

**Abu Dhabi National Takaful
Company PSC**

REPORT OF THE BOARD OF DIRECTORS' AND
FINANCIAL STATEMENTS

31 DECEMBER 2016

**Abu Dhabi National Takaful
Company PSC**

REPORT OF THE BOARD OF DIRECTORS'

31 DECEMBER 2016

Board of Directors

Chairman

Mr. Khamis Buharoon

Vice Chairman

Mr. Khalid Deemas Al Suwaidi

Directors

Mr. Khalifa A. Khamis Al Rumaithi

Mr. Khalid Al Mansouri

Mr. Syed Aamir Zahidi

Mr. Dhafer Farooq Luqman

Mr. Nasser Al Mur Al Zaabi

Chief Executive Officer

Mr. Osama Abdeen

Sharia'a Supervisory Board

Sheikh Esam Mohamed Ishaq

Sheikh Nizam Yaqubi

Sheikh Osaid Kailani

Auditors

Ernst & Young

THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

Year ended 31 December 2016

Dear Shareholders

Peace be upon you.....

It gives us pleasure to present to you the annual report on the company's activities and its audited financial statements for the year ended 31 December 2016, along with the Fatwa & Sharia'a Supervisory Board, Independent Auditor Reports and a detailed corporate governance report complying with the corporate governance code of UAE Securities and Commodities Authority.

Company performance

The company continues its strategy by concentrating on risk assessment and accepting only the more profitable underwriting contracts while avoiding those prone to greater risks. This approach enables us to improve our technical results by 8% despite the current circumstances experienced by the insurance industry as a result of severe competition in the market.

The audited financial statements supported with notes demonstrate the development made by the company. The company recorded another year of growth with net profit of AED 48 million during the financial year ended 31 December 2016, achieving 16% increase comparing to prior year. The following highlights the company results in comparison with the same period last year:

- The total gross contributions reached AED 320.8 million as comparing AED 296.8 million for the period ended 31 December 2015.
- Net claims incurred for year 2016 reached AED 44.2 million comparing to AED 34.0 million for year 2015. The net loss ratio is 33.5% comparing to 28.1% for the prior year.
- Technical results reached AED 77 million as comparing AED 71.0 million for the prior year.
- Net investment income and other income reached AED 10.8 million comparing to AED 6.4 million for the prior year.
- Total assets size reached AED 811.8 million and has risen by about 16% comparing to the prior year.
- Total cash, bank balances and deposits reached AED 308 million comparing to AED 252.6 million at the end of prior year, all of which are deposited with UAE banks.
- Net profit for the year ended 31 December 2016 is AED 48 million comparing to AED 41.6 million for the prior year. Basic and diluted earnings per share is AED 0.48 comparing to AED 0.42 for the prior year.
- Shareholder's equity at 31 December 2016 reached AED 270.9 million comparing to AED 240.9 million prior year.

Our existing portfolio consists of well balanced and diversified products which enable the company to explore many opportunities for profitable growth going forward. The company will continue its efforts to enhance products, customer services as well as widening of distribution channels to gain a competition advantage in the market place. This will lead to growth of takaful written contributions and achieve higher returns for our shareholders and policyholders.



THE ANNUAL REPORT OF THE BOARD OF DIRECTORS continued
Year ended 31 December 2016

Distribution of Profits

The net profits achieved by the company during the year ended 31 December 2016 amounted to AED 48,403,908. In accordance with article (58) of articles of association of the company, we propose to the general assembly to distribute AED 16,000,000, which represents 16% of the paid up capital, as cash dividend.

Board of Directors Recommendations

The Board of Directors shall present the general assembly of **Abu Dhabi National Takaful Co. PSC** the recommendations below for approval:

- 1) The Annual Report of the Board of Directors, Fatwa & Sharia'a Supervisory Board report and the External Auditors' report for the year ended 31 December 2016.
- 2) The statement of financial position and income statement for the year ended 31 December 2016.
- 3) The profit distribution for the year ended 31 December 2016 amounting to AED 48,403,908 is as follows:

	<i>AED</i>
Proposed cash dividend of 16% of the paid up capital	16,000,000
Transfer to legal reserve	4,840,391
Board of Directors remunerations	3,877,509
Retained earnings, carried forward	<u>23,686,008</u>
	<u>48,403,908</u>

- 4) Release of the Directors, External Auditors and members of the Fatwa & Sharia'a Supervisory Board for their works during the year ended 31 of December 2016.
- 5) Appoint or reappoint the External Auditors for the year ending 31 of December 2017 and agree on their fees.

Valued Shareholders,

On this occasion, and on your behalf we extend profound gratitude and great appreciation to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of UAE and His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, the Deputy Supreme Commander of the UAE Armed Forces. May Allah, the Almighty preserve them for their kind patronage to the Islamic insurance industry.

We would like also to express our sincere thanks and appreciation to the Fatwa & Sharia'a Supervisory Board members for their guidance to ensure that we fully abide by the glorious principles of Islamic Sharia'a, Insurance Authority as well as other concerned parties for their support and cooperation provided to us.

We also seize this opportunity to laud the efforts made by company staff members for their dedication and commitment for the sake of the company success and servicing our policyholders.

Furthermore, we extend our heartfelt thanks to our valued shareholders and other stakeholders inside and outside the UAE for their unlimited support to **Abu Dhabi National Takaful Co. PSC**.

Finally, we ask the Almighty Allah, to bless our activities and guide us to the right path.


Khamis Bharoun
Chairman of Board of Directors

**Abu Dhabi National Takaful
Company PSC**

FINANCIAL STATEMENTS

31 DECEMBER 2016

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY PSC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Abu Dhabi National Takaful Company PSC (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and its 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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1) Valuation of Takaful Contract Liabilities and Retakaful Contract Assets

The estimation of takaful contract liabilities and retakaful contract assets involve a significant degree of judgement. The liabilities amounting to AED 194,616,481 (note 8) are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Retakaful contract assets amounting to AED 151,972,269 (note 8) are recognised when the related gross takaful liability is recognised according to the terms relevant to the retakaful contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective retakaful counterparties.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL TAKAFUL COMPANY PSC continued

1) Valuation of Takaful Contract Liabilities and Retakaful Contract Assets continued

We assessed management's calculation of takaful contract liabilities and retakaful contract assets by performing audit procedures, which included among others:

- The evaluation and testing of key controls around the claims handling and reserve settling processes of the Company along with the recognition and release of retakaful contract assets. We examined evidence of the operation of controls over the valuation of individual claims reserves.
- We checked samples of claims reserves and the respective share of retakaful contract assets, through comparing the estimated amount of the reserve to documentation, such as reports from loss adjusters.
- We reviewed the subsequent settlement of claims and compared them to the claims reserve as at year end.
- We involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices.
- We reviewed the ratios of retakaful contract assets to related takaful contract liabilities to identify any variance from retakaful treaty arrangements.

2) Revenue Recognition

Gross contribution written comprise the total contribution receivable for the whole period of cover by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of net retained contribution is provided for as an unearned contribution reserve to cover portions of risk that have not expired at the reporting date. The reserves are required to be calculated in accordance with the requirements of the UAE Insurance Law relating to insurance companies.

We assessed management's calculation of gross contribution written amounting to AED 320,780,336 (note 20) and net unearned contribution reserve amounting to AED 76,610,736 (note 8) by performing audit procedures, which included among others:

- We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the contribution on takaful policies are accounted for on the date of inception of policies, with the exception of contribution income on marine cargo policies which is accounted for on the expected date of voyage, by testing a sample of revenue items to takaful contracts.
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned contributions reserve balance as per the financial statements to the reserve balance computed by the Company's actuary.
- We recalculated on a sample basis the unearned contributions reserve based on the earning period of takaful contracts existing as of 31 December 2016.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

ABU DHABI NATIONAL TAKAFUL COMPANY PSC continued

Other information included in the Company's 2016 Annual Board of Directors' Report

Other information consists of the information included in the Annual Board of Directors' Report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY PSC continued

Auditors' responsibilities for the audit of the financial statements continued

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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL TAKAFUL COMPANY PSC continued

Report on Other Legal and Regulatory Requirements

We report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the 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 UAE Federal Law No. (6) of 2007 and the Articles of Association of the Company;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Board of Directors report is consistent with the books of account and records of the Company;
- v) investments in shares and stocks are included in note 7 to the financial statements and include purchases made by the Company during the year ended 31 December 2016;
- vi) note 9 reflects material related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2016, any of the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2016.



