043 :رخصة تجارية رقم

Dubai Islamic Insurance & Reinsurance Company (Aman) (PJSC)

Board of Directors' report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2020.

Incorporation and registered offices

Dubai Islamic Insurance & Reinsurance Company (Aman) (PJSC) is registered as a public shareholding company in Dubai, United Arab Emirates. The Company carries out general Takaful (insurance) business in accordance with the principles of Islamic Sharia'a as interpreted by its Fatwa and Sharia Board. The Company is also licensed to engage in Retakaful and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates.

Principal activities

The Company mainly issues Takaful contracts in connection with motor, marine, fire and engineering, general accident risks, group life, credit life, individual life and medical risks (collectively known as general Takaful). The Company also invests in investment securities and properties.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2020 are set out in the accompanying consolidated financial statements.

Directors

The following were the Directors of the Group for the year ended 31 December 2020:

– Dr. Saleh Hashem Sayed Al Hashimi	Chairman
– Mr. Mohammed bin Omair bin Yousef Al Muhairi	Vice Chairman
– Dr. Mohammed Ali Al Hosani	Board Member
– Mr. Abdulrahman Ahmed Senan	Board Member
– Mr. Nasser Al-Falah Al Qahtani	Board Member

Auditors

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers [PwC (Middle East)].

By order of the Board of Directors

Dr. Saleh Hashem Sayed Al Hashimi

Chairman

Independent auditor’s report to the shareholders of Dubai Islamic Insurance & Reinsurance Co. (AMAN) P.J.S.C.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dubai Islamic Insurance & Reinsurance Co. (AMAN) P.J.S.C. (the “Company”) and its subsidiaries (together the “Group”) as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter

We draw attention to Note 37 to the consolidated financial statements, which describes that financial assets measured at fair value through other comprehensive income, with a total carrying value of AED 9.2 million at 31 December 2020 are held in the name of the former Chief Executive Officer of the Group for the beneficial interest of the Group. Our opinion is not modified in respect of this matter.

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Mohamed ElBorno, Jacques Fakhoury, Douglas O’Mahony and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Independent auditor's report to the shareholders of Dubai Islamic Insurance & Reinsurance Co. (AMAN) P.J.S.C. (continued)

Our audit approach

Overview

Key Audit Matters	• Valuation of takaful contract liabilities

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 Matter	How our audit addressed the Key Audit Matter
Valuation of takaful contract liabilities As disclosed in note 7 to these consolidated financial statements, the Group's takaful contract liabilities (gross) amounted to AED 1,060 million as at 31 December 2020. Note 7 to these consolidated financial statements describes the elements that make up the takaful contract liabilities balance. We comment on the most judgemental elements below: <u>Claims incurred but not reported:</u> This reserve represents the liability for claims incurred but not reported at the end of the reporting period which is determined through an independent actuarial valuation, considering the Group's historical loss experience. Significant assumptions are applied in the valuation of claims that have been incurred at the reporting date but have not yet been reported to the Group. In addition, lines of business where there is a greater length of time between the initial claim event and the settlement tend to display greater variability between initial estimates and final settlement amounts.	We performed the following audit procedures to assess the valuation of takaful contract liabilities included in the Group's consolidated financial statements for the year ended 31 December 2020: • re-performed reconciliations between the data used in the actuarial reserving calculations and the underlying accounting records of the Group; • evaluated the competence, objectivity and independence of the Group's appointed external actuaries as well as our internal actuarial experts; • using our internal actuarial experts, we compared the methodology, models and assumptions used against recognised actuarial practices. In particular we: ➢ considered the suitability of the methodology used in estimating the insurance reserves against industry benchmarks; ➢ assessed whether the reserving methodology has been applied consistently in comparison to the prior year.

Our audit approach (continued)

Key Audit Matter (continued)	How our audit addressed the Key Audit Matter (continued)
Valuation of takaful contract liabilities (continued) Mathematical reserves: This reserve represents the liability for the life insurance policies which is determined through an independent actuarial valuation, considering future policy benefits at the end of each reporting period. It involves complex and subjective judgements and uncertainty about future events for which changes in the assumptions can result in a significant impact to the estimate. The valuation of the Group's takaful contract liabilities was carried out by third party actuaries. We consider the valuation of takaful contract liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management make in determining the reasonableness and adequacy of the takaful contract liabilities.	• checked the appropriateness of the disclosures made in relation to the valuation of takaful contract liabilities included in these consolidated financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007 and the related Financial Regulations for Insurance Companies issued by the United Arab Emirates Insurance Authority, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the shareholders of Dubai Islamic Insurance & Reinsurance Co. (AMAN) P.J.S.C. (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

In preparing the consolidated financial statements, the Directors are 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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 the Directors.

- Conclude on the appropriateness of the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent auditor's report to the shareholders of Dubai Islamic Insurance & Reinsurance Co. (AMAN) P.J.S.C. (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditor's 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 for the year ended 31 December 2020:

(i) we have obtained all the information we considered necessary for the purpose 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 is consistent with the books of account of the Group;

(v) as disclosed in note 9 to the consolidated financial statements the Group has purchased and invested in shares during the year ended 31 December 2020;

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

(vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020; and

Independent auditor's report to the shareholders of Dubai Islamic Insurance & Reinsurance Co. (AMAN) P.J.S.C. (continued)

Report on other legal and regulatory requirements (continued)

(viii) the Group has not made any social contributions during the year ended 31 December 2020.

Further as required by the UAE Federal Law No. (6) of 2007 and the related Financial Regulations for Takaful Insurance Companies issued by the UAE Insurance Authority, we have obtained all the required information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
18 March 2021

Rami Sarhan
Registered Auditor Number 1152
Dubai, United Arab Emirates

	Notes	2020 AED	2019 AED
ASSETS			
Cash and bank balances	5	**114,532,907**	136,353,713
Financial assets measured at fair value through profit or loss (FVTPL)	9	**874,284,320**	756,890,551
Financial assets measured at fair value through other comprehensive income (FVOCI)	9	**58,244,499**	67,498,024
Takaful receivables	8	**58,602,525**	52,040,295
Due from related parties	29	**2,979,095**	2,370,495
Prepayments and other receivables	10	**7,071,414**	7,578,690
Retakaful contract assets			
Unearned contribution reserves	7	**30,778,105**	42,024,089
Claims reported unsettled	7	**58,009,511**	68,452,413
Mathematical reserve	7	**700,293**	816,173
Claims incurred but not reported	7	**37,500,160**	30,596,918
Deferred policy acquisition costs		**7,642,874**	8,465,105
Statutory deposit	6	**10,000,000**	10,000,000
Policyholders' reserve	41	**12,844,358**	14,753,823
Investment property	11	**54,750,000**	58,188,000
Property and equipment	12	**281,753**	301,259
Assets classified as held for sale	32	**1,583,321**	1,586,020
Total assets		**1,329,805,135**	1,257,915,568
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to bank	13	**19,981,327**	19,972,520
Trade and other payables	14	**68,986,770**	68,856,494
Takaful payables	15	**55,291,582**	74,246,673
Due to related parties	29	**272,814**	701,044
Takaful contract liabilities:			
Unearned contribution reserve	7	**81,204,057**	91,713,761
Claims reported unsettled	7	**71,931,439**	84,577,517
Mathematical reserve	7	**2,847,862**	3,540,063
Claims incurred but not reported	7	**62,602,479**	49,565,462
Unallocated loss adjustment expenses	7	**2,343,996**	2,368,573
Unit linked liabilities	7	**839,410,979**	750,500,215
Murabaha payable	16	**15,239,606**	15,351,053
Deferred discount		**6,456,898**	5,099,181
Amounts held under retakaful treaties		**6,374,916**	5,459,240
Liabilities directly associated with assets classified as held for sale	32	**13,022,356**	13,022,356
Total liabilities		**1,245,967,081**	1,184,974,152

	Notes	2020 AED	2019 AED
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)			
SHAREHOLDERS' EQUITY			
Share capital	18	**225,750,000**	225,750,000
Legal reserve	19	**5,080,128**	3,163,978
General reserve	20	**5,080,128**	3,163,978
Investments revaluation reserve – FVOCI		**(62,452,179)**	(55,163,447)
Accumulated losses		**(88,293,501)**	(102,648,627)
Equity attributable to shareholders of the parent		**85,164,576**	74,265,882
Non-controlling interest		**(1,326,522)**	(1,324,466)
Total equity		**83,838,054**	72,941,416
Total liabilities and shareholders' equity*		**1,329,805,135**	1,257,915,568

*The breakdown of the assets and liabilities belonging to the shareholders and the policyholders is shown in Note 42.

These consolidated financial statements were authorised for issue on 18 March 2021 by the Board of Directors and signed on its behalf by:

Jihad Faitrouni
Chief Executive Officer

Dr. Saleh Hashem Sayed Al Hashimi
Chairman

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

Consolidated statement of profit or loss
for the year ended 31 December 2020

	Notes	2020 AED	2019 AED
Continuing operations			
Attributable to policyholders			
Takaful income			
Gross takaful contributions	21	**229,156,782**	249,518,226
Retakaful share of gross takaful contributions	21	**(129,224,309)**	(157,314,709)
Net takaful contributions		**99,932,473**	92,203,517
Net transfer to unearned contributions reserve		**(736,280)**	(17,626,613)
Net change in mathematical reserve		**576,321**	(2,252,876)
Net takaful contributions earned		**99,772,514**	72,324,028
Discount received on ceded retakaful	23	**18,259,940**	25,977,159
Policy fees	23	**11,369,429**	9,727,613
		129,401,883	108,028,800
Takaful expenses			
Gross claims paid	22	**(112,263,146)**	(131,468,588)
Retakaful share of gross claims paid	22	**61,474,819**	89,416,789
Net takaful claims		**(50,788,327)**	(42,051,799)
Change in provision for outstanding claims		**12,646,078**	25,551,272
Retakaful share of outstanding claims		**(10,442,902)**	(20,628,376)
Net change in incurred but not reported claims		**(6,133,775)**	3,162,041
Net change in unallocated loss adjustment expenses reserve		**24,577**	600,176
		(54,694,349)	(33,366,686)
Net takaful income		**74,707,534**	74,662,114
Wakala fees from policyholders	23	**(71,672,563)**	(74,494,054)
Investment income	24	**142,687**	1,113,312
Mudarib's share from policyholders	23	**(35,672)**	(278,328)
Net profit from takaful operation for the year		**3,141,986**	1,003,044

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

Consolidated statement of profit or loss
for the year ended 31 December 2020 (continued)

	Notes	2020 AED	2019 AED
Continuing operations			
Attributable to shareholders			
Income			
Investment income	24	**7,250,495**	2,823,673
Wakala fees from policyholders	23	**71,672,563**	74,494,054
Mudarib's share from policyholders	23	**35,672**	278,328
Other operating income		**335,199**	535,096
		79,293,929	78,131,151
Expenses			
Policy acquisition cost		**(25,085,901)**	(31,568,714)
General and administrative expenses	25	**(35,046,529)**	(38,140,650)
Net operating (loss) / income of subsidiaries		**(25,041)**	270,893
		(60,157,471)	(69,438,471)
Profit for the year attributable to shareholders for continuing operations		**19,136,458**	8,692,680
Discontinued operations			
(Loss) / income for the year from discontinued operations	31	**(23,104)**	88,801
Profit for the year attributable to shareholders		**19,113,354**	8,781,481
Attributable to:			
Shareholders of the parent		**19,115,410**	8,768,433
Non-controlling interest		**(2,056)**	13,048
		19,113,354	8,781,481
Earnings per share			
From the continuing and discontinued operations	26	**0.085**	0.039
From the continuing operations	26	**0.085**	0.038

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	2020 AED	2019 AED
Attributable to policyholders:		
Profit for the year	**3,141,986**	1,003,044
Other comprehensive (loss) / income		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at fair value through other comprehensive income	**(1,964,793)**	598,626
Total comprehensive income for the year attributable to policyholders	**1,177,193**	1,601,670
Attributable to shareholders:		
Profit for the year	**19,113,354**	8,781,481
Other comprehensive (loss) / income		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at fair value through other comprehensive income	**(7,288,732)**	1,627,116
Total comprehensive income for the year attributable to shareholders	**11,824,622**	10,408,597
Attributable to:		
Shareholders of the parent	**11,826,678**	10,395,549
Non-controlling interest	**(2,056)**	13,048
	11,824,622	10,408,597

