Methaq Takaful Insurance Company PSC

REPORT OF THE BOARD OF DIRECTORS
AND FINACIAL STATEMENTS

31 DECEMBER 2018

Methaq Takaful Insurance Company PSC

REPORT OF THE BOARD OF DIRECTORS

31 DECEMBER 2018

THE ANNUAL REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 December 2018

On behalf of the Board of Directors, we are pleased to present the financial results of Methaq Takaful Insurance Company PSC for the year ended 31 December 2018.

Methaq succeeded in implementing its plans for the year 2018 based on achievable strategic goals. This is a reflection of the continued confidence and support of its shareholders and customers along with Methaq's team that is comprised of professionals and technical experts. Our strategic direction focuses on the following key objectives to deliver enhanced sustainable returns for the Policyholders and the Shareholders:

- Targeted profitable growth;
- Performance Management of Takaful portfolios;
- Operational excellence; and
- Optimal Retakaful agreements for all takaful portfolios.

The Company has recognised a net profit of AED 15,406,187 for the year ended 31 December 2018 compared to a net profit of AED 803,700 for the year ended 31 December 2017. The Company has achieved total comprehensive income of AED 8,318,187 during 2018 that led to the increase of the shareholders' equity to AED 83,735,724 as at 31 December 2018 compared to AED 75,417,537 as at 31 December 2017.

Management has implemented successful strategies in the year 2018 in respect of underwriting and claims management process where all takaful portfolios showed positive performance.

The results are summarized as below:

	31 December 2018 AED	*31 December 2017 AED*
Brief of the statement of financial position:		
Total assets	**623,662,184**	573,761,507
Total liabilities	**539,926,460**	498,343,970
Total shareholders' equity	**83,735,724**	75,417,537
Brief of the income statement:		
Total revenues (gross contributions written)	**317,140,888**	408,784,811
Profit for the year	**15,406,187**	803,700
Earning per share	**0.103**	0.005

THE ANNUAL REPORT OF THE BOARD OF DIRECTORS continued
For the year ended 31 December 2018

As for the Company's future plans for the year 2018, the Company has developed a budget plan supported by a set of ambitious goals especially takaful portfolios and retakaful agreements, operating expenses, and profitability. The company expects a significant improvement in performance and results for 2019.

Methaq has a very sound corporate governance in place and all the regulatory and legislative compliance is made timely, thereby reflecting a positive image of the Company and entrusting strong confidence amongst its customers, staff and all concerned entities.

On behalf of the Board of Directors, we reiterate our commitment to the growth and development of the UAE and particularly to the Abu Dhabi's 2030 vision under the leadership of His Highness Sheikh Khalifa bin Zayed Al Nahyan, the President of the UAE and the Ruler of Abu Dhabi and His Highness Sheikh Mohammed bin Rashid Al Maktoum, the Vice President, the Ruler of Dubai, and His Highness Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince and all the Rulers of the UAE.

We also take this opportunity to thank and appreciate the staff and the management of Methaq Takaful Insurance Company PSC for their continued efforts, hard work, and sincerity. We also express our sincere thanks to the Company's Shareholders, clients, and all those institutions and individuals with whom the company deals in the UAE locally, in the region, and at the international level.

On Behalf of the Board of Directors

Ali Zaal Al-Mansoori

Chairman

Date: 14/03/2019

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P.O.Box: 32774
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Methaq Takaful Insurance PSC

Methaq Takaful Insurance Company PSC

FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

METHAQ TAKAFUL INSURANCE COMPANY PSC

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Methaq Takaful Insurance Company PSC (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Material uncertainty related to going concern
We draw attention to note 2 in the financial statements, which indicates that the Company's accumulated losses amounted to AED 58,369,637 at 31 December 2018. This factor indicates the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared under the going concern concept as the Directors and management consider these losses to be temporary and expect the Company to generate profits from future takaful operations. Our opinion is not qualified in respect of this matter.

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

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF METHAQ TAKAFUL INSURANCE COMPANY PSC continued

Report on the Audit of the Financial Statements continued

1) Valuation of outstanding claims and retakaful share of outstanding claims

The estimation of outstanding claims and retakaful share of outstanding claims involve a significant degree of judgement. The liabilities amounting to AED 234,435,049 (note 8) are based on a best estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims.

Retakaful share of outstanding claims amounting to AED 60,753,690 (note 8) are recognised when the related gross outstanding claims is recognised according to the terms relevant to the retakaful contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective retakaful counterparties.

We assessed management's calculation of outstanding claims and retakaful share of outstanding claims by performing audit procedures, which included among others:

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

METHAQ TAKAFUL INSURANCE COMPANY PSC continued

Report on the Audit of the Financial Statements continued

2) *Revenue recognition*

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

We assessed management's calculation of gross contribution written amounting to AED 317,140,888 and net unearned contribution reserve amounting to AED 74,598,282 (note 8) by performing audit procedures, which included among others:

- We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the contribution on takaful policies are accounted for on the date of inception of policies by testing a sample of revenue items to takaful contracts.
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned contributions reserve balance as per the financial statements to the reserve balance computed by the Company's actuary.
- We recalculated on a sample basis the unearned contributions reserve based on the earning period of takaful contracts existing as of 31 December 2018.

3) *Impairment losses on contributions and re takaful balance receivables*

The Company estimates the collectible amount of contribution and retakaful balances receivables (as disclosed in note 10) when collection of the full amount is no longer probable. This determination of whether the contributions and Retakaful balance receivables are impaired entails Management's evaluation of the specific credit and liquidity position of the policyholders and their historical recovery rates. Management regularly reviews the collectability of amounts due from takaful and retakaful companies. Such balances are regularly reconciled by both parties and are settled by on account payments on a regular basis.

We assessed management's provision for impairment losses calculation by performing audit procedures, which included among others:

- We considered the adequacy of provision for bad debts for significant balances outstanding more than one year taking into account the existence of any disputes over the balance outstanding, the history of settlement of receivables and the existence of any liabilities with the same counterparties that reduce the net exposure.
- We discussed with management and reviewed correspondences, where relevant, to identify any disputes and assessed whether such matters were considered in the provision for impairment losses calculation.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

METHAQ TAKAFUL INSURANCE COMPANY PSC continued

Report on the Audit of the Financial Statements continued

Other information
Other information consists of the information included in the Annual Report and Board of Directors report, other than the financial statements and our auditor's report thereon. We obtained the Board of Directors Report prior to the date of our audit report, and we expect to obtain the other sections of the Annual Report after the date of our auditor's opinion. Management is responsible for the other information.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF METHAQ TAKAFUL INSURANCE COMPANY PSC continued

Report on the Audit of the Financial Statements continued

Auditors' responsibilities for the audit of the financial statements continued

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

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

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

METHAQ TAKAFUL INSURANCE COMPANY PSC continued

Report on Other Legal and Regulatory Requirements

We report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007 and the Articles of Association of the Company;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Board of Directors report is consistent with the books of account and records of the Company;

v) investments in shares and stocks are included in note 7 to the financial statements and include purchases made by the Company during the year ended 31 December 2018;

vi) note 9 reflects material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2018, any of the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2018.

