



تكافل

شركة أبوظبي الوطنية للتكافل ش.م.ع

Takaful

Abu Dhabi National Takaful Co. P.S.C



The Integrated Report 2020

www.takaful.ae

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

**Reports and financial
statements for the year ended
31 December 2020**

ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C.

**Reports and financial statements
for the year ended 31 December 2020**

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**Directors' report
for the year ended 31 December 2020**

Dear Shareholders,

Peace be upon you

It gives us pleasure to present to you the annual report on the company's activities and its audited financial statements for the year ended 31 December 2020, along with the Fatwa & Sharia'a Supervisory Board, Independent Auditor Reports and a detailed corporate governance report complying with the corporate governance code of UAE Securities and Commodities Authority.

Board of Directors Recommendations

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

	2020 AED
Proposed cash dividend of 20% of the paid up capital	20,000,000
Transfer to legal reserve	943,063
Transfer to Re-takaful default reserve	2,511,787
Board of Directors remunerations	4,867,668
Zakat	5,320,778
Retained earnings, carried forward	<u>44,753,656</u>
	<u>78,396,952</u>

Valued Shareholders,

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

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

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

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

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


Khamis Buhardon
Chairman of Board of Directors

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Abu Dhabi National Takaful Company P.S.C. (the "Company") which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters (continued)**Estimation uncertainty with respect to the measurement of outstanding claims liabilities****The financial statement risk**

As described in Note 7 to the financial statements of the Company, outstanding claims liabilities amounted to AED 183.6 million which includes reported claims of AED 140.8 million and claims incurred but not reported (IBNR) of AED 42 million. The retakaful share of outstanding claims amounted to AED 147 million at the reporting date.

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

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

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

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

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

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

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

Key audit matters (continued)**Estimation uncertainty with respect to the measurement of outstanding claims liabilities (continued)****How the matter was addressed in the audit (continued)**

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

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

The primary substantive procedures which we performed to address this key audit matter included, but were not limited to, the following:

- We verified, for a sample of outstanding claims, whether the estimated amounts of specific cases were adequately documented and substantiated by, for example, reports from loss adjusters;
- We verified reconciliations between claims data recorded in the Company's systems and data used in the actuarial reserving calculations;
- We assessed the competence, capabilities, qualifications and objectivity of the external actuary engaged by the Company for the valuation of technical provisions;
- With the support of our insurance valuation specialists, we compared the respective actuarial methods applied and the material assumptions with generally recognised actuarial practices and industry standards and examined to what extent these are appropriate for the valuation and consistent between reporting periods;
- We considered the results of the third-party actuarial valuation of the outstanding claims liabilities to identify and understand any significant differences in the liabilities as compared to management's estimates and prior period amounts;
- We recalculated the amount of the provisions for selected products, in particular products with substantial reserves or increased estimation uncertainties. For these products, we compared the recalculated provisions with the provisions calculated by the Company and evaluated any differences;
- We compared claims transactions on a sample basis with supporting documentation to evaluate whether the claims reported during the reporting period were recorded in accordance with the Company's internal policy;
- We inspected significant arrangements with reinsurers to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on prevailing terms and conditions; and
- We assessed the disclosures included in Note 3.3 and Note 7 in relation to outstanding claims against the relevant IFRS disclosure requirements.

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

Key Audit Matters (continued)

Estimation uncertainty with respect to provisions for unearned contribution reserves

The financial statement risk

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

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

The provisions recognised for unearned contribution reserves amounted to AED 381.3 million at the end of the reporting period. For further information on the accounting policies relating to this key audit matter refer to Note 3.3 as well as Note 4 for disclosures about its key sources of estimation uncertainty.

How the matter was addressed in the audit

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

- We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the process of capturing, processing and recording of information relating to recognition of revenue in the correct reporting period;
- We assessed whether the Company’s revenue recognition policy complied with IFRSs and tested the implementation of those policies. Specifically, we considered whether the contribution on takaful policies are accounted for on the date of inception of policies, with the exception of contribution income on marine cargo policies which is accounted for on the expected date of voyage, by testing a sample of revenue items to takaful contracts;
- We compared the unearned contributions reserve balance recorded in the financial statements to the reserve balance determined by the Company’s external actuary;
- We recalculated, on a sample basis, the unearned contributions reserve based on the earning period of takaful contracts existing at the end of the reporting period;
- We tested written policies on a sample basis where revenue was recorded close to year end and subsequent to year end, and evaluated whether these were recorded in the appropriate accounting period; and
- We assessed the disclosures included in Note 3.3 in relation to this area against the relevant IFRS disclosure requirements.

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

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Directors' Report of the Company but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and articles of association of the Company;
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Company's books of account;
- Note 8 to the financial statements of the Company discloses purchased or investments in shares during the financial year ended 31 December 2020;
- Note 20 to the financial statements of the Company discloses material related party transactions and the terms under which these were conducted;
- Note 23.1 to the financial statements of the Company discloses social contributions made during the financial year ended 31 December 2020; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its articles of association which would materially affect its activities or its financial position as at 31 December 2020.

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

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
10 February 2021
Abu Dhabi
United Arab Emirates

**Statement of financial position
as at 31 December 2020**

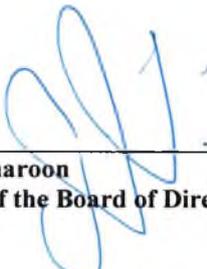
	Notes	2020 AED	2019 AED
ASSETS			
Takaful operations assets			
Financial assets measured at fair value through profit or loss	8(a)	5,840,506	9,441,739
Financial assets measured at fair value through other comprehensive income	8(b)	9,170,271	5,238,201
Retakaful share of unearned contributions	7	281,805,829	106,953,255
Retakaful share of outstanding claims	7	147,038,947	123,666,197
Prepaid expenses and other assets		25,891,479	29,534,014
Contributions and retakaful balances receivables	6	11,311,427	13,879,625
Term deposits	5	384,834,508	463,771,149
Cash and bank balances	5	76,966,253	61,610,090
		<hr/>	<hr/>
Total takaful operations assets		942,859,220	814,094,270
		<hr/>	<hr/>
Shareholders' assets			
Property and equipment	11	15,839,641	17,558,876
Statutory deposit	9	10,000,000	10,000,000
Financial assets measured at fair value through profit or loss	8(a)	26,042,449	25,544,299
Financial assets measured at fair value through other comprehensive income	8(b)	319,222,998	158,866,525
Investments properties	10	14,403,000	18,309,000
Deferred policy acquisition costs	7	18,869,889	64,870,619
Prepaid expenses and other assets		10,086,107	6,561,139
Term deposits	5	24,549,718	48,230,572
Cash and bank balances	5	7,906,185	67,994,103
		<hr/>	<hr/>
Total shareholders' assets		446,919,987	417,935,133
		<hr/>	<hr/>
TOTAL ASSETS		1,389,779,207	1,232,029,403
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY			
Takaful operations liabilities			
Takaful payables	12	19,245,162	10,463,178
Outstanding claims	7	183,608,231	165,281,006
Unearned contributions	7	381,316,825	440,527,290
Retakaful payables	12	300,005,265	120,978,903
Accrued expenses and other liabilities		11,461,044	8,092,044
Unearned retakaful commission income		5,906,511	4,994,868
		<hr/>	<hr/>
Total takaful operations liabilities		901,543,038	750,337,289
		<hr/>	<hr/>

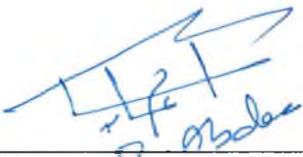
The accompanying notes form an integral part of these financial statements.

**Statement of financial position
as at 31 December 2020 (continued)**

	Notes	2020 AED	2019 AED
Shareholders' liabilities			
Accrued expenses and other liabilities		19,779,942	23,327,066
Provision for end of service benefits	13	10,402,618	9,585,241
Total shareholders' liabilities		30,182,560	32,912,307
Total liabilities		931,725,598	783,249,596
Policyholders' fund			
Surplus of family policyholders takaful fund	19	18,642,051	46,657,720
Distribution payable to family takaful fund policyholders	19	-	5,804,958
Deficit of general policyholders takaful fund	19	(5,643,460)	(7,696,170)
Loan from shareholders	19	5,643,460	7,696,170
Investment revaluation reserve	19	103,558	151,036
Total Policyholders' fund		18,745,609	52,613,714
Shareholders' equity			
Share capital	14	100,000,000	100,000,000
Legal reserve	15	50,000,000	49,056,937
General reserve	16	42,500,000	42,500,000
Re-takaful default reserve	17	2,511,787	-
Investment revaluation reserve		15,010,837	10,928,055
Retained earnings		229,285,376	193,681,101
Total shareholders' equity		439,308,000	396,166,093
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY		1,389,779,207	1,232,029,403

To the best of our knowledge, and in accordance with the applicable reporting principles the 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 financial statements.

**Statement of profit or loss
for the year ended 31 December 2020**

	Notes	2020 AED	2019 AED
Attributable to policyholders			
Gross contributions written		374,318,244	467,332,160
Retakaful contributions accepted		50,985,510	21,257,818
Retakaful contributions ceded	7	(502,357,463)	(243,971,518)
Net ceded written contributions		(77,053,709)	244,618,460
Net change in unearned contribution provision	7	234,063,039	(37,650,289)
Net earned contributions		157,009,330	206,968,171
Commissions earned		19,138,594	15,810,287
Gross takaful income		176,147,924	222,778,458
Gross claims paid		(180,465,571)	(180,926,049)
Retakaful share of accepted claims paid		(6,847,943)	(1981,713)
Retakaful share of ceded claims paid		129,640,085	128,380,536
Net paid claims		(57,673,429)	(54,527,226)
Change in outstanding claim		(24,838,055)	3,341,144
Change in retakaful share of outstanding claims		25,965,914	(4,991,121)
Change in incurred but not reported claims reserve		6,560,659	(7,200,379)
Change in retakaful share of incurred but not reported claims reserve		(2,593,164)	7,120,414
Change in unallocated loss adjustment expense		(4,461,671)	(4,466,862)
Net claims incurred		(57,039,746)	(60,724,030)
Takaful income		119,108,178	162,054,428
Other income		536,918	241,039
Retakaful settlement loss	7	(19,900,000)	-
Takaful operating profit		99,745,096	162,295,467
Policyholders' investment income	22	13,647,306	15,651,226
Mudareb share	23	(4,776,557)	(5,477,930)
Wakalah fees	23	(139,336,360)	(139,139,554)
(Deficit) Surplus of takaful result for the year	19	(30,720,515)	33,329,209
Attributable to shareholders			
Shareholders' investment and other income, net	24	11,913,010	14,071,264
Mudareb share from policyholders	23	4,776,556	5,477,930
Wakalah fees from policyholders	23	139,336,361	139,139,554
Takaful expense	7	(31,583,468)	(26,778,896)
General and administrative expenses	25	(48,098,217)	(60,325,849)
Decrease in provision of loan from shareholders	19	2,052,710	1,071,113
Profit for the year	27	78,396,952	72,655,116
Basic and diluted earnings per share	26	0.78	0.73