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Share capital AED	Legal reserve AED	General reserve AED	Investments revaluation reserve - FVOCI AED	Accumulated losses AED	Equity attributable to shareholders of the Parent AED	Non-controlling interests AED	Total AED
Balance at 1 January 2019	225,750,000	2,321,799	2,321,799	(84,675,477)	(81,494,998)	64,223,123	(1,337,514)	62,885,609
Profit for the year attributable to shareholders	-	-	-	-	8,768,433	8,768,433	13,048	8,781,481
Other comprehensive income for the year attributable to shareholders	-	-	-	1,627,116	-	1,627,116	-	1,627,116
Total other comprehensive income for the year	-	-	-	1,627,116	8,768,433	10,395,549	13,048	10,408,597
Realised loss on equity investments measured at FVOCI transferred to accumulated losses	-	-	-	27,884,914	(27,884,914)	-	-	-
Transfer to legal and general reserve	-	842,179	842,179	-	(1,684,358)	-	-	-
Zakat	-	-	-	-	(352,790)	(352,790)	-	(352,790)
Balance at 31 December 2019	225,750,000	3,163,978	3,163,978	(55,163,447)	(102,648,627)	74,265,882	(1,324,466)	72,941,416
Balance at 1 January 2020	**225,750,000**	**3,163,978**	**3,163,978**	**(55,163,447)**	**(102,648,627)**	**74,265,882**	**(1,324,466)**	**72,941,416**
Profit for the year attributable to shareholders	**-**	**-**	**-**	**-**	**19,115,410**	**19,115,410**	**(2,056)**	**19,113,354**
Other comprehensive loss for the year attributable to shareholders	**-**	**-**	**-**	**(7,288,732)**	**-**	**(7,288,732)**	**-**	**(7,288,732)**
Total other comprehensive loss) for the year	**-**	**-**	**-**	**(7,288,732)**	**19,115,410**	**11,826,678**	**(2,056)**	**11,824,622**
Transfer to legal and general reserve	**-**	**1,916,150**	**1,916,150**	**-**	**(3,832,300)**	**-**	**-**	**-**
Directors' fees	**-**	**-**	**-**	**-**	**(500,000)**	**(500,000)**	**-**	**(500,000)**
Zakat	**-**	**-**	**-**	**-**	**(427,984)**	**(427,984)**	**-**	**(427,984)**
Balance at 31 December 2020	**225,750,000**	**5,080,128**	**5,080,128**	**(62,452,179)**	**(88,293,501)**	**85,164,576**	**(1,326,522)**	**83,838,054**

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

Consolidated statement of cash flows
for the year ended 31 December 2020

	2020 AED	2019 AED
Cash flows from operating activities		
Profit for the year	**19,113,354**	8,781,481
Adjustments for:		
Depreciation of property and equipment	**281,753**	103,661
Gain on investments measured at FVTPL, net	**-**	196,578
Loss on revaluation of investment property	**3,438,000**	2,484,000
Dividend income	**(1,370,659)**	(4,394,246)
Provision for employees' end of service benefits	**826,887**	1,088,115
Income from investment deposits	**-**	(1,561,607)
IA Provision	**579,491**	786,574
Adjustments for increase in policyholders' fund	**2,562,496**	-
Unrealized gain from investment	**(8,756,773)**	-
Impairment losses, net of reversals, on financial assets	**225,492**	1,173,168
Changes in operating assets and liabilities:	**16,900,041**	8,657,724
Retakaful contract assets	**14,901,524**	154,446,584
Takaful receivables	**(6,562,229)**	22,354,851
Prepayments and other receivables	**546,413**	3,094,267
Takaful contract liabilities	**78,075,221**	(39,947,407)
Amounts held under retakaful treaties	**(915,676)**	537,953
Takaful and retakaful payables	**(18,955,091)**	(21,036,648)
Trade and other payables	**862,206**	(3,758,303)
Due from related parties	**(654,049)**	3,879,721
Due to related parties	**(428,230)**	232,560
Deferred discount	**1,357,717**	(2,745,203)
Deferred policy acquisition costs	**822,231**	(61,691)
Policyholders' reserve	**2,562,496**	-
Liabilities directly associated with assets classified as held for sale	**-**	(4,073,532)
Assets classified as held for sale	**(2,699)**	1,122,579
Cash generated from operations	**88,509,875**	122,703,455
Employees' end of service benefits paid	**(1,741,885)**	(464,386)
Net cash generated from operating activities	**86,767,990**	122,239,069
Cash flows from investing activities		
Purchase of FVTPL investment	**(22,044,000)**	-
Rental income	**531,333**	-
Profit income received	**1,481,417**	-
Net increase in unit linked investments	**(88,910,764)**	(103,304,802)
Net proceeds from sale of FVOCI investments	**-**	4,491,706
Increase in wakala deposits	**(5,000,000)**	(5,000,000)
Dividend income received	**1,370,659**	2,071,006
Income from investment deposits received		1,324,504
Net cash used in investing activities	**(112,571,355)**	(100,417,586)
Cash flows from financing activities		
Murabaha payable	**(111,447)**	(60,396)
Due to bank	**8,807**	130,081
Directors' remuneration paid	**(500,000)**	-
Zakat payable	**(410,000)**	123,198
Net cash from financing activities	**(1,012,640)**	192,883
Net (decrease) / increase in cash and cash equivalents	**(26,816,005)**	22,014,366
Cash and cash equivalents at the beginning of the period	**82,383,065**	60,368,699
Cash and cash equivalents at the end of the period (Note 5)	**55,567,060**	82,383,065

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

1 General information

Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C.) (the "Company") is registered as a public shareholding company in Dubai, United Arab Emirates. The Company carries out general takaful, retakaful and life takaful business in accordance with the teachings of Islamic Sharia'a. The Company is also licensed to engage in retakaful and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates (UAE).

The Company obtained its commercial license on 12 March 2003 and commenced operations on 8 April 2003. The Company issues short term takaful contracts in connection with motor, marine, fire and engineering, general accident and medical risks and life takaful risks. The Company also invests in investment securities and properties.

The Company's business activities are subject to the supervision of its Fatwa and Sharia'a Board (the "Board") consisting of three members appointed by the shareholders. The Board performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Sharia'a rules and principles.

On 29 September 2020 the Board of Directors approved the resignation of Mr. Mubarak Matar Al Shamisi, and re-constituted the Board of Directors by electing Dr. Saleh Hashem Sayed Shareef Al Hashimi as Chairman, and Mr. Mohamed Omeir Yousuf Al Muhari as Vice Chairman.

The Company with its subsidiaries are together referred to as the "Group" in this consolidated financial statements. At 30 September 2020 and 2019, the Company had the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership profit %	Proportion of voting power held %	Principal activity
Nawat Investments L.L.C.	United Arab Emirates	100.00	100.00	Investment in commercial, industrial and agricultural enterprises and management
Technik Auto Service Centre Co. L.L.C	United Arab Emirates	100.00	100.00	Vehicles' repair services
Amity Health L.L.C.	United Arab Emirates	90.00	90.00	Medical billing services

The Vice Chairman of the Group holds 1% of Nawat Investments L.L.C. and 1% of Technik Auto Service Centre Co. L.L.C on behalf and for the benefit of the Group.

The Group is in the process of implementing the related requirements to comply fully with the Financial Regulations and Circular No. (4) and (9) of 2016 concerning the report requirements for insurance companies operating in the UAE. This mainly includes preparation of the financial statements and disclosures based on Appendix (1) of the Financial Regulations as well as compliance with the solvency ratio requirements.

The Group did not make social contributions during the year ended 31 December 2020.

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on a going concern basis. Refer to note 39 for the details of the impact of COVID-19 on the Group.

The consolidated financial statements for the year ended 31 December 2020 were approved by the Board of Directors and authorised for issue on 18 March 2021. The Directors have the power to amend the consolidated financial statements after issue.

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

New standards, amendments to published standards or IFRIC interpretations effective for the Group's accounting period beginning on 1 January 2020

New standards and significant amendments to standards applicable to the Group	Effective date
Amendments to the conceptual framework The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: ➢increasing the prominence of stewardship in the objective of financial reporting ➢reinstating prudence as a component of neutrality - defining a reporting entity, which may be a legal entity, or a portion of an entity ➢revising the definitions of an asset and a liability - removing the probability threshold for recognition and adding guidance on derecognition ➢adding guidance on different measurement basis, and - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	1 January 2020
Amendments to IAS 1 and IAS 8 on the definition of material These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: ➢use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ➢clarify the explanation of the definition of material; and ➢incorporate some of the guidance in IAS 1 about immaterial information.	1 January 2020

There are no other IFRSs, IFRIC interpretations or amendments to standards that were effective for the first time for the financial year beginning 1 January 2020 that have had a material impact on the Group's consolidated financial statements.

New standards, amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2020 and which have not been early adopted by the Group.

New standards and significant amendments to standards applicable to the Group	Effective date
Amendments to IAS 1, Presentation of financial statements on classification of liabilities These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	1 January 2022

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

New standards, amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2020 and which have not been early adopted by the Group (continued)

New standards and significant amendments to standards applicable to the Group	Effective date
IFRS 17, 'Insurance contracts' On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The standard applies to annual periods beginning on or after 1 January 2021, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied. On 17 March 2020, the IASB took a decision to extend the implementation of IFRS 17 to 1 January 2023, which will be reflected in the amended standard when issued. IFRS 17 requires a current measurement model, where estimates are re-measured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows. For presentation and measurement, entities are required at initial recognition to disaggregate a portfolio (that is, contracts that are subject to similar risks and managed together as a single pool) into three groups of contracts: onerous; no significant risk of becoming onerous; and remaining contracts. Contracts that are issued more than one year apart should not be in the same group. Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements on its application date. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its takaful contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, are not expected to have a material impact on the consolidated financial statements of the Group in the period of initial application.

3 Significant accounting policies

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS and the applicable requirements of United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015 and United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and the Financial Regulations for Insurance Companies issued by the United Arab Emirates Insurance Authority. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets, goods and services.

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

The Company's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and bank balances, financial assets measured at FVTPL, takaful receivables, prepayments and other receivables, due from related parties, takaful payables, assets classified as held for sale, due to bank, due to related parties, murabaha payable. The following balances would generally be classified as non-current: investment property, property and equipment and statutory deposit.

The following balances are of mixed nature (including both current and non-current portions): retakaful contract assets, financial assets measured at FVOCI, deferred policy acquisition costs, trade and other payables, takaful contract liabilities, deferred discount, policyholders' reserve, reinsurance placement provision, amounts held under retakaful treaties and liabilities held for sale.

The consolidated financial statements are presented in Arab Emirates Dirham (AED). The principal accounting policies are set out below.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved where the Group has:

- Power over an investee,
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns.

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

3 Significant accounting policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3 Significant accounting policies (continued)

Business combinations

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

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 and IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit and loss.

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

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

Gross Takaful contributions

Gross Takaful contributions comprise the total contributions receivable for the whole period of cover provided by Takaful contracts entered into during the accounting period and are recognised on the date on which the Takaful policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of Takaful contracts executed in prior accounting periods. Contributions collected by intermediaries but not yet received, are assessed based on estimates from Takaful operations or past experience and are included in Takaful contributions.

Unearned contributions are those proportions of contributions written in a year that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as a provision for unearned contributions.

3 Significant accounting policies (continued)

Retakaful contribution

Gross retakaful contribution written comprise the total contribution payable for the whole cover provided by contracts entered into during the period and are recognised on the inception date of the policy. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods. Unearned retakaful contributions are those proportions of contribution written in a year that relate to periods of risk after the reporting date. Unearned retakaful contributions are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the retakaful contract for losses occurring contracts.

