ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C.

Reports and financial statements for the year ended 31 December 2019

ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C.

Reports and financial statements
for the year ended 31 December 2019

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Directors' report
for the year ended 31 December 2019

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 2019, 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 business while avoiding greater risks. This approach has enabled us to improve our technical results by 20% despite severe competition in the market.

The audited financial statements shows the progress made by the company. The company recorded another year of growth with net profit of AED 72.7 million during the financial year ended 31 December 2019, achieving 6% increase compared to prior year. The following highlights the company results in comparison with the same period last year:

- The total gross contributions for the year ended 31 December 2019 reached AED 488.6 million as compared to AED 384.5 million for the prior year.
- Net claims incurred for year 2019 reached AED 60.7 million comparing to AED 49.4 million for year 2018 resulting in net loss ratio of 29.3% compared to 29.1% for the prior year.
- Technical results increased to AED 135.5 million versus AED 113.1 million for the prior year.
- Net investment income and other income improved to AED 30 million compared to AED 25.8 million for the prior year.
- Total assets size reached AED 1,232 million, growth of 21.4% versus last year.
- Total cash, bank balances and deposits reached AED 641.6 million compared to AED 564.7 million at the end of prior year, all of which are deposited with UAE banks.
- Net profit for the year ended 31 December 2019 grew 6.4% to AED 72.7 million. Basic and diluted earnings per share increased to AED 0.73 from to AED 0.68 for the prior year.
- Shareholder's equity at 31 December 2019 reached AED 396.2 million compared to AED 339.7 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 competitive advantage in the market place. This will lead to growth of takaful written contributions and achieve higher returns for our shareholders and policyholders.

Distribution of Profits
The net profits achieved by the company during the year ended 31 December 2019 amounted to AED 72,655,116. In accordance with article (58) of articles of association of the company, we propose to the general assembly to distribute AED 25,000,000, which represents 25% of the paid up capital, as cash dividend.

Distribution of Profits

The net profits achieved by the company during the year ended 31 December 2019 amounted to AED 72,655,116. In accordance with article (58) of articles of association of the company, we propose to the general assembly to distribute AED 25,000,000, which represents 25% 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 Committee report and the External Auditors' report for the year ended 31 December 2019.
2. The statement of financial position and income statement for the year ended 31 December 2019.
3. The profit distribution for the year ended 31 December 2019 amounting to AED 72,655,116 is as follows:

	2019 AED
Proposed cash dividend of 25% of the paid up capital	**25,000,000**
Transfer to legal reserve	**7,265,512**
Board of Directors remunerations	**4,867,668**
Retained earnings, carried forward	**35,521,936**
	72,655,116

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 2019.
5. Appoint the External Auditors for the year ending 31 December 2020 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 Buharoon
Chairman of Board of Directors

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Abu Dhabi National Takaful Company P.S.C. (the "Company") which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, 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 Auditor's 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 (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's 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 judgement, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

Key Audit Matters (continued)

Estimation uncertainty with respect to the measurement of outstanding claims liabilities

The financial statement risk

As described in Note 7 to the financial statements of the Company, outstanding claims liabilities amounted to AED 165.3 million which includes reported claims of AED 115.9 million and claims incurred but not reported (IBNR) of AED 48.5 million. The retakaful share of outstanding claims amounted to AED 123.7 million at the reporting date.

The outstanding claims liabilities at the reporting date represent the Company's expectations regarding future payments for known and unknown claims including associated expenses. The Company uses various methods to estimate these obligations.

Measurement of these outstanding claims is highly judgmental, and requires a number of assumptions to be made that exhibit substantial estimation uncertainty. This is particularly the case for those obligations that are recognised in respect of claims that have been incurred but not reported to the Company ("IBNR"). Certain lines of business also contain greater inherent uncertainty, for example, those where claims emerge more slowly over time, or where there is greater variability in claim settlement amounts. The key assumptions that drive the outstanding claims calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, discount rates for longer tail classes of business.

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

In addition, the valuation of the retakaful share of outstanding claims is dependent on, but not directly correlated to, the valuation of the underlying claims outstanding. There is judgement involved in ascertaining the level of reinsurance share of IBNR held, which depends on the specific terms of the reinsurance contracts in place.

We considered the measurement of the outstanding claims liabilities as a key audit matter due to the quantitative materiality of these obligations for the assets, liabilities and financial performance of the Company as well as the the significant judgements and the associated uncertainties in the estimates made by management in determining the amount of liabilities.

For further information on the accounting policies relating to this key audit matter refer to Note 3.3 as well as Note 4 for disclosures about its key sources of estimation uncertainty.

How the matter was addressed in the audit

We established an audit approach which included both testing the design and operating effectiveness of internal controls over the measurement of outstanding claims liabilities and retakaful share of outstanding claims as well as risk-based substantive audit procedures.

As part of our procedures over internal controls, we evaluated the appropriateness of selected controls established by the Company for the purpose of selecting actuarial methods, determining assumptions, making estimates for the measurement of certain outstanding claims and consistency of application of accounting policies.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

Key audit matters (continued)

Estimation uncertainty with respect to the measurement of outstanding claims liabilities (continued)
How the matter was addressed in the audit (continued)
The primary substantive procedures which we performed to address this key audit matter included, but were not limited to, the following: • We verified, for a sample of outstanding claims, whether the estimated amounts of specific cases were adequately documented and substantiated by, for example, reports from loss adjusters; • We verified reconciliations between claims data recorded in the Company's systems and data used in the actuarial reserving calculations; • We assessed the competence, capabilities, qualifications and objectivity of the external actuary engaged by the Company for the valuation of technical provisions; • With the support of our insurance valuation specialists, we compared the respective actuarial methods applied and the material assumptions with generally recognised actuarial practices and industry standards and examined to what extent these are appropriate for the valuation and consistent between reporting periods; • We considered the results of the third-party actuarial valuation of the outstanding claims liabilities to identify and understand any significant differences in the liabilities as compared to management's estimates and prior period amounts; • We recalculated the amount of the provisions for selected products, in particular products with substantial reserves or increased estimation uncertainties. For these products, we compared the recalculated provisions with the provisions calculated by the Company and evaluated any differences; • We compared claims transactions on a sample basis with supporting documentation to evaluate whether the claims reported during the reporting period were recorded in accordance with the Company's internal policy; • We inspected significant arrangements with reinsurers to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on prevailing terms and conditions; and • We assessed the disclosures included in Note 3.3 and Note 7 in relation to outstanding claims against the relevant IFRS disclosure requirements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

Key Audit Matters (continued)

Estimation uncertainty with respect to provisions for unearned contribution reserves

The financial statement risk

The Company underwrites various classes of business which exhibit different risk patterns and tails of business. Gross contributions written comprise the total amount of premium receivables for the entire period covered under an insurance contract and are recognised on the date on which the insurance policy commences. The Company records a portion of net retained contributions as unearned contribution reserves to cover the financial risks that have not expired at the reporting date. The application of an appropriate earnings patterns is therefore necessary in order to earn revenue in accordance with the financial risk of claims occurring for insurance policies.

