

**ABU DHABI NATIONAL
TAKAFUL COMPANY P.S.C.**

**Review report and interim
financial information for the
three months period ended
31 March 2020**

ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C.

**Review report and interim financial information
for the three months period ended 31 March 2020**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C.

Introduction

We have reviewed the accompanying interim financial information of Abu Dhabi National Takaful Company P.S.C. (the “Company”) as at 31 March 2020, comprising the condensed statement of financial position as at 31 March 2020 and the related condensed statements of profit or loss, comprehensive income, changes in shareholders’ equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, “*Interim Financial Reporting*” (“IAS 34”). Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
14 May 2020
Abu Dhabi
United Arab Emirates

**Condensed statement of financial position
As at 31 March 2020**

	Notes	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
ASSETS			
Takaful operations assets			
Financial assets measured at fair value through profit or loss	6(a)	8,346,096	9,441,739
Financial assets measured at fair value through other comprehensive income	6(b)	4,647,919	5,238,201
Re-takaful share of unearned contributions	10	124,721,235	106,953,255
Prepaid expenses and other assets		34,432,531	29,534,014
Re-takaful share of outstanding claims	10	133,505,100	123,666,197
Contributions and re-takaful balances receivables		47,570,470	13,879,625
Term deposits	4	395,133,252	463,771,149
Cash and bank balances	4	44,286,887	61,610,090
		<hr/>	<hr/>
Total takaful operations assets		792,643,490	814,094,270
Shareholders' assets			
Property and equipment		16,853,110	17,558,876
Statutory deposit	5	10,000,000	10,000,000
Financial assets measured at fair value through profit or loss	6(a)	49,718,948	25,544,299
Financial assets measured at fair value through other comprehensive income	6(b)	137,089,758	158,866,525
Investments properties	8	18,309,000	18,309,000
Deferred policy acquisition costs		71,364,429	64,870,619
Prepaid expenses and other assets		8,750,285	6,561,139
Term deposits	4	26,780,290	48,230,572
Cash and bank balances	4	79,405,169	67,994,103
		<hr/>	<hr/>
Total shareholders' assets		418,270,989	417,935,133
		<hr/>	<hr/>
TOTAL ASSETS		1,210,914,479	1,232,029,403
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY			
Takaful operations liabilities			
Takaful payables		12,046,111	10,463,178
Outstanding claims		176,931,965	165,281,006
Re-takaful payables		117,704,377	120,978,903
Accrued expenses and other liabilities		10,758,050	8,092,044
Unearned re-takaful commission income		8,167,458	4,994,868
Unearned contributions		460,651,487	440,527,290
		<hr/>	<hr/>
Total takaful operations liabilities		786,259,448	750,337,289
		<hr/>	<hr/>

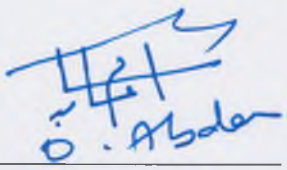
The accompanying notes form an integral part of these interim financial information.

**Condensed statement of financial position
As at 31 March 2020 (continued)**

	Notes	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Shareholders' liabilities			
Accrued expenses and other liabilities		4,632,653	23,327,066
Provision for end of service benefits		9,822,765	9,585,241
Total shareholders' liabilities		14,455,418	32,912,307
Total liabilities		800,714,866	783,249,596
Policyholders' fund			
Surplus of life policyholders takaful fund	11	46,874,966	46,657,720
Distribution payable to life takaful fund policyholders	11	5,274,546	5,804,958
Deficit of general policyholders takaful fund	11	(9,033,495)	(7,696,170)
Loan from shareholders	11	9,033,495	7,696,170
Investment revaluation reserve	11	(255,894)	151,036
Total Policyholders' fund		51,893,618	52,613,714
Shareholders' equity			
Share capital		100,000,000	100,000,000
Legal reserve		49,056,937	49,056,937
General reserve		42,500,000	42,500,000
Investment revaluation reserve		(15,634,837)	10,928,055
Retained earnings		182,383,895	193,681,101
Total shareholders' equity		358,305,995	396,166,093
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY		1,210,914,479	1,232,029,403

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed interim financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Company.