Signed by
Andre Kasparian
Partner
Ernst & Young
Registration No 365


5 March 2017
Abu Dhabi


Abu Dhabi National Takaful Company PSC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 AED	2015 AED
ASSETS			
Cash and bank balances	5	307,991,319	252,642,134
Statutory deposit	6	10,000,000	10,000,000
Investments	7	107,622,817	103,096,360
Retakaful contract assets	8	317,606,284	249,603,181
Takaful and other receivables	10	23,276,383	34,981,107
Other assets		2,003,080	2,743,486
Property and equipment	11	24,034,410	23,789,230
Investment properties	12	19,222,725	20,260,028
TOTAL ASSETS		811,757,018	697,115,526
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	100,000,000	100,000,000
Legal reserve	14	29,049,798	24,209,407
General reserve	15	42,500,000	42,500,000
Investment revaluation reserve		10,147,998	7,842,492
Retained earnings		89,224,706	66,395,373
Total shareholders' equity		270,922,502	240,947,272
Policyholders' fund			
Deficit of policyholders' fund	17	(11,575,257)	(15,033,820)
Loan from shareholders	17	11,575,257	15,033,820
Total policyholders' fund		-	-
Liabilities			
Provision for end of service benefits	18	6,354,357	5,951,639
Takaful contract liabilities	8	436,861,232	344,444,574
Retakaful and other liabilities	19	68,326,166	77,781,065
Retakaful deposits retained		29,292,761	27,990,976
Total liabilities		540,834,516	456,168,254
TOTAL SHAREHOLDERS' EQUITY, POLICYHOLDERS' FUND AND LIABILITIES		811,757,018	697,115,526


Khamis Buharoon
Chairman of the Board of Directors


Osama Abdeen
Chief Executive Officer

The attached notes 1 to 31 form part of these financial statements.

Abu Dhabi National Takaful Company PSC

STATEMENT OF INCOME

For the year ended 31 December 2016

	<i>Notes</i>	<i>2016 AED</i>	<i>2015 AED</i>
Attributable to policyholders			
Gross takaful contributions revenue	20	268,053,243	264,059,685
Retakaful contributions	20	<u>(136,271,873)</u>	<u>(143,253,772)</u>
Net earned contributions	20	<u>131,781,370</u>	<u>120,805,913</u>
Gross claims incurred		(148,126,584)	(104,434,477)
Retakaful share of claims incurred		<u>103,914,013</u>	<u>70,456,411</u>
Net claims incurred		<u>(44,212,571)</u>	<u>(33,978,066)</u>
Takaful income		87,568,799	86,827,847
Takaful expenses		(28,455,130)	(27,577,220)
Retakaful and other income		<u>17,854,626</u>	<u>11,798,756</u>
Takaful operating profit		76,968,295	71,049,383
Policyholders' investment income	21	3,489,312	1,736,508
Mudareb share	22	(1,046,793)	(520,952)
Wakalah fees	22	<u>(75,952,251)</u>	<u>(66,285,023)</u>
Surplus of takaful result for the year	17	<u>3,458,563</u>	<u>5,979,916</u>
Attributable to shareholders			
Shareholders' investment and other income, net	23	7,325,089	4,700,225
Mudareb share from policyholders	22	1,046,793	520,952
Wakalah fees from policyholders	22	75,952,251	66,285,023
General and administrative expenses	24	(39,378,788)	(35,896,316)
Decrease in provision of loan to policyholders' fund	17	<u>3,458,563</u>	<u>5,979,916</u>
Net profit for the year		<u>48,403,908</u>	<u>41,589,800</u>
Basic and diluted earnings per share	25	<u>0.48</u>	<u>0.42</u>

The attached notes 1 to 31 form part of these financial statements.

Abu Dhabi National Takaful Company PSC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Net profit for the year	<u>48,403,908</u>	<u>41,589,800</u>
Other comprehensive (loss) income		
Items that will not be reclassified subsequently to statement of income:		
Increase in fair value of investments at		
fair value through other comprehensive income, net	1,448,831	6,094,381
Board of directors remuneration (note 9)	<u>(3,877,509)</u>	<u>(3,200,000)</u>
	(2,428,678)	2,894,381
Items that may be reclassified subsequently to statement of income	<u>-</u>	<u>-</u>
Other comprehensive (loss) income for the year	(2,428,678)	2,894,381
Total comprehensive income for the year	<u>45,975,230</u>	<u>44,484,181</u>

The attached notes 1 to 31 form part of these financial statements.

Abu Dhabi National Takaful Company PSC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	<i>Share capital AED</i>	<i>Legal reserve AED</i>	<i>General reserve AED</i>	<i>Investment revaluation reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
Balance at 1 January 2015	100,000,000	20,050,427	42,500,000	4,220,432	45,692,232	212,463,091
Gain on disposal of investments at fair value through other comprehensive income	-	-	-	(2,472,321)	2,472,321	-
Net profit for the year	-	-	-	-	41,589,800	41,589,800
Other comprehensive income	-	-	-	6,094,381	(3,200,000)	2,894,381
Total comprehensive income for the year	-	-	-	6,094,381	38,389,800	44,484,181
Transfer to legal reserve	-	4,158,980	-	-	(4,158,980)	-
Dividends paid (note 16)	-	-	-	-	(16,000,000)	(16,000,000)
Balance at 31 December 2015	<u>100,000,000</u>	<u>24,209,407</u>	<u>42,500,000</u>	<u>7,842,492</u>	<u>66,395,373</u>	<u>240,947,272</u>
Balance at 1 January 2016	100,000,000	24,209,407	42,500,000	7,842,492	66,395,373	240,947,272
Loss on disposal of investments at fair value through other comprehensive income	-	-	-	856,675	(856,675)	-
Net profit for the year	-	-	-	-	48,403,908	48,403,908
Other comprehensive loss	-	-	-	1,448,831	(3,877,509)	(2,428,678)
Total comprehensive income for the year	-	-	-	1,448,831	44,526,399	45,975,230
Transfer to legal reserve	-	4,840,391	-	-	(4,840,391)	-
Dividends paid (note 16)	-	-	-	-	(16,000,000)	(16,000,000)
Balance at 31 December 2016	<u>100,000,000</u>	<u>29,049,798</u>	<u>42,500,000</u>	<u>10,147,998</u>	<u>89,224,706</u>	<u>270,922,502</u>

The attached notes 1 to 31 form part of these financial statements.

Abu Dhabi National Takaful Company PSC

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	<i>Notes</i>	<i>2016 AED</i>	<i>2015 AED</i>
OPERATING ACTIVITIES			
Net profit for the year		48,403,908	41,589,800
Adjustments for:			
Depreciation of property and equipment	11	2,758,069	2,382,160
Movement of unearned contributions		16,572,292	9,616,064
Fixed deposits and investment income		(10,899,861)	(7,894,918)
Net movement in provision for end of service benefits		402,718	743,324
Movement in provision for doubtful debts		750,000	180,000
Decrease in fair value of investment properties	12, 23	1,037,303	444,258
(Increase) decrease in fair value of investments at fair value through profit or loss	21, 23	(850,724)	1,068,235
Gain on disposal of property and equipment	23	(101,119)	(54,308)
		<u>58,072,586</u>	<u>48,074,615</u>
Working capital adjustments:			
Takaful and other receivables		10,954,724	4,358,758
Other assets		740,406	1,203,262
Movement of outstanding claims		7,841,263	102,541
Retakaful and other liabilities		(10,132,408)	2,829,014
Retakaful deposits retained		<u>1,301,785</u>	<u>3,795,974</u>
Cash from operations		68,778,356	60,364,164
Directors' remuneration paid		<u>(3,200,000)</u>	<u>(2,600,000)</u>
Net cash from operating activities		<u>65,578,356</u>	<u>57,764,164</u>
INVESTING ACTIVITIES			
Movement in investments		(3,077,626)	1,159,641
Purchase of property and equipment	11	(3,036,630)	(6,568,070)
Proceeds from disposal of property and equipment		134,500	59,200
Fixed deposits and investment income received		11,750,585	7,894,918
Movement in term deposits		<u>(20,958,883)</u>	<u>(45,321,384)</u>
Net cash used in investing activities		<u>(15,188,054)</u>	<u>(42,775,695)</u>
FINANCING ACTIVITY			
Dividends paid	16	<u>(16,000,000)</u>	<u>(16,000,000)</u>
Net cash used in financing activity		<u>(16,000,000)</u>	<u>(16,000,000)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		34,390,302	(1,011,531)
Cash and cash equivalents at 1 January		<u>68,689,658</u>	<u>69,701,189</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	<u>103,079,960</u>	<u>68,689,658</u>

The attached notes 1 to 31 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

1 CORPORATE INFORMATION

Abu Dhabi National Takaful Company PSC (the "Company") is a public shareholding company which was incorporated in Abu Dhabi, United Arab Emirates ("UAE") on 16 November 2003. The Company is registered in accordance with the UAE Federal Law No. (8) of 1984 (as amended). The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984.

The Company carries out takaful and retakaful activities of all classes in accordance with the provisions of the UAE Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations. The Company is domiciled and operates in the UAE and its registered address is P.O. Box 35335, Abu Dhabi, UAE.

