Dubai Islamic Insurance & Reinsurance Co. (Aman) (P.J.S.C)
Dubai - United Arab Emirates

Report and consolidated financial statements
for the year ended 31 December 2018

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

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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

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Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)
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 2018.

Incorporation and registered offices

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC) 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 short term 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 2018 are set out in the accompanying consolidated financial statements.

Directors

The following were the Directors of the Group for the year ended 31 December 2018:

Mr. Mohammed bin Omair bin Yousef Al Muhairi	Chairman
Dr. Mohammed Ali Al Hosani	Vice Chairman
Mr. Abdulrahman Ahmed Senan	Board Member
Mr. Nasser Al-Falah Al Qahtani	Board Member
Mr. Mubarak Matar AL Shamsi	Board Member

Auditors

The consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte & Touche (M.E.).

By order of the Board of Directors

Mohammed Omeir Yousef Almheiri
Chairman

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Dubai Islamic Insurance & Reinsurance Co. (Aman) (P.J.S.C)
United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated financial statements of **Dubai Islamic Insurance & Reinsurance Co. (Aman) (P.J.S.C)** (the "Company") **and its subsidiaries** (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities requirements in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 39 of the consolidated financial statements, which describes the uncertainty as to the full and timely recoverability of assets with a total carrying value of AED 13 million held by the former Chief Executive Officer (CEO) or entities controlled by him on trust and for the benefit of the Group. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Cont'd...

Akbar Ahmad (1141), Anis Sadek (521), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit

Valuation of takaful contract liabilities and retakaful contract assets

Valuation of technical provisions

At 31 December 2018, the Group had the following reserves as required by the U.A.E. Insurance Authority as per the Financial Regulations for Takaful Companies:

- Unearned contribution reserve - AED 204,575,664 (gross), AED 32,063,060 (net)
- Claims reported unsettled - AED 110,128,789 (gross), AED 21,048,002 (net)
- Mathematical reserve - AED 1,422,554 (gross), AED 471,013 (net)
- Claims incurred but not reported - AED 55,951,830 (gross), AED 22,130,585 (net)
- Unallocated loss adjustment expense - AED 2,968,748 (net)
- Unit linked liabilities - AED 647,195,413 (net)

Refer to Note 3 (accounting policy) and Note 7 (financial disclosures)

Key audit matter	How the matter was addressed in our audit
The technical provisions are a material balance within the consolidated financial statements. Valuation of these technical provisions is highly judgmental, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those provisions that are recognised in respect of claims that have occurred, but have not yet been reported to the Group. Certain lines of business also contain greater inherent uncertainty, for example, those where claims emerge more slowly over time, or where there is greater variability in claim settlement amounts. The key assumptions that drive the reserving calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer term classes of business by territory and line of business. The valuation of technical provisions depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating technical provisions, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of technical provisions may arise. The calculation of the technical provisions involves complex and subjective judgments about future events, both internal and external to the business. Any small change in the assumptions used can lead to material impacts on the valuation of the technical provisions.	Our audit procedures included: • Testing the underlying Group data provided to the Group's external valuer to source documentation. • Evaluating and testing of key controls around the claims handling and case reserve setting processes of the Group including allocation of retakaful portion of the claims. • Evaluating and testing of key controls designed to ensure the integrity of the data used in the actuarial reserving process. • Checking samples of claims case reserves through comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjuster and retakaful contracts. • Re-performing reconciliations between the claims data recorded in the Group's systems and the data used in the actuarial reserving calculations. • Recalculating the unearned contribution reserve based on the earning period on takaful contracts existing as at 31 December 2018. • Obtaining the retakaful treaty summary for the year and verifying the details in the summary to the respective agreements on samples basis.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Valuation of takaful contract liabilities and retakaful contract assets (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Valuation of technical provisions</td></tr>
<tr><td>In addition, the valuation of re-insurers' share of claims outstanding is dependent on, but not directly correlated to, the valuation of the underlying claims outstanding. There is judgement involved in ascertaining the level of retakaful share of IBNR held, which depends on the specific terms of the retakaful contracts in place.

Furthermore, valuation of life takaful contract liabilities involves complex and subjective judgement made by the management and the independent external actuary about variety of uncertain future outcomes, including the estimation return, such as expense, mortality and persistency. Changes in these assumptions can result in material impacts to the valuation of these liabilities.

As a result of all the above factors, we consider the valuation of takaful contract liabilities and retakaful contract assets as a key audit matter.</td><td>In addition, with the assistance of our actuarial specialists, we:
• performed necessary reviews to ascertain whether the results are appropriate for financial disclosure.
• reviewed the actuarial report compiled by the independent external actuaries of the Group and calculations underlying these provisions, particularly the following areas:
- Appropriateness of the calculation methods and approach (actuarial best practice)
- Review of assumptions
- Sensitivities to key assumptions
- Risk profiles
- General application of financial and mathematical rules</td></tr>
</table>

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises the Board of Directors' report. We obtained Board of Directors' report prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not and we will not express any form of assurance conclusion thereon.

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

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

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

Responsibilities of the Management and those charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, its Article of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of the Management and those charged with Governance for the Consolidated Financial Statements (continued)

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

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management'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.

- 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 Group and 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's responsibilities for the audit of the Consolidated Financial Statements (continued)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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.

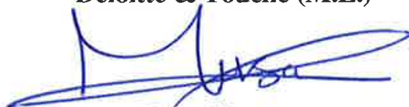
Report on Other Legal and Regulatory Requirements

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- 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;
- the Group has maintained proper books of account;
- the financial information included in the report of the Directors is consistent with the books of accounts of the Group;
- Note 9 to the consolidated financial statements disclosed the shares purchased or invested during the financial year ended 31 December 2018;
- Note 30 to the consolidated financial statements reflects material related party transactions, and the terms under which they were conducted;
- based on the information that has been made available to us, and except for the matter in the last paragraph, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the U.A.E. Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007 concerning the establishment of the Insurance Authority and Organisation of its operation or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018; and
- In the consolidated financial statements there are no social contributions made during the year.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit. As discussed in Note 3 to the consolidated financial statements, the Group has complied with all the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority except for the Article (1) of Section (7) and Appendix (1) relating to presentation of financial statements and disclosures, Article (8) of Section (2) and Article (3) of Section (1), relating to maintenance of solvency margin; and asset distribution and allocation limits respectively.

Deloitte & Touche (M.E.)



Musa Ramahi
Registration No. 872
31 March 2019
Dubai
United Arab Emirates

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

Consolidated statement of financial position
As at 31 December 2018

	Notes	2018 AED	2017 AED
ASSETS			
Takaful operations' assets			
Cash and bank balances	5	**49,454,401**	14,755,343
Retakaful contract assets			
Unearned contribution reserve	7	**172,512,604**	121,497,776
Claims reported unsettled	7	**89,080,787**	129,915,475
Mathematical reserve	7	**951,541**	11,525,312
Claims incurred but not reported	7	**33,791,245**	30,140,723
Takaful receivables	8	**76,511,391**	74,193,165
Investments in financial assets	9	**14,024,149**	18,776,154
Investment property	11	**11,348,462**	12,174,832
Due from Shareholders'		**62,198,672**	92,101,449
Total takaful operations' assets		**509,873,252**	505,080,229
Shareholders' assets			
Cash and bank balances	5	**57,741,372**	49,477,352
Statuary deposit	6	**10,000,000**	10,000,000
Investment in financial assets	9	**708,871,913**	721,368,197
Prepayments and other receivables	10	**8,112,614**	12,169,939
Deferred policy acquisition costs		**8,403,414**	6,974,744
Investment property	11	**49,323,538**	52,915,168
Furniture and equipment	12	**404,920**	3,149,146
Due from related parties	30	**5,323,358**	5,957,097
Assets classified as held for sale	33	**4,835,954**	-
Total shareholders' assets		**853,017,083**	862,011,643
Total assets		**1,362,890,335**	1,367,091,872

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

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

Consolidated statement of financial position
As at 31 December 2018 (continued)