Khamis Buharoon
Chairman of the Board of Directors


Osama Abdeen
Chief Executive Officer

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

**Condensed statement of profit or loss
for the three months period ended 31 March 2020**

	Notes	<u>3 months ended 31 March</u>	
		2020 (Unaudited) AED	2019 (Unaudited) AED
Attributable to policyholders			
Gross contributions written		108,044,065	113,492,373
Re-takaful contributions accepted		15,062,910	1,806,157
Re-takaful contributions ceded		(76,646,275)	(44,995,795)
Net written contributions		46,460,700	70,302,735
Change in net unearned contribution provision		(2,356,217)	(17,179,054)
Net earned contributions		44,104,483	53,123,681
Commissions earned		5,738,960	5,727,178
Gross takaful income		49,843,443	58,850,859
Gross claims paid		(47,401,586)	(41,523,783)
Re-takaful share of accepted claims paid		(285,368)	(1,671,904)
Re-takaful share of ceded claims paid		31,471,553	30,940,925
Net paid claims		(16,215,401)	(12,254,762)
Change in outstanding claim		(13,401,025)	453,917
Change in re-takaful share of outstanding claims		11,952,489	(421,006)
Change in incurred but not reported claims reserve		1,768,139	(1,050,119)
Change in re-takaful share of incurred but not reported claims reserve		(2,113,586)	1,528,319
Change in unallocated loss adjustment expense		(1,875,127)	(678,435)
Net claims incurred		(19,884,511)	(12,422,086)
Takaful income		29,958,932	46,428,773
Other income		209,575	416,630
Takaful operating profit		30,168,507	46,845,403
Policyholders' investment income		3,305,714	4,047,350
Mudareb share	12	(1,156,999)	(1,416,572)
Wakalah fees	12	(33,437,301)	(34,744,420)
Surplus/(deficit) of takaful result for the period		(1,120,079)	14,731,761
Attributable to shareholders			
Shareholders' investment and other income, net		746,658	4,303,528
Mudareb share from policyholders		1,156,999	1,416,572
Wakalah fees from policyholders		33,437,301	34,744,420
Takaful expense		(8,448,372)	(5,568,865)
General and administrative expenses		(10,008,900)	(12,888,572)
Decrease/(increase) in provision of loan from shareholders	11	(1,337,325)	4,788,551
Profit for the period		15,546,361	26,795,634
Basic and diluted earnings per share	13	0.16	0.27

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

**Condensed statement of comprehensive income
for the three months period ended 31 March 2020**

	Note	3 months ended 31 March	
		2020 (Unaudited) AED	2019 (Unaudited) AED
Profit for the period		15,546,361	26,795,634
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of equity investments measured at fair value through other comprehensive income		(21,147,547)	2,849,991
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of sukuk investments measured at fair value through other comprehensive income		(7,258,912)	286,337
Total other comprehensive income/(loss) for the period		(28,406,459)	3,136,328
Total comprehensive (loss)/income for the period		(12,860,098)	29,931,962

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

**Condensed statement of changes in shareholders' equity
for the three months period ended 31 March 2020**

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2020 (audited)	100,000,000	49,056,937	42,500,000	10,928,055	193,681,101	396,166,093
Profit for the period	-	-	-	-	15,546,361	15,546,361
Other comprehensive loss for the period	-	-	-	(28,406,459)	-	(28,406,459)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	-	-	-	(28,406,459)	15,546,361	(12,860,098)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Loss on disposal of financial assets classified at fair value through other comprehensive income	-	-	-	1,843,567	(1,843,567)	-
Dividends paid (note 9)	-	-	-	-	(25,000,000)	(25,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2020 (unaudited)	100,000,000	49,056,937	42,500,000	(15,634,837)	182,383,895	358,305,995
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The accompanying notes form an integral part of these interim financial information.

**Condensed statement of changes in shareholders' equity
for the three months period ended 31 March 2020 (continued)**

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2019 (audited)	100,000,000	41,791,425	42,500,000	220,224	155,249,505	339,761,154
Profit for the period	-	-	-	-	26,795,634	26,795,634
Other comprehensive income for the period	-	-	-	3,136,328	-	3,136,328
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Total comprehensive income for the period	-	-	-	3,136,328	26,795,634	29,931,962
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Loss on disposal of financial assets classified at fair value through other comprehensive income	-	-	-	2,913,423	(2,913,423)	-
Dividends paid (note 9)	-	-	-	-	(20,000,000)	(20,000,000)
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Balance at 31 March 2019 (unaudited)	100,000,000	41,791,425	42,500,000	6,269,975	159,131,716	349,693,116
	=====	=====	=====	=====	=====	=====