The unearned contribution reserve is required to be calculated in accordance with the UAE Insurance Law relating to insurance and takaful companies.

The provisions recognised for unearned contribution reserves amounted to AED 440.5 million at the end of the reporting period. For further information on the accounting policies relating to this key audit matter refer to Note 3.3 as well as Note 4 for disclosures about its key sources of estimation uncertainty.

How the matter was addressed in the audit

We established an audit approach which included both testing the design and operating effectiveness of internal controls over revenue recognition and substantive audit procedures. Our audit procedures in respect of this matter included, but were not limited to, the following:

- We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the process of capturing, processing and recording of information relating to recognition of revenue in the correct reporting period;
- We assessed whether the Company's revenue recognition policy complied with IFRSs 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 compared the unearned contributions reserve balance recorded in the financial statements to the reserve balance determined by the Company's external actuary;
- We recalculated, on a sample basis, the unearned contributions reserve based on the earning period of takaful contracts existing at the end of the reporting period;
- We tested written policies on a sample basis where revenue was recorded close to year end and subsequent to year end, and evaluated whether these were recorded in the appropriate accounting period; and
- We assessed the disclosures included in Note 3.3 in relation to this area against the relevant IFRS disclosure requirements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

Other Matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 18 February 2019.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Directors' Report of the Company but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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.

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

Auditor's 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 scepticism 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 auditor's 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 auditor's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and articles of association of the Company;
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Company's books of account;
- Note 8 to the financial statements of the Company discloses purchased or investments in shares during the financial year ended 31 December 2019;
- Note 18 to the financial statements of the Company discloses material related party transactions and the terms under which these were conducted;
- Note 23.1 to the financial statements of the Company discloses social contributions made during the financial year ended 31 December 2019; and
- 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 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its articles of association which would materially affect its activities or its financial position as at 31 December 2019.

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

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
10 February 2020
Abu Dhabi
United Arab Emirates

Statement of financial position
as at 31 December 2019

	Notes	2019 AED	2018 AED
ASSETS			
Takaful operations assets			
Financial assets measured at fair value through profit or loss	8(a)	**9,441,739**	13,379,098
Financial assets measured at fair value through other comprehensive income	8(b)	**5,238,201**	554,849
Retakaful share of unearned contributions	7	**106,953,255**	68,997,143
Retakaful share of outstanding claims	7	**123,666,197**	121,536,904
Prepaid expenses and other assets		**29,534,014**	16,824,490
Contributions and retakaful balances receivables	6	**13,879,625**	13,740,200
Term deposits	5	**463,771,149**	335,936,014
Cash and bank balances	5	**61,610,090**	50,159,035
Total takaful operations assets		**814,094,270**	621,127,733
Shareholders' assets			
Property and equipment	11	**17,558,876**	20,334,463
Statutory deposit	9	**10,000,000**	10,000,000
Financial assets measured at fair value through profit or loss	8(a)	**25,544,299**	47,025,856
Financial assets measured at fair value through other comprehensive income	8(b)	**158,866,525**	79,843,283
Investments properties	10	**18,309,000**	19,720,000
Deferred policy acquisition costs		**64,870,619**	31,925,356
Prepaid expenses and other assets		**6,561,139**	6,617,065
Term deposits	5	**48,230,572**	160,189,464
Cash and bank balances	5	**67,994,103**	18,433,368
Total shareholders' assets		**417,935,133**	394,088,855
TOTAL ASSETS		**1,232,029,403**	1,015,216,588
LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY			
Takaful operations liabilities			
Takaful payables	12	**10,463,178**	11,798,816
Outstanding claims	7	**165,281,006**	161,370,383
Unearned contributions	7	**440,527,290**	364,920,889
Retakaful payables	12	**120,978,903**	78,996,407
Accrued expenses and other liabilities		**8,092,044**	7,190,480
Unearned retakaful commission income		**4,994,868**	3,625,435
Total takaful operations liabilities		**750,337,289**	627,902,410

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

Statement of financial position
as at 31 December 2019 (continued)

	Notes	2019 AED	2018 AED
Shareholders' liabilities			
Accrued expenses and other liabilities		**23,327,066**	18,364,142
Provision for end of service benefits	13	**9,585,241**	8,358,564
Total shareholders' liabilities		**32,912,307**	26,722,706
Total liabilities		**783,249,596**	654,625,116
Policyholders' fund			
Surplus of life policyholders takaful fund	17	**46,657,720**	17,577,087
Distribution payable to life takaful fund policyholders	17	**5,804,958**	3,250,205
Deficit of general policyholders takaful fund	17	**(7,696,170)**	(8,767,283)
Loan from shareholders	17	**7,696,170**	8,767,283
Investment revaluation reserve	17	**151,036**	3,026
Total Policyholders' fund		**52,613,714**	20,830,318
Shareholders' equity			
Share capital	14	**100,000,000**	100,000,000
Legal reserve	15	**49,056,937**	41,791,425
General reserve	16	**42,500,000**	42,500,000
Investment revaluation reserve		**10,928,055**	220,224
Retained earnings		**193,681,101**	155,249,505
Total shareholders' equity		**396,166,093**	339,761,154
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY		**1,232,029,403**	1,015,216,588