	Notes	2018 AED	2017 AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Trade and other payables	14	47,007,308	48,729,421
Takaful payables	15	91,438,180	68,908,083
Takaful contract liabilities:			
Unearned contribution reserve	7	204,575,664	169,456,552
Claims reported unsettled	7	110,128,789	155,660,576
Mathematical reserve	7	1,422,554	13,868,172
Claims incurred but not reported	7	55,921,830	51,850,187
Unallocated loss adjustment expenses	7	2,968,748	2,491,330
Deferred discount		7,844,384	4,225,429
Amounts held under Retakaful treaties		4,921,287	5,615,009
Total takaful operations' liabilities		526,228,744	520,804,759
Takaful operations' deficit			
Surplus/(deficit) in policyholders' fund		3,305,261	(189,902,361)
Qard Hassan from shareholders		-	189,902,361
Policyholders' investments revaluation reserve	9	(19,660,753)	(15,724,530)
Total deficit from takaful operations	17	(16,355,492)	(15,724,530)
Total takaful operations' liabilities and surplus		509,873,252	505,080,229
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Due to bank	13	19,842,439	19,948,801
Trade and other payables	14	24,073,988	20,707,884
Takaful payables	15	3,845,141	3,148,052
Due to related parties	30	468,484	3,379,083
Unit linked liabilities	7	647,195,413	639,150,280
Murabaha payable	16	15,411,449	-
Due to policyholder		62,198,672	92,101,449
Liabilities directly associated with assets classified as held for sale	33	17,095,888	-
Total shareholders' liabilities		790,131,474	778,435,549
Shareholders' equity			
Share capital	18	225,750,000	225,750,000
Legal reserve	19	2,321,799	1,371,054
General reserve	20	2,321,799	1,371,054
Investments revaluation reserve - FVTOCI	9	(84,675,477)	(67,567,235)
Accumulated losses		(81,494,998)	(76,547,190)
Equity attributable to shareholders of the Parent		64,223,123	84,377,683
Non-controlling interest		(1,337,514)	(801,589)
Total Equity		62,885,609	83,576,094
Total shareholders' liabilities and equity		853,017,083	862,011,643
Total takaful operations' liabilities and deficit, shareholders' liabilities and equity		1,362,890,335	1,367,091,872

Jihad Faitrouni
Chief Executive Officer

Mohammed Omeir Yousef Almheiri
Chairman

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

Consolidated income statement
for the year ended 31 December 2018

	Note	2018 AED	2017 AED
Continuing Operations			
Attributable to policyholders			
Takaful income			
Gross takaful contributions	21	**375,824,080**	380,830,815
Retakaful share of accepted business	21	**(234,982,847)**	(218,024,338)
Retakaful share of ceded business	21	**(67,238,241)**	(49,738,136)
Net takaful contributions	21	**73,602,992**	113,068,341
Net transfer to unearned contributions reserve	7	**15,895,716**	15,116,106
Decrease in mathematical reserve	7	**1,871,847**	499,005
Net takaful contributions earned		**91,370,555**	128,683,452
Discount received on ceded Retakaful		**21,936,469**	14,798,201
Policy fees		**13,362,173**	15,371,469
		126,669,197	158,853,122
Takaful expenses			
Gross claims incurred	22	**(123,604,841)**	(136,927,955)
Retakaful share of accepted business claims	22	**33,293,478**	33,934,714
Retakaful share of ceded business claims	22	**41,906,417**	23,699,892
Net takaful claims	22	**(48,404,946)**	(79,293,349)
Change in provision for outstanding claims	7	**45,531,787**	(7,523,381)
Retakaful share of outstanding claims	7	**(40,834,688)**	7,861,159
(Increase)/decrease in incurred but not reported claims	7	**(421,121)**	2,854,339
Increase in unallocated loss adjustment expenses reserve	7	**(477,418)**	(844,933)
Net claims incurred		**(44,606,386)**	(76,946,165)
Excess of loss of takaful contribution		**(3,135,522)**	(6,383,275)
		(47,741,908)	(83,329,440)
Net takaful income		**78,927,289**	75,523,682
Wakala fees	23	**(67,808,516)**	(76,016,716)
Investment income/(loss)	24	**337,694**	(42,203)
Mudarib's share	23	**(84,424)**	-
Net profit/(loss) from takaful operation for the year		**11,372,043**	(535,237)

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

Consolidated income statement
for the year ended 31 December 2018 (continued)

	Note	2018 AED	2017 AED
Continuing Operations			
Attributable to Shareholders			
Income			
Investment income	24	1,631,064	204,475
Wakala fees from Policyholders	23	67,808,516	76,016,716
Mudarib's share from Policyholders	23	84,424	-
		69,524,004	76,221,191
Expenses			
Policy acquisition cost		(30,953,296)	(27,266,887)
General and administrative expenses	25	(37,130,046)	(34,708,529)
Reversal of/(provision for) Qard Hassan to policyholders' fund		8,066,782	(535,237)
Net operating loss of subsidiaries	26	(280,934)	(17,954)
		(60,297,494)	(62,528,607)
Profit for the year attributable to Shareholders for continuing operations		9,226,510	13,692,584
Discontinued operations			
Losses for the year from discontinued operations	32	(8,287,644)	(4,609,830)
Profit for the year attributable to Shareholders		938,866	9,082,754
Attributable to:			
Shareholders of the parent		1,474,791	9,476,849
Non-controlling interests		(535,925)	(394,095)
		938,866	9,082,754
Earnings per share	27		
Form the continuing and discontinued operations		0.007	0.042
Form the continuing operations		0.043	0.063

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

Consolidated statement of comprehensive income for the year ended 31 December 2018

	2018 AED	2017 AED
Attributable to Policyholders:		
Profit/(loss) for the year	**11,372,043**	(535,237)
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at FVTOCI	**(3,936,223)**	1,665,586
Total comprehensive income for the year Attributable to Policyholders	**7,435,820**	1,130,349
Attributable to Shareholders:		
Profit for the year	**938,866**	9,082,754
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at FVTOCI	**(17,108,242)**	4,792,761
Total comprehensive (loss)/income for the year	**(16,169,376)**	13,875,515
Attributable to:		
Shareholders of the parent	**(15,633,451)**	14,269,610
Non-controlling interests	**(535,925)**	(394,095)
	(16,169,376)	13,875,515

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

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital AED	Legal reserve AED	General reserve AED	Investments revaluation reserve - FVTOCI AED	Accumulated losses AED	Equity attributable to shareholders of the Parent AED	Non-controlling interests AED	Total AED
Balance at 1 January 2017	225,750,000	18,729,615	18,729,615	(74,808,679)	(118,029,974)	70,370,577	(407,494)	69,963,083
Profit for the year	-	-	-	-	9,476,849	9,476,849	(394,095)	9,082,754
Other comprehensive income for the year	-	-	-	4,792,761	-	4,792,761	-	4,792,761
Total other comprehensive income for the year	-	-	-	4,792,761	9,476,849	14,269,610	(394,095)	13,875,515
Transfer from investment revaluation reserve to retained earnings	-	-	-	2,448,683	(2,448,683)	-	-	-
Transfer to accumulated losses (Note 19&20)	-	(18,729,615)	(18,729,615)	-	37,459,230	-	-	-
Transfer to Legal and general reserve	-	1,371,054	1,371,054	-	(2,742,108)	-	-	-
Zakat	-	-	-	-	(262,504)	(262,504)	-	(262,504)
Balance at 31 December 2017	225,750,000	1,371,054	1,371,054	(67,567,235)	(76,547,190)	84,377,683	(801,589)	83,576,094
Adjustment on Adoption of IFRS 9 (Note 2.1)	-	-	-	-	(3,703,530)	(3,703,530)	-	(3,703,530)
Restated balances at 1 January 2018	225,750,000	1,371,054	1,371,054	(67,567,235)	(80,250,720)	80,674,153	(801,589)	79,872,564
Profit for the year	-	-	-	-	1,474,791	1,474,791	(535,925)	938,866
Other comprehensive loss for the year	-	-	-	(17,108,242)	-	(17,108,242)	-	(17,108,242)
Total other comprehensive loss for the year	-	-	-	(17,108,242)	1,474,791	(15,633,451)	(535,925)	(16,169,376)
Transfer to Legal and general reserve	-	950,745	950,745	-	(1,901,490)	-	-	-
Zakat	-	-	-	-	(317,579)	(317,579)	-	(317,579)
Director remuneration	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Balance at 31 December 2018	**225,750,000**	**2,321,799**	**2,321,799**	**(84,675,477)**	**(81,494,998)**	**64,223,123**	**(1,337,514)**	**62,885,609**