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No 811

14 March 2019
Abu Dhabi

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	***2018 AED***	*2017 AED*
ASSETS			
Takaful Operating Assets			
Retakaful share of unearned contributions	8	**69,723,884**	22,528,252
Prepaid expenses and other assets	11	**5,204,343**	3,418,442
Retakaful share of outstanding claims	8	**60,753,690**	42,008,241
Contributions and re- takaful balances receivables	10	**212,749,250**	226,076,519
Bank deposits	5	**40,000,000**	-
Cash and bank accounts	5	**24,024,707**	53,977,329
Total Takaful Operating Assets		**412,455,874**	348,008,783
Shareholders' assets			
Property and equipment	12	**1,211,974**	1,622,074
Statutory deposits	6	**6,000,000**	6,000,000
Financial assets designated at fair value through profit or loss	7	**1,243,148**	1,430,659
Financial assets designated at fair value through other comprehensive income	7	**3,544,000**	10,632,000
Deferred policy acquisition costs		**14,746,045**	23,680,465
Investment properties	13	**162,360,000**	162,360,000
Prepaid expenses and other assets	11	**10,228,450**	10,369,086
Bank deposits	5	**2,989,426**	2,971,526
Cash and bank accounts	5	**8,883,267**	6,686,914
Total Shareholders' Assets		**211,206,310**	225,752,724
TOTAL ASSETS		**623,662,184**	573,761,507
Takaful Operation Liabilities			
Takaful payables	19	**42,845,885**	50,726,719
Outstanding claims	8	**234,435,049**	176,101,206
Retakaful payables	19	**79,760,893**	19,648,483
Unearned re - takaful commission income		**23,237,023**	6,745,057
Unearned contributions	8	**144,322,166**	229,121,724
Total Takaful Operations Liabilities		**524,601,016**	482,343,189
Shareholders' Liabilities			
Trade payables		**811,816**	634,432
Accrued expenses and other liabilities		**9,711,164**	9,353,761
Provision for end of service benefits	18	**3,088,178**	2,584,017
Islamic financing arrangement	20	**1,714,286**	3,428,571
Total shareholders' Liabilities		**15,325,444**	16,000,781
TOTAL LIABILITIES		**539,926,460**	498,343,970

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Methaq Takaful Insurance PSC

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The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION continued
As at 31 December 2018

	Notes	2018 AED	2017 AED
Participants' fund			
Deficit of general participants takaful fund	17	**(206,532,287)**	(217,382,631)
Loan from shareholders' fund	17	**206,532,287**	217,382,631
Total participants' fund		**-**	-
Shareholders' equity			
Share capital	14	**150,000,000**	150,000,000
Legal reserve	15	**4,580,554**	3,039,935
General reserve	16	**1,700,807**	1,700,807
Fair value reserve		**(14,176,000)**	(7,088,000)
Accumulated losses		**(58,369,637)**	(72,235,205)
Total shareholders' equity		**83,735,724**	75,417,537
TOTAL LIABILITIES PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY		**623,662,184**	573,761,507

Chairman

Managing Director

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	*2018* *AED*	*2017* *AED*
Attributable to policyholders			
Gross contribution written		**317,140,888**	408,784,811
Retakaful contributions		**(153,909,085)**	(42,150,445)
Net takaful contributions		**163,231,803**	366,634,366
Change in net unearned contribution provision		**131,995,190**	(85,810,937)
Net takaful contributions earned		**295,226,993**	280,823,429
Commissions earned		**30,551,303**	9,783,286
Gross takaful contributions		**325,778,296**	290,606,715
Gross claims paid		**(244,302,632)**	(178,391,170)
Retakaful share of claims paid		**56,548,050**	36,308,259
Net paid claims		**(187,754,582)**	(142,082,911)
Change in outstanding claims		**11,215,010**	(45,104,124)
Change in retakaful share of outstanding claims		**(1,678,455)**	6,278,366
Change in incurred but not reported claims reserve		**(57,609,318)**	(66,895,945)
Change in retakaful share of incurred but not reported claims reserve		**20,423,904**	29,153,241
Change in unallocated loss adjustment expense		**(1,462,021)**	(1,216,653)
Net claims incurred		**(216,865,462)**	(219,868,026)
Takaful income		**108,912,834**	70,738,689
Allowances for doubtful receivables	10	**(8,112,056)**	(4,972,602)
Other investment income	22	**622,247**	-
Takaful operating profit		**101,423,025**	65,766,087
Wakala fees	21	**(90,572,681)**	(117,595,933)
Excess (deficit) of takaful result for the period		**10,850,344**	(51,829,846)
Attributable to shareholders			
Shareholders' other investment income	22	**231,040**	731,134
Wakala fees from policyholders	21	**90,572,681**	117,595,933
Income from real estate		**788,348**	1,048,086
Takaful expenses		**(50,762,723)**	(30,396,959)
Change in fair value of investments at fair value through profit and loss	7	**(187,511)**	(1,098,353)
Allowances for doubtful other receivables		**(1,695,000)**	-
Decrease (Increase) in provision of loan to policyholders' Fund	17	**10,850,344**	(51,829,846)
Profit expense on Islamic Financing		**(235,166)**	(382,905)
General and administrative expenses	23	**(34,155,826)**	(34,863,390)
Profit for the year		**15,406,187**	803,700
Basic and diluted earning per share	24	**0.103**	0.005

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	*2018* *AED*	*2017* *AED*
Profit for the year		**15,406,187**	803,700
Other comprehensive income:			
Items that will not be reclassified subsequently to statement of income:			
Decrease in fair value of investments at fair value through Other comprehensive income	7	**(7,088,000)**	(5,316,000)
Other comprehensive loss for the year		**(7,088,000)**	(5,316,000)
Total comprehensive income / (loss) for the year		**8,318,187**	(4,512,300)

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital AED	*Legal reserve AED*	*General reserve AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2017	150,000,000	2,959,565	1,700,807	(1,772,000)	(72,958,535)	79,929,837
Profit for the year	-	-	-	-	803,700	803,700
Other comprehensive loss	-	-	-	(5,316,000)	-	(5,316,000)
Total comprehensive loss for the year	-	-	-	(5,316,000)	803,700	(4,512,300)
Transfer to legal reserve	-	80,370	-	-	(80,370)	-
Balance at 31 December 2017	150,000,000	3,039,935	1,700,807	(7,088,000)	(72,235,205)	75,417,537
Balance at 1 January 2018	150,000,000	3,039,935	1,700,807	(7,088,000)	(72,235,205)	75,417,537
Profit for the year	-	-	-	-	15,406,187	15,406,187
Other comprehensive loss	-	-	-	(7,088,000)	-	(7,088,000)
Total comprehensive income for the year	-	-	-	(7,088,000)	15,406,187	8,318,187
Transfer to legal reserve	-	1,540,619	-	-	(1,540,619)	-
Balance at 31 December 2018	**150,000,000**	**4,580,554**	**1,700,807**	**(14,176,000)**	**(58,369,637)**	**83,735,724**