Khamis Buharoon
Chairman of the Board of Directors

Osama Abdeen
Chief Executive Officer

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

Statement of profit or loss
for the year ended 31 December 2019

	Notes	2019 AED	2018 AED
Attributable to policyholders			
Gross contributions written		**467,332,160**	383,295,889
Retakaful contributions accepted		**21,257,818**	1,155,670
Retakaful contributions ceded		**(243,971,518)**	(173,517,979)
Net written contributions		**244,618,460**	210,933,580
Change in net unearned contribution provision		**(37,650,289)**	(40,796,433)
Net earned contributions		**206,968,171**	170,137,147
Commissions earned		**15,810,287**	12,576,445
Gross takaful income		**222,778,458**	182,713,592
Gross claims paid		**(180,926,049)**	(160,034,072)
Retakaful share of accepted claims paid		**(1,981,713)**	(349,873)
Retakaful share of ceded claims paid		**128,380,536**	116,163,807
Net paid claims		**(54,527,226)**	(44,220,138)
Change in outstanding claim		**3,341,144**	25,343,560
Change in retakaful share of outstanding claims		**(4,991,121)**	(24,087,648)
Change in incurred but not reported claims reserve		**(7,200,379)**	(2,091,732)
Change in retakaful share of incurred but not reported claims reserve		**7,120,414**	(17,857)
Change in unallocated loss adjustment expense		**(4,466,862)**	(4,372,601)
Net claims incurred		**(60,724,030)**	(49,446,416)
Takaful income		**162,054,428**	133,267,176
Other income		**241,039**	2,009,370
Takaful operating profit		**162,295,467**	135,276,546
Policyholders' investment income	20	**15,651,226**	10,834,121
Mudareb share	21	**(5,477,930)**	(3,791,942)
Wakalah fees	21	**(139,139,554)**	(116,024,376)
Surplus of takaful result for the year	17	**33,329,209**	26,294,349
Attributable to shareholders			
Shareholders' investment and other income, net	22	**14,071,264**	12,996,948
Mudareb share from policyholders	21	**5,477,930**	4,903,261
Wakalah fees from policyholders	21	**139,139,554**	116,024,376
Takaful expense		**(26,778,896)**	(22,128,258)
General and administrative expenses	23	**(60,325,849)**	(52,168,053)
Decrease in provision of loan from shareholders	17	**1,071,113**	8,717,262
Profit for the year	25	**72,655,116**	68,345,536
Basic and diluted earnings per share	23	**0.73**	0.68

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

Statement of comprehensive income
for the year ended 31 December 2019

	2019 AED	2018 AED
Profit for the year	**72,655,116**	68,345,536
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Change in fair value of equity investments measured at fair value through other comprehensive income	**7,357,575**	(12,117,518)
Board of Director's remuneration	**(4,867,668)**	(4,867,668)
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of sukuk investments measured at fair value through other comprehensive income	**1,259,916**	1,664
Total other comprehensive income / (loss) for the year	**3,749,823**	(16,983,522)
Total comprehensive income for the year	**76,404,939**	51,362,014

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

Statement of changes in shareholders' equity for the year ended 31 December 2019

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2018	100,000,000	34,956,871	42,500,000	7,291,256	123,651,013	308,399,140
Loss on disposal of financial assets measured at fair value through other comprehensive income	-	-	-	5,044,822	(5,044,822)	-
Profit for the year	-	-	-	-	68,345,536	68,345,536
Other comprehensive loss	-	-	-	(12,115,854)	(4,867,668)	(16,983,522)
Total comprehensive income for the year	-	-	-	(12,115,854)	63,477,868	51,362,014
Transfer to legal reserve	-	6,834,554	-	-	(6,834,554)	-
Dividends paid to shareholder (note 19)	-	-	-	-	(20,000,000)	(20,000,000)
Balance at 1 January 2019	100,000,000	41,791,425	42,500,000	220,224	155,249,505	339,761,154
Loss on disposal of financial assets measured at fair value through other comprehensive income	-	-	-	2,090,340	(2,090,340)	-
Profit for the year	-	-	-	-	72,655,116	72,655,116
Other comprehensive income	-	-	-	8,617,491	(4,867,668)	3,749,823
Total comprehensive income for the year	-	-	-	8,617,491	67,787,448	76,404,939
Transfer to legal reserve	-	7,265,512	-	-	(7,265,512)	-
Dividends paid to shareholder (note 19)	-	-	-	-	(20,000,000)	(20,000,000)
Balance at 31 December 2019	**100,000,000**	**49,056,937**	**42,500,000**	**10,928,055**	**193,681,101**	**396,166,093**

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

Statement of cash flows
for the year ended 31 December 2019

	2019 AED	2018 AED
OPERATING ACTIVITIES		
Profit for the year	**72,655,116**	68,345,536
Adjustments for:		
Depreciation of property and equipment	**3,587,251**	3,355,726
Movement of unearned contributions, net	**37,650,289**	40,796,433
Investment and other income	**(28,606,195)**	(26,057,361)
Net movement in provision for end of service benefits	**1,226,677**	1,295,087
Movement in provision for doubtful debts	**1,030,000**	(1,000,000)
Movement in provision of loan from shareholders	**(1,071,113)**	(8,717,262)
Increase in fair value of investments properties	**1,411,000**	(120,000)
Increase in fair value of investments as fair value through profit or loss	**(2,501,754)**	2,347,658
Surplus of life policy holders takaful fund	**31,830,428**	17,577,087
Gain on disposal of property and equipment	**(25,541)**	(1,366)
Mudareb share from proposed distribution to life takaful fund	-	(1,111,319)
Operating profit before movements in working capital:	**117,186,158**	96,710,219
Increase in prepaid and other assets	**(12,653,598)**	(10,602,373)
Increase in contributions and retakaful balances receivables	**(1,169,425)**	(3,664,808)
Increase in deferred policy acquisition costs	**(32,945,263)**	(27,158,214)
Increase in outstanding claims, net	**1,781,330**	1,004,084
Decrease in distribution payable to takaful fund policyholders	**(195,042)**	(1,195,070)
Decrease in provision of loan from shareholders	**1,071,113**	8,717,262
Increase in takaful payables	**(1,335,637)**	5,102,401
Increase in retakaful payables	**41,982,496**	2,276,702
Decrease in accrued expenses and other liabilities	**5,864,487**	(1,624,658)
Increase in unearned retakaful commission income	**1,369,433**	(243,461)
Directors' remuneration paid	**(4,867,668)**	(5,111,051)
Net cash generated operating activities	**116,088,384**	64,211,033
INVESTING ACTIVITIES		
Proceeds from sale of investments	**63,820,261**	112,633,526
Purchase of investments	**(110,840,684)**	(153,466,624)
Proceeds from sale of property and equipment	**25,715**	1,462
Purchase of property and equipment	**(811,838)**	(1,701,201)
Investment and other income received	**28,606,195**	26,057,361
Proceeds from redemption of term deposits	**332,422,307**	395,575,252
Purchase of term deposits	**(212,590,960)**	(536,343,829)
Net cash from (used in) investing activities	**100,630,996**	(157,244,053)
FINANCING ACTIVITY		
Dividends paid	**(20,000,000)**	(20,000,000)
Increase/(decrease) in cash and cash equivalents	**196,719,380**	(113,033,020)
Cash and cash equivalents at the beginning of the year	**87,158,698**	200,191,718
Cash and cash equivalents at the end of the year (note 5)	**283,878,078**	87,158,698

The accompanying notes form an integral part of these condensed financial information.