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

Consolidated statement of cash flows for the year ended 31 December 2018

	2018 AED	2017 AED
Cash flows from operating activities		
Profit for the year	**938,866**	9,082,754
Adjustments for:		
Depreciation of furniture and equipment	**1,009,351**	1,239,113
Gain on sale of investments measured at FVTPL, net	**1,925,448**	2364,407
Loss on revaluation of investment property	**4,418,000**	1,410,000
Impairment losses, net of reversals, on financial assets	**2,247,136**	1,134,000
Dividend income	**(6,943,859)**	(2,857,685)
Profit income	**(634,119)**	(271,128)
Provision for employees' end of service benefits	**1,306,359**	1,205,634
Loss on sale furniture and equipment	**90,205**	-
Impairment of furniture and equipment	**607,219**	-
	4,964,606	13,307,095
Changes in operating assets and liabilities:		
Increase in Retakaful contract assets	**(3,256,889)**	(15,546,780)
(Increase)/ decrease in Takaful receivables	**(7,458,712)**	10,966,490
Decrease/(increase) in prepayments and other receivables	**2,712,979**	(167,782)
Increase in due from related parties	**(23,470)**	(2,792,985)
(Decrease)/increase in Takaful contract liabilities	**(10,264,099)**	41,147,220
(Decrease)/increase in amounts held under Retakaful treaties	**(693,722)**	764,908
Increase/(decrease) in Takaful and Retakaful payables	**23,227,186**	(5,657,335)
Increase/(decrease) in trade and other payables	**18,488,976**	(5,205,038)
Decrease in due to a related parties	**(3,063,569)**	(2,763,436)
Increase in deferred discount	**3,618,959**	354,974
(increase)/decrease in deferred policy acquisition costs	**(1,428,672)**	2,094,564
Increase in policyholders' fund	**3,305,261**	-
Cash generated from operations	**30,128,834**	36,501,895
Employees' end of service benefits paid	**(1,055,460)**	(1,147,211)
Net cash from operating activities	**29,073,374**	35,354,684
Cash flows from investing activities		
Purchase of furniture and equipment	**(201,980)**	(289,977)
Proceeds from sale of furniture and equipment	**920,749**	24,101
Purchase of financial assets measured at FVTPL	**-**	(486,061)
Proceeds from sale of financial assets measured at FVTPL	**-**	1,113,754
Net increase in unit linked investments	**(8,045,133)**	(43,562,735)
Purchase of financial assets measured at FVTOCI	**-**	(213,338)
Proceeds from sale of financial assets measured at FVTOCI	**2,323,509**	12,129,500
Increase in Wakala deposit	**(25,000,000)**	-
Dividend income received	**6,943,859**	2,857,685
Profit income received	**634,119**	271,128
Net cash used in investing activities	**(22,424,877)**	(28,155,943)
Cash flows from financing activities		
Increase/(decrease) Murabaha financing	**15,411,449**	(10,250,000)
(Decrease)/increase in due to bank	**(106,363)**	9,281,461
Directors' remuneration paid	**(500,000)**	-
Increase in zakat payable	**(317,579)**	(189,573)
Net cash from/(used in) financing activities	**14,487,507**	(1,158,112)
Net increase in cash and cash equivalents	**21,136,004**	6,111,052
Cash and cash equivalents at the beginning of the year	**39,232,695**	33,121,643
Cash and cash equivalents at the end of the year (Note 5)	**60,368,699**	39,232,695

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

Notes to the consolidated financial statements
for the year ended 31 December 2018

1. General information

Dubai Islamic Insurance & Reinsurance Company (Aman) (P.J.S.C) 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.

The Company obtained its commercial license on 12 March 2003 and commenced operations on 8 April 2003.

The Company mainly issues short term Takaful contracts in connection with motor, marine, fire and engineering, general accident risks, group life, credit life, individual life and medical 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 consisting of three members appointed by the shareholders. The Sharia'a 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.

The Company with its subsidiaries are together referred to as the "Group" in these consolidated financial statements. At 31 December 2018, the Company had the following subsidiaries:

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

The 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.

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

2.1 New and amended IFRS Standards that are effective for the current year

Impact of application of IFRS 9 *Financial Instruments*

Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. New measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI.

The Group has earlier adopted first phase of the IFRS 9 with regards to classification and measurement of financial instruments and adopted the final phase of IFRS 9 on the required effective date from 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognized in the consolidated financial statements.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current period.

Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures about 2018.

Details of these IFRS 9 new requirements as well as their impact on the Group's consolidated financial statements are described below:

(a) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) Cash and bank balances;
(2) Statuary Deposit
(3) Takaful receivable
(4) Due from related parties

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for Takaful receivable and due from related parties in certain circumstances.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

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

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Impact of application of IFRS 9 *Financial Instruments (continued)*

(b) Disclosures in relation to the initial application of IFRS 9

The following table reconciles the carrying amounts in accordance with IAS 39 and with those under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018:

	Original carrying amount under IAS 39 Amount (AED)	Adjustments Amount (AED)	New carrying amount under IFRS 9 Amount (AED)
Cash and bank balances	64,232,695	(89,040)	64,143,655
Statuary deposit	10,000,000	(13,862)	9,986,138
Takaful receivables	74,193,165	(1,563,044)	72,630,121
Due from related parties	5,957,097	(2,037,584)	3,919,513
	154,382,957	(3,703,530)	150,679,427

An increase of AED 3,703,530 in the allowance for impairment the above balances was recognized at 1 January 2018 on adoption of IFRS 9, for which see note under impairment below.

The impact from the adoption of IFRS 9 as at 1 January 2018 has been to increase accumulated losses by AED 3,703,530.

	Accumulated losses Amount AED (unaudited)
Closing balance under IAS 39 (31 December 2017)	76,547,190
Impact on recognition of Expected Credit Losses	
Cash and bank balances (Note 5)	89,040
Statutory deposits (Note 6)	13,862
Takaful receivables (Note 8)	1,563,044
Due from related parties (Note 30)	2,037,584
Opening balance under IFRS 9 on date of initial application of 1 January 2018	80,250,720

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

2.2 New and amended IFRS applied with no material effect on the consolidated financial statements

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers	1 January 2018
Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1 and IAS 28	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 *Leases* IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.	1 January 2019

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2021.	
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes and* IAS 23 *Borrowing Costs*	1 January 2019
The *Annual Improvements* include amendments to four Standards.	1 January 2019
IAS 12 *Income Taxes*	1 January 2019
The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	
IAS 23 *Borrowing costs*	1 January 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.	

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 3 *Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	1 January 2019
IFRS 11 *Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation. All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.	1 January 2019
Amendments to IAS 19 *Employee Benefits Plan Amendment*, Curtailment or Settlement	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	1 January 2019

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 16 may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of the finalised version of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's condensed consolidated financial statements in respect of Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates (UAE) Federal Law No. (2) of 2015 and United Arab Emirates (UAE) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its operations for disclosure purpose only.

The consolidated financial statements, the Group has complied with all the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority except for the Article (1) of Section (7) and Appendix (1) relating to presentation of financial statements and disclosures, Article (8) of Section (2) and Article (3) of Section (1), relating to maintenance of solvency margin; and asset distribution and allocation limits respectively.

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.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other that quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

3. Significant accounting policies (continued)

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.

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 income statement 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.

3. Significant accounting policies (continued)

Basis of consolidation (continued)

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

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.

3. Significant accounting policies (continued)

Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in 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

Presentation

The consolidated statements of income and consolidated statement of profit or loss and comprehensive income of the Group present separately the profit and loss and the comprehensive income attributable to the participants and to shareholders.

The notes to the consolidated financial statements presents relevant captions in the consolidated statement of financial position separately for participants' fund and shareholders' fund assets and liabilities.

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.

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

3. Significant accounting policies (continued)

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 income statement. 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 insurance 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.

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 earned

Discounts earned 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.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

3. Significant accounting policies (continued)

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 income statement.

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.

Product classification

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 insurance contract after its inception if the insurance risk becomes significant.

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

Takaful contract liabilities

(i) Unearned contributions reserve

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.

3. Significant accounting policies (continued)

Takaful contract liabilities (continued)

(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 (2017: 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 times the bid price. The investment component of these insurance 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.

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 sales

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

General and administration expenses

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

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the consolidated income statement.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

In prior years, the Group had early adopted Phase 1 of IFRS 9.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets

Debt instruments, including Takaful receivables and due to related parties, are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective profit method

The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating profit income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective profit rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and effective profit method (continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Profit income is recognised using the effective profit method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, profit income is calculated by applying the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, profit income is recognised by applying the effective profit rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset

For purchased or originated credit-impaired financial assets, the Group recognises profit income by applying the credit-adjusted effective profit rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, in banks and deposits in banks with original maturity not more than three months from the date of placement.

Takaful, Retakaful and other receivables

Takaful, Retakaful and other receivables that have fixed or determinable payments are measured at amortised cost using the effective profit rate method, less any impairment.