The financial statements of Abu Dhabi National Takaful Company PSC for the year ended 31 December 2016 have been authorised for issue in accordance with a resolution of the Board of Directors on 5 March 2017.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards and applicable requirements of the laws of the UAE.

The financial statements are prepared under the historical cost convention as modified for re-measurement of investment securities and investment properties at fair value.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional and presentation currency of the Company.

Persons takaful includes all takaful operations related to life business. Property and liability takaful includes all other takaful operations not related to life business.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the financial statements as at and for the year ended 31 December 2015, except for the following amendments to IFRS effective as of 1 January 2016. Although these new amendments are applied for the first time in 2016, they do not have a material impact on the financial statements of the Company.

Amendments to IAS 1: Disclosure Initiative

The amendments provide clarifications and narrow-focus improvements on materiality, presentation of primary statements, structure of notes, disclosure of accounting policies, and presentation of other comprehensive income (OCI) arising from equity accounted investments. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose and how to structure notes in their financial statements. These amendments did not impact the Company's financial statements or accounting policies.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments did not impact the Company's financial statements or accounting policies.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: Applying the Consolidation exception

The amendments define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments did not impact the Company's financial statements or accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES continued

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments clarify that when acquiring an interest in a joint operation where the activity of the joint operation constitutes a business, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in IFRS 11, are to be applied. The requirements apply to the acquisition of both the initial interest and additional interests in a joint operation but any previously held interest in the joint operation would not be remeasured. These amendments did not impact the Company's financial statements or accounting policies.

Changes in accounting policies driven by new regulations:

Management takes the view that the changes in accounting policies described below provide more relevant and reliable information of the Company's financial performance and financial position to the users of the financial statements. The change in the accounting policy did not lead to a restatement of prior year numbers, as it did not have a material impact on the financial statements as at 31 December 2015.

(i) Allocated Loss Adjustment Expense (ALAE) / Unallocated Loss Adjustment Expense Reserves (ULAE)

On 1 January 2016, the Company has adopted the financial regulations required by the Insurance Authority Board Decision No. (26) of 2014 relating to recognition of ALAE & ULAE and accordingly, changed its accounting policy to record a provision representing future claim expenses and related handling costs, being ALAE and ULAE. The ALAE reserve is for expenses and costs that can be assigned to a specific claim and the ULAE reserve is for all other overhead expenses and costs that cannot be assigned to a specific claim. The change in accounting policy in the current period has resulted in a provision of AED 1,490,661 as at 31 December 2016 included under takaful contract liabilities. Prior year financial statements are not restated as the impact was not considered material.

(ii) Unearned contributions Reserve (UCR)

On 1 January 2016, the Company has adopted the financial regulations required by the Insurance Authority Board Decision No. (26) of 2014 relating to the method of calculating UCR and accordingly, changed its accounting policy to comply with the regulation. The change in accounting policy has an impact of AED 871,292 on retained earnings as at 1 January 2016. Prior year financial statements are not restated as the impact was not considered material.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards / amendments to standards which were issued up to 31 December 2016 and are not yet effective for the year ended 31 December 2016 have not been applied while preparing these financial statements:

- IAS 7 (Amendments) Disclosure Initiative
- IAS 12 (Amendments) Recognition of Deferred Tax Assets for Unrealised Loss
- IFRS 15: Revenue from Contracts with Customers
- IFRS 16: Leases

The International Accounting Standards Board made certain amendments to existing standards as part of its annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's future financial statements. The Company does not expect these amendments to have any significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Takaful contracts

Definition

Takaful contracts are those contracts when the Company (the operator) has accepted takaful risk on behalf of takaful funds from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Recognition and measurement

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

These contracts are casualty and property takaful contracts.

Casualty takaful contracts protect the policyholders against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property takaful contracts mainly compensate the policyholders for damage suffered to their properties or for the value of property lost. Policyholders who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these takaful contracts, contributions are recognised as revenue (earned contributions) proportionally over the period of coverage. The portion of contributions received on in-force contracts that relates to unexpired risks at the end of the reporting period date is reported as the unearned contribution liability.

Claims and loss adjustment expenses are charged to the statement of income (attributable to the policyholders) as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Retakaful contract assets

Contracts entered into by the Company for retakaful under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements of takaful contracts are classified as retakaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Takaful contracts entered into by the Company under which the contract holder is involved in takaful activities are included with takaful contracts. The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful contract assets. The Company assesses its retakaful contract assets for impairment on a regular basis. If there is objective evidence that the retakaful contract asset is impaired, the Company reduces the carrying amount of the retakaful contract assets to its recoverable amount and recognises that impairment loss in the statement of income. Amounts recoverable from or due to retakaful holders are measured consistently with the amounts associated with the retakaful contracts and in accordance with the terms of each retakaful contract.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Takaful contracts continued

Takaful contract liabilities

Takaful contract liabilities include outstanding claims (OSLR), claims incurred but not reported (IBNR), unearned contribution reserve (UCR) and the provision for allocated and unallocated loss adjustment expenses (ALAE/ULAE).

Takaful contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported.

The unearned contribution reserve considered in the Takaful contract liabilities comprise the estimated proportion of the gross contributions written which relates to the periods of Takaful subsequent to the reporting period date. Unearned contributions are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as unearned contributions reserve. The Company provides unearned contribution reserve based on actual terms of the policy.

The liability relating to IBNR and ALAE/ULAE reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The retakaful portion towards the above outstanding claims, claims incurred but not reported and unearned contributions reserve is classified as retakaful contracts assets in the financial statements.

Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurements of the takaful liability for claims.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the takaful contract liabilities net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the statement of income initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

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 Company reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in the statement of income.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition continued

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the income statement.

Other income

Other income is accrued on a time basis, by reference to the principal outstanding and at the effective rate of return applicable.

Retakaful income and expenses

Retakaful income is recognised when retakaful is entered into and retakful expenses are recognised when the policies are issued.

Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retransferred at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of income in the period in which they arise.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses, if any. The cost of property and equipment is their purchase cost, together with any incidental expenses of acquisition.

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

Depreciation is calculated so as to write off the cost of property and equipment on a straight-line basis over their expected useful economic lives.

The principal annual rates used for this purpose are:

Building	3.33%
Furniture, fixtures and office equipment	20%
Computer equipment and accessories	25 - 33.33%
Motor vehicles	25%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Investment properties

Investment properties are held for the generation of income or capital appreciation and are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

Transfers are made to or from investment property only when there is a change in use.

Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of income, 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.

Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Employee benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

Provision is also made for end of service benefits due to non-UAE national employees in accordance with the Company's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the Abu Dhabi Pension Authority, calculated in accordance with Government regulations. Such contributions are charged to the statement of income during the employees' period of service.

Financial assets

The Company has the following financial assets: cash and cash equivalents, takaful and other receivables, investments at fair value through other comprehensive income and investments at fair value through profit or loss. The classification depends on the nature of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalent include cash on hand and deposits held at call with banks with original maturities of three months or less.

Takaful and other receivables

Takaful and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective rate or return method, less any impairment. Return income is recognised by applying the effective rate of return, except for short term receivables when the recognition of return income would be immaterial.

Investments at fair value through other comprehensive income

Investments at fair value through other comprehensive income are initially recorded at cost and subsequently measured at fair value. Subsequent changes in fair value and gains or losses arising on disposal are recognised in other comprehensive income and dividend income is credited to statement of income when the right to receive the dividend is established.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are initially recorded at cost and subsequently measured at fair value. Subsequent changes in fair value and gains or losses arising on disposal are recognised in statement of income, profit from debt securities is recognized in statement of income and dividend income is credited to statement of income when the right to receive the dividend is established.

Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities and equity instruments

Classification as debt or equity

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

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 Company are recorded at the proceeds received, net of direct issue costs.

Trade payables and accruals

Trade payables and accruals are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective rate of return, with the expense recognised on an effective yield basis.

The effective rate of return is a method of calculating the amortised cost of a financial liability and of allocating the expense over the relevant period. The effective rate of return is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

Deficit in policyholders' fund

Deficit in the policyholders' fund is financed by the shareholders through a profit free loan "Qard – Hasan". The Company maintains a full provision against such loans.

Dividends distribution

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgements, estimates and assumptions 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. Revision to accounting estimates are recognised in the period of the revision 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 judgements and estimates made by management, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

Classification of investments

Management decides on acquisition of an equity investment whether it should be classified as carried at fair value through profit or loss or through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Fair value measurement

The Company measures financial instruments, such as investments carried at fair value through other comprehensive income and non-financial assets investment properties, at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and investment properties is provided in note 29.

External valuers may be involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Fair valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments, net asset base of investee or other valuation models.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Impairment of takaful and other receivables

An estimate of the collectible amount of takaful and other receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful and other receivables are impaired entails the Company in evaluating the credit and liquidity position of the policyholders and the takaful companies, historical recovery rates including detailed investigations carried out and feedback received from the legal department. Impairment of takaful and other receivables as at 31 December 2016 amounted to AED 2,350,000 (2015: AED 1,600,000).