Notes to the financial statements
for the year ended 31 December 2019

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 Federal Law No. (2) of 2015.

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 2019 have been authorised for issue in accordance with a resolution of the Board of Directors on 10 February 2020.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements.

In the current year, the Company, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company performed an assessment of IFRS 16 and is of the view that this standard does not have material impact on the company's financial statements.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether	
a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019
The *Annual Improvements* include amendments to four Standards.	
IAS 12 *Income Taxes*	1 January 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	

Notes to the financial statements
for the year ended 31 December 2019 (continued)

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

2.1 New and amended IFRS applied with no material effect on the financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IAS 23 *Borrowing costs*	1 January 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	
IFRS 3 *Business Combinations*	1 January 2019
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	
IFRS 11 *Joint Arrangements*	1 January 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	1 January 2019
The amendments to IAS 19 *Employee Benefits* clarify the accounting for defined benefit plan amendments, curtailments and settlements.	
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • whether tax treatments should be considered collectively; • assumptions for taxation authorities' examinations; • the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • the effect of changes in facts and circumstances.	

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	
Definition of a Business – Amendments to IFRS 3 *Business Combinations*	1 January 2020
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	
Amendments to *References to the Conceptual Framework in IFRS Standards*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments	1 January 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform	
IFRS 17 *Insurance Contracts*	1 January 2022
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at 1 January 2022.	

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 January 2018). The amendments address issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach.

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 and confirms to apply IAS 39 for financial instruments. The overlay approach allows an entity applying IFRS 9 from 1 January 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of both IFRS 9 and IFRS 17 until 31 December 2021.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application, except for IFRS 17 and IFRS 9.

3 Summary of significant account policies

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and applicable requirements of United Arab Emirates (UAE) Federal Law No. 2 of 2015 and Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of UAE, as well as the Insurance Authority Financial Regulations for insurance companies (the "Regulations").

Notes to the financial statements
for the year ended 31 December 2019 (continued)

3 Summary of significant account policies (continued)

3.2 Basis of preparation

These financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values as at the end of each reporting date, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

3.3 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.

3 Summary of significant account policies (continued)

3.3 Takaful contracts (continued)

Retakaful contract assets

Retakaful contract assets include retakaful share of outstanding claims (including share of claims incurred but not reported – IBNR) and retakaful share of unearned contributions.

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.

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 share of outstanding claims and retakaful share of unearned contributions 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.

3 Summary of significant account policies (continued)

3.3 Takaful contracts (continued)

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.

3.4 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.

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.

3 Summary of significant account policies (continued)

3.5 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.

3.6 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.

3.7 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.

3 Summary of significant account policies (continued)

3.8 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.

3.9 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.

3.10 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.

3 Summary of significant account policies (continued)

3.11 Financial assets

Classification and measurement

The Company has the following financial assets: cash and cash equivalents, contributions and retakaful balances 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.

Contributions and retakaful balances 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 (equity instruments)

Investments at fair value through other comprehensive income (equity instruments) 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 other comprehensive income (debt instruments)

Investments at fair value through other comprehensive income (debt instruments) are initially recorded at cost and subsequently measured at fair value. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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.

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

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.

3.12 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.

3.13 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.

3.14 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 Critical accounting judgments and key sources of estimation uncertainty

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:

Unearned contribution reserve

The provision for unearned contribution represents that portion of contribution received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and contribution are charged, and is brought to account as contribution income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Fair value of investment properties

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 value of unquoted equity investments

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.

Impairment of contributions and retakaful balances 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 2019 amounted to AED 2,380,000 (2018: AED 1,350,000).

4 Critical accounting judgments and key sources of estimation uncertainty

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 2019 amounted to AED 48,523,239 (2018:AED 41,322,860) as detailed in note 7.

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.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

5 Cash and cash equivalents

	2019 AED	2018 AED
Cash and bank balances	**129,604,193**	68,592,403
Term deposits	**512,001,721**	496,125,478
Cash and bank balances	**641,605,914**	564,717,881
Less: term deposits with original maturity of more than three month	**(357,727,836)**	(477,559,183)
Cash and cash equivalents	**283,878,078**	87,158,698
Takaful operations assets	**215,883,975**	68,725,330
Shareholders' assets	**67,994,103**	18,433,368
	283,878,078	87,158,698

Term deposits represent deposits held with Islamic financial institutions in the UAE, are denominated in UAE dirhams and carry profit at the expected prevailing market rates ranging from 1.89% to 5% per annum (2018: 3.15% to 5%).

6 Contributions and retakaful balances receivables

	2019 AED	2018 AED
Due from policyholders	**12,440,749**	13,996,759
Due from insurance and reinsurance companies	**3,818,876**	1,093,441
	16,259,625	15,090,200
Less: Provision for doubtful debts	**(2,380,000)**	(1,350,000)
	13,879,625	13,740,200

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

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.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

6 Contributions and retakaful balances receivables (continued)

As at 31 December 2019, balances due from policyholders, insurance and reinsurance companies at a nominal value of AED 2,380,000 (2018: AED 1,350,000) were impaired and fully provided for.