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	*2018* AED	*2017* AED
OPERATING ACTIVITIES			
Profit for the year		**15,406,187**	803,700
Deficit of takaful result for the year		**10,850,344**	(51,829,846)
Adjustments for:			
Depreciation of property and equipment	12	**771,079**	848,888
Movement of unearned contributions, net	8	**(131,995,190)**	85,810,978
Change in fair value of investments at fair value through profit or loss	7	**187,511**	1,098,353
Other investment income	22	**(853,287)**	(731,134)
Employees' end of service benefit	18	**556,501**	2,646,570
Allowance for doubtful receivables	10	**8,112,056**	4,972,602
Allowance for doubtful other receivables	11	**1,695,000**	-
(Recovery) / allowance for loan to policyholders fund	17	**(10,850,344)**	51,829,846
Profit expense on Islamic financing		**235,166**	382,905
		(105,884,977)	95,832,862
Movements in working capital:			
Prepaid expenses and other assets		**(3,340,265)**	(6,558,704)
Contributions and re-takaful balances receivables		**5,215,213**	(74,646,018)
Deferred policy acquisition costs		**8,934,420**	(8,827,189)
Movement of outstanding claims, net		**39,588,394**	38,716,950
Takaful payables		**(7,880,834)**	5,801,309
Retakaful payables		**60,112,410**	(1,293,360)
Trade payables		**177,384**	157,000
Accrued expenses and other liabilities		**357,403**	243,622
Unearned re- takaful commission income		**16,491,966**	1,625,208
Cash from operations		**13,771,114**	51,051,680
End of service benefits paid	18	**(52,340)**	(1,907,366)
Net cash from operating activities		**13,718,774**	49,144,314
INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(360,979)**	(461,840)
Fixed deposits, sukuk and dividend income received	22	**853,287**	731,134
Movement in term deposits		**(17,900)**	(2,637,503)
Net cash from (used in) investing activities		**474,408**	(2,368,209)
FINANCING ACTIVITIES			
Increase in term deposits		**(40,000,000)**	-
Profit expense on Islamic financing		**(235,166)**	(382,905)
Islamic financing repaid	20	**(1,714,285)**	(1,714,286)
Net cash used in financing activities		**(41,949,451)**	(2,097,191)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(27,756,269)**	44,678,914
Cash and cash equivalents at 1 January	5	**60,664,243**	15,985,329
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**32,907,974**	60,664,243

The attached notes 1 to 29 form part of these financial statements.

1 CORPORATE INFORMATION

Methaq Takaful Insurance Company PSC (the "Company") is a public shareholding company registered with the Department of Planning and Economy, Abu Dhabi, United Arab Emirates ("UAE") on 24 March 2008 with a trade license number 1142419. The Company is registered in accordance with the UAE Federal Law No. (8) of 1984 (as amended). The Federal Law No. (2) of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. (8) of 1984.

The Company carries out takaful and retakaful activities 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 32774, Abu Dhabi, UAE. The Company is listed on the Abu Dhabi Securities Exchange.

The accompanying financial statements of Methaq Takaful Insurance Company PSC for the year ended 31 December 2018 have been authorised for issue in accordance with a resolution of the Board of Directors on 14 March 2019.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Company's accumulated losses amounted to AED 58,369,637 at 31 December 2018 and its current liabilities exceeded its current assets by AED 86,292,072. These factors indicate the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared under the going concern concept as the Directors and management consider these losses to be temporary and expect the Company to generate profits from future takaful operations.

2.2 BASIS OF PREPARATION

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

The financial statements are prepared under the historical cost convention as modified for re-measurement at fair value of investments at fair value through other comprehensive income, investments at fair value through profit or loss and investment property.

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

Effective 2017, the Company revised the presentation of its financial statements in accordance with Appendix 1 of the Financial Regulations for Takaful Insurance Companies issued by the Insurance Authority. The 2016 comparative figures were reclassified to conform to the current presentation.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as noted below.

During the year the Company has adopted the following new standards / amendments to the standards effective for the annual period beginning on or after 1 January 2018:

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES continued

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2022 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

The Company has early applied the IFRS 9 from 1 January 2011 and reclassified, with effect from 1 January 2011, all available for sale securities that were still held as at fair value through OCI. Application of the other phases of the standard did not affect the Company's non-insurance financial assets and liabilities .

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. This standard is not applicable to the Company, as the Company will adopt IFRS 17 Insurance Contracts, which will become effective for reporting periods beginning on or after 1 January 2022.

IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Considerations*
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's consolidated financial statements.

Amendments to IAS 40 *Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Company's consolidated financial statements.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's consolidated financial statements.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES continued

Amendments to IAS 28 ***Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice***
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Company's consolidated financial statements.

Amendments to IFRS 1 ***First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters***
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Company's consolidated financial statements.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

IFRS 16 ***Leases***
IFRS 16 was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, it substantially carries forward the requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard." The Company is in the process of evaluating the potential impact of IFRS 16 on the consolidated financial statements.

IFRS 17 ***Insurance Contracts***
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company plans to adopt the standard on the required effective date and is currently evaluating the expected impact.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company does not expect any effect on its consolidated financial statements.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Company.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. This standard is not applicable to the Company.

Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* continued
The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

Amendments to IAS 28 *Long-term interests in associates and joint ventures*
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

Annual Improvements 2015-2017 cycle
These improvements include:

IFRS 3 *Business Combinations*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Company.

IFRS 11 *Joint Arrangements*
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. Since the Company does not have joint arrangements, the amendments will not have an impact on its consolidated financial statements.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

Annual Improvements 2015-2017 cycle continued

IAS 12 *Income Taxes*
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. This standard is not applicable to the Company.

IAS 23 *Borrowing Costs*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. This standard is not applicable to the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Takaful contracts
Definition
The Company issues contracts that transfer takaful risk. Takaful contracts are those contracts that transfer significant takaful risk. As a general guideline, the Company defines significant takaful risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Recognition and measurement
General takaful contracts protect the Company's customers for damage suffered to their assets as well as against the risk of causing harm to third parties as a result of their legitimate activities. General takaful contracts also protect the Company's customers from the consequences of events such as illness and disability.

For all these contracts, contributions are recognised as revenue proportionally over the period of coverage. The portion of contributions received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned contributions liability. Contributions are shown before deduction of commission.

Recognition and measurement continued
Claims and loss adjustment expenses are charged to the statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the reporting date even if they have not yet been reported to the Company.

The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Takaful contracts continued

Retakaful contract assets

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

Takaful contracts entered into by the Company under which the contract holder is involved in takaful activities are included with takaful contracts. The benefits to which the Company is entitled under its retakaful contracts held are recognised as retakaful contract assets. The Company assesses its retakaful contract assets for impairment on a regular basis. If there is objective evidence that the retakaful contract asset is impaired, the Company reduces the carrying amount of the retakaful contract assets to its recoverable amount and recognises that impairment loss in the income statement. 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 contracts assets in the financial statements.