Gross retakaful contribution on life are recognised as an expense on the earlier of the date when contribution are payable or when the policy becomes effective.

Claims

Claims consist of amounts paid and payable to Takaful contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred. Provision for incurred but not reported claims is included within the Claims reported unsettled and reflected in the consolidated income statement.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate claims. Any difference between the provisions at the end of each reporting date and settlements in the following period is included in the underwriting account for that period.

Retakaful share of claims incurred

Retakaful share of claims are recognised when the related gross claim is recognised according to the terms of the relevant contract.

Retakaful

The Group cedes Takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from Retakaful companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the Retakaful contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the Retakaful can be measured reliably. The impairment loss is recorded in the consolidated statement of profit or loss. Ceded Retakaful arrangements do not relieve the Group from its obligations to policyholders.

Ceded retakaful arrangements do not relieve the Group from its obligations to participants.

The Group also assumes reinsurance risk in the normal course of business for takaful contracts where applicable. Contributions and claims on assumed retakaful are recognised as income and expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the reinsured business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the associated retakaful contract.

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3 Significant accounting policies (continued)

Policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortized over the terms of the policies as Takaful contribution is earned.

Discounts received on ceded retakaful

Discounts received on ceded retakaful are recognised at the time policies are written. Discount earned on outwards retakaful contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Policy fee

Policy fee relate to income earned on the issuance of policies across all lines of businesses which includes administration fees, fronting fees, acquisition fees. Policy fees are earned by the Group during the initiation of the policies.

Receivables and payables related to Takaful contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and Takaful contract holders. If there is objective evidence that the Takaful receivable is impaired, the Group reduces the carrying amount of the Takaful receivable accordingly and recognizes that impairment loss in the consolidated statement of profit or loss.

Product classification

Takaful contracts are those contracts where a group of participants (the policyholders) mutually cover one another against prescribed uncertain future events of loss or damage. The Group acts as an agent (Wakil) on their behalf in managing the Islamic Takaful operations, in consideration of a Wakala fee. Wakala fee is charged on gross Takaful contributions where the Group retained significant risk on such contributions. No Wakala fee is charged on those Takaful contributions where they retain insignificant risk. The Takaful amounts (contributions) paid net of the Wakala fee are considered as Mudaraba capital, where the Group acts as Mudarib, investing these funds in consideration of a pre-agreed share of the realised profit or loss, if any. The policyholders further donate their contributions (tabarru) to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Group, in its capacity as an agent.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in case of a non-financial variable, that the variable is not specific to a party to the contract.

Once a contract has been classified as a Takaful contract, it remains as a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. An investment contract can however be classified as an takaful contract after its inception if the takaful risk becomes significant.

The policyholder bears the financial risk relating to some takaful contracts or investment contracts. Such products are usually called unit-linked contracts.

3 Significant accounting policies (continued)

Takaful contract liabilities

(i) Unearned contributions reserve ('UCR')

At the end of each year a proportion of net retained contributions of the general Takaful, medical and group life Takaful is reserved to cover portions of risks which have not expired at the reporting date. These reserves are calculated using 1/365th method relating to general Takaful except marine cargo and engineering. The UCR for the marine cargo is recognised as fixed proportion of written premium and UCR for engineering is recognized on a daily increasing basis over the term of the policy period.

(ii) Outstanding claims

Takaful contract liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

(iii) Claims incurred but not reported

A provision is made for the estimated excess of potential claims over unearned contribution and for claims incurred but not reported at the financial position date using chain ladder method (2018: chain ladder method).

The reserves represent management's best estimates on the basis of:
(a) claims reported during the year
(b) delay in reporting these claims

(iv) Unit linked liabilities

For unit linked policies, liability is equal to the policy account values. The account value is the number of unit multiplied by the bid price per unit. The investment component of these takaful contract are designated as at fair value through profit and loss.

(v) Unexpired risk reserve

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

(vi) Mathematical reserve

The mathematical reserve is determined by independent actuarial valuation of future policy benefit at the end of each reporting period. Mortality and withdrawal rates used in actuarial valuation of Mathematical reserve are based on experience and the most current industry standard mortality table.

3 Significant accounting policies (continued)

Surplus / deficit in policyholders' fund

If the surplus in the participants' fund at the end of a year is sufficiently large, a percentage of the surplus shall be distributed between participants that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions will be approved by the Group's Shari'a Supervisory Board. Any remaining surplus after the distribution will remain in the participants' fund.

Any surplus in the participants' fund outstanding as of year end and not distributed is recognized as a liability in the consolidated statement of financial position.

A deficiency in participants' fund is made good by a profit free loan (Qard Hassan) from the shareholders' fund. This loan is to be repaid from future surpluses arising from takaful operations on a priority basis.

On liquidation of the fund, the accumulated surplus in the participants' fund, if any, after meeting all obligations (including repayment of the outstanding amount of profit free loan), will be dealt with after consulting with the Group's Sharia'a Supervisory Board. In case of an accumulated deficit, any profit free loan outstanding at the time of liquidation will not be repayable by the participants' fund and the shareholders' fund will forego such outstanding amount.

Any deficit in the participants' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hassan (a finance cost free loan with no repayment terms). The Group maintains a full provision against the Qard Hassan.

Investment income

Profit from investment deposits is recognised on a time proportion basis.

Dividend income is accounted for when the right to receive payment is established.

Rental income from investment property which is leased under an operating lease is recognised on a straight-line basis over the term of the lease.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

Non-current assets held for sale

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

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

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their carrying amount and the fair value less cost to complete.

3 Significant accounting policies (continued)

Leases

The Group does not have leases that should be accounted for in accordance with IFRS 16 since all the Group's leases are assessed as short-term in nature and the payments made under the leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease. The Group did not need to make any adjustments to the accounting for assets held as lessee as a result of adopting the new leasing standard due to the short-term nature of the lease contracts.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

General and administration expenses

Administration expenses are charged to the shareholders' statement of profit or loss. Expenses related to participants are allocated to consolidated statement of profit or loss of participant's fund on the basis of guidelines issued by the Sharia'a and Supervisory board.

Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimate future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss ("FVTPL"), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognized for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when the asset is newly originated.

3 Significant accounting policies (continued)

Financial assets and liabilities (continued)

Financial assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:
- the Group's business model for managing the assets; and
- the cash flow characteristics of the asset.

Based on those factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI"), and that are not designated at FVTPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in this note. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI"), and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement and recognised in "Investment income – Net". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in the income statement and presented net within "Investment income – Net" in the period in which it arises. Interest income from these assets is included in "Interest income" using the effective interest rate method.

Business model
The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the asset or is to collect the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

3 Significant accounting policies (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting periods, the Group has not identified a change in its business models.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial assets' cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified at FVTPL.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments at FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as "Investment income" when the Group's right to receive payments is established.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, Takaful receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for Takaful receivables and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective profit rate.

De-recognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired financial assets are derecognised when they are assessed as uncollectible.

Financial liabilities and equity instruments

The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Liability adequacy test

At the end of each reporting date the Group assesses whether its recognised Takaful liabilities are adequate using current estimates of future cash flows under its Takaful contracts. If that assessment shows that the carrying amount of its Takaful liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised as charge against income and an additional reserve created.

Dividend distribution

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

3 Significant accounting policies (continued)

Furniture and equipment

Furniture and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement when incurred.

Depreciation is charged so as to write off the cost, over their estimated useful lives, using the straight-line method, as follows:

Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

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

Impairment of tangible and intangible assets

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

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

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

3 Significant accounting policies (continued)

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the investment property is derecognised.

Provisions

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

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

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

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences are recognized in consolidated income statement in the year in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in thecost of those assets where they are regarded as an adjustment to finance costs on foreign currency financings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement isneither planned nor likely to occur, which form part of the net investment in a foreign operation, and which arerecognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the netinvestment.

Zakat

Zakat as approved by the Group's Sharia'a Supervisory Board is computed on the following basis:

- Zakat on shareholders' equity is deducted from retained earnings and is computed on their Zakat Pool (Legal Reserve, General Reserve, Retained Earnings and employees' end of service benefits).
- Zakat is distributed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on paid up capital and proposed dividend is not included in the Zakat computation and is payable directly by the shareholders themselves.

3 Significant accounting policies (continued)

Employee benefits

Defined contribution plan
U.A.E. National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" to the retirement benefit scheme to fund the benefits. These employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated statement of profit or loss.

Provision for employees' end of service indemnity
Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the UAE Labour Law and is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Deferred policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are within the scope of IFRS 9 expected credit loss calculations for the assessment of impairment.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Write off surplus

In accordance with the Insurance Authority regulations, the Group has the policy of writing off any surplus/deficit in the Policyholder's fund, which is older than 3 years as at year end.

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

The significant judgments and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Measurement of the expected credit loss ("ECL") allowance

The measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 35B. The following components have a major impact on the credit loss allowance:

- Cash and bank balances including statutory deposit;
- Takaful receivables;
- Other receivables; and
- Due from related parties

The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

A 10% increase or decrease in PD and LGD estimates at 31 December 2020 would result in an increase or decrease in total expected credit loss allowances on takaful receivables, due from related parties and bank balances of AED 1,282,587 (2019: AED 1,142,349).

Calculation of loss allowance
When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

4.2 The ultimate liability arising from claims made under takaful contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported ("IBNR"), and the estimated expenses to be incurred in settling claims.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors, and may be revised as additional experience becomes available or as regulations change. The liability for outstanding claims is estimated using the input of assessment for individual cases reported to the Group as well as assessments performed by external loss adjustors where deemed necessary. Claims requiring court or arbitration decisions are estimated individually. The Group takes all reasonable steps to ensure that it has appropriate information regarding the risk of major storm, tempest and flood scenarios that exist in the UAE to estimate its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

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

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims, where more information about the claim event is available. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these liabilities. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to display less variation. In calculating the required levels of provisions, the Group's external independent actuary use a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Provision for outstanding claims, whether reported or not
Considerable judgement by management is required in the estimation of amounts due to Takaful contract holders arising from claims made under Takaful contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Mathematical reserve
Mortality and withdrawal rates used in actuarial valuation of Mathematical reserve are based on experience and the most current industry standard mortality table as shown below.

Age	Mortality rate
19-30	0.53-0.44
31-40	0.46-0.89
41-50	0.96-2.51
51-60	2.81-7.58
61-70	8.13-18.81

Unit linked investments
The Group recognizes the unit linked investments and its related liabilities pertaining to the deposit component of the Takaful contract on gross basis on its consolidated statement of financial position. These were not recorded in net, as based on the management judgement, financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position if, and only if, as required by IAS 32, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously; which is not the case for the unit linked investments provided by the Group.

4.3 Valuation of unquoted equity investments

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, management have determined it using internal valuation that includes the use of mathematical model. Management has used the comparable multiples method to determine the fair value of its financial assets; this method derives the value of the investments using the valuation multiples of other businesses similar in industry, sector and size; assuming that similar companies will have similar valuation multiples. A median of the identified valuation multiples for similar industry in various countries in the MENA was used. This median of multiples and the investment's earnings was used to determine the investment's value. Where actual costs related to performance under contracts differ significantly from management's estimates, the amount of revenue recognised on contracts to date could be materially impacted.

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

4.4 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 valuation technique used in measuring the fair value of the investment property have been disclosed in Note 11. The Group has taken the highest and best use fair values for the fair value measurement of its investment property.

5 Cash and bank balances

	2020	2019
	AED	AED
Cash on hand	**18,576**	21,681
Bank balances :		
Wakala deposits	**60,000,000**	55,000,000
Current accounts	**54,539,508**	81,352,408
	114,558,084	136,374,089
Less: Allowance for impairment	**(25,177)**	(20,376)
Total	**114,532,907**	136,353,713

The profit rates on Wakala deposits with Banks ranges from 1.0% to 1.3% (2019: 1.7% to 3.7%).