The ultimate liability arising from claims made under takaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of the reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. Gross provision for IBNR as at 31 December 2016 amounted to AED 39,251,906 (2015: AED 28,298,218) as detailed in note 8.

Liability adequacy test

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

5 CASH AND CASH EQUIVALENTS

	2016 AED	2015 AED
Cash and bank accounts	42,024,418	22,839,487
Term deposits	<u>265,966,901</u>	<u>229,802,647</u>
Cash and bank balances	307,991,319	252,642,134
Less: term deposits with original maturity of more than three months	<u>(204,911,359)</u>	<u>(183,952,476)</u>
Cash and cash equivalents	<u>103,079,960</u>	<u>68,689,658</u>

Term deposits represent deposits held with financial institutions in UAE, are denominated in UAE Dirhams and carry profit at the prevailing market rates ranging from 0.8% to 3% per annum (2015: 1.17% to 2.60%).

Further analysis of cash and bank balances for property and liability takaful, persons takaful and shareholders' is set out as follows:

	2016 AED	2015 AED
Property and liability takaful	137,425,439	108,930,006
Persons takaful	42,482,020	23,025,399
Shareholders'	<u>128,083,860</u>	<u>120,686,729</u>
	<u>307,991,319</u>	<u>252,642,134</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

6 STATUTORY DEPOSIT

In accordance with the requirements of UAE Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations, the Company maintains a bank deposit of AED 10,000,000 which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a commercial bank in UAE, a related party (note 9).

7 INVESTMENTS

7(a) Investments at fair value through other comprehensive income

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Quoted securities	21,100,198	21,569,805
Unquoted securities	<u>10,710,118</u>	<u>10,521,996</u>
	<u>31,810,316</u>	<u>32,091,801</u>

The geographical concentration of investments is as follows:

Within UAE	26,300,356	23,974,001
Outside UAE	<u>5,509,960</u>	<u>8,117,800</u>
	<u>31,810,316</u>	<u>32,091,801</u>

Unquoted equity securities are valued primarily based on net assets of the investees where there are no recent transactions that could provide evidence of the current fair value.

7(b) Investments at fair value through profit or loss

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Unquoted securities	<u>75,812,501</u>	<u>71,004,559</u>

The geographical concentration of investments is as follows:

Within UAE	35,016,290	40,646,023
Outside UAE	<u>40,796,211</u>	<u>30,358,536</u>
	<u>75,812,501</u>	<u>71,004,559</u>
Total investments	<u>107,622,817</u>	<u>103,096,360</u>

Abu Dhabi National Takaful Company PSC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

8 RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITIES

	2016 AED	2015 AED
Gross		
Takaful contract liabilities		
Reported claims	153,873,914	126,628,700
Claims incurred but not reported	39,251,906	28,298,218
Unallocated loss adjustment expense reserve	<u>1,490,661</u>	<u>-</u>
	<u>194,616,481</u>	<u>154,926,918</u>
Unearned contributions reserve	<u>242,244,751</u>	<u>189,517,656</u>
	<u>436,861,232</u>	<u>344,444,574</u>
Recoverable from retakaful		
Reported claims	122,765,944	99,777,682
Claims incurred but not reported	<u>29,206,325</u>	<u>20,346,287</u>
	<u>151,972,269</u>	<u>120,123,969</u>
Unearned contributions reserve	<u>165,634,015</u>	<u>129,479,212</u>
	<u>317,606,284</u>	<u>249,603,181</u>
Takaful liabilities - net		
Reported claims	31,107,970	26,851,018
Claims incurred but not reported	10,045,581	7,951,931
Unallocated loss adjustment expense reserve	<u>1,490,661</u>	<u>-</u>
	<u>42,644,212</u>	<u>34,802,949</u>
Unearned contributions reserve	<u>76,610,736</u>	<u>60,038,444</u>
	<u>119,254,948</u>	<u>94,841,393</u>

The movement in the retakaful contract assets and takaful contract liabilities during the year is as follows:

	Year ended 31 December 2016			Year ended 31 December 2015		
	Gross AED	Retakaful AED	Net AED	Gross AED	Retakaful AED	Net AED
CLAIMS						
Reported claims	126,628,700	99,777,682	26,851,018	135,032,310	108,300,493	26,731,817
Incurred but not reported	<u>28,298,218</u>	<u>20,346,287</u>	<u>7,951,931</u>	<u>24,382,943</u>	<u>16,414,352</u>	<u>7,968,591</u>
Total at 1 January	154,926,918	120,123,969	34,802,949	159,415,253	124,714,845	34,700,408
Claims settled	(108,437,021)	(72,065,713)	(36,371,308)	(108,922,812)	(75,047,287)	(33,875,525)
Net claims incurred	<u>148,126,584</u>	<u>103,914,013</u>	<u>44,212,571</u>	<u>104,434,477</u>	<u>70,456,411</u>	<u>33,978,066</u>
Total at 31 December	<u>194,616,481</u>	<u>151,972,269</u>	<u>42,644,212</u>	<u>154,926,918</u>	<u>120,123,969</u>	<u>34,802,949</u>
Reported claims	153,873,914	122,765,944	31,107,970	126,628,700	99,777,682	26,851,018
Unallocated loss adjustment expense reserve	1,490,661	-	1,490,661	-	-	-
Incurred but not reported	<u>39,251,906</u>	<u>29,206,325</u>	<u>10,045,581</u>	<u>28,298,218</u>	<u>20,346,287</u>	<u>7,951,931</u>
Total at 31 December	<u>194,616,481</u>	<u>151,972,269</u>	<u>42,644,212</u>	<u>154,926,918</u>	<u>120,123,969</u>	<u>34,802,949</u>
UNEARNED CONTRIBUTION						
Total at 1 January	189,517,656	129,479,212	60,038,444	156,735,594	106,313,214	50,422,380
Increase during the year	242,244,751	165,634,015	76,610,736	189,517,656	129,479,212	60,038,444
Release during the year	<u>(189,517,656)</u>	<u>(129,479,212)</u>	<u>(60,038,444)</u>	<u>(156,735,594)</u>	<u>(106,313,214)</u>	<u>(50,422,380)</u>
Net increase during the year	<u>52,727,095</u>	<u>36,154,803</u>	<u>16,572,292</u>	<u>32,782,062</u>	<u>23,165,998</u>	<u>9,616,064</u>
Total at 31 December	<u>242,244,751</u>	<u>165,634,015</u>	<u>76,610,736</u>	<u>189,517,656</u>	<u>129,479,212</u>	<u>60,038,444</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

8 RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITIES continued

The breakdown of retakaful contract assets and takaful contract liabilities per Property & Liability Takaful and Persons Takaful is as follows:

	<i>2016</i>	<i>2015</i>
	<i>AED</i>	<i>AED</i>
<i>Property and liability takaful</i>		
Gross		
Takaful contract liabilities		
Reported claims	134,043,090	119,389,032
Claims incurred but not reported	20,955,746	17,451,199
Unallocated loss adjustment expense reserve	1,378,800	-
Unearned contributions reserve	<u>81,844,134</u>	<u>79,571,719</u>
	<u>238,221,770</u>	<u>216,411,950</u>
Recoverable from retakaful		
Reported claims	104,754,043	93,442,765
Claims incurred but not reported	12,401,316	10,445,924
Unearned contributions reserve	<u>46,477,425</u>	<u>45,321,790</u>
	<u>163,632,784</u>	<u>149,210,479</u>
Takaful liabilities - net		
Reported claims	29,289,047	25,946,267
Claims incurred but not reported	8,554,430	7,005,275
Unallocated loss adjustment expense reserve	1,378,800	-
Unearned contributions reserve	<u>35,366,709</u>	<u>34,249,929</u>
	<u>74,588,986</u>	<u>67,201,471</u>
<i>Persons takaful</i>		
Gross		
Takaful contract liabilities		
Reported claims	19,830,824	7,239,668
Claims incurred but not reported	18,296,160	10,847,019
Unallocated loss adjustment expense reserve	111,861	-
Unearned contributions reserve	<u>160,400,617</u>	<u>109,945,937</u>
	<u>198,639,462</u>	<u>128,032,624</u>
Recoverable from retakaful		
Reported claims	18,011,901	6,334,917
Claims incurred but not reported	16,805,009	9,900,363
Unearned contributions reserve	<u>119,156,590</u>	<u>84,157,422</u>
	<u>153,973,500</u>	<u>100,392,702</u>
Takaful liabilities - net		
Reported claims	1,818,923	904,751
Claims incurred but not reported	1,491,151	946,656
Unallocated loss adjustment expense reserve	111,861	-
Unearned contributions reserve	<u>41,244,027</u>	<u>25,788,515</u>
	<u>44,665,962</u>	<u>27,639,922</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

9 RELATED PARTIES

Related parties comprise the shareholders, Directors and key management personnel of the Company and those entities in which they have a significant interest and the ability to control or exercise significant influence in financial and operational decisions. Details of significant transactions with a related party in the normal course of business are as follows:

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Gross contributions written	<u>71,633,584</u>	<u>53,461,977</u>
Takaful expenses	<u>14,253,835</u>	<u>14,809,752</u>
Profit on term deposits	<u>112,369</u>	<u>70,494</u>
Statutory deposit at 31 December	<u>10,000,000</u>	<u>10,000,000</u>

Information on the statutory deposit is disclosed in note 6.