Salvage and subrogation reimbursements

Some takaful contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the takaful liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are considered as an allowance in the measurement of the takaful liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 income statement initially 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 income statement.

The Company gathers the objective evidence that a takaful receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial statements.

Revenue recognition

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

Takaful contract income

Revenue from takaful contracts is measured under revenue recognition criteria stated under takaful contracts in these financial statements.

Dividend income

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

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease and is stated net of related property expenses.

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 retakaful expenses are recognised when the policies are issued based on the terms and percentages agreed with other insurance companies and/or brokers.

Foreign currencies

For the purpose of these financial statements, the UAE Dirhams (AED) is the functional and the presentation currency of the Company.

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 retranslated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Property and equipment
Property and equipment are recorded at cost less accumulated depreciation and any impairment losses, if any. The cost of furniture 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 income statement 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:

Furniture, fixtures and office equipment	20%
Computer equipment and accessories	33.33%

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 income statement.

Investment properties and advances on 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 statement of income 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 statement of income in the year of retirement or disposal.

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

Amounts paid to purchase investment properties (e.g land) can be initially recorded as advances on investment properties and the related capital commitments are disclosed in the commitments and contingencies note. When the investment property recognition criteria are met, advances on investment properties are reclassified to investment properties.

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 Company of cash- generating units for which a reasonable and consistent allocation basis can be identified.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of tangible assets continued
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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

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

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

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 the full amount of 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. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (2), 2000 for Pension and Social Security. Such contributions are charged to the statement of income during the employees' period of service.

Financial assets
All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
Classification of financial assets
The Company had the following financial assets as at 31 December 2018: 'cash and cash equivalents', 'contributions and other retakaful balance receivables', 'financial assets at fair value through profit or loss (FVTPL)', and 'financial assets at fair value through other comprehensive income (FVTOCI)'.

Financial assets at amortised cost and the effective rate of return method
Cash and cash equivalents
Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Contributions and retakaful balances receivables
Contributions and retakaful balances receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Contributions and retakaful balances 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.

Financial assets at fair value through profit or loss
Investments in equity instruments are mandatorily classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'net investment and other income' line item in the profit and loss. Fair value is determined with reference to quoted prices.

Financial assets at fair value through other comprehensive income
At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'net investment and other income' line item in the profit and loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued

Impairment of financial assets at amortised cost

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as takaful receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of takaful receivables, where the carrying amount is reduced through the use of an allowance account. When a takaful receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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.

Financial liabilities and equity instruments

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.

Financial liabilities

Financial liabilities comprise retakaful payables and other liabilities and Islamic financing and are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with profit recognised on an effective yield basis, except for short-term liabilities when the recognition of profit would be immaterial.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities and equity instruments continued
Financial liabilities
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, to the net carrying amount on initial recognition.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued
The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counter party), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

Qard Hassan and deficit in policyholders' fund
Deficit in the policyholders' fund is financed by the Shareholders through a Qard Hassan loan. This loan is tested quarterly for impairment. In the event that it is judged by management that any or the entire deficit in the policyholders' fund is not recoverable from the future surpluses, the amount considered impaired is charged to the shareholders' statement of income.

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

While applying the accounting policies as stated in note 3, management of the Company has made certain judgments, 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 judgments and estimate made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Classification of investments
Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI, FVTPL or amortised cost. In judging whether investments in securities are as at FVTOCI, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out IFRS 9 *Financial Instruments*. Management is satisfied that its investments in securities are appropriately classified.

Impairment of contributions and retakaful balances receivables
An estimate of the collectible amount of contributions and retakaful receivables is made when collection of the full amount is no longer probable. This determination of whether the contributions and retakaful balances receivables are impaired entails Management's evaluation of the specific credit and liquidity position of the policyholders and their historical recovery rates. Impairment of contributions and retakaful balances receivables as at 31 December 2018 amounted to AED 45,854,941 (2017: AED 37,742,885).

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

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, allocated loss adjustment expense (ALAE)/ unallocated loss adjustment expense reserves (ULAE) 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. Provision for ultimate liability arising from claims as at 31 December 2018 amounted to AED 234,435,049 (2017: 176,101,206) as detailed in note 8.

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

Useful lives and residual values of furniture and equipment
Management reviews the residual values and estimated useful lives of furniture and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment.* Management determined that current year expectations do not differ from previous estimates based on its review

5 CASH AND CASH EQUIVALENTS

	2018 *AED*	*2017* *AED*
Cash on hand	**56,885**	47,445
Current bank accounts	**32,851,089**	60,616,798
Term deposits	**42,989,426**	2,971,526
Cash and bank balances	**75,897,400**	63,635,769
Less: term deposits with original maturity of more than three months	**(42,989,426)**	(2,971,526)
Cash and cash equivalents	**32,907,974**	60,664,243

Term deposits represent deposits held with financial institutions in the UAE, denominated in UAE dirhams and carry profit at a rate of 2 - 2.40% per annum (2017: 1.75% per annum).

6 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 6,000,000 which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a commercial bank in the UAE and bears profit at commercial rates.

7 INVESTMENTS

	2018 ***AED***	*2017* *AED*
Investments at fair value through other comprehensive income		
Unquoted UAE equity securities	**3,544,000**	10,632,000
Investments at fair value through profit or loss		
Quoted UAE equity securities	**1,243,148**	1,430,659

Unquoted UAE equity securities represent the following:
The Company has a participation in the private placement of Emirates Aqua Technologies Caviar Factory LLC (caviar farm) for 15,500,000 shares for a fair value of AED 10,632,000 (AED 0.69 per share) (2017: 15,500,000 shares for a fair value of AED 10,632,000 (AED 0.69 per share)).

	2018 ***AED***	*2017* *AED*
Investments at fair value through other comprehensive income		
At the beginning of the year	**10,632,000**	15,948,000
Decrease in fair value	**(7,088,000)**	(5,316,000)
At the end of the year	**3,544,000**	10,632,000
Investments at fair value through profit or loss		
At the beginning of the year	**1,430,659**	2,529,012
Decrease in fair value	**(187,511)**	(1,098,353)
At the end of the year	**1,243,148**	1,430,659

8 RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITIES

	2018 AED	2017 AED
Gross		
Takaful contract liabilities		
Reported claims	**80,939,943**	81,677,439
Claims incurred but not reported	**150,063,220**	92,453,902
Unearned contributions	**144,322,166**	229,121,724
Unallocated loss expense reserve	**3,431,886**	1,969,865
	378,757,215	405,222,930
Retakaful contract assets		
Reported claims	**8,664,657**	10,343,112
Claims incurred but not reported	**52,089,033**	31,665,129
Unearned contributions	**69,723,884**	22,528,252
	130,477,574	64,536,493
Takaful liabilities - net		
Reported claims	**72,275,286**	71,334,327
Claims incurred but not reported	**97,974,187**	60,788,773
Unearned contributions	**74,598,282**	206,593,472
Unallocated loss expense reserve	**3,431,886**	1,969,865
	248,279,641	340,686,437