Movement in provisions for doubtful debts is as follows:

	2019 AED	2018 AED
At 1 January	**1,350,000**	2,350,000
Additions	**1,030,000**	-
Reversals	-	(1,000,000)
	2,380,000	1,350,000

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

	2019 AED	2018 AED
Not past due	**11,945,914**	10,973,996
Past due but not impaired		
91-180 days	**1,933,711**	2,766,204
181-360 days	-	-
More than 360 days	-	-
	13,879,625	13,740,200

Notes to the financial statements
for the year ended 31 December 2019 (continued)

7 Retakaful contract assets and Takaful contract liabilities

	2019 AED	2018 AED
Gross		
Takaful contract liabilities:		
Reported claims	**115,915,335**	119,256,479
Claims incurred but not reported	**48,523,239**	41,322,860
Unallocated loss adjustment expense reserve	**842,432**	791,044
Outstanding claims	**165,281,006**	161,370383
Unearned contributions reserve	**440,527,290**	364,920,889
	605,808,296	526,291,272
Recoverable from takaful		
Takaful contract assets:		
Reported claims	**86,985,336**	91,976,457
Claims incurred but not reported	**36,680,861**	29,560,447
Retakaful share of outstanding claims	**123,666,197**	121,536,904
Retakaful share of unearned contributions	**106,953,255**	68,997,143
	230,619,452	190,534,047
Takaful liabilities – net		
Reported claims	**28,929,999**	27,280,022
Claims incurred but not reported	**11,842,378**	11,762,413
Unallocated loss adjustment expense reserve	**842,432**	791,044
	41,614,809	39,833,479
Unearned contributions reserve	**333,574,035**	295,923,746
	375,188,844	335,757,225

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Retakaful contract assets and Takaful contract liabilities (continued)

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

	2019			2018		
	Gross AED	**Retakaful AED**	**Net AED**	Gross AED	Retakaful AED	Net AED
Claims						
Reported claims	**119,256,479**	**91,976,457**	**27,280,022**	144,600,039	116,064,106	28,535,933
Incurred but not reported	**41,322,860**	**29,560,447**	**11,762,413**	39,231,126	29,578,304	9,652,822
Unallocated loss adjustment expense reserve	**791,044**	**-**	**791,044**	640,640	-	640,640
Total at 1 January	**161,370,383**	**121,536,904**	**39,833,479**	184,471,805	145,642,410	38,829,395
Claims settled	**(187,323,236)**	**(128,380,536)**	**(58,942,700)**	(164,606,139)	(116,163,807)	(48,442,332)
Net claims incurred	**191,233,859**	**130,509,829**	**60,724,030**	141,504,717	92,058,301	49,446,416
Total at 31 December	**165,281,006**	**123,666,197**	**41,614,809**	161,370,383	121,536,904	39,833,479
Reported claims	**115,915,335**	**86,985,336**	**28,929,999**	119,256,479	91,976,457	27,280,022
Incurred but not reported	**48,523,239**	**36,680,861**	**11,842,378**	41,322,860	29,560,447	11,762,413
Unallocated loss adjustment expense reserve	**842,432**	**-**	**842,432**	791,044	-	791,044
Total at 31 December	**165,281,006**	**123,666,197**	**41,614,809**	161,370,383	121,536,904	39,833,479
Unearned contribution						
Total at 1 January	**364,920,889**	**68,997,143**	**295,923,746**	319,684,659	64,557,346	255,127,313
Increase during the year	**440,527,290**	**106,953,255**	**333,574,035**	364,920,889	68,997,143	295,923,746
Release during the year	**(364,920,889)**	**(68,997,143)**	**(295,923,746)**	(319,684,659)	(64,557,346)	(255,127,313)
Net increase during the year	**75,606,401**	**37,956,112**	**37,650,289**	45,236,230	4,439,797	40,796,433
Total at 31 December	**440,527,290**	**106,953,255**	**333,574,035**	364,920,889	68,997,143	295,923,746

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Investments

8 (a) Financial assets measured at fair value through profit or loss

	2019 AED	2018 AED
Takaful operations assets		
Quoted securities		
- *Sukuks*	**9,441,739**	13,379,098
Shareholders assets		
Quoted securities		
- *Sukuks*	**25,544,299**	47,025,856
Total quoted securities	**34,986,038**	60,404,954

The geographical concentration of investments is as follows:

	2019 AED	2018 AED
Within UAE	**16,137,000**	26,488,236
Outside UAE	**18,849,038**	33,916,718
	34,986,038	60,404,954

8 (b) Financial assets measured at fair value through other comprehensive income

	2019 AED	2018 AED
Takaful operations assets		
Quoted securities		
- *Sukuks*	**5,238,201**	554,849
Shareholders' assets		
Quoted securities		
- *Equity securities*	**98,861,073**	50,306,756
- *Sukuks*	**39,745,897**	8,764,216
	138,606,970	59,070,972
Unquoted securities		
- *Equity securities*	**20,259,555**	20,772,311
Total for shareholder	**158,866,525**	79,843,283

Notes to the financial statements
for the year ended 31 December 2019 (continued)

8 Investments (continued)

8 (b) Financial assets measured at fair value through other comprehensive income (continue)

	2019 AED	2018 AED
Quoted securities	**143,845,171**	59,625,821
Unquoted securities	**20,259,555**	20,772,311
	164,104,726	80,398,132

The geographical concentration of investments is as follows:

	2019 AED	2018 AED
Within UAE	**70,209,763**	39,975,411
Outside UAE	**93,894,963**	40,422,721
	164,104,726	80,398,132
Total investments	**199,090,764**	140,803,086

Investments held by the Company are sharia-compliant as at 31 December 2019.

Unquoted equity securities are valued primarily based on net assets of the investees unless recent transactions provide evidence of the current fair value.

9 Statutory deposit

In accordance with the requirements of the 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 the UAE, a related party (note 18).

Notes to the financial statements
for the year ended 31 December 2019 (continued)

10 Investment properties

	2019 AED	2018 AED
At 1 January	**19,720,000**	19,600,000
(Decrease) / increase in fair value	**(1,411,000)**	120,000
	18,309,000	19,720,000

The Company enters into operating leases for all of its investment properties. Amounts recognized in profit or loss in respect of investments properties are as follows:

	2019 AED	2018 AED
Rental income from investment properties	**992,877**	1,272,481
Operating expenses for properties generating rental income	**(324,134)**	(282,411)
Net income arising from investment properties	**668,743**	990,070

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 2019 by an independent valuer at AED 18,309,000 using the income approach and in 2018 at AED 19,720,000 using the sales comparison method utilising the evidence of transactions of similar sites.