The remuneration of key management personnel during the year was as follows:

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Short-term benefits	<u>5,456,384</u>	<u>5,360,775</u>
Long-term benefits	<u>343,221</u>	<u>171,137</u>

The remuneration of Directors is accrued and paid as an appropriation out of the net profits for the year in accordance with the Federal Law No. (2) of 2015 applicable to Commercial Companies operating in UAE.

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

Directors' remuneration in relation to the year ended 31 December 2016 of AED 3,877,509 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, was proposed and reflected in other comprehensive income in the statement of comprehensive income.

Directors' remuneration for the year ended 31 December 2015 amounted to AED 3,200,000 and was reflected in other comprehensive income in the statement of comprehensive income for the year ended 31 December 2015. This remuneration was approved by the shareholders at the Annual General Meeting held on 19 April 2016 and was paid later in April 2016.

Abu Dhabi National Takaful Company PSC

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

10 TAKAFUL AND OTHER RECEIVABLES

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Due from policyholders, net of provision	10,832,140	21,077,048
Due from insurance and reinsurance companies, net of provision	1,765,650	8,030,769
Notes receivable - post dated cheques	4,808,609	1,637,100
Accrued income	2,042,124	853,844
Other receivables	<u>3,827,860</u>	<u>3,382,346</u>
	<u>23,276,383</u>	<u>34,981,107</u>

Amounts due from policyholders, insurance and reinsurance companies for property and liability takaful amounts to AED 12,597,790 (2015: AED 29,077,048).

Amounts due from policyholders and insurance and reinsurance companies balances consist of a large number of policyholders and insurance and reinsurance companies. The Company's terms of business require amounts to be paid in accordance with arrangements reached with the policyholders and insurance and reinsurance companies and no interest is charged on takaful and other receivables.

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a takaful receivable, the Company considers any change in the credit quality of the takaful receivable from the date credit was initially granted up to the reporting date.

As at 31 December 2016, balances due from policyholders, insurance and reinsurance companies at a nominal value of AED 2,350,000 (2015: AED 1,600,000) were impaired and fully provided for.

Movement in provisions for doubtful debts is as follows:

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
At 1 January	1,600,000	1,420,000
Additions	1,186,748	1,288,563
Reversals	<u>(436,748)</u>	<u>(1,108,563)</u>
At 31 December	<u>2,350,000</u>	<u>1,600,000</u>

As at 31 December, the ageing of unimpaired takaful receivables is as follows:

	<i>Past due but not impaired</i>				<i>Total</i> <i>AED</i>
	<i>Not past due</i> <i>AED</i>	<i>91 - 180 days</i> <i>AED</i>	<i>181 - 360 days</i> <i>AED</i>	<i>More than 360 days</i> <i>AED</i>	
2016	10,056,115	2,084,148	457,527	-	12,597,790
2015	21,090,416	6,486,187	1,531,214	-	29,107,817

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

11 PROPERTY AND EQUIPMENT

	<i>Building AED</i>	<i>Furniture, fixtures and office equipment AED</i>	<i>Computer equipment and accessories AED</i>	<i>Motor vehicles AED</i>	<i>Total AED</i>
2016					
Cost:					
At 1 January 2016	18,982,731	8,040,236	4,012,189	893,950	31,929,106
Additions	-	19,873	2,560,857	455,900	3,036,630
Disposals	-	(30,500)	(21,900)	(424,950)	(477,350)
At 31 December 2016	<u>18,982,731</u>	<u>8,029,609</u>	<u>6,551,146</u>	<u>924,900</u>	<u>34,488,386</u>
Depreciation:					
At 1 January 2016	1,583,482	2,762,414	3,063,272	730,708	8,139,876
Charge for the year	634,086	1,380,160	549,098	194,725	2,758,069
Relating to disposals	-	(30,498)	(21,890)	(391,581)	(443,969)
At 31 December 2016	<u>2,217,568</u>	<u>4,112,076</u>	<u>3,590,480</u>	<u>533,852</u>	<u>10,453,976</u>
Net carrying amount: 31 December 2016	<u>16,765,163</u>	<u>3,917,533</u>	<u>2,960,666</u>	<u>391,048</u>	<u>24,034,410</u>
2015					
Cost:					
At 1 January 2015	18,982,731	5,040,729	3,651,422	943,950	28,618,832
Additions	-	5,854,455	713,615	-	6,568,070
Disposals	-	(2,854,948)	(352,848)	(50,000)	(3,257,796)
At 31 December 2015	<u>18,982,731</u>	<u>8,040,236</u>	<u>4,012,189</u>	<u>893,950</u>	<u>31,929,106</u>
Depreciation:					
At 1 January 2015	951,129	4,544,932	2,860,390	654,169	9,010,620
Charge for the year	632,353	1,067,996	555,273	126,538	2,382,160
Relating to disposals	-	(2,850,514)	(352,391)	(49,999)	(3,252,904)
At 31 December 2015	<u>1,583,482</u>	<u>2,762,414</u>	<u>3,063,272</u>	<u>730,708</u>	<u>8,139,876</u>
Net carrying amount: 31 December 2015	<u>17,399,249</u>	<u>5,277,822</u>	<u>948,917</u>	<u>163,242</u>	<u>23,789,230</u>

12 INVESTMENT PROPERTIES

	<i>2016 AED</i>	<i>2015 AED</i>
At 1 January	20,260,028	20,704,286
Decrease in fair value	<u>(1,037,303)</u>	<u>(444,258)</u>
At 31 December	<u>19,222,725</u>	<u>20,260,028</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

12 INVESTMENT PROPERTIES continued

Investment properties are stated at fair value which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The investment properties were valued as at 31 December 2016 by an independent valuer which valued the properties at AED 19,222,725 (2015: AED 20,260,028) using the sales comparison method utilizing the evidence of transactions and/or current asking prices of similar sites and applying some adjustments based on market research.

13 SHARE CAPITAL

	<i>2016</i>	<i>2015</i>
	<i>AED</i>	<i>AED</i>
<i>Authorized, issued and fully paid</i>		
100,000,000 shares of AED 1 each	<u>100,000,000</u>	<u>100,000,000</u>

At 31 December 2016, 41,664,219 shares or 41.66% of total share capital (2015: 41,664,219 shares or 41.66% of total share capital) were held by Abu Dhabi Islamic Bank PJSC and 58,335,781 shares or 58.34% of total share capital (2015: 58,335,781 shares or 58.34% of total share capital) were held by UAE nationals and other institutions.

14 LEGAL RESERVE

In accordance with the provisions of the UAE Federal Commercial Companies Law No. (2) of 2015, and the Company's articles of association, the Company is required to transfer annually to a legal reserve account an amount equivalent to 10% of its annual net profit, until such reserve reaches 50% of the paid up capital of the Company. This reserve is not available for distribution.

15 GENERAL RESERVE

Transfers to and from the general reserve are made at the discretion of the Board of Directors and are subject to the shareholders' approval. This reserve may be used for such purposes as they deem fit.

16 DIVIDENDS

For the year ended 31 December 2016, the Board of Directors proposed a cash dividend of AED 16,000,000 at a rate of AED 0.16 per share. The 2016 proposed cash dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting.

For the year ended 31 December 2015, cash dividend of AED 16,000,000 at a rate of AED 0.16 per share was approved by shareholders on 19 April 2016 and it was paid in May 2016.

For the year ended 31 December 2014, cash dividend of AED 16,000,000 at a rate of AED 0.16 per share was approved by shareholders on 22 March 2015 and it was paid in April 2015.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

17 POLICYHOLDERS' FUND

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
At 1 January	(15,033,820)	(21,013,736)
Net surplus for the year	<u>3,458,563</u>	<u>5,979,916</u>
At 31 December	<u>(11,575,257)</u>	<u>(15,033,820)</u>

Further analysis of policyholder's fund for property and liability takaful and persons takaful is set out as follows:

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Property and liability takaful	(7,456,652)	(6,937,930)
Persons takaful	<u>(4,118,605)</u>	<u>(8,095,890)</u>
	<u>(11,575,257)</u>	<u>(15,033,820)</u>

18 PROVISION FOR END OF SERVICE BENEFITS

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
At 1 January	5,951,639	5,208,315
Charged during the year	1,319,670	918,562
Paid during the year	<u>(916,952)</u>	<u>(175,238)</u>
At 31 December	<u>6,354,357</u>	<u>5,951,639</u>

19 RETAKAFUL AND OTHER LIABILITIES

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Due to policyholders	3,064,615	2,713,455
Due to takaful companies	2,508,139	1,658,925
Due to retakaful companies	36,513,486	52,114,681
Accrued liabilities	5,150,128	4,570,243
Other payables	<u>21,089,798</u>	<u>16,723,761</u>
	<u>68,326,166</u>	<u>77,781,065</u>

Amounts due to policyholders and takaful companies for property and liability takaful amounts to AED 5,572,754 (2015: AED 4,372,380).