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

	Year ended 31 December 2018			Year ended 31 December 2017		
	Gross AED	Retakaful AED	Net AED	Gross AED	Retakaful AED	Net AED
CLAIMS						
Notified claims	**81,677,439**	**10,343,112**	**71,334,327**	75,641,480	4,064,746	71,576,734
Incurred but not reported	**92,453,902**	**31,665,129**	**60,788,773**	25,557,957	2,511,888	23,046,069
Unallocated loss expense reserve	**1,969,865**	**-**	**1,969,865**	753,212	-	753,212
Total at 1 January	**176,101,206**	**42,008,241**	**134,092,965**	101,952,649	6,576,634	95,376,015
Increase during the year	**302,636,475**	**75,293,499**	**227,342,976**	252,539,727	71,739,866	180,799,861
Claims settled in the year	**(244,302,632)**	**(56,548,050)**	**(187,754,582)**	(178,391,170)	(36,308,259)	(142,082,911)
Total at 31 December	**234,435,049**	**60,753,690**	**173,681,359**	176,101,206	42,008,241	134,092,965
Notified claims	**80,939,943**	**8,664,657**	**72,275,286**	81,677,439	10,343,112	71,334,327
Incurred but not reported	**150,063,220**	**52,089,033**	**97,974,187**	92,453,902	31,665,129	60,788,773
Unallocated loss expense reserve	**3,431,886**	**-**	**3,431,886**	1,969,865	-	1,969,865
Total at 31 December	**234,435,049**	**60,753,690**	**173,681,359**	176,101,206	42,008,241	134,092,965
UNEARNED CONTRIBUTION						
Total at 1 January	**229,121,724**	**22,528,252**	**206,593,472**	141,667,760	20,885,266	120,782,494
Increase during the year	**144,322,166**	**69,723,884**	**74,598,282**	229,121,724	22,528,252	206,593,472
Released during the year	**(229,121,724)**	**(22,528,252)**	**(206,593,472)**	(141,667,760)	(20,885,266)	(120,782,494)
Net (decrease) increase during the year	**(84,799,558)**	**47,195,632**	**(131,995,190)**	87,453,964	1,642,986	85,810,978
Total at 31 December	**144,322,166**	**69,723,884**	**74,598,282**	229,121,724	22,528,252	206,593,472

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. The Company maintains significant balances with these related parties as follows:

	2018 ***AED***	*2017* *AED*
Takaful receivables due from related parties (note 10)	**5,505,899**	5,419,647
Less: allowance for doubtful balances due from related parties (note 10)	**(5,196,806)**	(4,965,275)
	309,093	454,372
Other receivables due from related parties (note 11)	**2,744,090**	2,744,090
Less: allowance for doubtful balances due from related parties (note 11)	**(1,894,090)**	(1,894,090)
	850,000	850,000

The Company entered into the following significant transactions with related parties in the ordinary course of business at terms and conditions agreed upon between the parties:

	2018 ***AED***	*2017* *AED*
Related party transactions		
Gross takaful contributions	**2,306,679**	1,696,389
Claims paid	**2,290,202**	1,724,542
Directors fees	**807,000**	550,000

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

	2018 ***AED***	*2017* *AED*
Short-term benefits	**8,975,100**	5,060,800
Long-term benefits	**815,641**	676,870

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

10 CONTRIBUTIONS AND RETAKAFUL BALANCES RECEIVABLES

	2018 *AED*	*2017* *AED*
Due from policyholders	**89,960,601**	87,141,495
Due from insurance and reinsurance companies	**163,137,691**	171,258,262
Due from related parties (note 9)	**5,505,899**	5,419,647
	258,604,191	263,819,404
Allowance for doubtful receivables (*)	**(45,854,941)**	(37,742,885)
	212,749,250	226,076,519

(*) This item includes allowance for doubtful receivables due from related parties amounting to AED 5,196,806 (2017: AED 4,965,275).

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

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

As at 31 December 2018, contributions and retakaful balances receivables at a nominal value of AED 45,854,941 (2017: AED 37,742,885) were impaired and fully provided for.

Movement in the allowance for doubtful receivables from takaful and retakaful contracts is as follows:

	2018 *AED*	*2017* *AED*
At 1 January	**37,742,885**	32,770,283
Charge for the year	**8,112,056**	4,972,602
At 31 December	**45,854,941**	37,742,885

As at 31 December, the ageing of unimpaired receivables from takaful and retakaful contracts is as follows:

			Past due but not impaired		
	Total *AED*	*Neither past due nor impaired* *AED*	*91 - 180 days* *AED*	*180 – 360 days* *AED*	*More than 360 days* *AED*
2018	**212,749,250**	**55,475,498**	**26,921,533**	**80,733,580**	**49,618,639**
2017	226,076,519	87,345,745	8,264,418	76,516,662	53,949,694

11 PREPAID EXPENSES AND OTHER ASSETS

	2018 *AED*	*2017* *AED*
Due from related parties (note 9)	**2,744,090**	2,744,090
Advances towards formation of companies	**823,388**	823,388
Prepaid expenses	**1,392,421**	1,084,926
Accrued profit from investment deposits	**768,666**	129,610
Refundable deposits	**1,430,248**	1,417,384
Advances for investments	**3,506,950**	3,506,950
Other receivables and advances to suppliers	**12,685,248**	10,304,398
	23,351,011	20,010,746
Allowance for doubtful other receivables due from related parties (note 9)	**(1,894,090)**	(1,894,090)
Allowance for advances towards formation of companies	**(822,178)**	(822,178)
Allowance for advances for investments and other receivables(*)	**(5,201,950)**	(3,506,950)
	15,432,793	13,787,528

(*) Movement in the allowance for advances for investments and other receivables is as follows:

	2018 *AED*	*2017* *AED*
At 1 January	**3,506,950**	3,506,950
Charge for the year	**1,695,000**	-
At 31 December	**5,201,950**	3,506,950

12 PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment AED	*Computer equipment and accessories AED*	*Total AED*
2018			
Cost:			
At 1 January 2018	5,323,621	3,986,768	9,310,389
Additions	345,844	15,135	360,979
At 31 December 2018	**5,669,465**	**4,001,903**	**9,671,368**
Depreciation:			
At 1 January 2018	4,124,298	3,564,017	7,688,315
Charge for the year (note 23)	674,441	96,638	771,079
At 31 December 2018	**4,798,739**	**3,660,655**	**8,459,394**
Net carrying amount:			
31 December 2018	**870,726**	**341,248**	**1,211,974**
2017			
Cost:			
At 1 January 2017	5,304,651	3,543,898	8,848,549
Additions	18,970	442,870	461,840
At 31 December 2017	5,323,621	3,986,768	9,310,389
Depreciation:			
At 1 January 2017	3,349,572	3,489,855	6,839,427
Charge for the year (note 23)	774,726	74,162	848,888
At 31 December 2017	4,124,298	3,564,017	7,688,315
Net carrying amount:			
31 December 2017	1,199,323	422,751	1,622,074

13 INVESTMENT PROPERTIES

	2018* *AED	*2017 AED*
At the beginning of the year	**162,360,000**	162,360,000
Increase in fair value	**-**	-
At the end of the year	**162,360,000**	162,360,000

13 INVESTMENT PROPERTIES continued

Investment properties is comprised of:

- A building, located in Abu Dhabi, purchased in 2010 and held for long-term rental yields. As at year-end, the investment property was registered and held in trust in the name of another party, for and on behalf of the Company and was not yet transferred to the Company. Management is still in the process of formalising the necessary registration procedures to transfer the title to the Company's name.