The fair values were determined based on the capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

For the valuation of the property the following significant inputs were used:

- Rental value: Estimated rental value per annum was sourced from comparable evidence located across different districts in Dubai, taking into consideration the different unit types. The estimated rental value is AED 1,480,000 per annum.
- Capitalisation rate: The valuer has adopted a capitalization rate of 7%, taking into consideration the risk premium between prime and sub-prime properties and the capacity to earn rentals. The valuer adopted this based on confidential comparable transactions as listed in their report.

The investment properties are classified as Level 3. There were no transfers between Level 1 and 2 or to Level 3 during current and previous year.

There are no restrictions on the realisability of investment properties. The Company has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

11 Property and equipment

	Building AED	Furniture, fixtures and equipment AED	Computer equipment and accessories AED	Motor vehicles AED	Total AED
Cost					
At 1 January 2019	**18,982,731**	**8,829,835**	**7,910,434**	**1,002,900**	**36,725,900**
Additions	-	**133,349**	**278,489**	**400,000**	**811,838**
Disposals	-	**(361,020)**	**(106,329)**	-	**(467,349)**
At 31 December 2019	**18,982,731**	**8,602,164**	**8,082,594**	**1,402,900**	**37,070,389**
Accumulated depreciation					
At 1 January 2019	**3,482,274**	**6,339,284**	**5,759,587**	**810,292**	**16,391,437**
Charge for the year	**632,353**	**1,411,408**	**1,346,862**	**196,628**	**3,587,251**
Disposals	-	**(361,015)**	**(106,160)**	-	**(467,175)**
At 31 December 2019	**4,114,627**	**7,389,677**	**7,000,289**	**1,006,920**	**19,511,513**
Net carrying amount					
31 December 2019	**14,868,104**	**1,212,487**	**1,082,305**	**395,980**	**17,558,876**
Cost					
At 1 January 2018	18,982,731	8,094,874	7,079,136	1,002,900	35,159,641
Additions	-	867,663	833,538	-	1,701,201
Disposals	-	(132,702)	(2,240)	-	(134,942
At 31 December 2018	18,982,731	8,829,835	7,910,434	1,002,900	36,725,900
Accumulated depreciation					
At 1 January 2018	2,849,921	5,239,634	4,404,093	676,909	13,170,557
Charge for the year	632,353	1,232,257	1,357,733	133,383	3,355,726
Disposals	-	(132,607)	(2,239)	-	(134,846)
At 31 December 2018	3,482,274	6,339,284	5,759,587	810,292	16,391,437
Net carrying amount					
31 December 2018	15,500,457	2,490,5512	2,150,847	192,608	20,334,463

12 Takaful payable and amounts held under retakaful treaties

	2019 **AED**	2018 AED
Takaful payables comprise of:		
Due to policyholders	**6,720,342**	5,529,563
Due to takaful companies	**3,742,836**	6,269,253
	10,463,178	11,798,816
Amounts held under retakaful treaties comprise of:		
Due to retakaful companies	**74,571,965**	39,910,427
Retakaful deposit retained	**46,406,938**	39,085,980
	120,978,903	78,996,407

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.

13 Provision for employee's end of service benefits

	2019 **AED**	2018 AED
At 1 January	**8,358,564**	7,063,477
Charged during the year	**1,590,667**	1,388,537
Paid during the year	**(363,990)**	(93,450)
At 31 December	**9,585,241**	8,358,564

14 Share capital

	2019 **AED**	2018 AED
Authorised, issued and fully paid		
100,000,000 shares of AED 1 each	**100,000,000**	100,000,000

At 31 December 2019, 41,664,219 shares or 41.66% of total share capital (2018: 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 (2018: 58,335,781 shares or 58.34% of total share capital) were held by UAE nationals and other institutions.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

15 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.

16 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.

17 Movement in policyholders' funds and Distribution payable to life Policyholders

	Surplus of life policyholders' funds AED	Distribution payable to life policyholders AED	Deficit of non-life policyholders' funds AED	Loan from shareholders AED	Investment revaluation reserve AED	Total AED
Balance at 1 January 2018	5,556,594	-	(17,484,545)	17,484,545	-	5,556,594
Surplus generated in the reporting period	17,577,087	-	8,717,262	-	-	26,294,349
Repayment of loan	-	-	-	(8,717,262)	-	(8,717,262)
Distributions for the reporting period 2017	(4,445,275)	4,445,275	-	-	-	-
Surplus distributed during the reporting period for 2017	-	(1,195,070)	-	-	-	(1,195,070)
Mudareb share taken on 31 Dec 2017 Life surplus (refer note below)	(1,111,319)	-	-	-	-	(1,111,319)
Change in investment valuation reserve	-	-	-	-	3,026	3,026
Balance at 31 December 2018	**17,577,087**	**3,250,205**	**(8,767,283)**	**8,767,283**	**3,026**	**20,830,318**
Surplus generated in the reporting period	32,258,096	-	1,071,113	-	-	33,329,209
Repayment of loan	-	-	-	(1,071,113)	-	(1,071,113)
Distributions for the reporting period 2018	(6,000,000)	6,000,000	-	-	-	-
Surplus distributed during the reporting period for 2017	-	(427,668)	-	-	-	(427,668)
Surplus distributed during the reporting period for 2018	-	(195,042)	-	-	-	(195,042)
Reversal of unclaimed distributions for previous period 2017	2,822,537	(2,822,537)	-	-	-	-
Change in investment valuation reserve	-	-	-	-	148,010	148,010
Balance at 31 December 2019	**46,657,720**	**5,804,958**	**(7,696,170)**	**7,696,170**	**151,036**	**52,613,714**

In 2018, the shareholders charged 20% Mudarab share on the proposed distribution to life takaful fund policyholders of the surplus recognised in the life policyholders takaful fund as of 31 December 2017 of AED 5,556,594. This charge was approved by the Shari'a Committee and the Insurance Authority and is in accordance with the financial regulations for Takaful Companies.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

18 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 related parties in the normal course of business are as follows:

	2019 AED	2018 AED
Gross contributions written	**74,871,172**	79,945,027
Takaful expenses	**5,000**	2,750,476
Profit on term deposits	**74,382**	70,703
Statutory deposit (note 9)	**10,000,000**	10,000,000
Due to related Party	**4,833,278**	3,661,021
Due from related Party	**27,710**	107,482

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

	2019 AED	2019 AED
Short-term benefits	**6,818,981**	6,627,322
Long-term benefits	**246,936**	211,237

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 2019 of AED 4,867,668 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.