Details of provision for impairment as per IFRS 9 are as follows:

	2020	2019
	AED	AED
Balance as at 1 January	**20,376**	36,595
Change / (reversal) for the year	**4,801**	(16,219)
Balance as at 31 December	**25,177**	20,376

For cash flow purposes, the cash and cash equivalents are analysed as follows:

	2020	2019
	AED	AED
Cash and bank balances	**114,558,084**	136,374,089
Cash and bank balances included in assets held for sale (Note 32)	**1,008,976**	1,008,976
Deposits with original maturities of greater than three months	**(60,000,000)**	(55,000,000)
Cash and cash equivalents	**55,567,060**	82,383,065

6 Statutory deposit

Wakala deposits held as restricted deposits are maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and are not available to finance the day to day operations of the Group.

7 Retakaful contract assets and takaful contract liabilities

	2020 AED	2019 AED
Gross		
Takaful contract liabilities:		
Unearned contribution reserve	**81,204,057**	91,713,761
Claims reported unsettled	**71,931,439**	84,577,517
Mathematical reserve	**2,847,862**	3,540,063
Claims incurred but not reported	**62,602,479**	49,565,462
Unallocated loss adjustment expenses	**2,343,996**	2,368,573
Unit linked liabilities	**839,410,979**	750,500,215
Total takaful contract liabilities, gross	**1,060,340,812**	982,265,591
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution reserve	**30,778,105**	42,024,089
Claims reported unsettled	**58,009,511**	68,452,413
Mathematical reserve	**700,293**	816,173
Claims incurred but not reported	**37,500,160**	30,596,918
Total retakaful share of takaful liabilities	**126,988,069**	141,889,593
Net		
Unearned contribution reserve	**50,425,952**	49,689,672
Claims reported unsettled	**13,921,928**	16,125,104
Mathematical reserve	**2,147,569**	2,723,890
Claims incurred but not reported	**25,102,319**	18,968,544
Unallocated loss adjustment expenses	**2,343,996**	2,368,573
Unit linked liabilities	**839,410,979**	750,500,215
	933,352,743	840,375,998

Takaful contract liabilities - net movement, comprises of the following:

2020	**Balance at beginning of the year**	**Movement during the year**	**Balance at end of the year**
Unearned contribution reserve	**49,689,672**	**736,280**	**50,425,952**
Claims reported unsettled	**16,125,104**	**(2,203,176)**	**13,921,928**
Mathematical reserve	**2,723,890**	**(576,321)**	**2,147,569**
Claims incurred but not reported	**18,968,544**	**6,133,775**	**25,102,319**
Unallocated loss adjustment expenses	**2,368,573**	**(24,577)**	**2,343,996**
Unit linked liabilities	**750,500,215**	**88,910,764**	**839,410,979**
	840,375,998	**92,976,745**	**933,352,743**
2019			
Unearned contribution reserve	32,063,060	17,626,612	49,689,672
Claims reported unsettled	21,048,002	(4,922,898)	16,125,104
Mathematical reserve	471,013	2,252,877	2,723,890
Claims incurred but not reported	22,130,585	(3,162,041)	18,968,544
Unallocated loss adjustment expenses	2,968,748	(600,175)	2,368,573
Unit linked liabilities	647,195,413	103,304,802	750,500,215
	725,876,821	114,499,177	840,375,998

7 Retakaful contract assets and takaful contract liabilities (continued)

Takaful contract liabilities-net, comprises of the following:

	Unearned contribution reserve AED	Claims reported unsettled AED	Mathematical reserve AED	Claims incurred but not reported AED	Unallocated loss adjustment expenses AED	Unit linked liabilities AED	Total AED
2020							
Motor	**29,699,334**	**7,297,080**	**-**	**9,870,821**	**1,459,273**	**-**	**48,326,508**
Engineering	**193,156**	**419,195**	**-**	**280,986**	**35,009**	**-**	**928,346**
Marine & aviation	**583,560**	**130,751**	**-**	**164,177**	**14,746**	**-**	**893,234**
Fire	**757,259**	**216,276**	**-**	**863,636**	**53,996**	**-**	**1,891,167**
General insurance & liabilities	**3,254,032**	**3,727,742**	**-**	**8,294,684**	**601,121**	**-**	**15,877,579**
Medical	**14,555,572**	**1,217,006**	**-**	**4,707,737**	**88,871**	**-**	**20,569,186**
Life	**1,383,039**	**913,878**	**2,147,569**	**920,278**	**90,980**	**839,410,979**	**844,866,723**
Total	**50,425,952**	**13,921,928**	**2,147,569**	**25,102,319**	**2,343,996**	**839,410,979**	**933,352,743**
2019							
Motor	34,257,001	11,019,053	-	9,063,210	1,706,991	-	56,046,255
Engineering	550,882	110,605	-	108,326	10,947	-	780,760
Marine & aviation	452,964	134,351	-	256,804	19,558	-	863,677
Fire	792,475	286,478	-	533,615	41,005	-	1,653,573
General insurance & liabilities	3,827,015	3,397,999	-	6,543,491	497,075	-	14,265,580
Medical	8,438,216	451,840	-	2,035,851	37,315	-	10,963,222
Life	1,371,119	724,778	2,723,890	427,247	55,682	750,500,215	755,802,931
Total	49,689,672	16,125,104	2,723,890	18,968,544	2,368,573	750,500,215	840,375,998

8 Takaful receivables

	2020 AED	2019 AED
Due from policyholders	**28,025,280**	30,780,820
Less: Allowance for impairment	**(4,117,920)**	(5,198,172)
	23,907,360	25,582,648
Due from takaful / retakaful companies	**25,101,769**	14,649,610
Due from brokers / agents	**16,436,142**	16,091,467
Less: Allowance for impairment	**(6,842,746)**	(4,283,430)
	58,602,525	52,040,295

Inside United Arab Emirates	2020 AED	2019 AED
Due from policyholders	**28,025,280**	30,770,607
Less: Allowance for doubtful debts	**(4,117,920)**	(5,198,172)
	23,907,360	25,572,435
Due from takaful / retakaful companies	**15,892,629**	13,128,458
Due from brokers / agents	**16,436,142**	16,091,467
Less: Allowance for doubtful debts	**(6,842,746)**	(4,283,430)
	49,393,385	50,508,930

Inside United Arab Emirates **2020**	**Policyholders** **AED**	**Takaful and retakaful companies** **AED**	**Brokers and agents** **AED**	**Total** **AED**
Aging of takaful receivables				
Not due	**4,015,697**	**145,306**	**2,044,994**	**6,205,997**
Past due and not impaired				
Less than 30 days	**6,722,698**	**744,052**	**4,402,016**	**11,868,766**
30-90 days	**7,499,660**	**2,660,435**	**4,573,937**	**14,734,032**
91-180 days	**4,030,194**	**2,619,704**	**27,808**	**6,677,706**
181-270 days	**1,544,793**	**1,381,377**	**44,641**	**2,970,811**
271-365 days	**94,318**	**1,365,955**	**-**	**1,460,273**
More than 365 days	**-**	**5,475,800**	**-**	**5,475,800**
	23,907,360	**14,392,629**	**11,093,396**	**49,393,385**
Past due and impaired				
31-90 days	**-**	**-**	**780,643**	**780,643**
91-180 days	**95,908**	**-**	**1,297,003**	**1,392,911**
181-270 days	**586,349**	**-**	**303,738**	**890,087**
271-365 days	**864,008**	**-**	**323,382**	**1,187,390**
More than 365 days	**2,571,655**	**1,500,000**	**2,637,980**	**6,709,635**
Total takaful receivables (gross)	**28,025,280**	**15,892,629**	**16,436,142**	**60,354,051**

8 Takaful receivables (continued)

Inside United Arab Emirates **2019**	**Policyholders** AED	**Takaful and retakaful companies** AED	**Brokers and agents** AED	**Total** AED
Aging of takaful receivables				
Not due	3,972,822	-	1,361,477	5,334,299
Past due and not impaired				
Less than 30 days	7,642,624	486,956	562,725	8,692,305
30-90 days	6,367,613	873,955	5,943,608	13,185,176
91-180 days	5,108,641	1,200,964	4,005,762	10,315,367
181-270 days	2,480,735	1,784,316	504,212	4,769,263
271-365 days	-	1,033,272	233,541	1,266,813
More than 365 days	-	6,340,329	605,378	6,945,707
	25,572,435	11,719,792	13,216,703	50,508,930
Past due and impaired				
181-270 days	1,759,078	-	-	1,759,078
271-365 days	1,508,154	-	-	1,508,154
More than 365 days	1,930,940	1,408,666	2,874,764	6,214,370
Total takaful receivables (gross)	30,770,607	13,128,458	16,091,467	59,990,532

Outside United Arab Emirates	**2020** **AED**	2019 AED
Due from policyholders	-	10,213
Less: Allowance for doubtful debts	-	-
	-	10,213
Due from takaful / retakaful companies	**9,209,140**	1,521,152
Less: Allowance for doubtful debts	-	-
	9,209,140	1,531,365

Outside United Arab Emirates **2020**	**Policy holders** AED	**Takaful and retakaful companies** AED	**Brokers and agents** AED	**Total** AED
Aging of takaful receivables				
Not due	-	-	-	-
Past due but not impaired				
Less than 30 days	-	**440,841**	-	**440,841**
30-90 days	-	**896,248**	-	**896,248**
91-180 days	-	**1,507,607**	-	**1,507,607**
181-270 days	-	**4,543,790**	-	**4,543,790**
271-365 days	-	**1,048,590**	-	**1,048,590**
More than 365 days	-	**772,064**	-	**772,064**
Total takaful receivables (gross)	**-**	**9,209,140**	**-**	**9,209,140**

8 Takaful receivables (continued)

<u>Outside United Arab Emirates</u> **2019** **Aging of takaful receivables**	**Policy holders** AED	**Takaful and retakaful companies** AED	**Brokers and agents** AED	**Total** AED
Not due	-	-	-	-
Past due but not impaired				
Less than 30 days	10,213	194,868	-	205,081
30-90 days	-	361,979	-	361,979
91-180 days	-	23,035	-	23,035
181-270 days	-	250,658	-	250,658
271-365 days	-	73,043	-	73,043
More than 365 days	-	617,569	-	617,569
Total takaful receivables (gross)	10,213	1,521,152	-	1,531,365

The Group always measures the loss allowance for takaful receivables at an amount equal to lifetime ECL. The expected credit losses on takaful receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against due from policyholder and broker / agents over 90 days and 45% to 100% against takaful / retakaful companies over 180 days past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a takaful receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the takaful receivables are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

	2020 **AED**	2019 AED
Movement in the allowance for impairment:		
Balance at the beginning of the year	**9,481,602**	19,850,000
Impairment allowance for the year	**1,479,064**	2,116,245
Written off during the year	**-**	(12,484,643)
Balance at the end of the year	**10,960,666**	9,481,602

9 Investment in financial assets

	2020 AED	2019 AED
Financial assets measured at fair value through other comprehensive income (FVOCI) (A)		
- Listed	**27,588,001**	32,769,865
- Unlisted	**30,656,498**	34,728,159
	58,244,499	67,498,024
Financial assets measured at fair value through profit and loss (FVTPL) (B)		
- Listed	**4,072,568**	6,390,336
- Unlisted	**30,800,773**	-
- Unit linked investments	**839,410,979**	750,500,215
	874,284,320	756,890,551
Total investment in financial assets measured at fair value (A+B)	**932,528,819**	824,388,575

Investments by geographic concentration are as follows:

	2020 AED	2019 AED
Within U.A.E.	**61,516,929**	37,890,641
Outside U.A.E.	**871,011,890**	786,497,934
	932,528,819	824,388,575

i. FVOCI listed and unlisted securities are carried at a value of AED 58,244,499 (2019: AED 67,498,024), with a decline in their fair value from original acquisition cost amounting to AED 83,479,102 (2019: AED 74,225,575). Of this amount, AED 62,452,179 (2019: AED 55,163,447) is deducted from Shareholders' equity and AED 21,026,921 (2019: AED 19,062,128) is deducted from Policyholders' fund in accordance with the allocation of investment losses to the shareholders and policyholders as approved by the Group's Fatwa and Sharia'a Supervisory Board.

ii. Unlisted securities carried at a fair value of AED 61,457,271 (2019: AED 34,728,159) mainly represent the Group's investments in shares of companies registered in Dubai, Algeria and certain other international markets.

iii. The Group owns shares of Al Salam Bank - Algeria which are held by the former CEO (who resigned during 2013 - see Note 37).

iv. During the year ended 31 December 2020, the Group purchased and disposed investments amounting to AED 22,044,000 (2019: AED 4,984,226) and AED 1,008,767 (2019: AED 8,825,674) respectively excluding the purchases and disposals of unit linked investments.