- A plot of land in Abu Dhabi that is held in the name of a related party, for and on behalf of the Company.

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 rental income for the year amounted to AED 961,603 (2017: AED 1,186,752) and building expenses amounted to AED 173,255 (2017: AED 138,666).

14 SHARE CAPITAL

	2018 *AED*	*2017* *AED*
Authorized, issued and fully paid		
150,000,000 shares of AED 1 each	**150,000,000**	150,000,000

15 LEGAL RESERVE

In accordance with the provisions of the UAE Federal 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.

16 GENERAL RESERVE

In accordance with Article 64 of the Company's Articles of Association, 10% of the Company's net profit for the year is to be transferred to a general reserve. No transfer was made during the year as the Company is in accumulated losses position.

17 POLICYHOLDERS' FUND

	2018 AED	2017 AED
Policyholders' fund		
Opening balance	**(217,382,631)**	(165,552,785)
Surplus (deficit) for the year	**10,850,344**	(51,829,846)
Closing balance	**(206,532,287)**	(217,382,631)
Loan from shareholders to policyholders		
At 1 January	**217,382,631**	165,552,785
Net movement during the year	**(10,850,344)**	51,829,846
Loan from shareholders	**206,532,287**	217,382,631
Less: allowance for loan to policyholders	**(206,532,287)**	(217,382,631)
Loan to policyholders, net	**-**	-

The deficit in the policyholders' fund is financed by the Shareholders through a Qard Hasan loan.

The Shareholders have funded the deficit in the policyholders' fund in accordance with the Company's policy through a Qard Hassan (free of finance charge) of AED 206,532,287 as of 31 December 2018 (2017: AED 217,382,631) with no repayment terms. During the year, Qard Hassan with a nominal value of AED 10,850,343 (2017: AED 51,829,846) was recovered / impaired and the recovery / allowance of the same amount was charged to the statement of income attributable to shareholders.

Although recoverability of the remaining loan balance is uncertain, management expects to recover it from future profits from takaful operations.

Takaful expenses are charged in the income statement attributable to shareholders effective 1 January 2017.

18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2018 AED	2017 AED
At 1 January	**2,584,017**	1,844,813
Charge for the year	**556,501**	2,646,570
Paid during the year	**(52,340)**	(1,907,366)
At 31 December	**3,088,178**	2,584,017

19 TAKAFUL AND RETAKAFUL PAYABLES

	2018 AED	*2017 AED*
Takaful payables comprises of:		
Due to policyholders, garages and providers	**24,853,204**	25,388,805
Due to takaful companies	**17,992,681**	25,337,914
	42,845,885	50,726,719
Retakaful payables comprises of:		
Due to retakaful companies	**23,918,607**	3,968,642
Retakaful deposits retained	**55,842,286**	15,679,841
	79,760,893	19,648,483

20 ISLAMIC FINANCING ARRANGEMENT

	Profit charge %	*2018 AED*	*2017 AED*
Ijara financing arrangement	8.5%	**1,714,286**	3,428,571

Ijara financing arrangement
The Company entered into an Ijara financing arrangement with a local Islamic bank in UAE for AED 12,000,000 in 2012. The Ijara is repayable in 14 semi-annual rental instalments commencing 22 June 2013 and secured by a first degree registered mortgage over the Company's investment property.

Amounts repayable in respect of the Ijara financing arrangement are as follows:

	2018 AED	*2017 AED*
Within 1 year	**1,714,286**	1,714,286
Between 1 – 2 years	**-**	1,714,285
	1,714,286	3,428,571

21 WAKALA FEES AND MUDARIB SHARE

The shareholders manage the takaful operations for the policyholders and charge the following range of percentages of gross takaful contributions as Wakala fees:

Motor	30%	(2017: 30%)
Medical	15%	(2017: 15%)
Others	30%	(2017: 30%)

The shareholders manage the policyholders' investment fund and charge 10% (2017 10%) of investment income earned by policyholders' investment fund as Mudarib share. Investment income earned by policyholders' investment fund as well as Mudarib share amounted to AED nil (2017: AED nil).

Takaful expenses are charged in the income statement attributable to shareholders effective from 1 January 2017. Wakala fees have been revised to cover Takaful expenses effective from 1 January 2017.

22 OTHER INVESTMENT INCOME

	2018	*2017*
	AED	*AED*
Return on deposits and other income	**853,287**	731,134

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2018	*2017*
	AED	*AED*
Staff costs	**26,178,515**	26,343,249
Rental expenses	**2,520,200**	2,286,996
Depreciation of property and equipment (note 12)	**771,079**	848,888
Other expenses	**4,686,032**	5,384,257
	34,155,826	34,863,390

24 BASIC AND DILUTED EARNINGS PER SHARE

Basic loss 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:

	2018	*2017*
Net profit for the year (AED)	**15,406,187**	803,700
Ordinary shares in issue throughout the year (shares)	**150,000,000**	150,000,000
Basic and diluted earning per share (AED)	**0.103**	0.005

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

25 CONTINGENT LIABILITIES AND COMMITMENTS

	2018	*2017*
	AED	*AED*
Bank guarantees	**6,536,430**	6,300,000

Bank guarantees were issued in the normal course of business.

The Group is defendant in legal cases raised against it in the United Arab Emirates ('UAE') courts mainly by individuals and other insurance companies relating to its ordinary course of business. The Group has recorded a provision against those legal cases as part of its claims reserve which represents its best estimate of the expected outcome on those claims.

26 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

The Company is organised into two business segments, shareholders and policyholders. Shareholders' segment comprises investment and cash management for the Company's own account in addition to management of the policyholders' fund. The policyholders segment comprises the takaful business undertaken by the Company. These segments are the basis on which the Company reports its primary segment information.

The Company's underwriting business is based entirely within the United Arab Emirates. Retakaful treaties are arranged with companies based primarily in the GCC or in Europe and USA. The investments of the Company are held in the United Arab Emirates.

The policyholders' segment is further organised into three main product lines consistent with the reports used by the Board. These include:

- Motor: Covers damage to motor cars and related property and injuries or deaths of persons
- Medical: Covers groups of individuals for medical treatment
- Others: Covers insurance of engineering, property, marine and personal, general and third party accidents

Details of the three takaful product lines of the policyholders' segment are shown in the product lines table below.