Due to and due from related parties represents amount payable and receivable to Abu Dhabi Islamic Bank for the policies issued (receivable) / to be issued (liability).

Notes to the financial statements
for the year ended 31 December 2019 (continued)

19 Dividends

For the year ended 31 December 2019, the Board of Directors proposed a cash dividend of AED 25,000,000 at a rate of AED 0.25 per share. The 2019 proposed cash dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting.

For the year ended 31 December 2018, cash dividend of AED 20,000,000 at a rate of AED 0.2 per share was approved by the shareholders on 19 March 2019 and paid in March 2019.

20 Policyholders' investment income, net

	2019 AED	2018 AED
Return on short-term investment accounts and deposits	**15,714,625**	10,806,586
Dividend income and profit on investments, net	**433,159**	433,775
Gain / (loss) on disposal of investments, net	**26,396**	(2,147)
Increase / (decrease) in fair value of investments at fair value through profit or loss	**523,061**	(404,093)
	16,697,241	10,834,121
Operating expenses	**(1,046,015)**	-
	15,651,226	10,834,121

21 Mudareb share and wakalah fees

The shareholders manage the policyholders' investment fund and charge 35% (2018: 35%) 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.

	2019 (%)	2018 (%)
Motor	**25**	25
Medical	**22.5**	22.5
All other takaful classes	**35**	35

Notes to the financial statements
for the year ended 31 December 2019 (continued)

22 Shareholder's investment and other income, net

	2019 AED	2018 AED
Return on short-term investment accounts and deposits	**6,011,425**	4,887,294
Dividend income and profit on investments, net	**5,791,875**	9,007,587
Gain / (loss) on disposal of investments, net	**1,005,987**	(65,804)
Increase / (decrease) in fair value of investments at fair value through profit or loss	**1,978,693**	(1,943,565)
(Decrease) / (increase) in fair value of investment properties (note 10)	**(1,411,000)**	120,000
Rental income, net	**992,877**	1,272,481
Gain on disposal of furniture and equipment	**25,541**	1,366
	14,395,398	13,279,359
Operating expenses	**(324,134)**	(282,411)
	14,071,264	12,996,948

23 General and administrative expenses

	2019 AED	2018 AED
Staff costs (note 23.1)	**47,272,619**	40,754,554
Rental expenses	**1,240,198**	1,254,452
Depreciation of property and equipment	**3,587,251**	3,355,726
Other expenses	**8,225,781**	6,803,321
	60,325,849	52,168,053

23.1 Social contribution for the year ended 31 December 2019 amounts to AED 438,917 (2018: AED 359,373).

24 Basic and diluted earnings per share

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

	2019	2018
Profit for the year (AED)	**72,655,116**	68,345,536
Ordinary shares in issue throughout the year	**100,000,000**	100,000,000
Basic and diluted earnings per share (AED)	**0.73**	0.68

Notes to the financial statements
for the year ended 31 December 2019 (continued)

24 Basic and diluted earnings per share (continued)

The Company has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

25 Profit for the year

The Company's combined net profit for the year for policyholder and shareholders, before Qard Hasan provision, is AED 104.9 million (2018: AED 85.9 million).

26 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, medical 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.

Segment revenue and results

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

	2019			2018		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Takaful						
Direct revenues	**429,034,903**	**29,722,490**	**458,757,393**	353,801,144	23,831,069	377,632,213
Direct costs	**(266,739,436)**	-	**(266,739,436)**	(218,524,598)	-	(218,524,598)
Takaful expenses	**(26,778,896)**	-	**(26,778,896)**	(22,128,258)	-	(22,128,258)
Segment results	**135,516,571**	**29,722,490**	**165,239,061**	113,148,288	23,831,069	136,979,357
Unallocated costs			**(92,583,945)**			(68,633,821)
Profit for the year			**72,655,116**			68,345,536

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year (2018: AED Nil).

The accounting policies of the reportable segments are the same as the Company's accounting policies used in the annual audited financial statements for the year ended 31 December 2018, except for adoption of new and amended standards as set out in note 2.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

26 Segment information (continued)

Segment assets and liabilities

	2019			2018		
	Underwriting AED	**Investments AED**	**Total AED**	Underwriting AED	Investments AED	Total AED
Segment assets	**400,513,800**	**729,401,485**	**1,129,915,285**	303,183,128	656,648,564	959,831,692
Unallocated assets			**102,114,118**			55,384,896
Total assets			**1,232,029,403**			1,015,216,588
Segment liabilities	**749,992,067**	**345,222**	**750,337,289**	627,380,431	521,979	627,902,410
Unallocated liabilities			**32,912,307**			26,722,706
Total liabilities			**783,249,596**			654,625,116
Capital expenditure		**811,838**	**811,838**		1,701,201	1,701,201

Gross takaful contributions revenue from underwriting departments

	2019 AED	2018 AED
General takaful	**323,516,813**	240,393,421
Family takaful	**165,073,165**	144,058,138
Total	**488,589,978**	384,451,559

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.

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, 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 1,500,000 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.

27 Takaful risk (continued)

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 ("IBNR"). 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.

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.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

27 Takaful risk (continued)

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 Company's of accident years within the same class of business.

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:

	2015 and earlier AED'000	2016 AED'000	2017 AED'000	2018 AED'000	2019 AED'000	Total AED'000
Motor - gross						
Accident year						
At the end of the accident year	42,633	46,379	32,841	23,959	32,880	178,692
One year later	29,609	20,241	19,171	18,036	-	87,057
Two years later	24,080	20,617	19,165	-	-	63,862
Three years later	24,163	18,395	-	-	-	42,558
Four years later	30,161					30,161
Current estimate of cumulative claims	30,161	18,395	19,165	18,036	32,880	118,637
Cumulative payments to date	(23,156)	(17,316)	(13,853)	(14,144)	(16,138)	(84,608)
Liability recognised in the statement of financial position	7,005	1,079	5,312	3,892	16,741	34,030
Non-motor and non-life - gross						
Underwriting year						
At the end of the accident year	44,412	52,497	109,371	58,174	48,087	312,541
One year later	60,577	74,846	121,196	116,037	-	372,656
Two years later	34,455	49,366	125,931	-	-	209,752
Three years later	56,419	49,517	-	-	-	105,936
Four years later	73,398	-	-	-	-	73,398
Current estimate of cumulative claims	73,398	49,517	125,931	116,037	48,087	412,970
Cumulative payments to date	(49,175)	(45,997)	(122,963)	(99,775)	(24,400)	(342,310)
Liability recognised in the statement of financial position	24,223	3,520	2,968	16,262	23,686	70,660

27 Takaful risk (continued)

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.