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

**Statement of comprehensive income
for the year ended 31 December 2020**

	2020	2019
	AED	AED
Profit for the year	78,396,952	72,655,116
	<hr/>	<hr/>
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	150,476	7,357,575
Board of Director's remuneration	(4,867,668)	(4,867,668)
<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	(217,075)	1,259,916
	<hr/>	<hr/>
Total other comprehensive (loss) / income for the year	(4,934,267)	3,749,823
	<hr/>	<hr/>
Total comprehensive income for the year	73,462,685	76,404,939
	<hr/> <hr/>	<hr/> <hr/>

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

**Statement of changes in shareholders' equity
for the year ended 31 December 2020**

	Share capital AED	Legal reserve AED	General reserve AED	RI default reserve AED	Investment revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2019	100,000,000	41,791,425	42,500,000	-	220,224	155,249,505	339,761,154
Loss on disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	2,090,340	(2,090,340)	-
Profit for the year	-	-	-	-	-	72,655,116	72,655,116
Other comprehensive income	-	-	-	-	8,617,491	(4,867,668)	3,749,823
Total comprehensive income for the year	-	-	-	-	8,617,491	67,787,448	76,404,939
Transfer to legal reserve	-	7,265,512	-	-	-	(7,265,512)	-
Dividends paid to shareholder (note 20)	-	-	-	-	-	(20,000,000)	(20,000,000)
Balance at 1 January 2020	100,000,000	49,056,937	42,500,000	-	10,928,055	193,681,101	396,166,093
Loss on disposal of financial assets measured at fair value through other comprehensive income	-	-	-	-	4,149,381	(4,149,381)	-
Profit for the year	-	-	-	-	-	78,396,952	78,396,952
Other comprehensive income	-	-	-	-	(66,599)	(4,867,668)	(4,934,267)
Total comprehensive income for the year	-	-	-	-	(66,599)	73,529,284	73,462,685
Transfer to legal reserve	-	943,063	-	-	-	(943,063)	-
Transfer to RI default reserve (note 17)	-	-	-	2,511,787	-	(2,511,787)	-
Zakat (note 18)	-	-	-	-	-	(5,320,778)	(5,320,778)
Dividends paid to shareholder (note 21)	-	-	-	-	-	(25,000,000)	(25,000,000)
Balance at 31 December 2020	100,000,000	50,000,000	42,500,000	2,511,787	15,010,837	229,285,376	439,308,000

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

**Statement of cash flows
for the year ended 31 December 2020**

	2020 AED	2019 AED
OPERATING ACTIVITIES		
Profit for the year	78,396,952	72,655,116
Adjustments for:		
Depreciation of property and equipment	2,073,159	3,587,251
Movement of unearned contributions, net	(234,063,039)	37,650,289
Investment and other income	(29,210,997)	(28,606,195)
Net movement in provision for end of service benefits	817,377	1,226,677
Movement in provision for doubtful debts	2,034,094	1,030,000
Movement in provision of loan from shareholders	(2,052,710)	(1,071,113)
Decrease in fair value of investments properties	3,906,000	1,411,000
Increase in fair value of investments as fair value through profit or loss (deficit) / surplus of family policy holders takaful fund	(32,773,225)	31,830,428
Gain on disposal of property and equipment	(35)	(25,541)
(Loss)/profit before movements in working capital:	(211,127,708)	117,186,158
Decrease/(increase) in prepaid and other assets	117,567	(12,653,598)
Decrease/(increase) in contributions and retakaful balances receivables	534,104	(1,169,425)
Increase/(decrease) in deferred policy acquisition costs	46,000,730	(32,945,263)
(Decrease)/increase in outstanding claims, net	(5,045,525)	1,781,330
Decrease in distribution payable to takaful fund policyholders	(1,047,402)	(195,042)
Decrease in provision of loan from shareholders	2,052,710	1,071,113
Increase/(decrease) in takaful payables	8,781,984	(1,335,637)
Increase in retakaful payables	179,026,362	41,982,496
(Decrease)/increase in accrued expenses and other liabilities	(5,498,902)	5,864,487
Increase in unearned retakaful commission income	911,643	1,369,433
Directors' remuneration paid	(4,867,668)	(4,867,668)
Net cash generated from operating activities	9,837,895	116,088,384
INVESTING ACTIVITIES		
Proceeds from sale of investments	131,623,915	63,820,261
Purchase of investments	(292,923,452)	(110,840,684)
Proceeds from sale of property and equipment	400	25,715
Purchase of property and equipment	(354,289)	(811,838)
Investment and other income received	29,466,281	28,606,195
Proceeds from redemption of term deposits	241,590,961	332,422,307
Purchase of term deposits	(266,012,324)	(212,590,960)
Net cash (used in)/generated from investing activities	(156,608,508)	100,630,996
FINANCING ACTIVITY		
Dividends paid	(25,000,000)	(20,000,000)
(Decrease)/increase in cash and cash equivalents	(171,770,613)	196,719,380
Cash and cash equivalents at the beginning of the year	283,878,078	87,158,698
Cash and cash equivalents at the end of the year (note 5)	112,107,465	283,878,078

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

Notes to the financial statements for the year ended 31 December 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 Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- **Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*:**
The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.
- **Amendments to *IFRS 16 Leases relating to Covid-19-Related Rent Concessions*:**
The amendments provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020.
- **Amendments to *Reference to the Conceptual Framework in IFRS Standards*:**
The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
- **Amendments to *IFRS 3 Definition of a business*:**
The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Company of similar assets.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

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

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

• **Amendments to IAS 1 and IAS 8 *Definition of material*:**

The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied 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

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

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

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

New and revised IFRSs

**Effective for
annual periods
beginning on or after**

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Effective date not yet decided

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

1 January 2023

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<p>Amendments to IFRS 3 <i>Business Combinations: Reference to the Conceptual Framework</i></p> <p>The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.</p> <p>The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.</p>	1 January 2022
<p>Amendments to IAS 16 <i>Property, Plant and Equipment</i> related to proceeds before intended use</p> <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.</p>	1 January 2022

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract</i>	1 January 2022
<p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.</p>	
Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41	The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.

The above stated new standards and amendments are not expected to have any significant impact on financial statement of the Company.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the financial statement of the Company.

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant account policies****3.1 Statement of compliance**

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

3.2 Basis of preparation

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

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

3.3 Takaful contractsDefinition

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

Recognition and measurement

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

These contracts are casualty and property takaful contracts.

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

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

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

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

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant account policies (continued)

3.3 Takaful contracts (continued)

Retakaful contract assets

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

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

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

Takaful contract liabilities

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

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

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

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

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

Salvage and subrogation reimbursements

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant account policies (continued)

3.3 Takaful contracts (continued)

Liability adequacy test

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

Receivables and payables related to takaful contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and takaful contract holders.

If there is objective evidence that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in the statement of income.

3.4 Revenue recognition

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

Dividend income

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

Rental income

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

Other income

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

Retakaful income and expenses

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

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant account policies (continued)

3.5 Foreign currencies

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

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

3.6 Property and equipment

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

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

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

The principal annual rates used for this purpose are:

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

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

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

3.7 Investment properties

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

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

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

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant account policies (continued)

3.8 Impairment of tangible assets

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

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

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

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

3.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.10 Employee benefits

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

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

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant account policies (continued)****3.11 Financial assets**Classification and measurement

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

Cash and cash equivalents

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

Contributions and retakaful balances receivables

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

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

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

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

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

Investments at fair value through profit or loss

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant account policies (continued)****3.11 Financial assets (continued)**Derecognition of financial assets

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

Impairment of financial assets

The Company applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

a) Overview

The Company is recording the allowance for expected credit losses for debt financial assets not held at FVTPL. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

Impairment of financial assets (continued)

a) Overview (continued)

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

b) The calculation of ECLs

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD ") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Company recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant account policies (continued)****3.11 Financial assets (continued)**Impairment of financial assets (continued)*Debt instruments measured at fair value through OCI*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

c) Forward looking information

The Company, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

3.12 Financial liabilities and equity instrumentsClassification as debt or equity

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

Equity instruments

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

Trade payables and accruals

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

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****3 Summary of significant account policies (continued)****3.12 Financial liabilities and equity instruments (continued)**Derecognition of financial liabilities

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

3.13 Deficit in policyholders' fund

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

3.14 Dividends distribution

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

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgements, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

Unearned contribution reserve

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

Fair value of investment properties

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

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****4 Critical accounting judgments and key sources of estimation uncertainty (continued)**Fair value of unquoted equity investments

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

Impairment of contributions and retakaful balances receivables

An estimate of the collectible amount of takaful and other receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful and other receivables are impaired entails the Company in evaluating the credit and liquidity position of the policyholders and the takaful companies, historical recovery rates including detailed investigations carried out and feedback received from the legal department. Impairment of takaful and other receivables as at 31 December 2020 amounted to AED 2,034,000 (2019: AED 2,380,000).

The ultimate liability arising from claims made under takaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of the reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. Gross provision for IBNR as at 31 December 2020 amounted to AED 41,962,580 (2019:AED 48,523,239) as detailed in note 7.

Liability adequacy test

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

5 Cash and cash equivalents

	2020	2019
	AED	AED
Cash and bank balances	84,872,438	129,604,193
Term deposits	409,384,226	512,001,721
	<hr/>	<hr/>
Cash and bank balances	494,256,664	641,605,914
Less: term deposits with original maturity of more than three month	(382,149,199)	(357,727,836)
	<hr/>	<hr/>
Cash and cash equivalents	112,107,465	283,878,078
	<hr/> <hr/>	<hr/> <hr/>
Takaful operations assets	104,201,280	215,883,975
Shareholders' assets	7,906,185	67,994,103
	<hr/>	<hr/>
	112,107,465	283,878,078
	<hr/> <hr/>	<hr/> <hr/>

Term deposits represent deposits held with Islamic financial institutions in the UAE, are denominated in UAE dirhams and carry profit at the expected prevailing market rates ranging from 0.95% to 5% per annum (2019: 1.89% to 5%)

6 Contributions and retakaful balances receivables

	2020	2019
	AED	AED
Due from policyholders	12,138,710	12,440,749
Due from insurance and retakaful companies	3,586,811	3,818,876
	<hr/>	<hr/>
	15,725,521	16,259,625
Less: Provision for doubtful debts	(4,414,094)	(2,380,000)
	<hr/>	<hr/>
	11,311,427	13,879,625
	<hr/> <hr/>	<hr/> <hr/>

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

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

6 Contributions and retakaful balances receivables (continued)

As at 31 December 2020, balances due from policyholders, insurance and retakaful companies at a nominal value of AED 4,414,094 (2019: AED 2,380,000) were impaired and fully provided for.