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

**Condensed statement of cash flows
for the three months period ended 31 March 2020**

	Notes	3 months ended 31 March	
		2020 AED (Unaudited)	2019 AED (Unaudited)
OPERATING ACTIVITIES			
Net profit for the period		15,546,361	26,795,634
Adjustments for:			
Depreciation of property and equipment		772,005	902,666
Movement of unearned contributions, net		2,356,217	17,179,054
Investment and other income		(4,052,372)	(8,350,878)
Net movement in provision for end of service benefits		237,524	605,468
Movement in provision for doubtful debts		2,034,094	-
Movement in provision of loan from shareholders		1,337,325	(4,788,551)
Surplus of life policy holders takaful fund		217,246	9,943,210
Operating profit before movements in working capital:		18,448,400	42,286,603
Increase in prepaid and other assets		(7,087,663)	(6,043,968)
Increase in contributions and retakaful balances receivables		(35,724,939)	(20,454,270)
Increase in deferred policy acquisition costs		(6,493,810)	(13,534,697)
Increase/(decrease) in outstanding claims, net		1,812,056	(340,320)
Decrease in distribution of life takaful fund policyholders		(530,412)	(411,771)
(Decrease)/increase in provision of loan from shareholders		(1,337,325)	4,788,551
Increase in takaful payables		1,582,933	3,799,472
Decrease in retakaful payables		(3,274,526)	(2,775,907)
Decrease in accrued expenses and other liabilities		(11,160,739)	(12,636,695)
Increase in unearned retakaful commission income		3,172,590	3,045,704
Directors' remuneration paid		(4,867,668)	-
Net cash used in operating activities		(45,461,103)	(2,277,298)
INVESTING ACTIVITIES			
Net movement in investments		(29,525,346)	(6,805,554)
Purchase of property and equipment		(66,239)	(120,713)
Investment and other income received		4,052,372	8,350,878
Increase in term deposits		(57,044,237)	(37,117,846)
Net cash used in investing activities		(82,583,450)	(35,693,235)
FINANCING ACTIVITY			
Dividends paid		(25,000,000)	(20,000,000)
Net cash used in financing activity		(25,000,000)	(20,000,000)
Decrease in cash and cash equivalents		(153,044,553)	(57,970,533)
Cash and cash equivalents at 1 January		283,878,078	87,158,698
Cash and cash equivalents at the end of the period	4	130,833,525	29,188,165

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

**Notes to the interim financial information
for the three months period ended 31 March 2020**

1 Corporate information

Abu Dhabi National Takaful Company PSC (the “Company”) is a public shareholding company which was incorporated in Abu Dhabi, United Arab Emirates (“UAE”) on 16 November 2003. The Company is registered in accordance with the Federal Law No. (2) of 2015.

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

2 Basis of preparation and accounting policies

Basis of preparation

The interim financial information for the three months period ended 31 March 2020 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim financial information does not contain all information and disclosures required in the annual financial statements prepared in accordance with the International Financial Reporting Standards, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2019. In addition, results for the three months period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

The interim financial information has been prepared on the historical cost convention as modified for re-measurement of investment securities and investment properties at fair value.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

2 Basis of preparation and accounting policies (continued)

2.1 New and revised IFRSs applied with no material effect on the condensed financial statements

In the current period, the Company has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current period but may affect the accounting for the Company’s future transactions or arrangements.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Definition of Material - Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Definition of a Business – Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2020
Amendments to <i>References to the Conceptual Framework in IFRS Standards</i>	1 January 2020
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> and IFRS 9- <i>Financial Instruments</i>	1 January 2020

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

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

The Company has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> and IFRS 9- <i>Financial Instruments</i>	1 January 2020 however, deferral allowed for insurance companies.
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2011)</i>	Effective date deferred indefinitely. Adoption is still permitted.

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)****2 Basis of preparation and accounting policies (continued)****2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)**

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

The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 and confirms to apply IAS 39 for financial instruments. The overlay approach allows an entity applying IFRS 9 from 1 January 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of both IFRS 9 and IFRS 17 until 31 December 2022.

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

3 Critical accounting judgments and key sources of estimation uncertainty

The preparation of these condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgments made by management in applying the Company's accounting policies, and the key sources of estimates uncertainty were same as those applied to the financial statements as at and for the year ended 31 December 2019, except for the significant judgments, estimates and assumptions applied by the Company relating to the impact of COVID-19.