Equity instruments designated as at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; and
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Equity instruments designated as at FVTOCI (continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Investment Income- Dividend income' line item (note 24) in profit or loss.

Financial assets at (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI remeasured at FVTPL. Specifically

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or profit earned on the financial asset and is included in the 'Investment income - loss / gain on investment measured at FVTPL line item (note 24).

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised consolidated income statement
- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the consolidated income statement; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 FVTOCI, 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.

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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) 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;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iii) 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.

(iv) 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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

De-recognition of financial assets

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

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated income statement.

On de-recognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective profit method or at FVTPL.

Financial liabilities measured subsequently at amortised cost includes takaful, retakaful and other payables, Ijara and Murabaha payable and due to banks are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective profit method, with profit expense recognized on an effective yield basis.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the consolidated income statement.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

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.

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)

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 income statement in the period in which the investment property is derecognised.

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)

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 the cost 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 is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

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)

Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the Group's policy which meets the requirements of U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

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 income statement.

Deferred policy acquisition costs

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

Accounting policy applied until 31 December 2017

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in profit or principal payments; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective profit rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (continued)

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:

Significant increase in credit risk

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

Valuation of unquoted equity investments

Where the fair values of financial assets recorded on the 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)

Key sources of estimation uncertainty (continued)

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.

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

Key sources of estimation uncertainty (continued)

Impairment losses on Takaful receivables (applied until 31 December 2017)

The Group reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant Takaful receivables, the Group also makes a collective impairment provision against Takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for Takaful receivables within each grade and is adjusted to reflect current economic changes.

5. Cash and bank balances

	2018 AED	2017 AED
Cash on hand	29,500	40,265
Bank current balances :		
Wakala deposits	50,000,000	25,000,000
Current accounts	57,202,868	39,192,430
	107,232,368	64,232,695
Less: Allowance for impairment	(36,595)	-
Total	107,195,773	64,232,695
Attributable to:		
Policyholders	49,454,401	14,755,343
Shareholders	57,741,372	49,477,352
	107,195,773	64,232,695

The profit rates on Wakala deposits with Banks ranges from 1.5% to 3.00% (2017: 1.5% to 2.00%).

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

	Amount AED
Balance as at 31 December 2017	-
Add: Provision on initial application of IFRS 9 (Note 2.1)	89,040
Balance as at 1 January 2018	89,040
Released during the year	(52,445)
Balance as at 31 December 2018	36,595

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

5. Cash and bank balances (continued)

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

	2018 AED	2017 AED
Cash and bank balances	**107,232,368**	61,260,414
Cash and bank balances included in the assets held for sale	**3,136,331**	2,972,281
Deposits with original maturities of greater than three months	**(50,000,000)**	(25,000,000)
Cash and cash equivalents	**60,368,699**	39,232,695

Wakala deposit amounting to AED 50 million (2017: AED 25 million) have maturity of more than three months.

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.

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

	Amount AED
Balance as at 31 December 2017	-
Add: Provision on initial application of IFRS 9 (Note 2.1)	13,862
Balance as at 1 January 2018	13,862
Released during the year	(13,862)
Balance as at 31 December 2018	-

7. Retakaful contract assets and Takaful contract liabilities

	2018 AED	2017 AED
Gross		
Takaful contract liabilities:		
Unearned contribution reserve	**204,575,664**	169,456,552
Claims reported unsettled	**110,128,789**	155,660,576
Mathematical reserve	**1,422,554**	13,868,172
Claims incurred but not reported	**55,921,830**	51,850,187
Unallocated loss adjustment expenses	**2,968,748**	2,491,330
Unit linked liabilities	**647,195,413**	639,150,280
Total takaful contract liabilities, gross	**1,022,212,998**	1,032,477,097
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution reserve	**172,512,604**	121,497,776
Claims reported unsettled	**89,080,787**	129,915,475
Mathematical reserve	**951,541**	11,525,312
Claims incurred but not reported	**33,791,245**	30,140,723
Total retakaful share of takaful liabilities	**296,336,177**	293,079,286
Net		
Unearned contribution reserve	**32,063,060**	47,958,776
Claims reported unsettled	**21,048,002**	25,745,101
Mathematical reserve	**471,013**	2,342,860
Claims incurred but not reported	**22,130,585**	21,709,464
Unallocated loss adjustment expenses	**2,968,748**	2,491,330
Unit linked liabilities	**647,195,413**	639,150,280
	725,876,821	739,397,811

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

7. Retakaful contract assets and Takaful contract liabilities (continued)

Takaful contract liabilities - net movement, 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
2018							
Balance at beginning of the year	**47,958,776**	**25,745,101**	**2,342,860**	**21,709,464**	**2,491,330**	**639,150,280**	**739,397,811**
Movement during the year	**(15,895,716)**	**(4,697,099)**	**(1,871,847)**	**421,121**	**477,418**	**8,045,133**	**(13,520,990)**
Total	**32,063,060**	**21,048,002**	**471,013**	**22,130,585**	**2,968,748**	**647,195,413**	**725,867,821**
2017							
Balance at beginning of the year	63,074,882	26,082,879	2,841,865	24,563,803	1,646,397	595,587,545	713,797,371
Movement during the year	(15,116,106)	(337,778)	(499,005)	(2,854,339)	844,933	43,562,735	25,600,440
Total	47,958,776	25,745,101	2,342,860	21,709,464	2,491,330	639,150,280	739,397,811

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

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
2018							
Motor	**17,419,843**	**15,006,847**	**-**	**11,498,736**	**2,252,975**	**-**	**46,178,401**
Engineering	**156,991**	**115,646**	**-**	**214,664**	**16,515**	**-**	**503,816**
Marine & aviation	**477,466**	**752,143**	**-**	**300,141**	**52,614**	**-**	**1,582,364**
Fire	**716,159**	**439,488**	**-**	**363,330**	**40,141**	**-**	**1,559,118**
General insurance & liabilities	**3,956,049**	**3,292,251**	**-**	**6,843,463**	**506,786**	**-**	**14,598,549**
Medical	**8,236,714**	**706,459**	**-**	**2,526,281**	**48,491**	**-**	**11,517,945**
Life	**1,099,838**	**735,168**	**471,013**	**383,970**	**51,226**	**647,195,413**	**649,936,628**
Total	**32,063,060**	**21,048,002**	**471,013**	**22,130,585**	**2,968,748**	**647,197,413**	**725,867,821**
2017							
Motor	36,778,739	18,673,921	-	13,613,922	1,772,702	-	70,839,284
Engineering	202,699	178,847	-	78,107	4,668	-	464,321
Marine & aviation	439,664	871,678	-	269,605	14,384	-	1,595,331
Fire	723,771	2,543,547	-	391,724	65,275	-	3,724,317
General insurance & liabilities	3,712,287	1,765,455	-	1,595,686	47,651	-	7,121,079
Medical	4,983,013	809,415	-	5,232,031	448,750	-	11,473,209
Life	1,118,603	902,238	2,342,860	528,389	137,900	639,150,280	644,180,270
Total	47,958,776	25,745,101	2,342,860	21,709,464	2,491,330	639,150,280	739,397,811

8. Takaful receivables

	2018 AED	2017 AED
Due from policyholders	25,993,419	20,821,899
Less: Allowance for impairment	(3,853,268)	(1,585,527)
	22,140,151	19,236,372
Due from takaful /retakaful companies	48,795,456	52,339,116
Due form brokers/ agents	21,572,516	18,532,150
Less: Allowance for impairment	(15,996,732)	(15,914,473)
	76,511,391	74,193,165

Inside United Arab Emirates

	2018 AED	2017 AED
Due from policyholders	25,960,241	20,818,847
Less: Allowance for doubtful debts	(3,853,268)	(1,585,527)
	22,106,973	19,233,320
Due from takaful /retakaful companies	28,122,470	39,795,073
Due form brokers/ agents	21,572,516	18,532,150
Less: Allowance for doubtful debts	(6,009,738)	(5,914,473)
	65,792,221	71,646,070

2018 Aging of takaful receivables	Policyholders AED	Takaful and retakaful companies AED	Brokers and agents AED	Total AED
Not Due	19,066,778	5,623,832	16,108,891	40,799,501
Past due and not impaired				
Less than 30 days	1,529,503	1,199,796	864,201	3,593,500
31-60 days	862,227	1,186,664	1,819,130	3,868,021
61-90 days	648,465	1,159,861	329,327	2,137,653
91-180 days	-	4,640,187	-	4,640,187
More than 181	-	12,887,139	-	12,887,139
	3,040,195	21,073,647	3,012,658	27,126,500
Past due and impaired				
91-180 days	1,760,479	-	181,168	1,941,647
More than 181	2,092,789	1,424,991	2,269,799	5,787,579
Total takaful receivables (gross)	25,960,241	28,122,470	21,572,516	75,655,227