Movement in provisions for doubtful debts is as follows:

	2020	2019
	AED	AED
At 1 January	2,380,000	1,350,000
Additions	2,034,094	1,030,000
	<hr/> 4,414,094 <hr/>	<hr/> 2,380,000 <hr/>

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

	2020	2019
	AED	AED
Not past due	8,211,198	11,945,914
Past due but not impaired		
91-180 days	3,100,229	1,933,711
181-360 days	-	-
More than 360 days	-	-
	<hr/> 11,311,427 <hr/>	<hr/> 13,879,625 <hr/>

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

7 Retakaful contract assets and Takaful contract liabilities

	2020	2019
	AED	AED
Gross		
Takaful contract liabilities:		
Reported claims	140,753,390	115,915,335
Claims incurred but not reported	41,962,580	48,523,239
Unallocated loss adjustment expense reserve	892,261	842,432
	<hr/>	<hr/>
Outstanding claims	183,608,231	165,281,006
Unearned contributions reserve	381,316,825	440,527,290
	<hr/>	<hr/>
	564,925,056	605,808,296
	<hr/>	<hr/>
Recoverable from retakaful		
Takaful contract assets:		
Reported claims	112,951,250	86,985,336
Claims incurred but not reported	34,087,697	36,680,861
	<hr/>	<hr/>
Retakaful share of outstanding claims	147,038,947	123,666,197
Retakaful share of unearned contributions (refer note below)	281,805,829	106,953,255
	<hr/>	<hr/>
	428,844,776	230,619,452
	<hr/>	<hr/>
Takaful liabilities – net		
Reported claims	27,802,140	28,929,999
Claims incurred but not reported	7,874,883	11,842,378
Unallocated loss adjustment expense reserve	892,261	842,432
	<hr/>	<hr/>
Unearned contributions reserve	36,569,284	41,614,809
	99,510,996	333,574,035
	<hr/>	<hr/>
	136,080,280	375,188,844
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

7 Retakaful contract assets and Takaful contract liabilities (continued)

In 2020, the Company decided to replace the existing reinsurer for the active future family policies (single preremium) as at 30 June 2020 to a new reinsurer. The new reinsurer assumed a share of 97.5% of the unearned contribution portion of the active family policies along with all its assets (deferred acquisition cost) and liabilities (unearned wakala). The new reinsurer agreed to reinsure the unearned portion of future family policies at an agreed consideration of AED 193 million. As per the agreement the reinsurer assumed right to deferred acquisition cost (asset) and unearned wakala (liability) of future family policies as at 30 June 2020.

Pursuant to the new arrangement, the agreement with the old reinsurer was terminated which was stating that the earned portion of the contributions was being paid to the old reinsurer on a monthly basis. Therefore, no re-takaful share of unearned portion on future family policies was recorded previously. Upon commencement of the new arrangement, the Company Ceded 97.5% of the unearned contribution portion of the active family policies to the new reinsurer. The Company paid a settlement loss of AED 19,900,000 to the old reinsurer upon termination.

The net reinsurance price for future family policies is as follows:

	2020
	AED
Gross	
Gross re-takaful contribution	226,073,250
Unearned wakala	30,705,675
Deferred acquisition cost	(63,762,075)
	<hr/>
Net consideration payable to the new reinsurer	193,016,850
	<hr/> <hr/>

The above balance is to be paid on yearly basis over a period of 26 years from 1 July 2021 to 1 July 2045. Additionally, as per the agreement the Company is required to pay a profit of 1.5% per annum of the outstanding balance.

Net impact of the transaction on the balances reported:

	2020
	AED
Gross	
Increase in retakaful share of unearned contribution	226,073,250
Decrease in unearned wakala fee	30,705,675
Decrease in deferred acquisition cost	63,762,075
Increase in takaful payables	193,016,850
Retakaful settlement loss charged to the income statement	19,900,000

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

7 Retakaful contract assets and Takaful contract liabilities (continued)

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

	2020			2019		
	Gross AED	Retakaful AED	Net AED	Gross AED	Retakaful AED	Net AED
Claims						
Reported claims	115,915,335	86,985,336	28,929,999	119,256,479	91,976,457	27,280,022
Incurred but not reported	48,523,239	36,680,861	11,842,378	41,322,860	29,560,447	11,762,413
Unallocated loss adjustment expense reserve	842,432	-	842,432	791,044	-	791,044
Total at 1 January	165,281,006	123,666,197	41,614,809	161,370,383	121,536,904	39,833,479
Claims settled	(191,725,356)	(129,640,085)	(62,085,271)	(187,323,236)	(128,380,536)	(58,942,700)
Net claims incurred	210,052,581	153,012,835	57,039,746	191,233,859	130,509,829	60,724,030
Total at 31 December	183,608,231	147,038,947	36,569,284	165,281,006	123,666,197	41,614,809
Reported claims	140,753,390	112,951,250	27,802,140	115,915,335	86,985,336	28,929,999
Incurred but not reported	41,962,580	34,087,697	7,874,883	48,523,239	36,680,861	11,842,378
Unallocated loss adjustment expense reserve	892,261	-	892,261	842,432	-	842,432
Total at 31 December	183,608,231	147,038,947	36,569,284	165,281,006	123,666,197	41,614,809
Unearned contribution						
Total at 1 January	440,527,290	106,953,255	333,574,035	364,920,889	68,997,143	295,923,746
Increase during the year	381,316,825	281,805,829	99,510,996	440,527,290	106,953,255	333,574,035
Release during the year	(440,527,290)	(106,953,255)	(333,574,035)	(364,920,889)	(68,997,143)	(295,923,746)
Net increase during the year	(59,210,465)	174,852,574	(234,063,039)	75,606,401	37,956,112	37,650,289
Total at 31 December	381,316,825	281,805,829	99,510,996	440,527,290	106,953,255	333,574,035

Notes to the financial statements
for the year ended 31 December 2020 (continued)

8 Investments

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

	2020 AED	2019 AED
<u>Takaful operations assets</u>		
Quoted securities		
- <i>Sukuks</i>	5,840,506	9,441,739
	<hr/> <hr/>	<hr/> <hr/>
<u>Shareholders assets</u>		
Unquoted securities		
- <i>Real estate funds</i>	15,002,330	-
Quoted securities		
- <i>Sukuks</i>	11,040,119	25,544,299
	<hr/> <hr/>	<hr/> <hr/>
<i>Total securities for shareholder's asset</i>	26,042,449	25,544,299
	<hr/> <hr/>	<hr/> <hr/>
Total Fair value through profit and loss securities	31,882,955	34,986,038
	<hr/> <hr/>	<hr/> <hr/>
The geographical concentration of investments is as follows:		
	2020 AED	2019 AED
Within UAE	7,097,798	16,137,000
Outside UAE	24,785,157	18,849,038
	<hr/> <hr/>	<hr/> <hr/>
	31,882,955	34,986,038
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements
for the year ended 31 December 2020 (continued)

8 Investments

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

	2020 AED	2019 AED
<u>Takaful operations assets</u>		
Quoted securities		
- <i>Sukuks</i>	9,170,271	5,238,201
	<hr/>	<hr/>
<u>Shareholders' assets</u>		
Quoted securities		
- <i>Equity securities</i>	94,478,308	98,861,073
- <i>Sukuks</i>	47,087,556	39,745,897
	<hr/>	<hr/>
<i>Total quoted securities for shareholders assets</i>	141,565,864	138,606,970
	<hr/>	<hr/>
Unquoted securities		
- <i>Unlisted equities</i>	90,008,568	20,259,555
- <i>Real estate funds</i>	87,648,566	-
	<hr/>	<hr/>
<i>Total unquoted securities for shareholders assets</i>	177,657,134	20,259,555
	<hr/>	<hr/>
Total Quoted and unquoted securities for shareholders assets	319,222,998	158,866,525
	<hr/>	<hr/>
	2020 AED	2019 AED
Quoted securities	150,736,135	143,845,171
Unquoted securities	177,657,134	20,259,555
	<hr/>	<hr/>
	328,393,269	164,104,726
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

8 Investments (continued)

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

The geographical concentration of investments is as follows:

	2020 AED	2019 AED
Within UAE	86,553,455	70,209,763
Outside UAE	241,839,814	93,894,963
	<hr/>	<hr/>
	328,393,269	164,104,726
	<hr/>	<hr/>
Total investments	360,276,224	199,090,764
	<hr/>	<hr/>

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

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

9 Statutory deposit

In accordance with the requirements of the Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations, the Company maintains a bank deposit of AED 10,000,000 which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a commercial bank in the UAE, a related party (note 20).

10 Investment properties

	2020 AED	2019 AED
At 1 January	18,309,000	19,720,000
Decrease in fair value	(3,906,000)	(1,411,000)
	<hr/>	<hr/>
	14,403,000	18,309,000
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

10 Investment properties (continued)

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

	2020	2019
	AED	AED
Rental income from investment properties	1,054,619	992,877
Operating expenses for properties generating rental income	(247,125)	(324,134)
	<hr/>	<hr/>
Net income arising from investment properties	807,494	668,743
	<hr/> <hr/>	<hr/> <hr/>

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 2020 by an independent valuer at AED 14,403,000 using a combination of the market approach adopting the comparable method of valuation and the income approach adopting the investment method of valuation. The valuer also reported their opinion of market value based on the arithmetic average of the two values resulting from both adopted methodologies.

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

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

- Rental value: Estimated rental value per annum was sourced from comparable evidence located across different districts in Dubai, taking into consideration the different unit types. The estimated rental value is AED 1,295,000 per annum.
- Yield: The valuer has adopted a net yield rate of 7% and have also applied 6 months to allow for a suitable tenant to be found. The valuer adopted this based on most appropriate information which was available in the market at present and in consultation with agency teams.

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

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

11 Property and equipment

	Building AED	Furniture, fixtures and equipment AED	Computer equipment and accessories AED	Motor vehicles AED	Total AED
Cost					
At 1 January 2020	18,982,731	8,602,164	8,082,594	1,402,900	37,070,389
Additions	-	38,584	315,705	-	354,289
Disposals	-	(17,670)	(3,397)	-	(21,067)
	<u>18,982,731</u>	<u>8,623,078</u>	<u>8,394,902</u>	<u>1,402,900</u>	<u>37,403,611</u>
At 31 December 2020	<u>18,982,731</u>	<u>8,623,078</u>	<u>8,394,902</u>	<u>1,402,900</u>	<u>37,403,611</u>
Accumulated depreciation					
At 1 January 2020	4,114,627	7,389,677	7,000,289	1,006,920	19,511,513
Charge for the year	634,086	545,452	743,165	150,456	2,073,159
Disposals	-	(17,307)	(3,395)	-	(20,702)
	<u>4,748,713</u>	<u>7,917,822</u>	<u>7,740,059</u>	<u>1,157,376</u>	<u>21,563,970</u>
At 31 December 2020	<u>4,748,713</u>	<u>7,917,822</u>	<u>7,740,059</u>	<u>1,157,376</u>	<u>21,563,970</u>
Net carrying amount 31 December 2020	<u>14,234,018</u>	<u>705,256</u>	<u>654,843</u>	<u>245,524</u>	<u>15,839,641</u>
Cost					
At 1 January 2019	18,982,731	8,829,835	7,910,434	1,002,900	36,725,900
Additions	-	133,349	278,489	400,000	811,838
Disposals	-	(361,020)	(106,329)	-	(467,349)
	<u>18,982,731</u>	<u>8,602,164</u>	<u>8,082,594</u>	<u>1,402,900</u>	<u>37,070,389</u>
At 31 December 2019	<u>18,982,731</u>	<u>8,602,164</u>	<u>8,082,594</u>	<u>1,402,900</u>	<u>37,070,389</u>
Accumulated depreciation					
At 1 January 2019	3,482,274	6,339,284	5,759,587	810,292	16,391,437
Charge for the year	632,353	1,411,408	1,346,862	196,628	3,587,251
Disposals	-	(361,015)	(106,160)	-	(467,175)
	<u>4,114,627</u>	<u>7,389,677</u>	<u>7,000,289</u>	<u>1,006,920</u>	<u>19,511,513</u>
At 31 December 2019	<u>4,114,627</u>	<u>7,389,677</u>	<u>7,000,289</u>	<u>1,006,920</u>	<u>19,511,513</u>
Net carrying amount 31 December 2019	<u>14,868,104</u>	<u>1,212,487</u>	<u>1,082,305</u>	<u>395,980</u>	<u>17,558,876</u>

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

12 Takaful payable and amounts held under retakaful treaties

	2020	2019
	AED	AED
Takaful payables comprise of:		
Due to policyholders	14,742,387	6,720,342
Due to takaful companies	4,502,775	3,742,836
	<hr/>	<hr/>
	19,245,162	10,463,178
	<hr/> <hr/>	<hr/> <hr/>
Amounts held under retakaful treaties comprise of:		
Due to retakaful companies	250,448,765	74,571,965
Retakaful deposit retained	49,556,500	46,406,938
	<hr/>	<hr/>
	300,005,265	120,978,903
	<hr/> <hr/>	<hr/> <hr/>

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

Due to re-takaful companies include amount of AED 193,016,850 payable to new reinsurer pursuant to the transaction explained in note 7.