The Company has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims which included regular sensitivity analyses. The Company determined that there is no material impact on its risk position and provision balances for outstanding claims for the period ended 31 March 2020. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

As the local real estate market becomes slower moving, there is the risk that adjustments may be required to the fair values of the properties in order to reflect the current economic circumstances. Based on management's assessment, this is in early stages and there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Company has not identified any material impact to the fair values of investment properties for the period ended 31 March 2020. The Company will consistently monitor the market and ensure that the prices used by the Company are an accurate representation of fair values.

The COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets. The Company is closely monitoring whether the fair values of its financial assets represent the price that would be achieved for transactions between market participants in the current scenario. Based on management's assessment, the Company has not identified a material impact to the fair values of financial assets for the period ended 31 March 2020.

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

4 Cash and cash equivalents

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Cash and bank balances	123,692,056	129,604,193
Term deposits	421,913,542	512,001,721
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Cash and bank balances	545,605,598	641,605,914
Less: term deposits with original maturity of more than three months	(414,772,073)	(357,727,836)
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Cash and cash equivalents	130,833,525	283,878,078
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Term deposits represent deposits held with islamic financial institutions in the UAE, are denominated in UAE dirhams and carry profit at the prevailing market rates ranging from 1.5% to 5% per annum (31 December 2019: 1.89% to 5% per annum).

5 Statutory deposit

In accordance with the requirements of the Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations, the Company maintains a bank deposit of AED 10,000,000 which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a commercial bank in the UAE, a related party (note 7).

6 Investments

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

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
<u>Takaful operations assets</u>		
Quoted securities		
- Sukuks	8,346,096	9,441,739
	<hr/>	<hr/>
<u>Shareholders assets</u>		
Quoted securities		
- Equity securities	26,097,611	-
- Sukuks	23,621,337	25,544,299
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	49,718,948	25,544,299
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**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

6 Investments (continued)

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

The geographical concentration of investments is as follows:

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Within UAE	14,330,143	16,137,000
Outside UAE	43,734,901	18,849,038
	58,065,044	34,986,038

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

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
<u>Takaful operations assets</u>		
Quoted securities		
- <i>Sukuks</i>	4,647,919	5,238,201
<u>Shareholders' assets</u>		
Quoted securities		
- <i>Equity securities</i>	65,245,352	98,861,073
- <i>Sukuks</i>	51,418,813	39,745,897
	116,664,165	138,606,970
Unquoted securities		
- <i>Equity securities</i>	20,425,593	20,259,555
	137,089,758	158,866,525
	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Quoted securities	121,312,084	143,845,171
Unquoted securities	20,425,593	20,259,555
	141,737,677	164,104,726

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

6 Investments (continued)

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

The geographical concentration of investments is as follows:

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Within UAE	68,253,079	70,209,763
Outside UAE	73,484,598	93,894,963
	141,737,677	164,104,726

Investments held by the Company are sharia-compliant as at 31 March 2020.

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

7 Related parties

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

	3 months ended 31 March	
	2020 (unaudited) AED	2019 (unaudited) AED
Gross contributions written	3,153,483	1,574,383
Takaful expenses	-	4,275
	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Statutory deposit	10,000,000	10,000,000
Due to related party	4,730,662	4,833,278
Due from related party	13,698,319	27,710

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

7 Related parties (continued)

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

	3 months ended 31 March	
	2020 (unaudited) AED	2019 (unaudited) AED
Short term benefits	983,891	1,548,710
Long-term benefits	53,792	60,541

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

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

8 Investment properties

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
At 1 January	18,309,000	19,720,000
Decrease in fair value	-	(1,411,000)
	18,309,000	18,309,000

Investment properties are stated at fair value which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The investment properties were valued as at 31 December 2019 by an independent valuer at AED 18,309,000 using the income approach. Management believes that there have been no significant changes during the period ended 31 March 2020.

9 Dividends

For the year ended 31 December 2019, cash dividend of AED 25,000,000 at a rate of AED 0.25 per share was approved by the shareholders on 15 March 2020 and paid in March 2020.