Business segments

	2018			2017		
	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED
Net underwriting income	108,912,834	-	108,912,834	70,738,689	-	70,738,689
Allowances for doubtful receivables	(8,112,056)	-	(8,112,056)	(4,972,602)	-	(4,972,602)
Investment income	622,247	-	622,247	-	-	-
Wakala fees	(90,572,681)	90,572,681	-	(117,595,933)	117,595,933	-
	10,850,344	90,572,681	101,423,025	(51,829,846)	117,595,933	65,766,087
Investment income	-	231,040	231,040	-	731,134	731,134
Net rental income from investment property	-	788,348	788,348	-	1,048,086	1,048,086
Decrease in fair value of investments at FVTPL	-	(187,511)	(187,511)	-	(1,098,353)	(1,098,353)
(Decrease) / increase in allowance for loan to policyholder's fund	-	10,850,344	10,850,344	-	(51,829,846)	(51,829,846)
Allowances for doubtful other receivables	-	(1,695,000)	(1,695,000)	-	-	-
Profit expenses on Islamic finance	-	(235,166)	(235,166)	-	(382,905)	(382,905)
Takaful expenses	-	(50,762,723)	(50,762,723)	-	(30,396,959)	(30,396,959)
General and administrative expenses	-	(34,155,826)	(34,155,826)	-	(34,863,390)	(34,863,390)
Net profit (loss) for the year	10,850,344	15,406,187	26,256,531	(51,829,846)	803,700	(51,026,146)

	2018			2017		
	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED
Total assets	412,455,874	211,206,310	623,662,184	348,008,783	225,752,724	573,761,507

Revenue reported above represents revenue generated from external customers and third parties. There were no inter -segment revenues in the year ended 31 December 2018 (2017: AED nil).

26 SEGMENT INFORMATION continued

Product lines

	2018				2017			
	Motor AED	*Medical AED*	*Others AED*	*Total AED*	*Motor AED*	*Medical AED*	*Others AED*	*Total AED*
Gross takaful contributions revenue	**367,214,349**	**31,669,562**	**3,056,537**	**401,940,448**	282,766,995	35,037,320	3,526,574	321,330,889
Retakaful contributions ceded	**(103,064,880)**	**(1,509,421)**	**(2,139,154)**	**(106,713,455)**	(36,792,969)	(1,394,167)	(2,320,324)	(40,507,460)
Net earned contributions	**264,149,469**	**30,160,141**	**917,383**	**295,226,993**	245,974,026	33,643,153	1,206,250	280,823,429
Retakaful commission income	**30,155,125**	**3,572**	**392,606**	**30,551,303**	9,333,015	-	450,271	9,783,286
Total underwriting income	**294,304,594**	**30,163,713**	**1,309,989**	**325,778,296**	255,307,041	33,643,153	1,656,521	290,606,715
Gross claims incurred	**(257,448,870)**	**(34,993,898)**	**283,807**	**(292,158,961)**	(256,148,883)	(34,588,426)	(870,583)	(291,607,892)
Retakaful share of claims incurred	**68,512,535**	**7,138,146**	**(357,182)**	**75,293,499**	64,895,620	6,259,785	584,461	71,739,866
Net claims incurred	**(188,936,335)**	**(27,855,752)**	**(73,375)**	**(216,865,462)**	(191,253,263)	(28,328,641)	(286,122)	(219,868,026)
Allowance for doubtful receivables	**(8,112,056)**	-	-	**(8,112,056)**	(4,972,602)	-	-	(4,972,602)
Other Income	**622,247**	-	-	**622,247**	-	-	-	-
Total underwriting expenses	**(196,426,144)**	**(27,855,752)**	**(73,375)**	**(224,355,271)**	(196,225,865)	(28,328,641)	(286,122)	(224,840,628)
Net underwriting income for the year	**97,878,450**	**2,307,961**	**1,236,614**	**101,423,025**	59,081,176	5,314,512	1,370,399	65,766,087

Primary segment information

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

- Underwriting of takaful business incorporating all classes of takaful including fire, marine, motor, general accident, engineering, and energy. This business is conducted fully within the UAE.

- Investments incorporating investments in UAE marketable equity securities, short-term investments with banks and other securities.

Gross Takaful contributions revenue from underwriting departments

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

	2018 AED	*2017 AED*
Motor	**367,214,349**	282,766,995
Medical	**31,669,562**	35,037,320
Miscellaneous accidents	**1,256,048**	1,467,298
Fire	**761,533**	1,308,657
Engineering	**675,722**	639,471
Marine	**363,234**	111,148
	401,940,448	321,330,889

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.

During 2018, as part of the Company's risk management initiatives, the Company restructured its retakaful program to have a higher protection on its Motor portfolio through arranging for a 50% quota share treaty led by an A rated company according to the rating of Standard & Poor's.

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

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

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 250,000 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 settlements 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 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 projections 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 premium rate changes, anticipated market experience and historical claims inflation.

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

Claims development process
The following schedule reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last two years on an underwriting year basis:

27 TAKAFUL RISK continued

Underwriting year

	2010 and before AED	*2011 AED*	*2012 AED*	*2013 AED*	*2014 AED*	*2015 AED*	*2016 AED*	*2017 AED*	*2018 AED*	*Total AED*
Gross:										
At the end of the underwriting year	61,467,642	53,927,139	51,460,080	127,123,415	118,099,772	104,647,773	104,626,981	221,368,860	307,979,702	1,150,701,364
One year later	53,183,580	8,243,591	18,093,339	122,171,809	54,328,710	49,411,283	16,838,677	(61,175,318)	-	261,095,671
Two years later	2,306,105	(1,906,523)	(2,944,927)	5,264,583	11,554,457	(2,905,529)	23,086,428	-	-	34,454,594
Three years later	(2,167,134)	(5,212,352)	530,735	4,555,458	18,144,715	29,088,550	-	-	-	44,939,972
Four years later	(2,271,501)	1,174,440	(223,413)	(632,330)	1,904,356	-	-	-	-	(48,448)
Five years later	(2,014,314)	(758,553)	206,851	1,672,413	-	-	-	-	-	(893,603)
Six years later	1,517,535	(149,018)	87,461	-	-	-	-	-	-	1,455,978
Seven years later	(325,266)	(8,900)	-	-	-	-	-	-	-	(334,166)
Eight years later	(88,215)	-	-	-	-	-	-	-	-	(88,215)
Current estimate of cumulative claims	111,608,432	55,309,824	67,210,126	260,155,348	204,032,010	180,242,077	144,552,086	160,193,542	307,979,702	1,491,283,147
Cumulative payments to date	(111,059,290)	(55,693,814)	(66,907,187)	(258,215,284)	(197,186,501)	(176,348,433)	(137,828,663)	(147,282,259)	(106,326,667)	(1,256,848,098)
	549,142	(383,990)	302,939	1,940,064	6,845,509	3,893,644	6,723,423	12,911,283	201,653,035	234,435,049

Concentration of takaful risk

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates.