13 Provision for employee's end of service benefits

	2020	2019
	AED	AED
At 1 January	9,585,241	8,358,564
Charged during the year	1,255,107	1,590,667
Paid during the year	(437,730)	(363,990)
	<hr/>	<hr/>
At 31 December	10,402,618	9,585,241
	<hr/> <hr/>	<hr/> <hr/>

14 Share capital

	2020	2019
	AED	AED
<i>Authorised, issued and fully paid</i>		
100,000,000 shares of AED 1 each	100,000,000	100,000,000
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2020, 41,664,219 shares or 41.66% of total share capital (2019: 41,664,219 shares or 41.66% of total share capital) were held by Abu Dhabi Islamic Bank PJSC and 58,335,781 shares or 58.34% of total share capital (2019: 58,335,781 shares or 58.34% of total share capital) were held by UAE nationals and other institutions.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

15 Legal reserve

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

16 General reserve

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

17 Re-takaful default reserve

The transfer from retained earnings to re-takaful default reserve is made in accordance with the Insurance Authority (IA) of UAE's Board of Directors Decision No. (23) of 2019 concerning instructions organizing reinsurance operations. The directive requires to allocate an amount equals to 0.5% of the total reinsurance premiums ceded by the Company in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the company or default in its financial position.

18 Zakat

As required by Insurance Authority notice in relation to transfer of Zakat Monies to the Zakat fund in the UAE in accordance with the Cabinet Resolution No. (15/9) of 2020, the Company is required to pay Zakat and transfer 20% of total Zakat amount payable to the Zakat Fund in UAE. The total Zakat amount payable by the Company on behalf of the Shareholders to the Zakat fund in UAE amounts to AED 5,320,778.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

19 Movement in policyholders' funds and Distribution payable to family Policyholders

	Surplus of family policyholders' funds AED	Distribution payable to family policyholders AED	Deficit of non-family policyholders' funds AED	Loan from shareholders AED	Investment revaluation reserve AED	Total AED
Balance at 31 December 2018	17,577,087	3,250,205	(8,767,283)	8,767,283	3,026	20,830,318
Surplus generated in the reporting period	32,258,096	-	1,071,113	-	-	33,329,209
Repayment of loan	-	-	-	(1,071,113)	-	(1,071,113)
Distributions for the reporting period 2018	(6,000,000)	6,000,000	-	-	-	-
Surplus distributed during the reporting period for 2017	-	(427,668)	-	-	-	(427,668)
Surplus distributed during the reporting period for 2018	-	(195,042)	-	-	-	(195,042)
Reversal of unclaimed distributions for previous period 2017	2,822,537	(2,822,537)	-	-	-	-
Change in investment valuation reserve	-	-	-	-	148,010	148,010
Balance at 31 December 2019	46,657,720	5,804,958	(7,696,170)	7,696,170	151,036	52,613,714
Surplus/(deficit) in the reporting period	(32,773,225)	-	2,052,710	-	-	(30,720,515)
Repayment of loan	-	-	-	(2,052,710)	-	(2,052,710)
Distributions for the reporting period 2018	-	(1,047,402)	-	-	-	(1,047,402)
Reversal of unclaimed distributions for 2018	4,757,556	(4,757,556)	-	-	-	-
Change in investment valuation reserve	-	-	-	-	(47,478)	(47,478)
Balance at 31 December 2020	18,642,051	-	(5,643,460)	5,643,460	103,558	18,745,609

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

20 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:

	Shareholders	Directors and their related parties	Key management personnel	Total
Balances as at 31 December 2020				
Statutory deposit (note 9)	10,000,000	-	-	10,000,000
Due from related parties	15,557	423,976	-	439,532
Due to related a party	13,135,247	-	-	13,135,247
Transactions for the year ended 31 December 2020				
Gross contributions written	85,732,314	17,079,048	-	102,811,362
Takaful expenses	-	-	-	-
Profit on term deposits	71,630	-	-	71,630
Short-term benefits	-	-	6,959,348	6,959,348
Long-term benefits	-	-	216,287	216,287
	Shareholders	Directors and their related parties	Key management personnel	Total
Balances as at 31 December 2019				
Statutory deposit (note 9)	10,000,000	-	-	10,000,000
Due from related parties	27,710	-	-	27,710
Due to related a party	4,833,278	-	-	4,833,278
Transactions for the year ended 31 December 2019				
Gross contributions written	74,871,172	-	-	74,871,172
Takaful expenses	5,000	-	-	5,000
Profit on term deposits	74,382	-	-	74,382
Short-term benefits	-	-	6,818,981	6,818,981
Long-term benefits	-	-	246,936	246,936

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

Directors' remuneration in relation to the year ended 31 December 2020 of AED 4,867,668 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, was proposed and reflected in other comprehensive income in the statement of comprehensive income.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

21 Dividends

For the year ended 31 December 2020, the Board of Directors proposed a cash dividend of AED 20,000,000 at a rate of AED 0.20 per share. The 2020 proposed cash dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting.

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.

22 Policyholders' investment income, net

	2020 AED	2019 AED
Return on short-term investment accounts and deposits	14,147,876	15,714,625
Dividend income and profit on investments, net	373,994	433,159
Gain on disposal of investments, net	233,208	26,396
Increase in fair value of investments at fair value through profit or loss	211,943	523,061
	<hr/>	<hr/>
	14,967,021	16,697,241
Operating expenses	(1,319,715)	(1,046,015)
	<hr/>	<hr/>
	13,647,306	15,651,226
	<hr/> <hr/>	<hr/> <hr/>

23 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.

	2020 (%)	2019 (%)
Motor	35	25
Medical	30	22.5
Worker Protection Program	12.5	-
All other takaful classes	35	35

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

24 Shareholder's investment and other income, net

	2020 AED	2019 AED
Return on short-term investment accounts and deposits	1,305,205	6,011,425
Dividend income and profit on investments, net	12,800,366	5,791,875
Gain on disposal of investments, net	2,179,810	1,005,987
Increase in fair value of investments at fair value through profit or loss	43,341	1,978,693
Decrease in fair value of investment properties (note 10)	(3,906,000)	(1,411,000)
Rental income, net	807,494	992,877
Gain on disposal of furniture and equipment	35	25,541
	<hr/>	<hr/>
	13,230,251	14,395,398
Operating expenses	(1,317,241)	(324,134)
	<hr/>	<hr/>
	11,913,010	14,071,264
	<hr/> <hr/>	<hr/> <hr/>

25 General and administrative expenses

	2020 AED	2019 AED
Staff costs	39,018,006	47,272,619
Rental expenses	1,086,365	1,240,198
Depreciation of property and equipment	2,073,159	3,587,251
Other expenses	5,920,687	8,225,781
	<hr/>	<hr/>
	48,098,217	60,325,849
	<hr/> <hr/>	<hr/> <hr/>

Social contribution included in staff costs for the year ended 31 December 2020 amounts to AED 518,789 (2019: AED 438,917).

26 Basic and diluted earnings per share

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

	2020	2019
Profit for the year (AED)	78,396,952	72,655,116
	<hr/> <hr/>	<hr/> <hr/>
Ordinary shares in issue throughout the year	100,000,000	100,000,000
	<hr/> <hr/>	<hr/> <hr/>
Basic and diluted earnings per share (AED)	0.78	0.73
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements for the year ended 31 December 2020 (continued)

26 Basic and diluted earnings per share (continued)

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

27 Profit for the year

The Company's combined net profit for the year for policyholder and shareholders, before Qard Hasan provision, is AED 45.6 million (2019: AED 104.9 million).

28 Segment information

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

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

Segment revenue and results

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

	2020			2019		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Takaful						
Direct revenues	504,189,731	25,560,316	529,750,047	429,034,903	29,722,490	458,757,393
Direct costs	(404,444,635)		(404,444,635)	(266,739,436)		(266,739,436)
Takaful expenses	(31,583,468)		(31,583,468)	(26,778,896)		(26,778,896)
Segment results			93,721,944	135,516,571	29,722,490	165,239,061
Unallocated costs			(15,324,992)			(92,583,945)
Profit for the year			78,396,952			72,655,116

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year (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 financial statements
for the year ended 31 December 2020 (continued)**

28 Segment information (continued)

Segment assets and liabilities

	2020			2019		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	561,883,824	784,063,450	1,345,947,274	400,513,800	729,401,485	1,129,915,285
Unallocated assets			43,831,933			102,114,118
Total assets			1,389,779,207			1,232,029,403
Segment liabilities	901,187,680	355,358	901,543,038	749,992,067	345,222	750,337,289
Unallocated liabilities			30,182,560			32,912,307
Total liabilities			931,725,598			783,249,596
Capital expenditure		354,289	354,289		811,838	811,838

Gross takaful contributions revenue from underwriting departments

	2020 AED	2019 AED
General takaful	320,635,272	323,516,813
Family takaful	104,668,482	165,073,165
Total	425,303,754	488,589,978

29 Takaful risk

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

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****29 Takaful risk (continued)**

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

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

Frequency and severity of claims

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

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

The retakaful arrangements include excess and catastrophe coverage. The effect of such retakaful arrangements is that the Company should not suffer net takaful losses of a set limit of AED 250,000 in any one motor policy and AED 1,500,000 for any one non-motor policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlement of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****29 Takaful risk (continued)**Sources of uncertainty in the estimation of future claim payments (continued)