10 Prepayments and other receivables

	2020 AED	2019 AED
Prepayments	**2,105,504**	2,877,599
Receivables from employees	**814,799**	971,272
Advance to suppliers	**1,913,923**	1,040,000
Refundable deposits	**258,169**	258,169
Other receivables	**1,979,019**	2,431,650
	7,071,414	7,578,690

11 Investment property

	2020	2019
	AED	AED
Balance at beginning of the year	**58,188,000**	60,672,000
Loss on revaluation of investment property	**(3,438,000)**	(2,484,000)
Balance at end of the year	**54,750,000**	58,188,000

During 2020, the Group recognised a loss due to a change in fair value amounting to AED 3.44 million (2019: AED 2.48 million). The fair value of the investment property has been arrived at on the basis of a valuation carried by a professional, independent valuation expert, not related to the Group. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties, in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards. In addition to this, the Group also obtained a second valuation from a professional, independent valuation expert , not related to the Group which used different valuation techniques in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards and who valued the property at a value which is in line with the book value of the investment property. In estimating the fair value of the property, the highest and best use of the property is their current use.

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

Valuation technique	**Significant unobservable inputs**	**Interrelationship between key unobservable inputs and fair value measurements**
Comparison method	The Comparison approach involves examining and analysing recent market transaction/data and making adjustments to this data to account for differences in location, building area, quality of accommodation, finish, date of sale, view, aspect and other individual characteristics	The estimated fair value increase / decrease if the inputs to the comparison method varies.

Fair value hierarchy of the Group's investment property is as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	AED	**AED**	**AED**	**AED**
At 31 December 2020				
Investment property	-	-	**54,750,000**	**54,750,000**
At 31 December 2019				
Investment property	**-**	**-**	**58,188,000**	**58,188,000**

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions by 5% would have the following effects on the consolidated statement of profit or loss:

	Favourable	**Unfavourable**
	AED	**AED**
At 31 December 2020		
Investment property	**2,737,500**	**(2,737,500)**
At 31 December 2019		
Investment property	**2,909,400**	**(2,909,400)**

12 Property and equipment

	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Total AED
Cost				
At 31 December 2018	541,291	5,334,106	5,651,014	11,526,411
Additions	5,999	70,885	40,159	117,043
At 31 December 2019	547,290	5,404,991	5,691,173	11,643,454
Additions	-	-	**154,928**	**154,928**
Disposals	**(320,000)**	-	-	**(320,000)**
At 31 December 2020	**227,290**	**5,404,991**	**5,846,101**	**11,478,382**
Accumulated depreciation				
At 31 December 2018	461,364	5,238,494	5,421,633	11,121,491
Charge for the year	34,550	63,941	122,213	220,704
At 31 December 2019	**495,914**	**5,302,435**	**5,543,846**	**11,342,195**
Charge for the year	**26,680**	**47,606**	**100,148**	**174,434**
Disposals	**(320,000)**	-	-	**(320,000)**
At 31 December 2020	**202,594**	**5,350,041**	**5,643,994**	**11,196,629**
Net carrying amount				
At 31 December 2020	**24,696**	**54,950**	**202,107**	**281,753**
At 31 December 2019	51,376	102,556	147,327	301,259

13 Due to bank

The Group obtained a Sharia Compliant secured overdraft facility with a total limit of AED 20 million (2019: AED 20 million) from an Islamic bank in the U.A.E. to meet business requirements. The facility is secured by lien over fixed deposits based on a Mudarabah financing structure of AED 20 million (2019: AED 20 million) as margin in favour of the bank.

14 Trade and other payables

	2020 AED	2019 AED
Trade payables and accruals	**62,626,290**	60,812,082
Employees' end of service benefits (i)	**5,897,839**	6,812,837
Zakat payable	**462,641**	445,001
Balance at end of the year	**68,986,770**	68,069,920

(i) Movements in the provision for employees' end of service benefits during the year were as follows:

	2020 AED	2019 AED
Balance at beginning of the year	**6,812,837**	6,189,108
Amounts charged during the year	**826,887**	1,088,115
Amounts paid during the year	**(1,741,885)**	(464,386)
Balance at end of the year	**5,897,839**	6,812,837

Provision for employees' end of service indemnity required to cover employees' end of service indemnity at the reporting date as per UAE. Labour Law.

In accordance with the provisions of IAS 19 "Employee Benefits", management has carried out an exercise to assess the present value of its obligations as at 31 December 2020, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 1% (2019: 2.21%). Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment / promotion costs of 0.3% (2019: 0.3%). The present value of the obligation as at 31 December 2020 is not materially different from the provision computed in accordance with the UAE Labour Law.

15 Takaful payables

	2020 AED	2019 AED
Within U.A.E	**40,152,401**	44,243,375
Outside U.A.E	**15,139,181**	30,003,298
Total	**55,291,582**	74,246,673
Within U.A.E.		
Payable to policyholders	**5,910,144**	7,763,234
Payable to takaful and retakaful companies	**30,071,843**	31,906,965
Payable to brokers / agents	**4,170,414**	4,573,176
	40,152,401	44,243,375
Outside U.A.E.		
Payable to takaful and retakaful companies	**15,095,178**	29,792,917
Payable to brokers / agents	**44,003**	210,381
	15,139,181	30,003,298

16 Murabaha payable

	2020 AED	2019 AED
Murabaha payable	**15,239,606**	15,351,053

The Group have a Murabaha finance from an Islamic bank in U.A.E which carries a profit rate of 6 months EIBOR + 2.5 % per annum and are secured by a pledge / electronic custody with Islamic bank's brokerage entity for the eligible shares (category A and B).

In addition, the bank facilities and borrowings are subject to covenants, and the Group is inline and comply with these covenants.

17 Contingencies

(a) At reporting date, the Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business amounting AED 0.4 million (2019: AED 0.5 million).

(b) The Group, in common with other insurance companies, is involved as a defendant in a number of legal cases with other insurance, reinsurance and customers. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made. The expected outcome of the cases is dependent on future legal proceedings.

18 Share capital

	2020 AED	2019 AED
Issued and fully paid:		
225,750,000 ordinary shares of AED 1 each		
(2019: 225,750,000 ordinary shares of AED 1 each)	**225,750,000**	225,750,000

19 Legal reserve

In accordance with United Arab Emirates Federal Law No. (2) of 2015, the Group has established a legal reserve by appropriation of 10% of the profit of the Parent Company for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

20 General reserve

The Group is required to transfer 10% of the profit of the Parent Company for the year to a general reserve in accordance with its Articles of Association. The reserve is available for distribution by a resolution of the shareholders of the Group at an ordinary general meeting, on the recommendation of the Board of Directors.

21 Net takaful contributions

	Gross takaful contribution AED	Retakaful share of gross takaful contribution AED	Net takaful contribution AED
2020			
Motor	**61,363,441**	**9,361,465**	**52,001,976**
Engineering	**2,994,582**	**2,750,161**	**244,421**
Marine & aviation	**3,346,364**	**2,601,624**	**744,740**
Fire	**23,892,892**	**22,546,420**	**1,346,472**
General insurance & liabilities	**55,750,069**	**48,758,333**	**6,991,736**
Medical	**33,400,181**	**2,171,834**	**31,228,347**
Life	**48,409,253**	**41,034,472**	**7,374,781**
Total	**229,156,782**	**129,224,309**	**99,932,473**
2019			
Motor	78,069,411	16,318,800	61,750,611
Engineering	2,529,405	2,326,097	203,308
Marine & aviation	10,376,350	9,205,007	1,171,343
Fire	22,046,864	20,820,177	1,226,687
General insurance & liabilities	56,675,427	48,219,869	8,455,558
Medical	36,617,534	23,498,691	13,118,843
Life	43,203,235	36,926,068	6,277,167
Total	249,518,226	157,314,709	92,203,517

22 Net takaful claims

	Gross claims settled AED	Retakaful share of gross claims paid AED	Net takaful claims AED
2020			
Motor	**40,536,522**	**12,455,224**	**28,081,298**
Engineering	**1,617,997**	**1,559,093**	**58,904**
Marine & aviation	**5,657,206**	**5,518,508**	**138,698**
Fire	**6,148,443**	**5,723,564**	**424,879**
General insurance & liabilities	**12,346,084**	**8,696,769**	**3,649,315**
Medical	**28,386,195**	**13,435,106**	**14,951,089**
Life	**17,570,699**	**14,086,555**	**3,484,144**
Total	**112,263,146**	**61,474,819**	**50,788,327**
2019			
Motor	41,203,533	13,531,485	27,672,048
Engineering	677,636	629,578	48,058
Marine & aviation	6,295,376	5,663,245	632,131
Fire	4,848,956	4,717,721	131,235
General insurance & liabilities	25,250,165	22,703,803	2,546,362
Medical	31,693,927	23,836,386	7,857,541
Life	21,498,995	18,334,571	3,164,424
Total	131,468,588	89,416,789	42,051,799

23 Wakala fees, Mudarib's share, policy fee and discounts received on ceded retakaful

The Group manages the Takaful operations for the Policyholders and charges 33% (2019: 33%) of the gross takaful contributions net of fronting contribution as Wakala fees. In addition, the Group charges 2% (2019: 2%) on fronting contribution as Wakala fees and 100% (2019: 100%) on FWU Administrate fees. These Wakala fees rates were approved by the Group's Fatwa and Sharia'a Supervisory Board.

The Group also manages the policyholders' investment funds and is entitled to 25% (2019: 25%) of net investment income earned by the policyholders' investment funds as the Mudarib's share. The Mudarib's share is AED 35,672 (2019: AED 278,328).

Policy fee amounting to AED 11.4 million (2019: AED 9.7 million) relate to income earned on the issuance of policies across all lines of businesses which includes administration fees, fronting fees, acquisition fees. Policy fees are earned by the Group during the initiation of the policies.

Discounts received on ceded retakaful amounting to AED 18.3 million (2019: AED 25.9 million) relates to income earned on outwards retakaful contracts.

24 Investment income

	2020 AED	2019 AED
Loss on revaluation of investment property	**(3,438,000)**	(2,484,000)
Unrealized gain / (loss) on investments measured at FVTPL, net	**7,704,731**	(196,578)
Realized gain / (loss) on investments measured at FVTPL, net	**(256,958)**	-
Income from investment deposits	**1,481,417**	1,561,607
Dividend income	**1,370,659**	4,394,246
Rental Income	**531,333**	661,710
	7,393,182	3,936,985
Allocated to:		
Policyholders	**142,687**	1,113,312
Shareholders	**7,250,495**	2,823,673
	7,393,182	3,936,985

Investment income and losses are allocated amongst the Shareholders and the Policyholders on a pro rata basis. This allocation to Policyholders is approved by the Group's Fatwa and Sharia'a Supervisory Board on an annual basis.

25 General and administrative expenses

	2020 AED	2019 AED
Salaries and benefits	**24,046,768**	26,338,246
Legal and professional fees	**2,742,857**	3,113,390
Rent	**1,507,200**	1,582,562
Communication	**747,187**	1,126,097
Repairs and maintenance	**712,894**	650,841
Depreciation	**174,434**	220,704
Printing and stationary	**94,507**	196,759
Travelling and conveyance	**84,943**	314,301
Allowance for doubtful receivables	**225,492**	1,173,168
Marketing and advertising	**59,632**	136,921
Tax expenses	**2,826,745**	1,083,749
Bank charges	**895,985**	1,172,447
Other	**927,885**	1,031,464
	35,046,529	38,140,649

26 Basic and diluted earnings per share

Earnings per share are calculated by dividing profit attributable to the shareholders for the year, by weighted average number of shares outstanding during the year.