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 concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retakafuls. Retakaful ceded contracts do not relieve the Company from its obligations to policyholders. 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.

28 FINANCIAL INSTRUMENTS

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

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

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

Capital risk management
The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. (6) of 2007 concerning the formation of Insurance Authority of UAE;
- 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 U.A.E., 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 in the table below) must be maintained at all times throughout the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

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

	2018 ***AED***	*2017* *AED*
Capital	**150,000,000**	150,000,000
Minimum regulatory capital (a)	**100,000,000**	100,000,000

(a) 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 insurance firm and AED 250 million for re- insurance 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 GCC national individuals or corporate bodies. The Company is complying with the above requirements.

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

28 FINANCIAL INSTRUMENTS continued

Categories of financial instruments

	2018 *AED*	*2017* *AED*
Financial assets		
Statutory deposit	**6,000,000**	6,000,000
Investments	**4,787,148**	12,062,659
Retakaful contract assets	**130,477,574**	64,536,493
Contributions and Retakaful balance receivables	**212,749,250**	226,076,519
Cash and bank balances	**75,897,400**	63,635,769
Total	**429,911,372**	372,311,440
Financial liabilities		
Takaful contract liabilities	**378,757,215**	405,222,930
Islamic finance arrangement	**1,714,286**	3,428,571
Takaful and Retakaful payables	**122,606,778**	70,375,202
Total	**503,078,279**	479,026,703

Profit rate risk management
The Company's profit rate risk is mainly attributable to its bank deposits, current accounts and Islamic profit-bearing Ijara, the majority of which are fixed rate and, accordingly, no significant profit rate risk will result from these balances.

The Company generally tries to minimise the profit rate 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 United Arab Emirates Dirhams (AED) or US Dollars to which the AED is pegged.

Equity price risk
Equity 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 equity price risk with respect to its equity 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.

A 10% increase in the market price of the Company's quoted equities at 31 December 2018 would have increased equity and profit by AED 124,315 (2017: AED 143,066). An equivalent decrease would have resulted in an equivalent but opposite impact.

A 10% increase in the value of the Company's unquoted equities at 31 December 2018 would have increased equity and other comprehensive income by AED 354,400 (2017: AED 1,063,200). An equivalent decrease would have resulted in an equivalent but opposite impact.

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 retakafuls in respect 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 the management annually.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary insurer. If a retakaful fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of retakafuls 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 retakafuls is carried out by the Company. Details on concentration of amounts due from policyholders is disclosed in note 11. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policyholders.

Liquidity risk management
Liquidity risk is the risk that Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

28 FINANCIAL INSTRUMENTS continued

Liquidity risk management continued
The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2018 and 31 December 2016, based on contractual payment dates and current market interest rates.

	Current AED	*Non-current AED*	*Total AED*
31 December 2018			
Takaful Contract Liabilities	**378,757,215**	**-**	**378,757,215**
Takaful and retakaful payables	**122,606,778**	**-**	**122,606,778**
Islamic Finance arrangement	**1,714,286**	**-**	**1,714,286**
Total	**503,078,279**	**-**	**503,078,279**
31 December 2017			
Takaful Contract Liabilities	405,222,930	-	405,222,930
Takaful and retakaful payables	70,375,202	-	70,375,202
Islamic Finance arrangement	1,714,286	1,714,285	3,428,571
Total	477,312,418	1,714,285	479,026,703

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 2018			
Assets			
Cash and bank balances	**75,897,400**	**-**	**75,897,400**
Statutory deposits	**-**	**6,000,000**	**6,000,000**
Financial assets designated at fair value through other comprehensive income	**-**	**3,544,000**	**3,544,000**
Financial assets designated at fair value through income	**1,243,148**	**-**	**1,243,148**
Retakaful contract assets	**130,477,574**	**-**	**130,477,574**
Contributions and Retakaful balance receivables	**212,749,250**	**-**	**212,749,250**
Deferred acquisition costs	**14,746,045**	**-**	**14,746,045**
Prepaid expenses and other assets	**15,432,793**	**-**	**15,432,793**
Property and equipment	**-**	**1,211,974**	**1,211,974**
Investment property	**-**	**162,360,000**	**162,360,000**
Total assets	**450,546,210**	**173,115,974**	**623,662,184**
Liabilities			
Takaful contract liabilities	**378,757,215**	**-**	**378,757,215**
Takaful and retakaful payables	**122,606,778**	**-**	**122,606,778**
Islamic finance arrangement	**1,714,286**	**-**	**1,714,286**
Accrued expenses and other liabilities	**9,711,164**	**-**	**9,711,164**
Trade payables	**811,816**	**-**	**811,816**
Provision for end of service benefits	**-**	**3,088,178**	**3,088,178**
Unearned Retakaful commission	**23,237,023**	**-**	**23,237,023**
Total liabilities	**536,838,282**	**3,088,178**	**539,926,460**

28 FINANCIAL INSTRUMENTS continued

Maturity analysis of assets and liabilities continued

	Current AED	*Non-current AED*	*Total AED*
31 December 2017			
Assets			
Cash and bank balances	63,635,769	-	63,635,769
Statutory deposits	-	6,000,000	6,000,000
Financial assets designated at fair value through other comprehensive income	-	10,632,000	10,632,000
Financial assets designated at fair value through income	1,430,659	-	1,430,659
Retakaful contract assets	64,536,493	-	64,536,493
Contributions and Retakaful balance receivables	226,076,519	-	226,076,519
Deferred acquisition costs	23,680,465	-	23,680,465
Prepaid expenses and other assets	13,787,528	-	13,787,528
Furniture and equipment	-	1,622,074	1,622,074
Investment property	-	162,360,000	162,360,000
Total assets	393,147,433	180,614,074	573,761,507
Liabilities			
Takaful contract liabilities	405,222,930	-	405,222,930
Takaful and retakaful payables	70,375,202	-	70,375,202
Islamic finance arrangement	1,714,286	1,714,285	3,428,571
Accrued expenses and other liabilities	9,353,761	-	9,353,761
Trade payables	634,432	-	634,432
Provision for end of service benefits	-	2,584,017	2,584,017
Unearned Retakaful commission	6,745,057	-	6,745,057
Total liabilities	494,045,668	4,298,302	498,343,970

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

29 FAIR VALUE MEASUREMENTS

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

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
31 December 2018				
Investments at fair value through other comprehensive income	-	-	**3,544,000**	**3,544,000**
Investments at fair value through profit or loss	**1,243,148**	-	-	**1,243,148**
Investment properties	-	-	**162,360,000**	**162,360,000**
Total	**1,243,148**	-	**165,904,000**	**167,147,148**
31 December 2017				
Investments at fair value through other comprehensive income	-	-	10,632,000	10,632,000
Investments at fair value through profit or loss	1,430,659	-	-	1,430,659
Investment properties	-	-	162,360,000	162,360,000
Total	1,430,659	-	172,992,000	174,422,659

There were no transfers between levels 1, 2 and 3 in 2018 and 2017.