The average credit period is 60 to 90 days terms. The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

20 NET EARNED CONTRIBUTIONS

	2016 AED	2015 AED
Gross takaful contributions revenue		
Gross contributions written	320,780,336	296,841,747
Change in unearned contributions reserve	<u>(52,727,093)</u>	<u>(32,782,062)</u>
	<u>268,053,243</u>	<u>264,059,685</u>
Retakaful contributions		
Retakaful contributions	172,426,674	166,419,770
Change in unearned contributions reserve	<u>(36,154,801)</u>	<u>(23,165,998)</u>
	<u>136,271,873</u>	<u>143,253,772</u>
Net earned contributions	<u>131,781,370</u>	<u>120,805,913</u>

The breakdown of net contribution per Property & Liability Takaful and Persons Takaful is as follows:

<i>Property and liability takaful</i>	2016 AED	2015 AED
Gross takaful contributions revenue		
Gross contributions written	208,156,656	196,311,755
Change in unearned contributions reserve	<u>(2,272,413)</u>	<u>74,174</u>
	<u>205,884,243</u>	<u>196,385,929</u>
Retakaful contributions		
Retakaful contributions	121,953,886	114,308,560
Change in unearned contributions reserve	<u>(1,155,635)</u>	<u>1,937,144</u>
	<u>120,798,251</u>	<u>116,245,704</u>
Net earned contributions	<u>85,085,992</u>	<u>80,140,225</u>
<i>Persons takaful</i>		
Gross takaful contributions revenue		
Gross contributions written	112,623,680	100,529,992
Change in unearned contributions reserve	<u>(50,454,680)</u>	<u>(32,856,236)</u>
	<u>62,169,000</u>	<u>67,673,756</u>
Retakaful contributions		
Retakaful contributions	50,472,788	52,111,210
Change in unearned contributions reserve	<u>(34,999,166)</u>	<u>(25,103,142)</u>
	<u>15,473,622</u>	<u>27,008,068</u>
Net earned contributions	<u>46,695,378</u>	<u>40,665,688</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

21 POLICYHOLDERS' INVESTMENT INCOME

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Return on short-term investment accounts and deposits	2,676,984	1,676,646
Dividend income and profit on investments, net	473,694	302,385
Gain on disposal of investments, net	57,559	64,854
Increase (decrease) in fair value of investments at fair value through profit or loss	<u>281,075</u>	<u>(307,377)</u>
	<u>3,489,312</u>	<u>1,736,508</u>

Further analysis of policyholders' investment income for property and liability takaful and persons takaful is set out as follows:

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Property and liability takaful	2,940,594	1,364,176
Persons takaful	<u>548,718</u>	<u>372,332</u>
	<u>3,489,312</u>	<u>1,736,508</u>

22 MUDAREB SHARE AND WAKALAH FEES

The shareholders manage the policyholder's investment fund and charge 30% (2015: 30%) of investment income earned by policyholders' investment fund as mudareb share.

The shareholders manage the takaful operations for the policyholders and charge the following percentage of gross takaful contributions as wakalah fees.

- Marine hull, aviation and energy 10% (2015: 10%)
- Family takaful 30% (2015: 20%)
- All other takaful classes 20% (2015: 20%)

23 SHAREHOLDERS' INVESTMENT AND OTHER INCOME, NET

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Return on short-term investment accounts and deposits	2,644,991	1,342,924
Dividend income and profit on investments, net	3,660,301	3,252,479
Gain on disposal of investments	411,036	251,919
Increase (decrease) in fair value of investments at fair value through profit or loss	569,649	(760,858)
Decrease in fair value of investment properties (note 12)	(1,037,303)	(444,258)
Rental income, net	975,296	1,003,711
Gain on disposal of furniture and equipment	<u>101,119</u>	<u>54,308</u>
	<u>7,325,089</u>	<u>4,700,225</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2016 AED	2015 AED
Staff costs	30,330,584	27,665,092
Rental expenses	1,095,757	1,673,272
Depreciation of property and equipment (note 11)	2,758,069	2,382,160
Other expenses	<u>5,194,378</u>	<u>4,175,792</u>
	<u>39,378,788</u>	<u>35,896,316</u>

25 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2016 AED	2015 AED
Net profit for year (AED)	<u>48,403,908</u>	<u>41,589,800</u>
Ordinary shares in issue throughout the year	<u>100,000,000</u>	<u>100,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.48</u>	<u>0.42</u>

26 SEGMENT INFORMATION

Primary segment information

For operating purposes, the Company is organised into two main business segments:

- Underwriting of takaful business incorporating all classes of takaful including fire, marine, motor, general accident, engineering, energy and family takaful. This business is conducted fully within the UAE.
- Investments incorporating investments in UAE marketable equity securities, short-term investments with banks and other securities.

Information regarding the Company's reportable segments is presented below:

Segment revenue and results

	2016			2015		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenue	285,907,869	10,814,401	296,722,270	275,858,441	6,436,733	282,295,174
Direct costs	(180,484,444)	-	(180,484,444)	(177,231,838)	-	(177,231,838)
Takaful expenses	<u>(28,455,130)</u>	<u>-</u>	<u>(28,455,130)</u>	<u>(27,577,220)</u>	<u>-</u>	<u>(27,577,220)</u>
Segment results	76,968,295	10,814,401	87,782,696	71,049,383	6,436,733	77,486,116
Unallocated costs			<u>(39,378,788)</u>			<u>(35,896,316)</u>
Net profit for the year			<u>48,403,908</u>			<u>41,589,800</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

26 SEGMENT INFORMATION continued

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year (2015: AED nil).

The accounting policies of the reportable segments are the same as the Company's accounting policies described in note 3.

Segment assets and liabilities

	2016			2015		
	<i>Underwriting AED</i>	<i>Investments AED</i>	<i>Total AED</i>	<i>Underwriting AED</i>	<i>Investments AED</i>	<i>Total AED</i>
Segment assets	533,436,784	250,554,528	783,991,312	440,622,522	229,330,692	669,953,214
Unallocated assets			<u>27,765,706</u>			<u>27,162,312</u>
Total assets			<u>811,757,018</u>			<u>697,115,526</u>
Segment liabilities	516,179,892	-	516,179,892	437,944,967	-	437,944,967
Unallocated liabilities			<u>24,654,624</u>			<u>18,223,287</u>
Total liabilities			<u>540,834,516</u>			<u>456,168,254</u>
Capital expenditure		3,036,630	<u>3,036,630</u>		6,568,070	<u>6,568,070</u>

Gross takaful contributions revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

	<i>2016 AED</i>	<i>2015 AED</i>
Motor	24,488,315	36,046,992
Medical	95,870,468	85,774,518
Energy	8,559,993	11,545,202
Workmen's compensation and miscellaneous accidents	36,831,435	31,193,575
Fire	26,461,854	22,681,335
Engineering	8,888,793	7,550,507
Marine and aviation	4,783,385	1,593,800
Family takaful	<u>62,169,000</u>	<u>67,673,756</u>
	<u>268,053,243</u>	<u>264,059,685</u>

27 TAKAFUL RISK

The risk under any one takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of a takaful contract, this risk is random and therefore unpredictable.

For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its takaful contracts is that the actual claims and benefit payments exceed the estimated amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Takaful events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

27 TAKAFUL RISK continued

Experience shows that the larger the portfolio of similar takaful contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Takaful contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property takaful contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property takaful contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The takaful risk arising from these contracts is not concentrated in any one of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured properties.

The retakaful arrangements include excess and catastrophe coverage. The effect of such retakaful arrangements is that the Company should not suffer net takaful losses of a set limit of AED 250,000 in any one motor policy and AED 1,000,000 for any one non-motor policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlement of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

Claims on takaful contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision includes incurred but not reported claims. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some takaful contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

27 TAKAFUL RISK continued

Sources of uncertainty in the estimation of future claim payments continued

In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions; it is likely that the final outcome will prove to be different from the original liability established.

The amount of takaful claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Takaful contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projection given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss -ratio estimate is an important assumption in the estimation technique and is based on previous years experience, adjusted for factors such as contribution rate changes, anticipated market experience and historical claims inflation.