	2020	2019
For continuing operations and discontinued operations		
Profit for the year attributable to shareholders of the parent (In AED)	**19,115,410**	8,768,433
Weighted average number of shares outstanding during the year	**225,750,000**	225,750,000
Earnings per share (In AED)	**0.085**	0.039
For continuing operations		
Profit for the year attributable to shareholders of the parent (In AED)	**19,136,458**	8,692,680
Weighted average number of shares outstanding during the year	**225,750,000**	225,750,000
Earnings per share (In AED)	**0.085**	0.038

No figure for diluted earnings per share has been presented since the Group has not issued any instruments which would have an impact on earnings per share when exercised.

27 Operating lease commitments

Operating leases relate to offices with a lease term of 1 year, with an option to extend. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	2020 **AED**	2019 AED
Minimum lease payments under operating leases recognised as an expense during the year (Note 25)	**1,507,200**	1,582,562

28 Fatwa and Sharia'a Supervisory Board

The Group's business activities are subject to the supervision of its Fatwa and Sharia'a Supervisory Board consisting of three members appointed by the shareholders. The Fatwa and Sharia'a Supervisory Board perform a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Sharia'a rules and principles.

29 Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: Related Parties. Related parties comprise major shareholders, companies and entities under common ownership and/or common management and control, their partners and key management personnel. Transactions with such related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

The significant balances outstanding at reporting date in respect of related parties included in the consolidated financial statements are as follows:

	2020			2019		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Carrying value of investments in ordinary shares [Note 29(a)]	**-**	**30,656,498**	**30,656,498**	-	34,141,656	34,141,656
Due from related parties [Note 29(b)]	**5,087,451**	**54,783**	**5,142,234**	4,229,737	62,270	4,292,007
Due to related parties [Note 29(c)]	**26,198**	**246,616**	**272,814**	485,967	215,077	701,044

(a) A major shareholder, who is a member of the Board of Directors, is also a Board Member of Al Salam Bank - Algeria The Group has equity investments in Al Salam Bank - Algeria amounting to AED 30.7 million (2019: AED 34.1 million). Also refer Note 37 for details of shares held by a former CEO of the Group in Al Salam Bank – Algeria for the benefit of the Group.

(b) Due from related parties represents the following:

	2020 AED	2019 AED
Entities owned by the Vice Chairman of the Board of Directors		
Nation Hospital - UAE	**1,789,012**	1,745,748
Bin Omeir Education Foundation - UAE	**2,447,222**	1,631,678
Bin Omeir Holding Group - UAE	**443,818**	433,338
Bin Omeir Medical Group - UAE	**360,584**	360,584
International Market Group For General Services - UAE	**46,815**	58,389
Yas Mineral Water Bottling - UAE	**37,959**	45,446
Chocolatier - UAE	**15,558**	15,558
Al Massa Art Products - UAE	**1,266**	1,266
	5,142,234	4,292,007
Less: Allowance for impairment	**(2,163,139)**	(1,921,512)
	2,979,095	2,370,495

	2020 AED	2019 AED
Movement in the allowance for impairment:		
Balance at the beginning of the year	**1,921,512**	2,848,370
Movement	**241,627**	(926,858)
Balance at the end of the year	**2,163,139**	1,921,512

29 Related party transactions (continued)

(c) Due to related parties represents the following:

	2020	2019
	AED	AED
Entities owned by the Vice Chairman of the Board of Directors		
Fast Rent A Car LLC - UAE	**226,944**	215,077
Omeir Bin Youssef & Sons - UAE	**26,198**	17,483
Emirates Taxi - UAE	**19,672**	-
Fast Line Auto Services - UAE	**-**	468,484
	272,814	701,044

The income and expenses in respect of related parties included in these consolidated financial statements are as follows:

	2020			2019		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Gross contributions	**1,529,187**	**36,151**	**1,565,338**	2,136,077	43,280	2,179,357
Gross claims paid	**124,030**	**197,226**	**321,256**	109,141	713,605	822,746

Compensation of key management personnel is as follows:

	2020	2019
	AED	AED
Short term employee benefits	**2,440,186**	2,326,349
End of service benefits	**84,230**	94,705
Total compensation paid to key management personnel	**2,524,416**	2,421,054

30 Segmental information

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's management in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Board of Directors for the purpose of resource allocation and assessment of performance is based on following strategic business activities:

- **Takaful activities** include the general, life and medical insurance business undertaken by the Group.
- **Investment activities** represent investment and cash management for the Group's own account.
- **Others** represent income and expense activities conducted by the subsidiaries and included in these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2020 (continued)

30 Segmental information (continued)

The following table presents segment information for the year ended 31 December 2020 and 2019.

	2020				2019			
	Takaful AED	**Investments AED**	**Others AED**	**Total AED**	Takaful AED	Investments AED	Others AED	Total AED
Takaful income	**129,401,883**	**-**	**-**	**129,401,883**	108,028,800	-	-	108,028,800
Takaful expenses	**(54,694,349)**	**-**	**-**	**(54,694,349)**	(33,366,686)	-	-	(33,366,686)
Net Takaful income	**74,707,534**	**-**	**-**	**74,707,534**	74,662,114	-	-	74,662,114
Wakala fees	**(71,672,563)**	**71,672,563**	**-**	**-**	(74,494,054)	74,494,054	-	-
Mudarib's fees	**(35,672)**	**35,672**	**-**	**-**	(278,328)	278,328	-	-
Policy acquisition cost	**-**	**(25,085,901)**	**-**	**(25,085,901)**	-	(31,568,714)	-	(31,568,714)
	(71,708,235)	**46,622,334**	**-**	**(25,085,901)**	(74,772,382)	43,203,668	-	(31,568,714)
Investment income	**142,687**	**7,250,495**	**-**	**7,393,182**	1,113,312	2,823,673	-	3,936,985
Other operating income	**-**	**335,199**	**-**	**335,199**	-	535,096	-	535,096
General and administrative expenses	**-**	**(35,046,529)**	**-**	**(35,046,529)**	-	(38,140,650)	-	(38,140,650)
Net operating income / (loss) of subsidiaries	**-**	**-**	**(46,089)**	**(46,089)**	-	-	346,646	346,646
Net profit / (loss) for the year	**3,141,986**	**19,161,499**	**(46,089)**	**22,257,396**	1,003,044	8,421,787	346,646	9,771,477

Other information

	Takaful		**Investment**		**Total**	
	2020 AED	2019 AED	**2020 AED**	2019 AED	**2020 AED**	2019 AED
Segment assets	**1,144,379,897**	1,100,788,454	**217,867,840**	197,076,360	**1,362,247,737**	1,297,864,814
Segment liabilities	**1,291,254,041**	1,239,677,221	**-**	-	**1,291,254,041**	1,239,677,221

The segment information above does not include any amounts from the discontinued operations of the Group.

31 Discontinued operations

During the year ended 31 December 2018, the Board of Director approve the liquidation and the disposal of Technik Auto Services Centre LLC and Amity Health L.L.C., subsidiaries of the Group.

The combined results of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flow for the discontinued operation have been re-presented to include those operations classified as discontinued in the current year.

	2020 AED	2019 AED
(Loss) / profit for the year from discontinued operations		
Revenues	-	2,611,491
Expenses	**(23,104)**	(2,522,690)
	(23,104)	88,801
Profit for the year from discontinued operation attributable to the shareholder of the Parent	**(23,104)**	88,801

32 Assets and liabilities classified as held for sale

	2020 AED	2019 AED
Assets classified as held for sale	**1,583,321**	1,586,020
Liabilities directly associated with assets classified as held for sale	**13,022,356**	13,022,356

As described in Note 31, the Board of Directors approved the liquidation of two of the Group's subsidiaries. The Group is currently in the process of the liquidation, the carrying amount of the assets and liabilities have been written done to its fair value less cost to sell. The major class of assets and liabilities of the subsidiaries at the end of the reporting year are as follow:

	2020 AED	2019 AED
Cash and cash equivalents	1,008,976	1,008,976
Other receivables	574,345	574,346
Property and equipment	-	2,698
Assets classified as held for sale	**1,583,321**	1,586,020
Trade and other payable	**13,022,356**	13,022,356
Liabilities associated with assets held for sale	**13,022,356**	13,022,356
Net liabilities associated with assets held for sale	**(11,439,035)**	(11,436,336)

33 Capital management

(i) 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 financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the Board of Directors, with its associated committees. This is supplemented with a clear organisational structure with delegated authorities and responsibilities from the Board of Directors to the Chief Executive Officer and other senior managers.

The Board of Directors meets regularly to approve any commercial, regulatory and organisational decisions. The Board of Directors defines the Group's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, aligns underwriting and Retakaful strategy to the corporate goals, and specifies reporting requirements.

(ii) Capital management framework

The primary objective of the Group's capital management is to comply with the regulatory requirements in the U.A.E. and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

(iii) 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 jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

34 Financial instruments

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

(b) Categories of financial instruments

	2020	2019
	AED	AED
Financial assets		
At amortized cost	**189,990,430**	204,425,594
At fair value	**932,528,819**	824,388,575
	1,094,536,471	1,028,814,169
Financial liabilities		
At amortized cost	**132,211,753**	176,987,613

(c) Fair value of financial instruments

The fair values of the financial assets and financial liabilities other than those carried at fair value approximate their carrying amounts in the consolidated statement of financial position as at 31 December 2020 and 2019

35 Risk management

(i) 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 Group manages these positions to achieve long-term investment returns in excess of its obligations under Takaful contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from Takaful contracts by reference to the type of benefits payable to contract holders.

The Group's management actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from Takaful contracts.

The Group's management regularly monitors the financial risks associated with the Group's financial assets and liabilities not directly associated with Takaful liabilities.

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

35A Takaful risk

The principal risk the Group faces under Takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of Takaful contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements as well as the diversification of retakaful providers.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly property, motor, marine, medical and group life. These are regarded as short-term Takaful contracts, as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate Takaful risk.

Property and liability

Property and liability Takaful is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the actual loss caused by the inability to use the insured properties.

For property Takaful contracts the main risks are fire and business interruption. In recent years, the Group has targeted policies for properties containing fire detection and/or firefighting equipment

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has retakaful cover for such damage to limit losses for any individual claim to AED 350,000 (2019: AED 350,000).

Motor

Motor Takaful is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Group has retakaful cover for such claims to limit losses for any individual claim to AED 250,000 (2019: AED 250,000).

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

35 Risk management (continued)

35A Takaful risk (continued)

Frequency and amounts of claims (continued)

Marine

Marine Takaful is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine Takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has retakaful to limit losses for any individual claim to AED 350,000 (2019: AED 350,000).

Medical, group life and personal accident

Medical Takaful is designed to compensate the contract holders for medical costs. Group life and personal accident Takaful entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical Takaful, the main risks are illness and related healthcare costs. For group life and personal accident the main risks are claims from death and permanent or partial disability. The Group generally does not offer medical Takaful to walk-in customers. Medical, group life and personal accident Takaful are generally offered to corporate customers with large population to be covered under the policy. The Group has retakaful cover for such claims to limit losses for any individual claim to AED 500,000 (2019: AED 500,000) per annum per person for medical.

Individual life

For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high risk individuals insured are in place.

Geographical concentration of risks

The Takaful risk arising from Takaful contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to prior year.

Retakaful risk

In common with other Takaful companies, in order to minimise financial exposure arising from large Takaful claims, the Group, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is affected under treaty, facultative and excess of loss retakaful contracts.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders 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 reinsurance agreements.

To minimise its exposure to significant losses from retakaful insolvencies, the Group evaluates the financial condition of its retakaful, monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures and ensure diversification of retakaful providers. The Group deals with retakaful approved by the Higher Management.