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

10 Re-takaful contract assets and Takaful contract liabilities

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Gross		
Takaful contract liabilities:		
Reported claims	129,316,360	115,915,335
Claims incurred but not reported	46,755,100	48,523,239
Unallocated loss adjustment expense reserve	860,505	842,432
	<hr/>	<hr/>
Outstanding claims	176,931,965	165,281,006
Unearned contributions reserve	460,651,487	440,527,290
	<hr/>	<hr/>
	637,583,452	605,808,296
	<hr/>	<hr/>
Recoverable from takaful		
Takaful contract assets:		
Reported claims	98,937,825	86,985,336
Claims incurred but not reported	34,567,275	36,680,861
	<hr/>	<hr/>
Re-takaful share of outstanding claims	133,505,100	123,666,197
Re-takaful share of unearned contributions	124,721,235	106,953,255
	<hr/>	<hr/>
	258,226,335	230,619,452
	<hr/>	<hr/>
Takaful liabilities – net		
Reported claims	30,378,535	28,929,999
Claims incurred but not reported	12,187,825	11,842,378
Unallocated loss adjustment expense reserve	860,505	842,432
	<hr/>	<hr/>
Unearned contributions reserve	43,426,865	41,614,809
	335,930,252	333,574,035
	<hr/>	<hr/>
	379,357,117	375,188,844
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

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

	Surplus of life policyholders' funds AED	Distribution payable to life policyholders AED	(Deficit) / surplus of general policyholders' funds AED	Loan from shareholders AED	Investment revaluation reserve AED	Total AED
Balance at 1 January 2020	46,657,720	5,804,958	(7,696,170)	7,696,170	151,036	52,613,714
Surplus / (deficit) generated in the reporting period	217,246	-	(1,337,325)	-	-	(1,120,079)
Loan from shareholders	-	-	-	1,337,325	-	1,337,325
Surplus distributed during the reporting period for 2018	-	(530,412)	-	-	-	(530,412)
Change in investment valuation reserve	-	-	-	-	(406,930)	(406,930)
Balance at 31 March 2020	46,874,966	5,274,546	(9,033,495)	9,033,495	(255,894)	51,893,618
Balance at 1 January 2019	17,577,087	3,250,205	(8,767,283)	8,767,283	3,026	20,830,318
Surplus generated in the reporting year 2019	32,258,096	-	1,071,113	-	-	33,329,209
Repayment of loan in the year 2019	-	-	-	(1,071,113)	-	(1,071,113)
Distributions for the reporting period 2018	(6,000,000)	6,000,000	-	-	-	-
Surplus distributed during the year 2019 for the year 2017	-	(427,668)	-	-	-	(427,668)
Surplus distributed during the year 2019 for the year 2018	-	(195,042)	-	-	-	(195,042)
Reversal of unclaimed distributions for previous period 2017	2,822,537	(2,822,537)	-	-	-	-
Change in investment valuation reserve for the year 2019	-	-	-	-	148,010	148,010
Balance at 31 December 2019	46,657,720	5,804,958	(7,696,170)	7,696,170	151,036	52,613,714

12 Mudareb share and wakalah fees

The shareholders manage the policyholders' investment fund and charge 35% (2019: 35%) of investment income earned by policyholders' investment fund as mudareb share.

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

	31 March 2020 (%)	31 December 2019 (%)
Motor, property, engineering and marine	25	25
Medical	20	25.5
Workers Protection	12.5	12.5
All other takaful classes	35	35

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

13 Basic and diluted earnings per share

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

	3 months ended 31 March	
	2020 (unaudited)	2019 (unaudited)
Profit for the period	15,546,361	26,795,634
Ordinary shares in issue throughout the period	100,000,000	100,000,000
Basic and diluted earnings per share (AED)	0.16	0.27

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

14 Segment information

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

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

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

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

14 Segment information (continued)

Segment revenue and results

	Three month ended 31 March 2020 (unaudited)			Three month ended 31 March 2019 (unaudited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	108,931,313	4,052,372	112,983,685	104,682,902	8,350,878	113,033,780
Direct costs	(78,762,805)		(78,762,805)	(57,837,499)	-	(57,837,499)
Takaful expenses	(8,448,372)		(8,448,372)	(5,568,865)	-	(5,568,865)
Segment results	21,720,136	4,052,372	25,772,508	41,276,538	8,350,878	49,627,416
Unallocated costs			(10,226,147)	-	-	(22,831,782)
Profit for the period			15,546,361			26,795,634

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the period (31 March 2019: AED Nil).