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

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

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

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

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

Process used to decide on assumptions

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

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

29 Takaful risk (continued)

Claims development process

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

	2016 and earlier AED'000	2017 AED'000	2018 AED'000	2019 AED'000	2020 AED'000	Total AED'000
Motor - gross						
<i>Accident year</i>						
At the end of the accident year	46,379	32,841	23,959	32,880	22,504	158,563
One year later	20,241	19,171	18,036	28,659	-	86,106
Two years later	20,617	19,165	17,313	-	-	57,095
Three years later	18,395	15,754	-	-	-	34,149
Four years later	19,372	-	-	-	-	19,372
Current estimate of cumulative claims	18,395	19,165	18,036	32,880	22,504	103,601
Cumulative payments to date	(17,316)	(15,125)	(15,083)	(21,998)	(11,941)	(81,463)
Liability recognised in the statement of financial position	2,056	629	2,230	6,661	10,563	22,139
Non-motor and non-family - gross						
<i>Underwriting year</i>						
At the end of the accident year	52,497	109,371	58,174	48,087	107,484	375,612
One year later	74,846	121,196	116,037	106,974	-	419,053
Two years later	49,366	125,931	108,066	-	-	283,363
Three years later	49,517	124,314	-	-	-	173,832
Four years later	60,487	-	-	-	-	60,487
Current estimate of cumulative claims	60,487	124,314	108,066	106,974	107,484	507,325
Cumulative payments to date	(51,091)	(123,649)	(103,931)	(91,205)	(51,725)	(421,601)
Liability recognised in the statement of financial position	9,396	665	4,135	15,769	55,758	85,723

Concentration of takaful risk

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

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

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

Notes to the financial statements for the year ended 31 December 2020 (continued)

30 Financial instruments

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

Fair value of financial instruments

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

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

Capital risk management

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

The Company's objectives when managing capital are:

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

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

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

	2020	2019
	AED	AED
Total shareholders' equity	439,308,000	396,166,093
Minimum regulatory capital	100,000,000	100,000,000

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

30 Financial instruments (continued)

Significant accounting policies

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

Categories of financial instruments

	2020	2019
	AED	AED
Financial assets		
Statutory deposit	10,000,000	10,000,000
Investments	360,276,224	199,090,764
Retakaful contract assets	428,844,776	230,619,452
Takaful receivable	11,311,427	13,879,625
Cash and bank balances (including term deposits)	494,256,664	641,605,914
	<hr/>	<hr/>
Total	1,304,689,091	1,095,195,755
	<hr/>	<hr/>
Takaful		
Takaful contract liabilities	564,925,056	605,808,296
Takaful and retakaful payables	319,250,427	131,442,081
	<hr/>	<hr/>
Total	884,175,483	737,250,377
	<hr/>	<hr/>

Profit return rate risk management

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

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

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

Foreign currency risk

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****30 Financial instruments (continued)****Market price risk**

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

Credit risk management

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

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

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

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

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

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

Management information reported to the Company includes details of provisions for impairment on takaful receivables and subsequent write-offs. Exposures to individual policyholders and Companys of policyholders are mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous Companys of policyholders, a financial analysis equivalent to that conducted for retakaful is carried out by the Company. Details on concentration of amounts due from policyholders is disclosed in note 6. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

30 Financial instruments (continued)

Credit risk management (continued)

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

At 31 December 2020, all of the deposits were placed with 5 banks (2019: 7 banks). Management is confident that this concentration at year end does not result in any credit risk to the Company as these banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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

Liquidity risk management

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

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

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

	Current AED	Non-current AED	Total AED
31 December 2020			
<i>Financial liabilities</i>			
Takaful payable and amounts held under re-takaful treaties	149,292,401	169,958,026	319,250,427
Takaful contract liabilities	355,806,029	209,119,027	564,925,056
	<hr/>	<hr/>	<hr/>
Total	505,098,430	379,077,053	884,175,483
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2019			
<i>Financial liabilities</i>			
Takaful payable and amounts held under re-takaful treaties	131,442,081	-	131,442,081
Takaful contract liabilities	340,493,840	265,314,456	605,808,296
	<hr/>	<hr/>	<hr/>
Total	471,935,921	265,314,456	737,250,377
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

30 Financial instruments (continued)

Maturity analysis of assets and liabilities

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

	Current AED	Non-current AED	Total AED
31 December 2020			
<u>Assets</u>			
Cash and bank balances including bank deposits	494,256,664	-	494,256,664
Statutory deposits	-	10,000,000	10,000,000
Retakaful share of unearned contributions	111,847,803	169,958,026	281,805,829
Financial assets designated at fair value through other comprehensive income	31,882,955	-	31,882,955
Financial assets designated at fair value through income statement	328,393,269	-	328,393,269
Contributions and Retakaful balance receivables	11,311,427	-	11,311,427
Deferred acquisition costs	18,869,889	-	18,869,889
Retakaful share of outstanding claims	147,038,947	-	147,038,947
Prepaid expenses and other assets	35,977,586	-	35,977,586
Property and equipment	-	15,839,641	15,839,641
Investment property	-	14,403,000	14,403,000
	<hr/>	<hr/>	<hr/>
Total assets	1,179,578,540	210,200,667	1,389,779,207
	<hr/>	<hr/>	<hr/>
<u>Liabilities</u>			
Takaful payables	19,245,162	-	19,245,162
Outstanding claims	183,608,231	-	183,608,231
Retakaful payables	129,891,611	170,113,654	300,005,265
Accrued expenses and other liabilities	31,240,986	-	31,240,986
Unearned retakaful commission income	5,906,511	-	5,906,511
Unearned contributions	172,197,798	209,119,027	381,316,825
Provision for end of service benefits	10,402,618	-	10,402,618
	<hr/>	<hr/>	<hr/>
Total liabilities	540,662,349	379,232,681	931,725,598
	<hr/>	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

30 Financial instruments (continued)

Maturity analysis of assets and liabilities (continued)

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

**Notes to the financial statements
for the year ended 31 December 2020 (continued)**

31 Fair value of financial instruments

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

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

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2020				
Investment properties	-	-	14,403,000	14,403,000
Financial assets measured at fair value through profit and loss	16,880,625	-	15,002,330	31,882,955
Financial assets measured at fair value through other comprehensive income	150,736,135	-	177,657,134	328,393,269
	<hr/>	<hr/>	<hr/>	<hr/>
	167,616,760	-	207,062,464	374,679,224
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2019				
Investment properties	-	-	18,309,000	18,309,000
Financial assets measured at fair value through profit and loss	34,986,038	-	-	34,986,038
Financial assets measured at fair value through other comprehensive income	143,845,171	-	20,259,555	164,104,726
	<hr/>	<hr/>	<hr/>	<hr/>
	178,831,209	-	38,568,555	217,399,764
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

32 Contingent liabilities and commitments

	2020 AED	2019 AED
Bank guarantees	866,992	529,688
	<hr/> <hr/>	<hr/> <hr/>

Bank guarantees were issued in the normal course of business.

**Notes to the financial statements
for the year ended 31 December 2020 (continued)****33 Impact of Covid-19 on the Company**

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.

The company has Disaster Recovery Plan and Business Continuity Plan in place to prevent emergencies or disaster related situations.

In light of the prevailing circumstances of drop in oil prices along with lockdown due to COVID 19, the Company has been witnessing a shift in consumer behavior at an increasing pace where demand for luxury products with high profit margins such as family 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 very low margin.

The Company is following the current underwriting guidelines that are adequate in risk selection and risk management. The effect of these changes is limited on the company's portfolio. As to date, the Company has 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 the Company's products assumptions as yet. However, on the reserving side, the IBNR reserves account for the anticipated losses in all lines of business (this is supported by current claims data) and reserving assumptions have been adjusted accordingly.

Management is confident that the Company's 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".

Management is confident that the Company, over the last decade, has achieved significant increase in its assets, shareholder's equity, retained earnings, liquidity, balanced business portfolio, and maintained a strong balance sheet, capital adequacy and high solvency margin. In addition, the Company has built a sizable investment portfolio. 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.

34 Approval of condensed interim financial information and responsibility statement

The financial statements of the Company for the year ended 31 December 2020 has been authorised for issue in accordance with a resolution of the Board of Directors on 10 February 2021.



تكاful

شركة أبوظبي الوطنية للتكاful ش.م.ع

Takaful

Abu Dhabi National Takaful Co. P.S.C

**Abu Dhabi National Takaful Company – PSC –
Takaful
Governance Report for the year 2020**



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Introduction:

Abu Dhabi National Takaful Company – PSC – Takaful, is a national company, it is a public shareholding company which was incorporated in Abu Dhabi, United Arab Emirates (UAE) on 16 November 2003 with a paid-up capital of AED.100,000,000.00 with the aim of providing Takaful insurance solutions for the regional market. And the Company's core business activities and investment are conducted in accordance with the Islamic Shari'a principles.

1. A statement of the procedures taken to complete the Corporate Governance system during 2020, and how they are applied.

Abu Dhabi National Takaful Company – PSC – Takaful, is presenting its annual report, in which it shows its commitment to corporate governance system and principles, We, in Abu Dhabi National Takaful, believe that corporate governance is an integral part of our progress and development, as it is based on justice, responsibility, transparency, which we consider the starting point of unlimited success.

Abu Dhabi National Takaful is committed to the provisions of Islamic Shari'a in all its transactions and activities, which gives the governance more depth, since the Shari'a also called for these principles.

As of 2009, the Company has started to implement the provisions of Ministerial Resolution No. (518) of 2009 Concerning Governance Rules and Corporate Discipline Standards, immediately after its publication, through developing an action plan as follows:

1. Issuing especial procedures for corporate governance.
2. Forming committees directly from the Board of Directors, taking into consideration the conditions that must be met by its members.
3. Establishing an internal control department, and appointing a Head of Internal Control Department
4. Who fully authorized to carry out his duties in order to achieve the objectives in this regard.
5. Adopting code of Professional Conduct.



6. Setting rules governing the transactions of the Board members and the employees as well, regarding the securities issued by the company.

The Company aims to secure the shareholders while achieving the general objectives of the governance, through implementing these criteria and rules (i.e governance rules).

The company submits its annual report on the implementation of the governance rules, this report is made available to the shareholders at the general assembly meeting to discuss its articles. In addition, the Securities and Commodities Authority is provided with a copy of the report for information and advice if necessary.

Subsequently, SCA issued the Chairman's Decision No. 7 R.M of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies , the Company reviewed this decision and amended its procedure to ensure full compliance.

Subsequently, the company observed, reviewed and amended its procedures to meet with SCA's Chairman Board Decision No. 03 R.M of 2020 concerning Approval of Joint Stock Companies Governance Guide.

2. A statement of the transactions of the members of the Board of Directors, and spouses and children thereof in the Company' securities during 2020 using the table below:

1.2 The Company Policy;

The company has followed and implemented a mechanism that governs the rules of dealing with the Board members and their direct relatives or any of the insiders of the base data in the securities of the company, and aims to obtain:

- The equality of all investors in accessing the company's data.
- Identifying and reporting of any suspicion of insiders from achieving any personal gain from this accessing.
- Increasing the transparency on the disclosure.
- Increasing the investors' confidence in the shares of the Company.