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

8. Takaful receivables (continued)

2017 Aging of takaful receivables	Policyholders AED	Takaful and retakaful companies AED	Brokers and agents AED	Total AED
Less than 30 days	7,769,401	5,821,025	3,963,383	17,553,809
30-90 days	4,101,703	8,265,661	8,572,244	20,939,608
91-180 days	4,265,918	8,586,181	1,672,020	14,524,119
181-270 days	1,935,747	6,531,808	714,051	9,181,606
271-365 days	766,985	3,409,964	273,778	4,450,727
More than 365	393,566	4,020,075	582,560	4,996,201
	19,233,320	36,634,714	15,778,036	71,646,070
Past due and impaired				
More than 365	1,585,527	3,160,359	2,754,114	7,500,000
Total takaful receivables (gross)	20,818,847	39,795,073	18,532,150	79,146,070

Outside United Arab Emirates	2018 AED	2017 AED
Due from policyholders	**33,178**	3,052
Less: Allowance for doubtful debts	-	-
	33,178	3,052
Due from takaful /retakaful companies	**20,672,986**	12,544,043
Due form brokers/ agents	-	-
Less: Allowance for doubtful debts	**(9,986,994)**	(10,000,000)
	10,719,170	2,547,095

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

8. Takaful receivables (continued)

2018 Aging of takaful receivables	Policy holders AED	Takaful and Retakaful companies AED	Brokers and agents AED	Total AED
Not Due	**28,796**	**9,545,584**	**-**	**9,574,380**
Past due but not impaired				
Less than 30 days	**4,382**	**115,394**	**-**	**119,776**
31-60 days	-	**5,057**	-	**5,057**
61-90 days	-	**44,856**	-	**44,856**
91-180 days	-	**210,048**	-	**210,048**
More than 181	-	**765,053**	-	**765,053**
	4,382	**1,140,408**	**-**	**1,144,790**
Past due and impaired				
91-180 days	-	-	-	-
More than 181	-	**9,986,994**	-	**9,986,994**
Total takaful receivables (gross)	**33,178**	**20,672,986**	**-**	**20,706,164**

2017	Policy Holders AED	Takaful and Retakaful companies AED	Brokers and agents AED	Total AED
Less than 30 days	494	310,405	-	310,899
30 - 90 days	2,508	479,000	-	481,508
91 - 180 days	50	322,684	-	322,734
181 - 270 days	-	267,400	-	267,400
271 - 365 days	-	505,483	-	505,483
More than 365 days	-	659,071	-	659,071
	3,052	2,544,043	-	2,547,095
Past due and impaired				
More than 365 days	-	10,000,000	-	10,000,000
Total takaful receivables (gross)	3,052	12,544,043	-	12,547,095

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 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.

8. Takaful receivables (continued)

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.

	2018 AED	2017 AED
Movement in the allowance for impairment:		
Balance at the beginning of the year	**17,500,000**	19,200,000
Initial application of IFRS 9 (Note 2.1)	**1,563,044**	-
Balance at 1 January	**19,063,044**	19,200,00
Impairment allowance for the year	**2,189,820**	1,134,000
Written off during the year	**(650,000)**	(2,834,000)
Released provision	**(752,864)**	-
At 31 December	**19,850,000**	17,500,000

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Due from policyholders and brokers/agents - days past due					
	Current AED	**0 - 30 AED**	**31 - 60 AED**	**61 - 90 AED**	**Above 91 AED**	**Total AED**
31 December 2018						
Estimated total gross carrying amount at default	**35,204,465**	**2,398,086**	**2,681,357**	**977,792**	**-**	**41,261,700**
Lifetime ECL	**1,451,290**	**105,687**	**169,808**	**74,938**	**-**	**1,801,723**

	Due from takaful /retakaful companies						
	Current AED	**0 – 30 AED**	**31 - 60 AED**	**61 - 90 AED**	**91 - 180 AED**	**Above 181 AED**	**Total AED**
31 December 2018							
Estimated total gross carrying amount at default	**15,169,416**	**1,315,190**	**1,191,721**	**1,204,717**	**4,850,235**	**13,652,192**	**37,383,471**
Lifetime ECL	**412,489**	**40,376**	**43,818**	**57,745**	**213,687**	**3,057,077**	**3,825,192**

8. Takaful receivables (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9

	Individually assessed AED	Collectively assessed AED	Total AED
Balance as at 1 January 2018 under IAS 39	-	17,500,000	17,500,000
Adjustment upon application of IFRS 9	1,563,044	-	1,563,044
Balance as at 1 January 2018 - As restated	**1,563,044**	**17,500,000**	**19,063,044**
Net remeasurement of loss allowance	4,063,871	(2,626,915)	**1,436,956**
Amounts written off	-	(650,000)	**(650,000)**
Balance as at 31 December 2018	**5,626,915**	**14,223,085**	**19,850,000**

9. Investment in financial assets

	2018 AED	2017 AED
Financial assets measured at fair value through other comprehensive income (FVTOCI) (A)		
Listed	**44,810,605**	63,334,738
Unlisted	**24,303,130**	28,906,903
	69,113,735	92,241,641
Financial assets measured at fair value through profit and loss (FVTPL) (B)		
- Listed	**6,586,914**	8,752,430
- Unit linked investments	**647,195,413**	639,150,280
	653,782,327	647,902,710
Total investment in financial assets measured at fair value (A+B)	**722,896,062**	740,144,351
Attributable to:		
Policyholder	**14,024,149**	18,776,154
Shareholders	**708,871,913**	721,368,197
	722,896,062	740,144,351

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

9. Investment in financial assets (continued)

Investments by geographic concentration are as follows:

	2018 AED	2017 AED
- Within U.A.E.	**45,384,537**	65,002,307
- Outside U.A.E.	**677,511,525**	675,142,044
	722,896,062	740,144,351

i. FVTOCI listed and unlisted securities are carried at a value of AED 69,113,735 (2017: AED 92,241,641), with a decline in their fair value from original acquisition cost amounting to AED 104,336,230 (2017: AED 83,291,765). Of this amount, AED 84,675,477 (2017: AED 67,567,235) is deducted from Shareholders' equity and AED 19,660,753 (2017: AED 15,724,530) 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 24,303,130 (2017: AED 28,906,903) 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 - Bahrain and Al Salam Bank - Algeria which are held by the former CEO (who resigned during 2013 - see Note 39) or a company owned by him on behalf and for the benefit of the Group [Note 30 (a)].

iv. During the year ended 31 December 2018, the Group disposed investments amounted to AED 2,323,509 excluding the purchases and disposals of unit linked investments.

10. Prepayments and other receivables

	2018 AED	2017 AED
Advances for acquisition of investment property	**3,000,000**	3,000,000
Less: Allowance for doubtful debts	**(3,000,000)**	(3,000,000)
	-	-
Prepayments	**2,827,053**	4,048,767
Receivables form employees	**1,153,569**	1,228,131
Advance to suppliers	**1,040,000**	1,070,000
Refundable deposits	**233,409**	905,639
Other receivables	**2,858,583**	4,917,402
	8,112,614	12,169,939

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

11. Investment property

	2018 AED	2017 AED
Balance at beginning of the year	**65,090,000**	66,500,000
Loss on revaluation of investment property	**(4,418,000)**	(1,410,000)
Balance at end of the year	**60,672,000**	65,090,000
Attributable to:		
Policyholders	**11,348,462**	12,174,832
Shareholders	**49,323,538**	52,915,168
	60,672,000	65,090,000

During 2018, the Group recognised a loss due to a change in fair value amounting to AED 4.4 million (2017: AED 1.4 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 form a professional, independent valuation expert , not related to the Group which used different valuation technic 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.