Process used to decide on assumptions

The risks associated with the takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual takaful contracts carried out at the end of the reporting period to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the techniques that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

27 TAKAFUL RISK continued

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last four years on an accident year basis for motor and an underwriting year basis for non motor:

Motor - Gross

Accident year

	<i>2012 and earlier AED'000</i>	<i>2013 AED'000</i>	<i>2014 AED'000</i>	<i>2015 AED'000</i>	<i>2016 AED'000</i>	<i>Total AED'000</i>
At the end of the accident year	17,341	38,148	75,875	42,633	46,379	-
One year later	13,495	-	26,688	52,625	29,609	-
Two years later	12,201	25,719	46,126	-	-	-
Three years later	12,367	22,157	-	-	-	-
Four years later	12,294	-	-	-	-	-
Current estimate of cumulative claims	12,294	22,157	46,126	29,609	46,379	156,565
Cumulative payments to date	(12,286)	(22,062)	(44,741)	(22,371)	(11,477)	(112,937)
Liability recognised in the statement of financial position	8	95	1,385	7,238	34,902	43,628

Non Motor - Gross

Underwriting year

At the end of the underwriting year	118,567	129,233	142,193	93,916	171,909	-
One year later	63,393	66,406	136,274	116,535	-	-
Two years later	50,715	67,550	56,803	-	-	-
Three years later	47,888	66,133	-	-	-	-
Four years later	-	59,153	-	-	-	-
Current estimate of cumulative claims	59,153	66,133	56,803	116,535	171,909	470,533
Cumulative payments to date	(58,941)	(65,051)	(47,017)	(69,336)	(79,200)	(319,545)
Liability recognised in the statement of financial position	212	1,082	9,786	47,199	92,709	150,988

Concentration of takaful risk

Substantially all of the Company's underwriting activities are carried out in the UAE.

In common with other takaful companies, in order to minimise financial exposure arising from large takaful claims, the Company, in the normal course of business, enters into arrangement with other parties for retakaful purposes.

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful and monitors concentration of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful companies. The Company remains liable to its policyholders for the portion covered by retakaful to the extent that any retakaful does not meet the obligations assumed under the retakaful agreements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

27 TAKAFUL RISK continued

Sensitivity of underwriting profit and losses

The contribution by the takaful operations to the profit of the Company for the year ended 31 December 2016 amounts to AED 37.6 million (2015: AED 35.6 million). The Company does not foresee any adverse change in the contribution of takaful profit due to the following reasons:

The Company has an overall risk retention level of 46.2% (2015: 43.9%). Because of low risk retention of 92% (2015: 90.3%), volume of the business and limited exposure in high retention areas like Motor, the Company is comfortable to maintain a net loss ratio in the region of 7% to 47% and does not foresee any serious financial impact in the takaful net profit.

The Company has net commission earning of 8.7% (2015: 16.6%) of the takaful operating profit predominantly from retakaful placement which remains as a comfortable source of income.

28 FINANCIAL INSTRUMENTS

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its takaful and investment contracts. The risks that the Company primarily faces due to the nature of its investments and underwriting business are market price risk, credit risk and liquidity risk.

Fair value of financial instruments

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

An analysis of financial instruments that are measured subsequent to initial recognition at fair value into levels 1 to 3 is provided in note 29.

Capital risk management

The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

The Company's objectives when managing capital are:

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

In UAE, the local takaful regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its takaful liabilities. The minimum required capital (presented below) must be maintained at all times throughout the year. The Company is subject to local takaful solvency regulations with which it has complied during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

28 FINANCIAL INSTRUMENTS continued

Capital risk management continued

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

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Total shareholders' equity	<u>270,922,502</u>	<u>240,947,272</u>
Minimum regulatory capital	<u>100,000,000</u>	<u>100,000,000</u>

The UAE Insurance Authority has issued resolution No. 42 for 2009 setting the minimum subscribed or paid-up capital of AED 100 million for establishing an insurance firm and AED 250 million for a reinsurance firm. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or Gulf Cooperation Council national individuals or corporate bodies. The Company is complying with the above requirements.

Significant accounting policies

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

Categories of financial instruments

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
Financial assets		
Statutory deposit	10,000,000	10,000,000
Investments	107,622,817	103,096,360
Retakaful contract assets	317,606,284	249,603,181
Takaful and other receivables	23,276,383	34,981,107
Cash and bank balances	<u>307,991,319</u>	<u>252,642,134</u>
Total	<u>766,496,803</u>	<u>650,322,782</u>
Takaful		
Takaful contract liabilities	436,861,232	344,444,574
Retakaful and other liabilities	68,326,166	77,781,065
Retakaful deposits retained	<u>29,292,761</u>	<u>27,990,976</u>
Total	<u>534,480,159</u>	<u>450,216,615</u>

Profit return rate risk management

The Company is not exposed to significant profit return rate risks as its profit return-sensitivity assets are repriced frequently.

The Company's rate of return risk is mainly attributable to its bank deposits.

The Company generally tries to minimise the rate of return risk by closely monitoring the market rates and investing in those financial assets in which such risk is expected to be minimal.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

28 FINANCIAL INSTRUMENTS continued

Foreign currency risk

The Company is not exposed to significant foreign currency risk as substantially all financial assets and financial liabilities are denominated in AED or US Dollars to which the AED is pegged.

Market price risk

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

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

Key areas where the Company is exposed to credit risk are:

- Retakafuls' share of takaful liabilities;
- Amounts due from retakaful in respects of claims already paid;
- Amounts due from takaful contract holders;
- Amounts due from takaful intermediaries; and
- Amounts due from banks for its bank balances and fixed deposits.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management annually.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary insurer. If retakaful company fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of a retakaful company is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company.

Management information reported to the Company includes details of provisions for impairment on takaful receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for retakaful is carried out by the Company. Details on concentration of amounts due from policyholders is disclosed in note 10. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

28 FINANCIAL INSTRUMENTS continued

Credit risk management continued

The credit risk on liquid funds maintained with banks is limited because the counterparties are reputable local banks closely monitored by the regulatory body.

At 31 December 2016, all of the deposits were placed with 8 banks (2015: 7 banks). Management is confident that this concentration at year end does not result in any credit risk to the Company as these banks are major banks operating in the UAE and are highly regulated by the Central Bank.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk for such receivable and liquid funds.

Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Bank facilities, the policy holders and the retakaful, are the major sources of funding for the Company and the liquidity risk for the Company is assessed to be low.

The table below summarises the maturity profile of the Company's financial liabilities with maturities determined on the basis of the remaining period from the end of the reporting period to the contractual maturity / repayment date.

The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	<i>Carrying amount AED</i>	<i>0 - 180 days AED</i>	<i>181 - 365 days AED</i>
<i>Financial liabilities at 31 December 2016</i>			
Takaful contract liabilities	436,861,232	-	436,861,232
Retakaful and other liabilities	68,326,166	68,326,166	-
Retakaful deposits retained	<u>29,292,761</u>	<u>-</u>	<u>29,292,761</u>
Total	<u>534,480,159</u>	<u>68,326,166</u>	<u>466,153,993</u>
<i>Financial liabilities at 31 December 2015</i>			
Takaful contract liabilities	344,444,574	-	344,444,574
Retakaful and other liabilities	77,781,065	64,200,975	13,580,090
Retakaful deposits retained	<u>27,990,976</u>	<u>-</u>	<u>27,990,976</u>
Total	<u>450,216,615</u>	<u>64,200,975</u>	<u>386,015,640</u>

Fair value of financial assets and liabilities

Management considers that the fair values of financial assets and financial liabilities in the financial statements approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

29 FAIR VALUE MEASUREMENTS

The following table provides fair value hierarchy of the Company's assets measured at fair value.

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
31 December 2016				
Investments at fair value through other comprehensive income				
Equities	18,095,537	-	13,714,779	31,810,316
Investments at fair value through profit or loss	-	75,812,501	-	75,812,501
Investment properties	-	-	19,222,725	19,222,725
Total	<u>18,095,537</u>	<u>75,812,501</u>	<u>32,937,504</u>	<u>126,845,542</u>
31 December 2015				
Investments at fair value through other comprehensive income				
Equities	18,461,535	-	13,630,266	32,091,801
Investments at fair value through profit or loss	-	71,004,559	-	71,004,559
Investment properties	-	-	20,260,028	20,260,028
Total	<u>18,461,535</u>	<u>71,004,559</u>	<u>33,890,294</u>	<u>123,356,388</u>

There were no transfers between levels 1, 2 and 3 in 2016 and 2015.