2.2 Rules adopted by the Company;



Subject to the provisions of Article (14) of The Authority's Board of Director's Decision No. (2) of 2001 Concerning the Regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities. As well as all decisions issued in this regard, the Company has adopted a series of rules and controls governing the dealings of all insiders of the Company's data in its own securities, which consist in;

- Members of the Board and employees are entitled to invest in the Company's shares under the stipulated conditions. They shall notify the Securities and Commodities Authority, and Abu Dhabi Securities Exchange, as well as the Chief Executive Officer about this investment.
- It is not allowed to the Chairman, the Board members, the CEO or any person (insider) who has access to the core data of the listed company
- To act on his own/others by dealing in the securities of the Company itself, or in the securities of the parent company or affiliate or sister of that company, during the following periods;
 1. (10) business days before the announcement of any material information that may affect the price of the stock up or down, unless this information is a result of sudden events.
 2. (15) days before the end of the quarterly, semi-annual or annual financial period, until disclosure of the financial statements.
- The provisions of the law shall be taken into account when any of the above-mentioned persons act by themselves/others by dealing in the securities of the company itself or in the securities of the parent company, subsidiary or affiliate of that company, any contrary dealing shall be void.
- In the course of carrying out their duties, the Board of Directors and the employees shall be fully aware of and understand all applicable laws, rules and regulations in order to be able to comply with them in all circumstances. Any benefits that may be granted to the employees or opportunities for cash and non-cash benefits, as well as any paid compensation shall be in accordance with the conflict of interest policy. Therefore, the employees must carry out their duties by applying the principles of integrity, honesty and adherence to professional standards.
- Board members should immediately inform the Chairman when any personal material interests arise against the Company's affairs. In this context, any personal financial interest resulting in any financial transaction with any entity related to the Company that reach to or exceed AED 5 Million shall be notified to the Chairman immediately.



- Board members should refrain from participating in discussions during Board meetings if any personal interest of their own is discussed.
- If a shareholder (represented by a member of the Board of Directors) has a conflict of interest in any matter that may affect the value and volume of the investment in the Company's shares, the Board shall meet and issue its decision on this matter excluding the Board member – or the representatives of this shareholder – of voting. And in exceptional cases, such matters can be resolved through a special committee formed for this purpose.
- Each Board member should – once taking office – disclose to the Company the nature of the positions he holds in public shareholding companies and others, important commitments as well, specifying the time allocated to them, any changes that may arise once occur.
- Each Board member shall – annually – disclose to the Company the nature of their transactions in the securities issued by the Company, the parent company or its subsidiaries or sister companies.
- the Board of Directors is responsible to oversight the compliance with disclosure policy and take any corrective action, if necessary
- The Board has formed a committee to manage, follow up, and supervising the transactions of insiders and their property, maintain their register and submit periodic reports and statements to ADX in accordance with the articles 12 and 13 of the Chairman Decision (Securities and Commodities Authority) No. 7 R.M of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.
- Accordingly, no member of the Board – or their spouses/sons – have made or declares any transactions on the Company's securities during the year 2020 according to the following schedule;

S/ N	Name	Position/Relationship	Shares Held as at 31/12/2020	Total Sale Transactions	Total Purchase Transactions
1	Mr. Khamis Mohamed Khamis Alshamsi	Chairman	-	-	-
2	Mr. Khalid Abdalla Deemas Alsuwaidi	Deputy Chairman	-	-	-
3	Mr. Dhafer Farooq Mohammed Luqman	Board Member	-	-	-



4	Mr. Khalifa Abdulla Khamis Al Romaithi	Board Member	-	-	-
5	Mr. Khalid Ali Ibrahim Jasem Almansoori	Board Member	-	-	-
6	Mr. Naser Mohamed Naser Al Mur Al Zaabi	Board Member	-	-	-
7	Mr. Abdullatif Abdullah Ahmed Al Mulla	Board Member	-	-	-

The balance of owned shares shall be shown, regardless there are transactions during the year or not.

3. Board of Directors Composition:

The Board of Directors is considered the representative of the Company's shareholders. It is the body that is primarily responsible for the company's business. It is committed to providing general instructions, approving the business strategies, plans, and budgets, following up the operational policy, business process, as well as the internal control system of all types.

The duties of the board members which require considerable experience with high qualification, in which, the Company is interested in carefully.

The current Board of Directors consists of seven members elected on 15/03/2020 for a period of three years ending in 2023. All members have the expertise and qualifications that qualify them to manage the Company, and they have the ability to read and understand the financial statements thoroughly, considering their long experience in the insurance and the business management scope.

a. A Statement of the current Board of Directors (BOD) composition (adding the names of the independent and appointed BOD members) using the table below:

S / N	Name	Category (Executive, Non-executive)	Experience	Qualifications	Period served as a BOD member of the	Their memberships and positions in any	Their positions in any other important supervisory, governmental
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		e, and Independent			Company since his first election date	other joint-stock companies	or business entities.
1	Mr. Khamis Mohamed Khamis Buharoon Alshamsi	Chairman, Non-executive	He has experience in the area of accounting and audit as well as he worked as a head of the inspection team of banks in the Central Bank. He has also significant experience in the management of several business corporations and financial institutions.	Bachelor degree in Business Management and Accounting.	22/03/2008	Vice-Chairman of Abu Dhabi Islamic Bank, Board Member of Agthia Company.	Chairman of Abu Dhabi Securities Company.
2	Mr. Khalid Abdalla Deemas Alsuwaidi	Deputy - Chairman Non-executive / Independent	He has considerable expertise in managing business corporations.	MBA	22/03/2008	Board member of Manazil Real Estate Company. Board member of Abu Dhabi Commercial Bank.	The CEO of Das Holding.
3	Mr. Dhafer Farooq Mohamed Luqman	Board Member Non-executive	He worked as a Chief of Business Development for one of a financial institution. He has good experience in banking management and finance as well.	MBA	03/04/2011	Global Head of Liabilities and Wealth Retail Banking Group of Abu Dhabi Islamic Bank	

4	Mr. Khalifa Abdulla Khamis Al Romaithi	Board Member Non-executive Independent	He has considerable expertise in investment as well as in the business management a	Bachelor in Business Management	22/03/2008	Chairman of Emirates Driving Institute Board Member of Gulf Energy Maritime Board Member of Arab Petroleum Pipelines Company Sumed	Board Member of Nextdecade Board Member of Depa Group Executive Director of Midstream of Mubadala Diversified Assets
5	Mr. Khalid Ali Ibrahim Jasem Almansoori	Board Member Non-executive	He has experience in studying and developing the economic activities of companies and developing their resources He has also good experience in managing a number of private projects and developing the resources	Master degree in Innovation and Entrepreneurship	20/03/2010	Board member of Manazil Real Estate Company.	Owner of Circle Consultants Executive Chairman of MPM properties.
6	Mr. Naser Mohamed Naser	Board Member Non-executive	Experience in banking and operations management	Bachelor in Business Management	9/11/2014	Board member of Manazil Real Estate	Chief Operating Officer of Das Holding

	Al Mur Al Zaabi	Independent		nt and Marketing			Director of Citizens' Affairs Division in Ministry of Presidential Affairs
7	Mr. Abdullatif Abdullah Al Mulla	Board member- non executive Independent	Experience in real estate and information technology	Masters in Economic & Social development and Management, Masters in corporate communication	15/03/2020	Chairman of Du Point	None

b. A statement of women's representation in the Board of Directors in 2020 (in case there is no representation, kindly state 'no representation').

No representation.

c. A statement of reasons why no women were nominated for the membership of the Board of Directors (for example: no women were nominated for the membership of the Board of Directors)

There are no females in the current Board – which was established in 2020. It should be noted that the Company did not get any female candidate nomination taking in consideration that nomination was open for both genders.

d. A statement of the following: (the remuneration of the Board)

The policy of determining the Board remuneration:



The Company's policy for determining the remuneration of the Board members states that the proposed remunerations to be submitted by the Board to the General Assembly for discussion and approval.

The Company should abide by the policy that determines the remuneration of the Board as follow:

1. Article (169) of Federal Law No. 2 of the Year 2015 on Commercial Companies in the United Arab Emirates.
2. Article (21) of the Chairman of Authority's Board of Directions No. 7 R.M of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.
3. Article (32 & 58) of the Company's Articles of Association.

Generally stipulated that the Chairman and the members of the Board of Directors shall be entitled to a percentage of the net profit provided that it doesn't exceed 10% of the profits for the financial year. The Company may also pay any additional expenses, fees, bonuses or monthly salary to the extent decided by the Board of Directors for any Board Member if – such member – works in any committee or makes special efforts or performs additional duties to serve the company, beyond his normal duties as a Board member. An attendance allowance may not be paid to the Chairman or the Board member for the Board meetings.

1. Total remunerations paid to the members of the Board of Directors for the year 2019.

At the General Assembly of the company held on 15/03/2020, the shareholders approved the remuneration of the Board members which amounted to AED: 4,867,668.00 as a bonus for the financial year ended 31/12/2019, in accordance with the provisions of the said articles and laws above.

2. Total remunerations proposed to be paid to the members of the Board of Directors for the year 2020, which shall be presented in the annual General Assembly for approval.



At the General Assembly of the company which will be held on 15/03/2021, it is proposed to the General Assembly to approve the remuneration of the members of the Board to be AED 4,867,668.00 without VAT, provided that the total amount including VAT is AED (5,111,051.4) For the year ended 31/12/2020, in accordance with the provisions and laws above-mentioned.

3. A statement of the details of allowances for attending the sessions of committees derived from the BO, which were paid to the BOD members for the fiscal year 2020 using the table below:

Each member of the Board of Directors received an amount of 3750* AED for the attendance allowance for each committee meeting during the year 2020, according to the following detail:

S/N	Name	Allowances for attending the BOD Committees		
		Name of Committee	Allowance Amount	Number of Meetings
1	Mr. Khamis Mohamed Khamis Buharoon Alshamsi	Strategy & Investment Committee	7,500AED	1
2	Mr. Khalid Abdalla Deemas Alsuwaidi	Strategy & Investment Committee	7,500AED	2
		Remuneration & Nomination Committee	7,500AED	1
3	Mr. Dhafer Farooq Mohammed Luqman	Remuneration & Nomination Committee	7500,AED	1
		Insider's Trading	00	1
		Audit & Risk Committee	AED 11,250	3
		Strategy & Investment Committee	7500AED	2
4		Audit & Risk Committee	18,750 AED	4

	Mr. Khalifa Abdulla Khamis Al Romaithi	Strategy & Investment Committee	7,500AED	2
		Insiders' Trading Follow-Up and Supervision Committee	00	2
5	Mr. Khalid Ali Ibrahim Jasem Almansoori	Audit & Risk Committee	7,500AED	1
		Remuneration & Nomination Committee	7,500AED	1
		Insiders' Trading Follow-Up and Supervision Committee	00	2
		Strategy & Investment Committee	AED 7,500	2
6	Mr. Naser Mohamed Naser Al Mur Al Zaabi	Strategy & Investment Committee	AED 3750	1
		Audit & Risk Committee	7,500AED	1
		Remuneration & Nomination Committee	7,500AED	1
		Insiders' Trading Follow-Up and Supervision Committee	00	1
7	Mr. Syed Aamir Zahidi*	Audit & Risk Committee	7,500AED	1
		Insiders' Trading Follow-Up and Supervision Committee	00	1
8	Mr. Abdullatif Abdullah Ahmed Al Mulla	Audit & Risk Committee	AED 11,250	3
		Strategy & Investment	AED 7,500	2
		Insider's Trading	00	1

- The meeting allowance for committees' has been reduced by 50% to be AED 3750 instead of AED 7500 as a temporary measure taken by the board of directors in their meeting number 3/2020 dated 23/03/2020 in light of Covid-19 pandemic.
- Mr. Syed Aamir Zahidi's board membership ended after the election held in the company's AGM dated 15/03/2020

4. Details of the additional allowances, salaries or fees received by a Board member other than the allowances for attending the committees and their reasons.