The accounting policies of the reportable segments are the same as the Company's accounting policies used in the annual audited financial statements for the year ended 31 December 2019, except for adoption of new and amended standards as set out in note 2.

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

14 Segment information (continued)

Segment assets and liabilities

	As at 31 March 2020 (unaudited)			As at 31 December 2019 (audited)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	455,880,652	640,025,263	1,095,905,915	400,513,800	729,401,485	1,129,915,285
Unallocated assets			115,008,564			102,114,118
Total assets			1,210,914,479			1,232,029,403
Segment liabilities	786,259,448	-	786,259,448	749,992,067	345,222	750,337,289
Unallocated liabilities			14,455,418			32,912,307
Total liabilities			800,714,866			783,249,596
Capital expenditure	-	66,239	66,239	-	811,838	811,838

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

15 Seasonality of results

No income of seasonal nature was recorded in the income statement for the three month period ended 31 March 2020 and 2019.

16 Profit for the period

The Company's combined net profit for the period, before Qard Hasan provision is AED 15,763,607 (31 March 2019: AED 36,738,844).

17 Contingent liabilities and commitments

	31 March 2020 (unaudited) AED	31 December 2019 (audited) AED
Bank guarantees	629,688	529,688

Bank guarantees were issued in the normal course of business.

18 Fair value of financial instruments

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

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

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<u>31 March 2020 (unaudited)</u>				
Financial assets measured at fair value through profit and loss	58,065,044	-	-	58,065,044
Financial assets measured at fair value through other comprehensive income	121,312,084	-	20,425,593	141,737,677
Investment properties	-	-	18,309,000	18,309,000
	179,543,166	-	38,734,593	218,111,721
<u>31 December 2019 (audited)</u>				
Financial assets measured at fair value through profit and loss	34,986,038	-	-	34,986,038
Financial assets measured at fair value through other comprehensive income	143,845,171	-	20,259,555	164,104,726
Investment properties	-	-	18,309,000	18,309,000
	178,831,209	-	38,568,555	217,399,764

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

**Notes to the interim financial information
for the three months period ended 31 March 2020 (continued)**

19 Impact of Covid-19 on the Company

The COVID-19 pandemic has turned into a global crisis that has disrupted the global economy. The crisis is hitting the insurance industry more universally and faster. In light of the prevailing circumstances due to the spread of the COVID-19, we, Abu Dhabi National Takaful Co. PSC, acted responsibly and proactively and started implementing adequate measures at an early stage to ensure business continuity while maintaining the level of services to the customers and business partners with minimum interruptions.

We have both a Disaster Recovery Plan and Business Continuity Plan in place to manage emergencies or disaster related situations.

In light of the prevailing circumstances of drop in oil prices along with lockdown due to COVID-19, we have been witnessing a shift in consumer behavior at an increasing pace where demand for luxury products with high profit margins such as life insurance, high value vehicles cover, specialty covers, enhanced medical and general insurance protections is shifting towards mandatory and basic coverages that are usually price sensitive with lower margins.

We are following our current underwriting guidelines that are adequate in risk selection and risk management. The effect of these changes is limited on our portfolio. As to date, we have not experienced any significant impact on our claims related to COVID-19. Since the observed impact of the pandemic has not yet crossed the thresholds set in the existing stress testing scenarios, no change has been made to our products assumptions as yet. However, on the reserving side, we are anticipating significantly higher losses in Medical line and lower losses in Motor line of business (this is supported by current claims data) and our reserving assumptions have been adjusted accordingly.

We feel confident that our well diversified investment portfolio that has significantly grown over the past years is strong to withstand the adverse conditions of the market and our high level of liquidity gives the ability to seize opportunities as they arise when the investment markets are back to the new norm.

The Company has contributed AED 90,000 as part of the national efforts to counter COVID-19 to the National Fund “ Together we are good”.

In response to this crisis, the Company continues to monitor and respond to all liquidity and funding requirements through its Liquidity Contingency Plan and stress tests reflecting the current economic scenarios. As at the reporting date the liquidity, funding and capital position of the Company remains strong and is well placed to absorb the impact of the current disruption.

20. Approval of condensed interim financial information and responsibility statement

The condensed interim financial information of the Company for the period ended 31 March 2020 has been authorised for issue in accordance with a resolution of the Board of Directors on 14 May 2020.