30 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>2016 AED</i>	<i>2015 AED</i>
Bank guarantees	<u>2,083,320</u>	<u>3,810,479</u>

Bank guarantees were issued in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

31 ANALYSIS OF FINANCIAL STATEMENTS

Further analysis of the statement of financial position and statement of income are set out separately as follows:

Statement of Financial Position for Property and Liability Takaful

As at 31 December 2016

	<i>2016</i> <i>AED</i>	<i>2015</i> <i>AED</i>
ASSETS		
Takaful Operations Assets		
Financial assets designated at fair value through income	14,374,873	14,160,993
Statutory deposits	-	6,000,000
Deferred policy acquisition costs	2,480,216	2,135,677
Reinsurers' share of unearned premiums	46,477,425	45,321,790
Prepaid expenses and other assets	5,407,019	2,159,981
Reinsurers' share of outstanding claims	117,155,358	103,888,689
Premiums and Re-Takaful balances receivables	12,597,789	29,107,817
Deposits	110,825,868	65,333,798
Cash and cash equivalents	<u>26,599,571</u>	<u>43,596,208</u>
Total Takaful Operations Assets	<u>335,918,119</u>	<u>311,704,953</u>
Shareholders' assets		
Property and equipment	24,034,410	23,789,230
Statutory deposits	10,000,000	
Financial assets designated at fair value through income	61,437,628	56,843,566
Financial assets carried at fair value through other comprehensive income	31,810,314	32,091,801
Investments in properties	19,222,726	20,260,028
Prepaid expenses and other assets	14,496,296	3,704,045
Deposits	124,533,849	95,593,279
Cash and cash equivalents	<u>3,550,011</u>	<u>25,093,450</u>
Total shareholders' assets	<u>289,085,234</u>	<u>257,375,399</u>
TOTAL ASSETS	<u>625,003,353</u>	<u>569,080,352</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

31 OTHER FINANCIAL INFORMATION continued

Statement of Financial Position for Property and Liability Takaful continued

As at 31 December 2016

	2016 AED	2015 AED
LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY		
Liabilities		
Takaful Operations Liabilities		
Takaful payables	5,572,754	4,372,380
Outstanding claims	156,377,636	136,840,231
Retakaful payables balances	65,806,242	80,105,657
Accrued expenses and other liabilities	22,190,790	7,757,216
Unearned Re-Takaful commission income	4,126,563	3,057,750
Unearned premiums	<u>81,844,134</u>	<u>79,571,719</u>
Total Takaful Operations Liabilities	<u>335,918,119</u>	<u>311,704,953</u>
Shareholders' liabilities		
Accrued expenses and other liabilities	11,808,375	10,476,488
Provision for end of service benefits	<u>6,354,357</u>	<u>5,951,639</u>
Total shareholders' liabilities	<u>18,162,732</u>	<u>16,428,127</u>
Total liabilities	<u>354,080,851</u>	<u>328,133,080</u>
Participants' fund		
Deficit of participants Takaful fund	(7,456,652)	(6,937,930)
Loan from shareholders' fund	<u>7,456,652</u>	<u>6,937,930</u>
Total participants' fund	<u>-</u>	<u>-</u>
Shareholders' equity		
Share capital	100,000,000	100,000,000
Legal reserve	29,049,798	24,209,407
General reserve	42,500,000	42,500,000
Investment revaluation reserve	10,147,998	7,842,492
Retained earnings	<u>89,224,706</u>	<u>66,395,373</u>
Total shareholders' equity	<u>270,922,502</u>	<u>240,947,272</u>
TOTAL LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY	<u>625,003,353</u>	<u>569,080,352</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

31 OTHER FINANCIAL INFORMATION continued

Statement of Financial Position for Persons Takaful

As at 31 December 2016

	2016 AED	2015 AED
ASSETS		
Takaful Insurance of Persons' Assets		
Statutory deposits	-	4,000,000
Deferred policy acquisition costs	693,449	617,073
Reinsurers' share of unearned premiums	119,156,588	84,157,422
Prepaid expenses and other assets	1,479,693	-
Reinsurers' share of outstanding claims	34,816,911	16,235,280
Deposits	30,607,184	23,025,399
Cash and cash equivalents	<u>11,874,836</u>	<u>-</u>
Total Takaful Operations Assets	<u>198,628,661</u>	<u>128,035,174</u>
TOTAL ASSETS	<u>198,628,661</u>	<u>128,035,174</u>
LIABILITIES AND PARTICIPANTS' FUND		
Liabilities		
Takaful Operation Liabilities		
Outstanding claims	38,238,844	18,086,687
Unearned Re-Takaful commission income	(10,800)	2,550
Unearned premiums	<u>160,400,617</u>	<u>109,945,937</u>
Total Takaful Operations Liabilities	<u>198,628,661</u>	<u>128,035,174</u>
Total liabilities	<u>198,628,661</u>	<u>128,035,174</u>
Participants' fund		
Deficit of participants Takaful fund	(4,118,605)	(8,095,890)
Loan from shareholders' fund	<u>4,118,605</u>	<u>8,095,890</u>
Total participants' fund	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND PARTICIPANTS' FUND	<u>198,628,661</u>	<u>128,035,174</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

31 OTHER FINANCIAL INFORMATION continued

Statement of Income for Property and Liability Takaful

For the year ended 31 December 2016

	2016 AED	2015 AED
Takaful income		
Gross takaful contributions	207,881,382	194,680,274
Re-Takaful share of accepted business	275,274	1,631,481
Retakaful share of ceded business	<u>(121,953,887)</u>	<u>(114,308,560)</u>
Net takaful contributions	<u>86,202,769</u>	<u>82,003,195</u>
Net transfer to unearned contribution reserve	(1,116,779)	(1,862,970)
Net takaful contributions earned	<u>85,085,990</u>	<u>80,140,225</u>
Commissions earned	11,538,528	8,614,851
Other Takaful income	<u>1,898,550</u>	<u>886,678</u>
Total Takaful income	<u>98,523,068</u>	<u>89,641,754</u>
Takaful expenses		
Gross claims incurred	91,944,606	100,076,489
Re-Takaful share of accepted business claims	863,836	1,498,051
Re-Takaful share of ceded business claims	<u>(58,184,314)</u>	<u>(68,509,395)</u>
Net claims incurred	<u>34,624,128</u>	<u>33,065,145</u>
Movement in outstanding claims reserve	14,654,056	(8,290,345)
Movement in Re-Takaful share of outstanding claims reserve	(11,311,277)	7,989,137
Increase (decrease) in incurred but not reported claims reserve	1,549,154	(399,361)
Increase in unallocated loss adjustment expense reserve	<u>1,378,800</u>	<u>-</u>
Net Takaful claims incurred	<u>40,894,861</u>	<u>32,364,576</u>
Takaful expenses incurred	14,830,349	14,885,029
Other Takaful expenses	<u>5,419,513</u>	<u>5,215,374</u>
Total Takaful expenses	<u>61,144,723</u>	<u>52,464,979</u>
Net Takaful income	37,378,345	37,176,775
Wakalah fees to shareholders' fund	(39,955,483)	(38,065,050)
Mudaraba share to shareholders' fund	(882,179)	(409,252)
Takaful fund investment income	<u>2,940,594</u>	<u>1,364,176</u>
Net (loss) income from Takaful operations	<u><u>(518,723)</u></u>	<u><u>66,649</u></u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

31 OTHER FINANCIAL INFORMATION continued

Statement of Income for Persons Takaful

For the year ended 31 December 2016

	2016 AED	2015 AED
Takaful income		
Gross takaful contributions	112,623,680	100,529,992
Retakaful share of ceded business	<u>(50,472,787)</u>	<u>(52,111,210)</u>
Net Takaful contributions	<u>62,150,893</u>	<u>48,418,782</u>
Net transfer to unearned contribution reserve	(15,455,513)	(7,753,094)
Net takaful contributions earned	<u>46,695,380</u>	<u>40,665,688</u>
Commissions earned	4,417,548	1,722,545
Other Takaful income	<u>-</u>	<u>574,682</u>
Total Takaful income	<u>51,112,928</u>	<u>42,962,915</u>
Takaful expenses		
Gross claims incurred	15,625,910	7,344,455
Re-Takaful share of accepted business claims	2,666	3,817
Re-Takaful share of ceded business claims	<u>(13,881,396)</u>	<u>(6,537,892)</u>
Net claims incurred	<u>1,747,180</u>	<u>810,380</u>
Movement in outstanding claims reserve	12,591,157	(113,265)
Movement in Re-Takaful share of outstanding claims reserve	(11,676,985)	533,674
Increase in incurred but not reported claims reserve	544,494	382,701
Increase in unallocated loss adjustment expense reserve	<u>111,859</u>	<u>-</u>
Net Takaful claims incurred	<u>3,317,705</u>	<u>1,613,490</u>
Takaful expenses incurred	7,785,267	6,913,928
Other Takaful expenses	<u>420,004</u>	<u>562,889</u>
Total Takaful expenses	<u>11,522,976</u>	<u>9,090,307</u>
Net Takaful income	39,589,952	33,872,608
Wakalah fees to shareholders' fund	(35,996,768)	(28,219,973)
Mudaraba share to shareholders' fund	(164,615)	(111,700)
Takaful fund investment income	<u>548,717</u>	<u>372,332</u>
Net Income from Takaful operations	<u>3,977,286</u>	<u>5,913,267</u>