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

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
At 31 December 2018				
Investment property	-	-	**60,672,000**	**60,672,000**
At 31 December 2017				
Investment property	-	-	65,090,000	65,090,000

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

12. Furniture and equipment

	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Total AED
Cost				
At 31 December 2016	958,169	8,026,573	10,848,553	19,833,295
Additions	50,149	10,000	229,828	289,977
Disposals	(97,000)	-	-	(97,000)
At 31 December 2017	911,318	8,036,573	11,078,381	20,026,272
Additions	37,170	73,695	91,115	201,980
Disposals	(324,117)	(1,978,551)	(2,168,164)	(4,470,832)
Impairment loss	-	-	(607,219)	(607,219)
Reclassified as held for sale	(83,080)	(797,611)	(2,743,099)	(3,623,790)
At 31 December 2018	**541,291**	**5,334,106**	**5,651,014**	**11,526,411**
Accumulated depreciation				
At 31 December 2016	758,637	7,547,467	7,404,808	15,710,912
Charge for the year	63,123	212,912	963,078	1,239,113
Eliminated on disposals	(72,899)	-	-	(72,899)
At 31 December 2017	748,861	7,760,379	8,367,886	16,877,126
Charge for the year	56,271	181,852	771,228	1,009,351
Eliminated on disposals	(260,688)	(1,964,551)	(1,234,639)	(3,459,878)
Eliminated on reclassification as held for sale	(83,080)	(739,186)	(2,482,842)	(3,305,108)
At 31 December 2018	**461,364**	**5,238,494**	**5,421,633**	**11,121,491**
Net carrying amount				
At 31 December 2018	**79,927**	**95,612**	**229,381**	**404,920**
At 31 December 2017	162,457	276,194	2,710,495	3,149,146

13. Due to bank

The Group obtained a Sharia Compliant secured overdraft facility with a total limit of AED 20 million (2017: AED 20 million) from an Islamic bank in the U.A.E. to meet business requirement. The facility is secured by lien over fixed deposits based on a Mudarabah financing structure of AED 20 million (2017: AED 20 million) as margin in favour of the bank and mortgage of investment property under Ijara Muntahiya Bittamlik facility.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

14. Trade and other payables

	2018 AED	2017 AED
Trade payables and accruals	**64,565,981**	60,806,593
Employees' end of service benefits (i)	**6,189,108**	7,592,080
Zakat payable	**326,207**	1,038,632
Balance at end of the year	**71,081,296**	69,437,305
Attributable to:		
Policyholders	**47,007,308**	48,729,421
Shareholders	**24,073,988**	20,707,884
	71,081,296	69,437,305

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

	2018 AED	2017 AED
Balance at beginning of the year	**7,592,080**	7,533,657
Amounts charged during the year	**1,306,359**	1,205,634
Amounts paid during the year	**(1,055,460)**	(1,147,211)
Reclassified as held for sale	**(1,653,871)**	-
Balance at end of the year	**6,189,108**	7,592,080

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

15. Takaful payables

	2018 AED	2017 AED
Within U.A.E	**52,363,014**	46,064,580
Outside U.A.E	**42,920,307**	25,991,555
Total	**95,283,321**	72,056,135
Attributable to:		
Policyholders	**91,438,180**	68,908,083
Shareholders	**3,845,141**	3,148,052
	95,283,321	72,056,135

15. Takaful payables (continued)

Within U.A.E.	2018 AED	2017 AED
Payable to policyholders	**6,347,190**	7,808,529
Payable to takaful and retakaful companies	**44,665,232**	36,603,821
Payable to brokers/agents	**1,350,592**	1,652,230
	52,363,014	46,064,580

Outside U.A.E.	2018 AED	2017 AED
Payable to policyholders	-	-
Payable to takaful and retakaful companies	**42,760,062**	25,947,552
Payable to brokers/agents	**160,245**	44,003
	42,920,307	25,991,555

16. Murabaha payable

	2018 AED	2017 AED
Murabaha payable	**15,411,449**	-

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 the following:

1. Lien over investment /fixed deposit of AED 20 million covering 100 % margin against secured overdraft facility in favor of the bank.(Note 13)
2. 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.

The Table below details changes in Group's liabilities arising from financing activities of cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group statement of cash flows as cash flow from financing activities.

	1 January 2018 AED	Financing cash inflows (i) AED	Financing cash outflows (ii) AED	31 December 2018 AED
Due to bank	19,948,801	106,362	-	**19,842,439**
Murabaha payable	-	15,411,449	-	**15,411,449**
	19,948,801	**15,517,811**	-	**35,253,888**

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

17. Policyholders' Fund

	2018 AED	2017 AED
Deficit in Policyholders' fund:		
Beginning balance	**(189,902,361)**	(189,367,124)
Profit/(loss) for the year	**11,372,043**	(535,237)
Write off	**181,835,579**	-
Ending balance	**3,305,261**	(189,902,361)
Qard Hassan from shareholders (i)	**-**	189,902,361
Investment revaluation reserve FVTOCI (ii)	**(19,660,753)**	(15,724,530)
Total deficit in Policyholders' fund	**(16,355,492)**	(15,724,530)

(i) The Shareholders finance the policyholders' deficit excluding loss related to negative fair value movements of investments in accordance with the Group's policy, through a Qard Hassan (a profit free loan with no repayment terms charged to consolidated income statement).

(ii) During the current year, the Group transferred to the policyholders their share of investment revaluation reserve FVTOCI of AED 19,660,753 (2017: AED 15,724,530) from the Shareholders' equity in the same ratio as the policyholders share of investment losses.

18. Share capital

	2018 AED	2017 AED
Issued and fully paid: 225,750,000 ordinary shares of AED 1 each (2017: 225,750,000 ordinary shares)	**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.

During the Annual General Assembly held on 30 April 2017, the shareholders approved to transfer legal reserve amounting to AED 18,729,615 to partially offset the accumulated losses. All regulatory approvals have been obtained during the current period

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.

During the Annual General Assembly held on 30 April 2017, the shareholders approved to transfer general reserve amounting to AED 18,729,615 to partially offset the accumulated losses. All regulatory approvals have been obtained during the current period.

21. Net takaful contributions

	2018 AED	2017 AED
Gross takaful contribution		
Motor	**63,931,338**	88,899,107
Engineering	**2,952,341**	2,921,831
Marine and aviation	**123,593,853**	103,367,984
Fire	**32,515,020**	37,424,690
General and insurance liabilities	**64,867,367**	47,352,595
Medical	**40,022,731**	40,875,838
Life	**47,941,430**	59,988,770
	375,824,080	380,830,815
Retakaful share of accepted business		
Motor	**1,691,479**	14,530,536
Engineering	**1,089,021**	734,936
Marine and aviation	**120,226,891**	99,544,589
Fire	**22,086,096**	24,776,943
General and insurance liabilities	**52,652,884**	38,645,454
Medical	**2,809,137**	1,929,749
Life	**34,427,339**	37,862,131
	234,982,847	218,024,338
Retakaful share of ceded business		
Motor	**22,026,454**	837,979
Engineering	**1,610,540**	1,819,589
Marine and aviation	**2,089,496**	2,268,251
Fire	**8,989,548**	10,453,998
General and insurance liabilities	**451,692**	435,779
Medical	**24,946,866**	23,133,941
Life	**7,123,645**	10,788,599
	67,238,241	49,738,136
Net takaful contributions		
Motor	**40,213,405**	73,530,592
Engineering	**252,780**	367,306
Marine and aviation	**1,277,466**	1,555,144
Fire	**1,439,376**	2,193,749
General and insurance liabilities	**11,762,791**	8,271,362
Medical	**12,266,728**	15,812,148
Life	**6,390,446**	11,338,040
	73,602,992	113,068,341

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

22. Net claims incurred

	2018 AED	2017 AED
Gross claim incurred		
Motor	**38,541,714**	73,485,780
Engineering	**793,348**	1,741,927
Marine and aviation	**1,145,359**	1,550,459
Fire	**19,060,006**	3,837,409
General insurance and liabilities	**13,026,120**	5,269,845
Medical	**34,566,991**	31,300,415
Life	**16,471,303**	19,742,120
	123,604,841	136,927,955
Retakaful share of accepted business claims		
Motor	**4,407,415**	13,240,985
Engineering	**406,124**	76,438
Marine and aviation	**598,250**	917,832
Fire	**8,662,040**	550,224
General insurance and liabilities	**7,471,672**	3,760,990
Medical	**-**	-
Life	**11,747,977**	15,388,245
	33,293,478	33,934,714
Retakaful share of ceded business claims		
Motor	**5,847,079**	4,537,991
Engineering	**357,030**	1,592,432
Marine and aviation	**457,459**	483,076
Fire	**8,825,688**	2,831,484
General insurance and liabilities	**257,374**	198,803
Medical	**23,952,553**	13,720,365
Life	**2,209,234**	335,741
	41,906,417	23,699,892
Net claims incurred		
Motor	**28,287,220**	55,706,804
Engineering	**30,194**	73,057
Marine and aviation	**89,650**	149,551
Fire	**1,572,278**	455,701
General insurance and liabilities	**5,297,074**	1,310,052
Medical	**10,614,438**	17,580,050
Life	**2,514,092**	4,018,134
	48,404,946	79,293,349

23. Wakala fees and Mudarib's share

The Group manages the Takaful operations for the Policyholders and charges 30% of the gross Takaful contributions net of fronting contribution as Wakala fees (2017: 25%). In addition, the Group charges (2%) on fronting contribution as Wakala fees and (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% (2017: 25%) of net investment income earned by the Policyholders' investment funds as the Mudarib's share. The Mudarib's share is AED 84,424 (2017: AED Nil).