N/A

e. The number and dates of BOD meetings held during the FY 2020 as well as the attendance frequency by all the members; in person and by proxy (the names of the BOD members should match the information set out in item (3a) above).

#	Date of the meeting	Number of Attendees	Number of attendance by proxy	Names of absent members
1	08/01/2020	6	0	Khalifa Al Romaithi
2	10/02/2020	6	1	Khalid Deemas
3	23/03/2020	7	0	
4	12/05/2020	7	0	
5	11/08/2020	7	0	
6	12/11/2020	7	0	0

- Mr. Vice Chairman gave proxy to Mr. Chairman during the board meeting number 2/2020.
- Mr. Syed Aamir Zahidi's board membership ended in the company's AGM held 15/03/2020 and he attended the board and committees meeting before AGM.

f. Number of the Board resolutions passed during the 2020 fiscal year, along with its meeting convention dates.

Has not made any decisions need to be disclosed.

- On 19/03/2020, the Board of Directors approved by circulation the actuarial report of underwriting and pricing for 2019.
- The board of directors approved by circulation on 1st of April 2020 for the company to participate with the amount of AED 90,000 in the (Hand in Hand fund) which was invited to by the Insurance Authority to face the impact of Covid 19
- On 23 September 2020, the Board of Directors approved by circulation the actuarial report of underwriting and pricing for the period ending on 30 June 2020.
- The board of directors approved on 25/10/2020 by circulation two priority digital transformation projects for implementation.



g. A statement of the BOD's tasks and functions which were performed by the Executive Management pursuant to an authorization by the BOD to the Management, stating the period and validity of the delegation.

Subject to the provisions of the Articles of Association of the Company, and in accordance with the interests of the business, the Board has given to the Executive Management represented by the CEO, a fixed-term mandate, ending on 10/04/2021, granting him the powers upon the business needs, and the nature of the company's activity as well, explaining the cases that require prior approval or instructions from the Board. These tasks can be summarized as follows:

- Managing the company's business and providing instructions to the executive in line with the company's strategic goals and policies prescribed by the Board and the provisions of the law/legislations related to the company's activities.
- Providing the Board with accurate/periodic reports on the financial position and actions taken in the risk management, in order to enable the Board to review the objectives, plans, and policies, and to question the executive management about their performance.
- Providing the regulatory bodies (Ministry of Economy – Securities and Commodities Authority – Abu Dhabi Securities – Insurance Authority ... etc) with any information, data, and documents which required in accordance with the provisions of the law, regulations issued under any of them.
- Make recommendations regarding any necessary proposals concerning the company's operations.
- Managing the company's investments and funds in accordance with the directions of the Board, signing the respective contracts on behalf of the company and representing it in its relations with others.
- Managing the workflow of the contracts and agreements and the negotiation about them.
- Appointing/dismissing the employees, in accordance with the policy determined by the Nomination and Remuneration Committee emanating from the Board, in a manner that does not conflict with the laws.
- Representing the company before all stages of courts, with the right to delegate lawyers and experts and isolate them.

- Delegating representatives for the company to do some partial tasks which will facilitate the work operations.
- All the powers granted above shall not contradict the laws, and regulations.

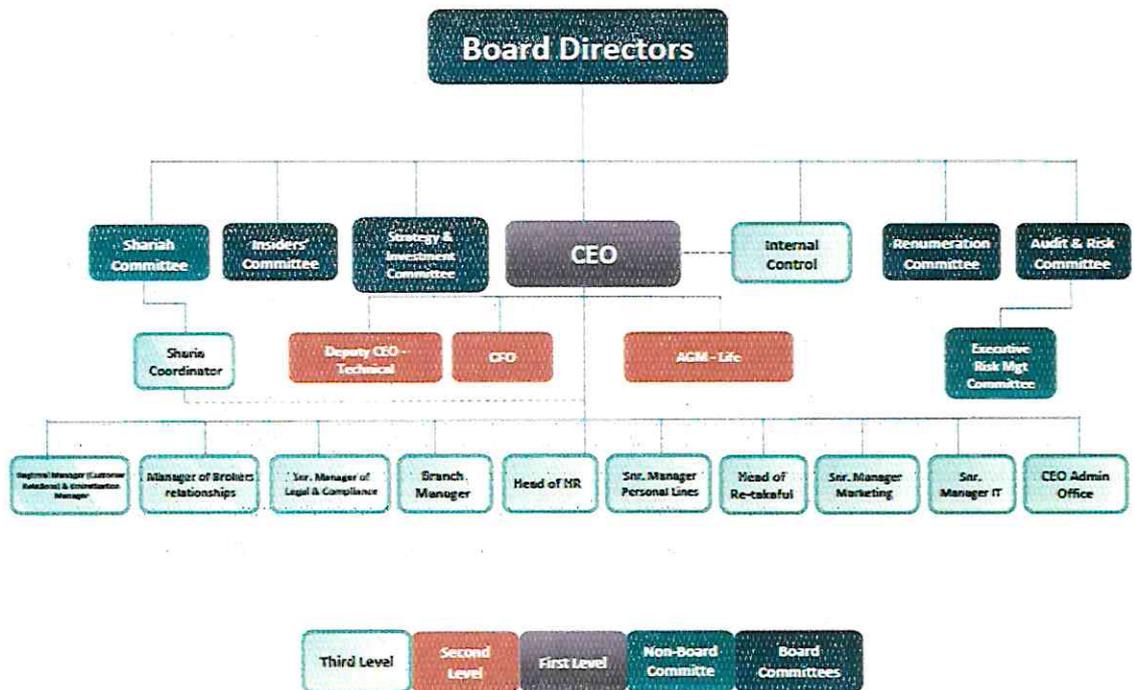
h. A statement of the details of transactions made with the related parties (stakeholders), indicating the nature of relationship and transaction type.

Details of significant transactions with the related party (affiliate company and major shareholder) were within the Company's normal business scope as follows:

Ser.	Statement of related parties	Clarifying the nature of relationship	Type of transaction	Value of transaction
1	affiliate company and major shareholder	major shareholder	Gross contributions written (insurance premium)	AED 85,732,314
2	affiliate company and major shareholder	major shareholder	Profit from the term deposits	AED 71,630
3	affiliate company and major shareholder	major shareholder	A regular deposit on 31 December	AED 10,000,000

The company did not made any transactions equal to or more than 5% of the company's capital during 2020.

- i. The organizational structure of the Company, including at least the first and second levels, and including the General Director and/or Executive Manager, Deputy General Director, and the managers of the Company such as the Financial Manager.



j. A detailed statement of the senior executive staff in the first and second levels according to the Company's organizational structure (as set out in item (3h) above), their positions and appointment dates, and total salaries and benefits paid thereto, using the table below:

An elite of qualified, long experience were chosen in each field. The following are statement of senior executives of the Company:

S/ N	Position	Date of Appointment	Total Salaries and Allowances paid in 2020 (AED)	Total Bonuses paid in 2020 (AED)	Any other Cash/in-kind benefits for 2020 or payable in the future
1	Chief Executive Officer	2010/03/14	2,229,247	Not defined	N/A
2	Deputy Chief Executive Officer – Technical Affairs	2007/01/30	958,442	Not defined	N/A
3	Assistant General Manager – Life and Bancassurance	2005/07/10	736,736	Not defined	N/A
4	CFO	2016/07/24	721,314	Not defined	N/A
5	Head of Internal Control	2004/06/01	494,602	Not defined	N/A
6	Sharia Coordinator	2014/08/03	213,237	Not defined	N/A
7	Manager of Brokers relationships	2018/05/06	144,000	Not defined	N/A
8	Manager of Legal & Compliance	2007/08/14	348,378	Not defined	N/A
9	Snr. Manager of Dubai And Northern Emirates Branch	2016/02/15	613,760	Not defined	N/A
10	Head of HR	2004/03/20	462,224	Not defined	N/A
11	Snr. Manager Personal Lines	2018/02/20	420,000	Not defined	N/A
12	Head of Re-takaful	2009/03/01	511,864	Not defined	N/A
13	Snr. Manager Marketing	2010/12/19	351,786	Not defined	N/A



1 4	Snr. Manager IT	2020/04/28	410,002	Not defined	N/A
1 5	Regional Manager of Customer Relationship & Emiratization	11/04/2004	670,005	Not defined	N/A

The report will be updated after approval of any executive management bonuses or any other bonuses.

4. External Auditor:

a. A brief about the external auditor of the Company's to the shareholders.

Deloitte is one of the largest International companies that provide professional services to their clients; it is considered as one of the big four audit firms. Deloitte is a global organization made up of a group of member companies. Its global headquarters is in London, UK, and it has several offices serving the Middles East, including its branch in Abu Dhabi. It does auditing activities as a primary activity in addition to other consulting activities.

b. A statement of the fees or costs of auditing or the services provided by the external auditor, using the table below:

Name of the audit office and partner auditor)Deloitte Mohammad Khamees Al Tah
Number of years he served as the company external auditor	2
Number of years the company served as external auditor	2
Total audit fees for 2020 in (AED)	AED 168,500
Fees and costs of other private services other than auditing the financial statements for 2020 (AED), if any, and in case of absence of any other fees, this shall be expressly stated.	AED 181,900
Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly.	Approving financial statistics provided to the supervisory authorities according to the request of these authorities.
Statement of other services that an external auditor other than the company accounts auditor provided during	None



2020 (if any). In the absence of another external auditor, this matter is explicitly stated.

c. A statement of the qualified opinions made by the company's external auditor in the interim and annual financial statements for 2020. In the absence of any qualified opinions, this shall be stated clearly.

N/A

5. Audit Committee:

Due to the company's commitment to implementing the standards of corporate governance and discipline, the company's Board has formed the following committees:

- Audit & Risk Committee
- Remuneration & Nomination Committee
- Insiders' Trading Follow-Up and Supervision Committee
- Strategy & Investment Committee

Following board of directors' election held in company AGM dated 15/03/2020, and based on the discussions held during board's meeting number 3/2020 held 23/03/2020, the board of directors decided its committee's structure and authorities as per the listed authorization described in company charters, Article of Association and SCA's Chairman Board Decision No. 03 R.M of 2020 concerning Approval of Joint Stock Companies Governance Guide.

a. The Audit Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

"(Abdulatif Abdullah Ahmed Al Mulla), Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness."

b. The names of members of the audit committee, and a statement of its functions and the duties assigned thereto.