35 Risk management (continued)

35B Financial risk

The Group's principal financial instruments are financial investments, receivables arising from Takaful and retakaful contracts, investment deposits and cash and cash equivalents.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, profit rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group does not enter into any derivative transactions.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into Takaful and Retakaful contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from Takaful and Retakaful contracts are monitored on an ongoing basis in order to reduce the Group's exposure against defaults.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's investments are managed in accordance with the guidance and the supervision of the Board of Directors.
- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired except for Takaful and retakaful companies which are credit-impaired after 180 days	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	Notes	**2020 AED**	2019 AED
Cash and bank balances	5	**114,532,907**	136,353,713
Statutory deposits	6	**10,000,000**	10,000,000
Takaful receivables	8	**58,602,525**	52,040,295
Other receivables		**3,875,910**	3,661,091
Due from related parties	29	**2,979,095**	2,370,495
Assets classified as held for sale		**1,583,321**	1,586,020
		191,573,758	206,011,614

35 Risk management (continued)

35B Financial risk (continued)

Credit risk (continued)

For takaful receivables and due from related parties, the Group has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

For more detail on the maximum exposure to credit risk for each class of financial instrument, reference have been made to the specific notes.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with its financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarizes the maturity of the financial liabilities of the Group based on remaining discounted contractual obligations:

31 December 2020	**Less than 1 years AED**	**1 to 5 years AED**	**Over 5 years AED**	**Total AED**
Due to bank	**19,981,327**	**-**	**-**	**19,981,327**
Trade and other payables	**35,051,508**	**-**	**-**	**35,051,508**
Takaful payables	**55,291,582**	**-**	**-**	**55,291,582**
Murabaha payable	**15,239,606**	**-**	**-**	**15,239,606**
Amounts held under retakaful treaties	**6,374,916**	**-**	**-**	**6,374,916**
Due to related parties	**272,814**	**-**	**-**	**272,814**
	132,211,753	**-**	**-**	**132,211,753**

31 December 2019	Less than 1 years AED	1 to 5 years AED	Over 5 years AED	Total AED
Due to bank	19,972,520	-	-	19,972,520
Trade and other payables	61,257,083	-	-	61,257,083
Takaful payables	74,246,673	-	-	74,246,673
Murabaha payable	15,351,053	-	-	15,351,053
Amounts held under retakaful treaties	5,459,240	-	-	5,459,240
Due to related parties	701,044	-	-	701,044
	176,987,613	-	-	176,987,613

35 Risk management (continued)

35B Financial risk (continued)

Market risk

Market risk arises from fluctuations in foreign exchange rates, profit rates and equity prices. The value of risk that may be accepted by the Group is monitored on a regular basis by the Board of Directors.

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain investments denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2020	2019
	AED	AED
Algerian Dinar (DZD)	**30,656,498**	34,141,656

The majority of the assets and liabilities are denominated in either U.A.E. Dirhams or US Dollars, which is pegged to the U.A.E. Dirhams.

The following table details the Group's sensitivity to a 5% decrease and increase in the UAE Dirham against the relevant foreign currencies. 5% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where the UAE Dirham strengthens 5% against the relevant currency. For a 5% weakening of the UAE Dirham against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Other comprehensive income	
	2020	2019
	AED	AED
Algerian Dinar (DZD)	**1,532,824**	1,707,083

This is attributable to the exposure to the FVOCI investments at each year end.

35 Risk management (continued)

35B Financial risk (continued)

Market risk

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 rates. Floating rate instruments expose the Group to cash flow risk. The Group is exposed to profit rate risk on certain of its investments and investment deposits. The Group limits its risk by monitoring changes in such rates.

Details of maturities of the major classes of profit generating financial instruments as at 31 December are as follows:

2020	**Less than 1 years AED**	**1 to 5 years AED**	**Over 5 years AED**	**Total AED**	**Effective profit rate AED**
Assets:					
Wakala deposits	**60,000,000**	**-**	**-**	**60,000,000**	**1.00% to 1.28%**
Statutory deposits	**10,000,000**	**-**	**-**	**10,000,000**	**1.00%**
	70,000,000	**-**	**-**	**70,000,000**	
Liabilities:					
Murabaha payable	**15,239,606**	**-**	**-**	**15,239,606**	**2.5%+ 6M EIBOR**
Due to bank	**19,981,327**	**-**	**-**	**19,981,327**	**0% to 2%**
	35,220,933	**-**	**-**	**35,220,933**	

2019	**Less than 1 years AED**	**1 to 5 years AED**	**Over 5 years AED**	**Total AED**	**Effective profit rate AED**
Assets:					
Wakala deposits	55,000,000	-	-	55,000,000	2.20% to 3.70%
Statutory deposits	10,000,000	-	-	10,000,000	1.50% to 2.00%
	65,000,000	-	-	65,000,000	
Liabilities:					
Murabaha payable	15,351,053	-	-	15,351,053	2.5%+ 6M EIBOR
Due to bank	19,972,520	-	-	19,972,520	0% to 2%
	35,323,573	-	-	35,323,573	

The impact of changes in profit rate risk is not expected to be significant for the Group, as all financial assets and financial liabilities bears fixed profit rates except murabaha payable.

35 Risk management (continued)

35B Financial risk (continued)

Market risk

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

The following table shows the sensitivity of fair values to 10% increase or decrease as at 31 December:

	Reflected in income statement		Reflected in other comprehensive income	
	Favourable change AED	Unfavourable change AED	Favourable change AED	Unfavourable change AED
2020				
Financial assets measured at fair value	**87,428,432**	**(87,428,432)**	**5,824,450**	**(5,824,450)**
2019				
Financial assets measured at fair value	75,689,055	(75,689,055)	6,749,802	(6,749,802)

Operational risk

Operational risk is the risk of loss arising from systems 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 lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

36 Fair value of financial instruments

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. Differences can therefore arise between book value under historical cost method and fair value estimates.

(a) Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

(b) Valuation techniques and assumptions applied for the purposes of measuring fair value

Valuation of financial instruments recorded at fair value, is based on quoted market prices and other valuation techniques.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- The fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

36 Fair value of financial instruments (continued)

(b) Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the financial assets that are measured at fair value on a recurring basis

Financial assets	**Fair value as at 31 December 2020 AED'000**	31 December 2019 AED'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Financial assets at FVOCI						
Quoted equity securities	27,588	32,770	Level 1	Quoted bid prices in an active market.	None	Not applicable.
Unquoted equity securities	30,656	34,728	Level 3	Net assets valuation method and comparable multiples approach	Net assets value	Higher the net assets value of the investees, higher the fair value.
Financial assets at FVTPL						
Quoted equity securities	4,073	6,390	Level 1	Quoted bid prices in an active market.	None	Not applicable.
Unquoted equity securities	30,801	-	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Unit linked investments	839,411	750,500	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.

There were no transfers between each of the levels during the years ended 31 December 2020 and 2019.

Reconciliation of level 3 fair value measurement of financial assets measured at FVOCI:

	2020 AED'000	2019 AED'000
At 1 January	**34,728**	24,303
Changes in fair value	**(4,072)**	10,425
At 31 December	**30,656**	34,728

36 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTPL:

	2020 AED'000	2019 AED'000
Unit linked investments		
At 1 January	**750,500**	647,195
Net change during the year (change in fair value and net investment/withdrawal)	**88,911**	103,305
At 31 December	**839,411**	750,500
Unquoted equity securities		
At 1 January	**-**	-
Purchases during the year	**22,044**	-
Change in fair value during the year	**8,757**	
At 31 December	**30,801**	-

The investments classified under Level 3 category have been fair-valued based on information available for each investment. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 (other than unit linked investments), changing one or more of the assumptions by 5% would have the following effects.

	Favourable AED	Unfavourable AED
At 31 December 2020	**3,072,864**	**(3,072,864)**
At 31 December 2019	**1,736,408**	**(1,736,408)**

37 Significant events

The former CEO of the Group resigned on 10 July 2013. The Group entered into an agreement with the former CEO on 9 July 2013 for the payment and / or transfer of certain investments that were held by him for the beneficial interest of the Group. As of 31 December 2020, investments with a total carrying value of AED 9.2 million which are still in his name, have not yet been transferred to the legal ownership of the Group. The Group is undergoing legal litigation in regards to the transfer of these assets which involves a degree of uncertainty as to the full and timely transfer of legal title. However, the Board of Directors is confident in the eventual transfer of legal title and therefore no adjustments to the carrying value of the assets are required.

The Group also had other assets held by an entity controlled by the former CEO on behalf of the Group which have since been disposed off without their approval. The total value of these assets on the date of purchase was approximately AED 11 million. The Group is undergoing legal litigation in regards to the recovery of the said amount. The assets have been fully provided in the consolidated statement of financial position as of 31 December 2020 and recognition of the contingent asset will only be made once the success of the legal action is almost certain.

38 Deferred policy acquisition costs

	2020	2019
	AED	AED
Balance as at 1 January	**8,465,105**	8,403,414
Policy acquisition costs paid during the year	**24,263,670**	31,630,405
Charge for the year	**(25,085,901)**	(31,568,714)
Balance as at 31 December	**7,642,874**	8,465,105

39 COVID-19 impact on the Group

The existence of novel coronavirus ("COVID-19") was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. There has been macro-economic uncertainty across all sectors of the economy due to the price and demand for oil, reduced economic activity, disruption to global supply chains and the potential postponement of large-scale events. The scale and duration of these developments remain uncertain but could impact the earnings, cash flow and financial condition of the Group and those of our counter parties. The Group is monitoring these metrics on a regular basis and will respond to any threats identified.

COVID-19 impact on investment property

The Group has an investment property which has been valued at AED 55 million (2019: AED 58 million). The Group has carried a valuation of the investment property by independent internationally qualified valuation firms. The fair value has been determined based on market comparable approach that reflects recent transaction prices for similar properties, and transaction prices which are not reflective of the downturn in the in the real estate market have been adjusted by the Group.

COVID-19 impact on measurement of takaful contract liabilities

At the consolidated statement of financial position date, the Group had 119 reported claims in relation to COVID-19 which have been fully reflected in the consolidated financial information. As at the date of the consolidated statement of financial position, the Group have not been notified of any business interruption claims.

COVID-19 impact on measurement of ECL

IFRS 9 framework requires the estimation of Expected Credit Losses ("ECL") based on current and forecast economic conditions. In order to assess ECL forecast under forecast economic conditions, the Group utilises a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes.

The Group had reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts on the ECL estimates. Notwithstanding this, recognising that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt.

Liquidity management / Business continuity planning

The management had taken prudent measures and controls to ensure adequate liquidity of the Group to meet its obligations. The Group has established remote working plans to ensure continuous services to its customers The Group ensures that the outbreak of epidemic has not caused any significant distractions in policy issuance and claims processing. The Group will monitor the effects closely and will take all the adequate measures as required.

40 Reconciliation of shareholders and policyholders' assets and liabilities

	Assets	Liabilities	Equity
2020			
As per the consolidated statement of financial position	**1,329,805,135**	**1,245,967,081**	**83,838,054**
Due from shareholders / due to policyholders (Note 42)	**45,286,960**	**45,286,960**	**-**
Policyholders' reserve*	**(12,844,358)**	**-**	**(12,844,358)**
	1,362,247,737	**1,291,254,041**	**70,993,696**
As per the shareholders and policyholders consolidated statement of financial position (refer note 42)			
- Shareholders	**1,065,291,350**	**981,453,296**	**83,838,054**
- Policyholders	**296,956,387**	**309,800,745**	**(12,844,358)**
	1,362,247,737	**1,291,254,041**	**70,993,696**
2019			
As per the consolidated statement of financial position	1,257,915,568	1,184,974,152	72,941,416
Due from shareholders / due to policyholders (Note 42)	54,703,069	54,703,069	-
Policyholders' reserve*	(14,753,823)	-	(14,753,823)
	1,297,864,814	1,239,677,221	58,187,593
As per the shareholders and policyholders consolidated statement of financial position (refer note 42)			
Shareholders	963,627,240	890,685,824	72,941,416
Policyholders	334,237,574	348,991,397	(14,753,823)
	1,297,864,814	1,239,677,221	58,187,593

* Policyholders' reserve relates to the accumulated deficit / surplus from the takaful operations which is treated as an asset or liability respectively in the consolidated statement of financial position reflecting amounts to be paid to or recovered from policyholders in due course.