Sensitivity of underwriting profit and losses

The contribution by the takaful operations to the profit of the Company for the year ended 31 December 2019 amounts to AED 42.9 million (2018: AED 46.5 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 50.07% (2018: 44.2%) on a net earned contributions basis. Because of low risk retention of 88.7%% (2018: 90%) of the 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 1% to 80% (2018: 2% to 59%) and does not foresee any serious financial impact in the takaful net profit.
- The Company has commission earning of 14.9% (2018: 11%) 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 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.

28 Financial instruments (continued)

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.

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

	2019 AED	2018 AED
Total shareholders' equity	**396,166,093**	339,761,154
Minimum regulatory capital	**100,000,000**	100,000,000

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.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

28 Financial instruments (continued)

Categories of financial instruments

	2019 AED	2018 AED
Financial assets		
Statutory deposit	**10,000,000**	10,000,000
Investments	**199,090,764**	140,803,086
Retakaful contract assets	**230,619,452**	190,534,047
Takaful receivable	**13,879,625**	13,740,200
Cash and bank balances (including term deposits)	**641,605,914**	564,717,881
Total	**1,095,195,755**	919,795,214
Takaful		
Takaful contract liabilities	**605,808,296**	526,291,272
Takaful and retakaful payables	**131,442,081**	90,795,223
Total	**737,250,377**	617,086,495

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.

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.

28 Financial instruments (continued)

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 6. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

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 2019, all of the deposits were placed with 7 banks (2018: 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.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

28 Financial instruments (continued)

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.

	Current AED	Non-current AED	Total AED
31 December 2019			
Financial liabilities			
Takaful payable and amounts held under retakaful treaties	**131,442,081**	**-**	**131,442,081**
Takaful contract liabilities	**340,493,840**	**265,314,456**	**605,808,296**
Total	**471,935,921**	**265,314,456**	**737,250,377**
31 December 2018			
Financial liabilities			
Takaful payable and amounts held under retakaful treaties	90,795,222	-	90,795,222
Takaful contract liabilities	283,973,081	242,318,191	526,291,272
Total	374,768,303	242,318,191	617,086,494

Notes to the financial statements
for the year ended 31 December 2019 (continued)

28 Financial instruments (continued)

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Current AED	Non-current AED	Total AED
31 December 2019			
Assets			
Cash and bank balances including bank deposits	641,605,914	-	641,605,914
Statutory deposits	-	10,000,000	10,000,000
Retakaful share of unearned contributions	106,953,255	-	106,953,255
Financial assets designated at fair value through other comprehensive income	164,104,726	-	164,104,726
Financial assets designated at fair value through income statement	34,986,038	-	34,986,038
Contributions and Retakaful balance receivables	13,879,625	-	13,879,625
Deferred acquisition costs	64,870,619	-	64,870,619
Retakaful share of outstanding claims	123,666,197	-	123,666,197
Prepaid expenses and other assets	36,095,153	-	36,095,153
Property and equipment	-	17,558,876	17,558,876
Investment property	-	18,309,000	18,309,000
Total assets	1,186,161,527	45,867,876	1,232,029,403
Liabilities			
Takaful payables	10,463,178	-	10,463,178
Outstanding claims	165,281,006	-	165,281,006
Retakaful payables	120,978,903	-	120,978,903
Accrued expenses and other liabilities	31,419,110	-	31,419,110
Unearned retakaful commission income	4,994,868	-	4,994,868
Unearned contributions	175,212,834	265,314,456	440,527,290
Provision for end of service benefits	9,585,241	-	9,585,241
Total liabilities	517,935,140	265,314,456	783,249,596

Notes to the financial statements
for the year ended 31 December 2019 (continued)

28 Financial instruments (continued)

Maturity analysis of assets and liabilities (continued)

	Current AED	Non-current AED	Total AED
31 December 2018			
Assets			
Cash and bank balances including bank deposits	564,717,881	-	564,717,881
Statutory deposits	-	10,000,000	10,000,000
Retakaful share of unearned contributions	68,997,143	-	68,997,143
Financial assets designated at fair value through other comprehensive income	80,398,132	-	80,398,132
Financial assets designated at fair value through income	60,404,954	-	60,404,954
Contributions and Retakaful balance receivables	13,740,200	-	13,740,200
Deferred acquisition costs	31,925,356	-	31,925,356
Retakaful share of outstanding claims	121,536,904	-	121,536,904
Prepaid expenses and other assets	23,441,555	-	23,441,555
Property and equipment	-	20,334,463	20,334,463
Investment property	-	19,720,000	19,720,000
Total assets	965,162,125	50,054,463	1,015,216,588
Liabilities			
Takaful payables	11,798,816	-	11,798,816
Outstanding claims	161,370,383	-	161,370,383
Retakaful payables	78,996,407	-	78,996,407
Accrued expenses and other liabilities	25,554,622	-	25,554,622
Unearned retakaful commission income	3,625,435	-	3,625,435
Unearned contributions	122,602,698	242,318,191	364,920,889
Provision for end of service benefits	8,358,564	-	8,358,564
Total liabilities	412,306,925	242,318,191	654,625,116

Notes to the financial statements
for the year ended 31 December 2019 (continued)

29 Fair value of financial instruments

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

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

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2019				
Investment properties	-	-	**18,309,000**	**18,309,000**
Financial assets measured at fair value through profit and loss	**34,986,038**	-	-	**34,986,038**
Financial assets measured at fair value through other comprehensive income	**143,845,171**	-	**20,259,555**	**164,104,726**
	178,831,209	-	**38,568,555**	**217,399,764**
31 December 2018				
Investment properties	-	-	19,720,000	19,720,000
Financial assets measured at fair value through profit and loss	60,404,954	-	-	60,404,954
Financial assets measured at fair value through other comprehensive income	59,625,823	-	20,772,311	80,398,132
	120,030,777	-	40,492,311	160,523,086

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

30 Contingent liabilities and commitments

	2019 AED	2018 AED
Bank guarantees	**529,688**	572,453

Bank guarantees were issued in the normal course of business.