24. Investment income/(loss)

	2018 AED	2017 AED
Loss on revaluation of investment property	**(4,418,000)**	(1,410,000)
Loss on investments measured at FVTPL, net	**(1,925,448)**	(2,364,407)
Other investment income		
Income from investment deposits	**634,119**	271,128
Dividend income	**6,943,859**	2,857,685
Rental income	**724,009**	735,095
Other income	**10,219**	72,771
	1,968,758	162,272
Allocated to:		
Policyholders	**337,694**	(42,203)
Shareholders	**1,631,064**	204,475
	1,968,758	162,272

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

	2018 AED	2017 AED
Salaries and benefits	**25,531,967**	26,275,277
Legal and professional fees	**2,233,828**	1,994,931
Rent	**1,716,820**	1,869,615
Communication	**1,038,454**	1,188,625
Repairs and maintenance	**619,111**	696,753
Depreciation	**282,956**	357,769
Printing and stationary	**243,098**	364,555
Travelling and conveyance	**209,112**	181,586
Allowance for doubtful receivables	**2,180,829**	1,134,000
Advertising	**3,002**	-
Other	**3,070,869**	645,418
	37,130,046	34,708,529

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

26. Net operating loss of subsidiaries

	2018 **AED**	2017 AED
Legal and other expenses	**280,934**	17,954

27. 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.

	2018	2017
For continuing operations and discontinued operations		
Profit for the year attributable to Shareholders of the Parent *(In AED)*	**1,474,791**	9,476,849
Weighted average number of shares outstanding during the year	**225,750,000**	225,750,000
Earnings per share *(In AED)*	**0.007**	0.042
For continuing operations		
Profit for the year attributable to Shareholders of the Parent *(In AED)*	**9,226,510**	13,692,584
Weighted average number of shares outstanding during the year	**225,750,000**	225,750,000
Earnings per share *(In AED)*	**0.043**	0.063

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.

28. 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.

	2018 **AED**	2017 AED
Minimum lease payments under operating leases recognised as an expense during the year (Note 25)	**1,716,820**	1,869,615

At the end of the reporting date, the Group had no outstanding commitments under operating leases.

29. 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.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

30. 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 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:

	31 December 2018			31 December 2017		
	Major Shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Wakala deposits	-	-	-	-	5,000,000	5,000,000
Carrying value of investments in ordinary shares [Note 30(a)]	-	**29,317,521**	**29,317521**	-	34,827,955	34,827,955
Cash and cash equivalents	-	-	-	-	221,924	221,924
Due from related parties [Note 30(b)]	**5,184,017**	**2,987,111**	**8,171,128**	4,031,431	1,925,666	5,957,097
Due to related parties [Note 30(c)]	**468,484**	-	**468,484**	3,318,573	60,510	3,379,083

(a) A major shareholder, who is a member of the Board of Directors, is also a Board Member of Al Salam Bank - Algeria and Al Salam Bank - Bahrain. The Group has equity investments in Al Salam Bank - Algeria and Al Salam Bank - Bahrain amounting to AED 29.3 million (31 December 2017: AED 34.8 million).

Out of the total shareholding at the reporting date, 106,530 shares amounting AED 8.1 million of Al Salam Bank - Algeria were held by the former CEO (who resigned during 2013 and no longer qualifies as a related party) on trust and for the benefit of the Group and the total shares of Al Salam Bank - Bahrain (5,476,149 shares amounting AED 4.9 million) are held by a company controlled by the former CEO (who resigned during 2013 and no longer qualifies as a related party), in trust and for the benefit of the Group. Refer to note 39 for further details

30. Related party transactions (continued)

(b) Due from related parties represents the following:

	2018 AED	2017 AED
Entities owned by the Chairman of the Board of Directors		
Nation Hospital - UAE	**4,335,649**	2,522,670
Bin Omeir Education Foundation - UAE	**1,505,456**	616,803
Bin Omeir Holding Group - UAE	**1,194,430**	1,511,950
Bin Omeir Auto Motive Group - UAE	**879,320**	879,231
Chocolatier - UAE	**105,751**	91,672
International Market Group For General Services - UAE	**63,005**	65,241
Yas Mineral Water Bottling - UAE	**50,751**	49,980
National Consultants - UAE	**35,125**	32,528
Al Massa Art Products - UAE	**1,041**	-
Fast Rent A Car L.L.C. - UAE	**600**	43,130
Bin Omeir Travel & Tourism Group - UAE	**-**	126,526
Bin Omeir Medical Group - UAE	**-**	17,366
	8,171,128	5,957,097
Less: Allowance for impairment	**(2,847,770)**	-
Total	**5,323,358**	5,957,097

(c) Due to related parties represents the following:

	2018 AED	2017 AED
Entities owned by the Chairman of the Board of Directors		
Fast Service Centre - UAE	**468,484**	861,658
Fast Line Auto Services - UAE	**-**	2,075,510
First Motors - UAE	**-**	381,405
Emirates Taxi - UAE	**-**	60,510
Total	**468,484**	3,379,083

30.1 Allowance for impairment

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

	Amount AED
Balance as at 31 December 2017	-
Add: Provision on initial application of IFRS 9 (Note 2.1)	**2,037,584**
Balance as at 1 January 2018	**2,037,584**
Impairment allowance for the year	**810,180**
Balance as at 31 December 2018	**2,847,770**

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

30. Related party transactions (continued)

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

	2018			2017		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Gross contributions	**2,254,198**	**1,151,592**	**3,405,790**	1,917,725	1,643,382	3,561,107
Gross claims	**58,233**	**1,850,056**	**1,908,289**	434,674	2,401,021	2,835,695
Profit share on investment deposits	**-**	**-**	**-**	-	100,000	100,000

Compensation of key management personnel is as follows:

	2018 AED	2017 AED
Short term employee benefits	**2,869,349**	2,264,348
End of service benefits	**58,364**	56,700
Total compensation paid to key management personnel	**2,327,713**	2,321,048

31. 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 this consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

31. Segmental information (continued)

The following table presents segment information for the year ended 31 December 2018 and 2017.

	2018				2017			
	Takaful AED	**Investments AED**	**Others AED**	**Total AED**	Takaful AED	Investments AED	Others AED	Total AED
Takaful								
Takaful income	**126,669,197**	**-**	**-**	**126,669,197**	158,853,122	-	-	158,853,122
Takaful expenses	**(47,741,908)**	**-**	**-**	**(47,741,908)**	(83,329,440)	-	-	(83,329,440)
Net Takaful income	**78,927,289**	**-**	**-**	**78,927,289**	75,523,682	-	-	75,523,682
Wakala fees	**(67,808,516)**	**67,808,516**	**-**	**-**	(76,016,716)	76,016,716	-	-
Mudarib's fees	**(84,424)**	**84,424**	**-**	**-**	-	-	-	-
Commission paid	**-**	**(30,953,296)**	**-**	**(30,953,296)**	-	(27,266,887)	-	(27,266,887)
Other expenses	**(3,305,261)**	**-**	**-**	**(3,305,261)**	-	-	-	-
	(71,198,201)	**36,939,644**	**-**	**(34,258,557)**	(76,016,716)	48,749,829	-	(27,266,887)
Investment income	**337,694**	**1,631,064**	**-**	**1,968,758**	(42,203)	204,475	-	162,272
Unallocated expenses	**-**	**(37,130,046)**	**-**	**(37,130,046)**	-	(34,708,529)		(34,708,529)
Net operating loss of subsidiaries	**-**	**-**	**(280,934)**	**(280,934)**	-	-	(17,954)	(17,954)
Net (loss)/profit for the year	**8,066,782**	**1,440,662**	**(280,934)**	**9,226,510**	(535,237)	14,245,775	(17,954)	13,692,584

Two of the Group's subsidiaries were discontinued during the year. The segment information above does not include any amount of discontinued operation.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

31. Segmental information (continued)

Other information

	Takaful		Investment		Total	
	2018	2017	**2018**	2017	**2018**	2017
	AED	AED	**AED**	AED	**AED**	AED
Segment assets	**1,166,608,186**	1,154,007,801	**196,372,649**	213,084,071	**1,362,980,835**	1,367,091,872
Segment liabilities	**1,316,450,718**	1,299,240,308	**-**	-	**1,316,450,718**	1,299,240,308

32. Discontinued operations

During the year ended 2018, the Board of Director approve the liquidation and the disposal of Techimk 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.