41 Policyholders' reserve

	Surplus in policyholders' fund AED	Investment revaluation reserve – FVOCI AED	Retakaful placement provision AED	Total AED
Balance at 1 January 2019	3,305,261	(19,660,754)	-	(16,355,493)
Profit for the year attributable to policyholders	1,003,044	-	-	1,003,044
Other comprehensive loss for the year attributable to policyholders	-	598,626	-	598,626
Balance at 31 December 2019	4,308,305	(19,062,128)	-	(14,753,823)
Balance at 1 January 2020	4,308,305	(19,062,128)	-	**(14,753,823)**
Profit for the year attributable to policyholders	**3,141,986**	**-**	**-**	**3,141,986**
Other comprehensive loss for the year attributable to policyholders	**-**	**(1,964,793)**	**-**	**(1,964,793)**
Transfer during the year	**(579,490)**	**-**	**579,490**	**-**
Other transfer during the year	**-**	**-**	**732,272**	**732,272**
Balance at 31 December 2020	**6,870,801**	**(21,026,921)**	**1,311,762**	**(12,844,358)**

42 Consolidated statement of financial position - shareholders and policyholders' assets and liabilities

	2020 AED	2019 AED
ASSETS		
Takaful operations' assets		
Cash and bank balances	**43,615,858**	60,134,633
Financial assets measured at fair value through profit and loss (FVTPL)	**661,581**	1,060,732
Financial assets measured at fair value through other comprehensive income (FVOCI)	**11,560,619**	13,525,412
Takaful receivables	**58,602,525**	52,040,295
Retakaful contract assets		
Unearned contribution reserve	**30,778,105**	42,024,089
Claims reported unsettled	**58,009,511**	68,452,413
Mathematical reserve	**700,293**	816,173
Claims incurred but not reported	**37,500,160**	30,596,918
Investment property	**10,240,775**	10,883,840
Due from shareholders	**45,286,960**	54,703,069
Total takaful operations' assets	**296,956,387**	334,237,574
Shareholders' assets		
Cash and bank balances	**70,917,049**	76,219,080
Financial assets measured at fair value through profit and loss (FVTPL)	**873,622,739**	755,829,819
Financial assets measured at fair value through other comprehensive income (FVOCI)	**46,683,880**	53,972,612
Due from related parties	**2,979,095**	2,370,495
Prepayments and other receivables	**7,071,414**	7,578,690
Deferred policy acquisition costs	**7,642,874**	8,465,105
Statutory deposit	**10,000,000**	10,000,000
Investment property	**44,509,225**	47,304,160
Property and equipment	**281,753**	301,259
Assets classified as held for sale	**1,583,321**	1,586,020
Total shareholders' assets	**1,065,291,350**	963,627,240
Total assets	**1,362,247,737**	1,297,864,814

42 Consolidated interim statement of financial position - shareholders and policyholders' assets and liabilities (continued)

	2020 AED	2019 AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		
Takaful operations' liabilities		
Trade and other payables	**20,747,516**	32,420,927
Takaful payables	**55,291,582**	74,246,673
Takaful contract liabilities:		
Unearned contribution reserve	**81,204,057**	91,713,761
Claims reported unsettled	**71,931,439**	84,577,517
Mathematical reserve	**2,847,862**	3,540,063
Claims incurred but not reported	**62,602,479**	49,565,462
Unallocated loss adjustment expenses	**2,343,996**	2,368,573
Deferred discount	**6,456,898**	5,099,181
Amounts held under retakaful treaties	**6,374,916**	5,459,240
Total takaful operations' liabilities	**309,800,745**	348,991,397
Takaful operations' deficit		
Surplus in policyholders' fund	**6,870,801**	4,308,305
Policyholders' investments revaluation reserve	**(21,026,921)**	(19,062,128)
Retakaful placement provision	**1,311,762**	-
Total deficit from takaful operations	**(12,844,358)**	(14,753,823)
Total takaful operations' liabilities and surplus	**296,956,387**	334,237,574
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders' liabilities		
Due to bank	**19,981,327**	19,972,520
Trade and other payables	**48,239,254**	36,435,567
Due to related parties	**272,814**	701,044
Unit linked liabilities	**839,410,979**	750,500,215
Murabaha payable	**15,239,606**	15,351,053
Due to policyholders	**45,286,960**	54,703,069
Liabilities directly associated with assets classified as held for sale	**13,022,356**	13,022,356
Total shareholders' liabilities	**981,453,296**	890,685,824
Shareholders' equity		
Share capital	**225,750,000**	225,750,000
Legal reserve	**5,080,128**	3,163,978
General reserve	**5,080,128**	3,163,978
Investments revaluation reserve - FVOCI	**(62,452,179)**	(55,163,447)
Accumulated losses	**(88,293,501)**	(102,648,627)
Equity attributable to shareholders of the Parent	**85,164,576**	74,265,882
Non-controlling interest	**(1,326,522)**	(1,324,466)
Total equity	**83,838,054**	72,941,416
Total shareholders' liabilities and equity	**1,065,291,350**	963,627,240
Total takaful operations' liabilities and deficit, shareholders' liabilities and equity	**1,362,247,737**	1,297,864,814

43 Consolidated statement of financial position - Policyholders' assets and liabilities (Life and Non-Life)

	2020 TOTAL	2020 NON-LIFE	2020 LIFE	2019 TOTAL	2019 NON-LIFE	2019 LIFE
ASSETS						
Takaful operations' assets						
Cash and bank balances	**43,615,858**	**39,546,164**	**4,069,694**	60,134,633	59,661,406	473,227
Financial assets measured at fair value through profit and loss (FVTPL)	**661,581**	**661,581**	**-**	1,060,732	1,060,732	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	**11,560,619**	**11,560,619**	**-**	13,525,412	13,525,412	-
Takaful receivables	**58,602,525**	**55,707,463**	**2,895,062**	52,040,295	43,061,799	8,978,496
Retakaful contract assets						
Unearned contribution reserve	**30,778,105**	**27,158,132**	**3,619,973**	42,024,089	38,071,866	3,952,223
Claims reported unsettled	**58,009,511**	**54,521,910**	**3,487,601**	68,452,413	66,521,544	1,930,869
Mathematical reserve	**700,293**	**-**	**700,293**	816,173	-	816,173
Claims incurred but not reported	**37,500,160**	**33,599,272**	**3,900,888**	30,596,918	28,249,175	2,347,743
Investment property	**10,240,775**	**10,240,775**	**-**	10,883,840	10,883,840	-
Due from shareholders	**45,286,960**	**44,167,197**	**1,119,763**	54,703,069	50,838,389	3,864,680
Total takaful operations' assets	**296,956,387**	**277,163,113**	**19,793,274**	334,237,574	311,874,163	22,363,411
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT						
Takaful operations' liabilities						
Trade and other payables	**20,747,516**	**20,747,516**	**-**	32,420,927	32,420,927	-
Takaful payables	**55,291,582**	**42,216,302**	**13,075,280**	74,246,673	61,695,471	12,551,202
Takaful contract liabilities:						
Unearned contribution reserve	**81,204,057**	**76,201,045**	**5,003,012**	91,713,761	86,390,419	5,323,342
Claims reported unsettled	**71,931,439**	**67,529,960**	**4,401,479**	84,577,517	81,921,870	2,655,647
Mathematical reserve	**2,847,862**	**-**	**2,847,862**	3,540,063	-	3,540,063
Claims incurred but not reported	**62,602,479**	**57,781,313**	**4,821,166**	49,565,462	46,790,472	2,774,990
Unallocated loss adjustment expenses	**2,343,996**	**2,253,016**	**90,980**	2,368,573	2,312,891	55,682
Deferred discount	**6,456,898**	**6,149,719**	**307,179**	5,099,181	4,695,927	403,254
Amounts held under retakaful treaties	**6,374,916**	**6,374,916**	**-**	5,459,240	5,459,240	-
Total takaful operations' liabilities	**309,800,745**	**279,253,787**	**30,546,958**	348,991,397	321,687,217	27,304,180
Takaful operations' deficit						
Surplus in policyholders' fund	**6,870,800**	**17,893,354**	**(11,022,553)**	4,308,305	9,379,402	(5,071,097)
Policyholders' investments revaluation reserve	**(21,026,921)**	**(21,026,921)**	**-**	(19,062,128)	(19,062,128)	-
Retakaful placement provision	**1,311,762**	**1,311,762**	**-**	-	-	-
Total deficit from takaful operations	**(12,844,358)**	**(1,960,345)**	**(10,884,013)**	(14,753,823)	(9,682,726)	(5,071,097)
Total takaful operations' liabilities and deficit	**296,956,387**	**277,293,442**	**19,662,945**	334,237,574	311,874,163	22,363,411

44 Consolidated statement of profit or loss - Life and Non Life

	2020 TOTAL	2020 NON-LIFE	2020 LIFE	2019 TOTAL	2019 NON-LIFE	2019 LIFE
Continuing operations						
Attributable to policyholders						
Takaful income						
Gross takaful contributions	**229,156,782**	**180,747,529**	**48,409,253**	249,518,226	206,314,991	43,203,235
Retakaful share of gross takaful contributions	**(129,224,309)**	**(88,189,837)**	**(41,034,472)**	(157,314,709)	(120,388,641)	(36,926,068)
Net takaful contributions	**99,932,473**	**92,557,692**	**7,374,781**	92,203,517	85,926,350	6,277,167
Net transfer to unearned contributions reserve	**(736,280)**	**(724,360)**	**(11,920)**	(17,626,613)	(17,355,331)	(271,282)
Net change in mathematical reserve	**576,321**	**-**	**576,321**	(2,252,876)	-	(2,252,876)
Net takaful contributions earned	**99,772,514**	**91,833,332**	**7,939,182**	72,324,028	68,571,019	3,753,009
Discount received on ceded Retakaful	**18,259,940**	**15,785,980**	**2,473,960**	25,977,159	23,273,763	2,703,396
Policy fees	**11,369,429**	**747,168**	**10,622,261**	9,727,613	331,704	9,395,909
	129,401,883	**108,366,480**	**21,035,403**	108,028,800	92,176,486	15,852,314
Takaful expenses						
Gross claims paid	**(112,263,146)**	**(94,692,447)**	**(17,570,699)**	(131,468,588)	(109,969,593)	(21,498,995)
Retakaful share of gross claims paid	**61,474,819**	**47,388,265**	**14,086,554**	89,416,789	71,082,217	18,334,572
Net takaful claims	**(50,788,327)**	**(47,304,182)**	**(3,484,145)**	(42,051,799)	(38,887,376)	(3,164,423)
Change in provision for outstanding claims	**12,646,078**	**14,391,910**	**(1,745,832)**	25,551,272	25,314,867	236,405
Retakaful share of outstanding claims	**(10,442,902)**	**(11,999,634)**	**1,556,732**	(20,628,376)	(20,402,361)	(226,015)
Net change in incurred but not reported claims	**(6,133,775)**	**(5,640,744)**	**(493,031)**	3,162,041	3,205,319	(43,278)
Net change in unallocated loss adjustment expenses reserve	**24,577**	**59,876**	**(35,299)**	600,176	604,631	(4,455)
Net claims incurred	**(54,694,349)**	**(50,492,774)**	**(4,201,575)**	(33,366,686)	(30,164,920)	(3,201,766)
Net takaful income	**74,707,534**	**57,873,706**	**16,833,828**	74,662,114	62,011,566	12,650,548
Wakala fees	**(71,672,563)**	**(49,025,819)**	**(22,646,744)**	(74,494,054)	(56,772,409)	(17,721,645)
Investment income	**142,687**	**142,687**	**-**	1,113,312	1,113,312	-
Mudarib's share	**(35,672)**	**(35,672)**	**-**	(278,328)	(278,328)	-
Net profit / (loss) from takaful operation for the year	**3,141,986**	**8,954,902**	**(5,812,916)**	1,003,044	6,074,141	(5,071,097)