	2018 AED	2017 AED
Loss for the year from discontinued operations		
Revenues	**7,431,847**	18,806,559
Expenses	**(15,112,272)**	(23,416,389)
	(7,680,425)	(4,609,830)
Loss on re-measurement to fair value less cost to sell	**(607,219)**	-
Profit for the year from discontinued operation attributable to the Shareholder of the Parent	**(8,287,644)**	(4,609,830)

33. Assets and liabilities classified as held for sale

	2018 AED	2017 AED
Assets classifies as held for sale	**4,835,954**	-
Liabilities directly associated with assets classified as held for sales	**17,095,884**	-

As described in Note 32, The Board of directors approved the liquidation of to the Group's subsidiaries and anticipate the liquidation will be completed during the 2019. 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. Therefore, Impairment loss was recognised on the reclassification of the assets and liabilities as held for sale as of 31 December 2018. The major class of assets and liabilities of the subsidiaries at the end of the reporting year are as follow:

33. Assets classified as held for sale (continued)

	2018 AED
Cash and cash equivalent	3,136,331
Prepayment and other receivables	1,380,941
Furniture and equipment	318,682
Assets classified as held for sale	4,835,954
Trade and other payable	17,095,888
Liabilities associated with assets held for sale	17,095,888
Net liabilities associated with assets held for sale	(12,259,934)

34. 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.

34. Capital management (continued)

(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.

35. 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

	2018 AED	2017 AED
Financial assets		
At amortized cost	**203,276,083**	161,434,129
At fair value	**722,896,062**	740,144,351
	926,172,145	901,578,480
Financial liabilities		
At amortized cost	**200,819,167**	162,844,255

(c) Fair value of financial instruments

The fair values of the financial assets and financial liabilities at year-end approximate their carrying amounts in the consolidated statement of financial position.

36. 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 other 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.

36A 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 (2017: AED 350,000).

36. Risk management (continued)

36A Takaful risk (continued)

Frequency and amounts of claims (continued)

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 (2017: 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.

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 (2017: 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 (2017: 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.

36. Risk management (continued)

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 effected 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 Board of Directors.

36B 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.

36. Risk management (continued)

36B Financial risk (continued)

Credit risk (continued)

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 Taḳaful 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 tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

31 December 2018	Note	External credit ratings	Internal credit ratings	12 month or lifetime ECL	Gross carrying amount	Loss allowance AED	Net carrying amount AED
Takaful receivables	8	N/A	See above	Lifetime ECL	96,361,391	19,850,000	76,511,391
Due form related parties	30	N/A	See above	Lifetime ECL	8,171,128	2,847,770	5,323,358
Bank balance's	5&6	BBB	Performing	12-month ECL	101,974,926	36,595	101,967,831

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.

36. Risk management (continued)

36B Financial risk (continued)

Credit risk (continued)

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

	Notes	**2018 AED**	2017 AED
Cash and bank balance	5	**107,195,773**	64,232,695
Statutory deposits	6	**10,000,000**	10,000,000
Takaful receivables	8	**76,511,391**	74,193,165
Other receivables	10	**4,245,561**	7,051,172
Due from related parties	30	**5,323,358**	5,957,097
		203,276,083	161,434,129

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 2018	***1 to 12 months AED***	***1 to 5 years AED***	***Over 5 years AED***	***Total AED***
Liabilities				
Due to bank	**19,842,438**	-	-	**19,842,438**
Trade and other payables	**64,892,188**	-	-	**64,892,188**
Takaful payables	**95,283,321**	-	-	**95,283,321**
Murabaha payable	**15,411,449**	-	-	**15,411,449**
Amounts held under Retakaful treaties	**4,921,287**	-	-	**4,921,287**
Due to related parties	**468,484**	-	-	**468,484**
	200,819,167	-	-	**200,819,167**

36. Risk management (continued)

36B Financial risk (continued)

Liquidity risk (continued)

31 December 2017	*1 to 12 months AED*	*1 to 5 years AED*	*Over 5 years AED*	*Total AED*
Liabilities				
Due to bank	19,948,801	-	-	19,948,801
Trade and other payables	61,845,225	-	-	61,845,225
Takaful payables	72,056,135	-	-	72,056,135
Murabaha payable	-	-	-	-
Amounts held under Retakaful treaties	5,615,009	-	-	5,615,009
Due to related parties	3,379,083	-	-	3,379,083
	162,844,255	-	-	162,844,255

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	
	2018 AED	2017 AED
Algerian Dinar (DZD)	**23,553,748**	22,353,030

The majority of the assets and liabilities are denominated in either U.A.E. Dirhams or US Dollars, which is 5% 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.

36. Risk management (continued)

36B Financial risk (continued)

Foreign currency risk

	Other comprehensive income	
	2018	2017
	AED	AED
Algerian Dinar (DZD)	**-**	(288,364)

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

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:

2018	***Less than 1 years AED***	***1 to 5 years AED***	***Over 5 years AED***	***Total AED***	***Effective profit rate***
Assets:					
Wakala deposits	**50,000,000**	**-**	**-**	**50,000,000**	**1.5% to 3%**
Statutory deposits	**10,000,000**	**-**		**10,000,000**	**1.5% to 2%**
	60,000,000	**-**	**-**	**60,000,000**	
Liabilities:					
Murabaha payables	**15,411,449**	**-**	**-**	**15,411,449**	**2.5%+ 6M EIBOR**
Due to bank	**19,842,439**	**-**	**-**	**19,842,439**	**0% to 2%**
	35,253,888	**-**	**-**	**35,253,888**	

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

36. Risk management (continued)

36B Financial risk (continued)

Profit rate risk (continued)

2017	*Less than 1 years AED*	*1 to 5 years AED*	*Over 5 years AED*	*Total AED*	*Effective profit rate*
Assets:					
Wakala deposits	25,000,000	-	-	25,000,000	1.5% to 2%
Statutory deposits	10,000,000	-		10,000,000	1.5% to 2%
	35,000,000	-	-	35,000,000	
Liabilities:					
Murabaha payables	-	-	-	-	
Due to bank	19,948,801	-	-	19,948,801	1.5% to 2%
	19,948,801	-	-	19,948,801	

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.

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**
2018				
Financial assets measured at fair value	**65,378,232**	**(65,378,232)**	**6,911,373**	**(6,911,373)**
2017				
Financial assets measured at fair value	64,790,271	(64,790,271)	9,224,164	(9,224,164)

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.

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

37. 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 other 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.

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

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).

Notes to the consolidated financial statements
for the year ended 31 December 2018 (continued)

37. Fair value of financial instruments (continued)

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

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

Financial assets	Fair value as at 31 December 2018 AED'000	31 December 2017 AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial assets at FVTOCI						
Quoted equity securities	44,810	63,334	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	24,303	28,907	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	6,586	8,752	Level 1	Quoted bid prices in an active market.	None	N/A
Unit linked investments	647,195	639,150	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 2018 and 2017.

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

	2018 AED'000	2017 AED'000
At 1 January	**28,907**	35,758
disposals during the year	-	(12,129)
Transferred out of Level 3	-	(1,368)
Changes in fair value	**(4,604)**	6,646
At 31 December	**24,303**	28,907

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

	2018 AED'000	2017 AED'000
At 1 January	**639,149**	595,587
Net change during the year (change in fair value and net investment/withdrawal)	**8,046**	43,563
At 31 December	**647,195**	639,150

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.

38. 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 1.2 million (2017: AED 0.7 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. The disputed amounts involved are AED Nil million (2017: AED 0.6 million) million excluding reinsurance impact for which no contingency provision has been made as of the reporting date due to the uncertainty of possible outcome of the legal cases.

39. Significant events

(a) 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 assets and investments that were held by him or by entities controlled by him on trust and for the benefit of the Group. As of 31 December 2018, assets with a total carrying value of AED 13 million which are still in his name or owing from him, have not been yet transferred or paid to the Group. The Group is undergoing several legal litigations in regards to the transfer of these assets which involves a degree of uncertainty as to the full and timely recoverability of these assets. However, the Board of Directors is confident in the realization of a minimum of the carrying value of assets due from him and therefore no adjustments to the carrying value of the assets are required.

40. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2018 were approved by the Board of Directors and authorised for issue on 31 March 2019.