S	Name	Position	His Category in the Board
1	Mr. Abdullatif Abdullah Ahmed Al Mulla	Chairman of the Committee	Board Member/Non-executive/Independent
2	Mr. Khalifa Abdulla Khamis Al Romaithi	Member	Board Member/ Non-executive / Independent
3	Mr. Dhafer Farouq Louqman	Member	Board Member/Non-executive

The duties of Audit & Risk Committee:

The committee shall convene at least once every three months or whenever the need arises, with a minutes written by the Committee secretary and reviewed by the committees members. Following board of directors' election held in company AGM dated 15/03/2020, and based on the discussions held during board's meeting number 3/2020 held 23/03/2020, the board of directors decided its committee's structure and authorities as per the listed authorization described in company charters, Article of Association and SCA's Board Decision number (03 RM) year 2020 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies, including the follows:

- a. It shall set up and apply a policy to govern the work of the external auditors in addition to report to the board of directors any critical issue that requires action to be taken along with providing proper suggestions for implementations.
- b. It shall follow up and oversee the independence and objectivity of the external auditor and hold discussions with the external auditor on the nature, scope and efficiency of the audit according to approved audit standards.
- c. It shall oversee the integrity of and review the Company's financial statements and reports (annual, semiannual and quarterly reports) in the course of its operations during the year and shall, in particular, focus on:
 - (1) Any changes to accounting policies and practices;
 - (2) Highlighting matters that are subject to Management's judgment;
 - (3) Material amendments emerging out of the audit;

- (4) The assumption of the Company's continuity as a going concern;
 - (5) Adherence to the accounting standard set by the Authority; and
 - (6) Adherence to listing and disclosure rules as well as other legal requirements in relation to financial reporting.
- d. It shall coordinate with the Board of Directors, the Management and the financial manager or the manager assuming the same duties in the Company in order to duly fulfill its duties. The audit committee shall hold a meeting with the Company's external auditor at least once per year.
- e. It shall consider any irregular issues that are or have to be reflected in the board and financial reports and pay necessary attention to any issues raised by the financial manager of the Company, the manager assuming the same duties, the Compliance Officer or the external auditor.
- f. It shall review the Company's financial control, internal control and risk management framework.
- g. It shall discuss the internal control framework with Management and make sure that it fulfills its duty to develop an effective internal control system.
- h. Consider findings of main investigations into internal control issues assigned to it by the Board of Directors or as an initiative of the audit committee upon the approval of the Board of Directors.
- i. It shall ensure coordination between internal and external auditors, ensure availability of necessary resources for the internal audit function, and review and control the efficiency of this function.
- j. It shall review the Company's financial and accounting policies and procedures.
- k. It shall review the external auditor's report and action plan and any material inquiries raised by the auditor to the Management in respect of accounting reports, financial accounts or control systems, respond thereto and approve the same.

- l. It shall make sure that the Board of Directors responds on a timely basis to inquiries and material issues raised in the external auditor's reports.
- m. It shall develop rules that enable the employees of the Company to confidentially report any potential violations in financial reports, internal controls or other issues and take adequate steps to conduct independent and fair investigations into these violations.
- n. It shall oversee the Company's compliance with its code of conduct.
- o. It shall ensure implementing the duties and fulfilling the authorities assigned by the Board of Directors.
- q. It shall consider any other issues as the Board of Directors may determine.

c. The number and dates of the meetings held by the audit committee during the year 2020 to discuss issues related to the financial statements and any other issues, and a statement of the attendance frequency in person by the committee's members.

Meeting number and date	First meeting 10/02/2020	Second meeting 12/05/2020	Third meeting 11/08/2020	Forth meeting 12/11/2020
Mr. Abdullatif Abdullah Ahmed Al Mulla	/	✓	✓	✓
Mr. Khalifa Abdulla Khamis Al Romaithi	✓	✓	✓	✓
Mr. Khalid Ali Ibrahim Jasem AImansoori	✓	/	/	/
Mr. Syed Aamir Zahidi	✓	/	/	/

Mr. Naser Mohamed Naser Al Mur Al Zaabi	✓	/	/	/
Mr. Dhaffer Louqman	/	✓	✓	✓

- The sign (/) indicate that board member was not part of the committee at time of meeting.

6. Nomination and Remuneration Committee:

a. The Nomination and Remuneration Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, his review of its work mechanism and ensuring its effectiveness.

“(Khalid Abdalla Deemas Alsuwaidi), Nomination and Remuneration Committee Chairman, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.”

b. The names of members of the Nomination and Remuneration Committee, and a statement of its functions and the duties assigned thereto.

	Name	The position in the committee	His Board category
1	Mr. Khalid Abdalla Deemas Alsuwaidi	Chairman of the Committee	Deputy –Chairman / Non-executive / Independent
2	Mr. Khalid Ali Ibrahim Jasem Almansoori	Member	Board Member / Non-executive
3	Mr. Naser Mohamed Naser Al Mur Al Zaabi	Member	Board Member / Non-executive / Independent

Following board of directors' election held in company AGM dated 15/03/2020, and based on the discussions held during board's meeting number 3/2020 held 23/03/2020, the board of directors decided its committee's structure and authorities



as per the listed authorization described in company charters, Article of Association and SCA's Chairman Board Decision No. 03 R.M of 2020 concerning Approval of Joint Stock Companies Governance Guide, including the follows:

- Ensure the independence of the members.
- Formulating and reviewing on annual basis, the policy for granting bonuses, benefits, incentives and salaries at the company.
- Identify the company's needs of competencies at the level of senior executive management and employees and the bases of their selection.
- Prepare the human resources and training policy in the company and observing its application and review it periodically.

c. A statement of the number and dates of the meetings held by the committee during the year 2020, stating the frequency of attendance in person by all the members of the committee.

Board member	First meeting
	1/02/2020
Mr. Khalid Abdalla Deemas Alsuwaidi	✓
Mr. Khalid Ali Ibrahim Jasem Almansoori	✓
*Mr. Dhafer Farooq Mohammed Luqman	✓
Mr. Naser Mohamed Naser Al Mur Al Zaabi	✓

- Mr. Dhaffer Louqman was part of the Nomination and Remuneration Committee before the new committee structure was issued in AGM which was approved 23/03/2020 in board meeting 3/2020.

7. Insiders' Trading Follow-Up and Supervision Committee:

a. The Acknowledgment by the Committee Chairman or the authorized person of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

"(Abdullatif Abdullah Ahmed Al Mulla) acknowledges his responsibility for the follow-up and supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness.

b. The names of members of the Insiders' Trading Follow-Up and Supervision Committee, and a statement of its functions and the duties assigned thereto.

	Name	The position in the committee	His Board category
1	Mr. Abdullatif Abdullah Ahmed Al Mulla	Chairman of the Committee	Board Member / Non-executive / Independent
2	Mr. Khalifa Abdulla Khamis Al Romaithi	Member	Board Member / Non-executive / Independent
3	Mr. Dhaffer Louqman	Member	Board Member / Non-executive

Following board of directors' election held in company AGM dated 15/03/2020, and based on the discussions held during board's meeting number 3/2020 held 23/03/2020, the board of directors decided its committee's structure and authorities as per the listed authorization described in company charters, Article of Association and SCA's Chairman Board Decision No. 03 R.M of 2020 concerning Approval of Joint Stock Companies Governance Guide.

c. A summary of the Committee's activities in 2020. (In case the Committee not formed, state the reasons).

- The Committee met on 10/02/2020 and confirmed that the company was not notified of any sale or purchase of the company shares by insiders.
- And the Committee met on 11/08/2020 and accepted to remove Mr. Syed Aamir Zahidi from the insider's list and add Mr. Abdullatif Abdullah Ahmed Al Mulla.



The current External Auditors "Deloitte" had provided us his response that it is not requested to include his name in the Insider List, and It was reviewed and approved by the Committee.

8. Strategy & Investment Committee.

a. The Strategy & Investment Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

"(Khamis Mohamed Khamis Buharoon Alshamsi), The Strategy & Investment Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

b. Name of committee or committees.

The Board of Directors has set the Strategy & Investment Committee in accordance with the basis of investing the rights of the participants (Takaful policyholders) contained in the decision of the Board of Directors of Insurance Authority No. (26) /2014 regarding the Financial Instructions for Takaful Companies.

c. The names of the members of each committee, and a statement of its functions and the duties assigned thereto.

	Name	The position in the committee	His Board category
1	Mr. Khamis Mohamed Khamis Buharoon Alshamsi	Committee chairman	Chairman, Non-executive
2	Mr. Khalid Abdalla Deemas Alsuwaidi	Member	Deputy -Chairman Non-executive/ Independent
3	Mr. Khalifa Abdulla Khamis Al Romaithi	Member	Board Member Non-executive Independent

4	Mr. Naser Mohamed Naser Al Mur Al Zaabi	Member	Board Member Non-executive Independent
5	Mr. Abdullatif Abdullah Ahmed Al Mulla	Member	Board Member Non-executive Independent
6	Mr. Khalid Ali Al Mansoori	Member	Board Member Non-executive
7	Mr. Dhaffer Louqman	Member	Board Member Non-executive

d. A statement of the number and dates of the meetings held by the committee during the year 2020, stating the frequency of attendance in person by all the members of the committee.

Meeting number and date Board member	First meeting 13/08/2020	Second Meeting 12/10/2020
Mr. Khamis Mohamed Khamis Alshamsi	✓	✓
Mr. Khalid Abdalla Deemas Alsuwaidi	✓	✓
Mr. Khalifa Abdulla Khamis Al Romaithi	✓	✓
Mr. Naser Mohamed Naser Al Mur Al Zaabi	✓	✓
Mr. Khalid Al Mansoori	✓	✓
Mr. Dhaffer Louqman	✓	✓
Mr. Abdullatif Abdullah Ahmed Al Mulla	✓	✓

9. Internal Control System:

Internal control is essential to the application of the governance system, as it aims to establish an assessment of the risk management framework, to examine the effectiveness of the control and properly applying of the governance, and to ensure that the company and its employees comply with the provisions of laws, and the internal policies, as well as reviewing the data that presented to the senior management of the Company. It is also a crucial and necessary basis to ensure the accuracy of the financial statements. Accordingly, and in accordance with the rules of the governance, the Board of Directors of the Company (in the meeting No. 1/2010) decided on 22/02/2010 to establish The Internal Control Department, and should be directly reporting to the Board (according to the rules of governance). The Internal Control Department periodically submits written reports to the Board of Directors on the procedures, findings and recommendations reached by it and with absolute transparency. The functions entrusted to it shall be carried out in accordance with the above-mentioned resolution.

The Internal Control functions are:

The Internal Control functions are as follows:

Internal Control functions are as follows:

1. Evaluate the Enterprise Risk Management framework applied in the company.
2. Ensure that the company adherence to the Corporate governance requirements.
3. Ensure the commitment of the company and its employees to the provisions of the laws, regulations, and the internal policies and procedures.
4. Evaluate the work of the company's internal committees and their efficiency to reduce the risks facing the company, and make appropriate recommendations to correct their weaknesses.
5. Reviewing the financial statements presented to the Company's senior management, which are used in preparing the financial statements.
6. Comparing and analyzing actual financial results with previous estimates and setting explanations, solutions, and recommendations thereon.
7. Coordinating with the external auditors of the company and other regulatory authorities regarding the exchange of information and responding to their inquiries and observations in cooperation with the concerned departments in the Company, and



follow up correction of violations and as well as following up the recommendations contained in their reports.

8. prepare internal audit reports of the internal audit engagement conducted according to the approved audit plan as well as ad hoc assignments, and report them to the board on periodic basis.
9. imposing additional controls on some departments through ensuring:
 - i. Effectiveness and efficiency of the Company's operations.
 - ii. Controls over the financial transactions (payment, exchange, transfer, deduction, etc).
 - iii. the accuracy of the financial statement .
 - iv. The reliability of the Data transmitted and processed throughout the company's operation system
 - v. Matching internal data with the data from external sources.
 - vi. Matching the annual financial results with the financial records and general ledges.
 - vii. Taking the appropriate action to safeguard the company's assets and records.

a. The BOD's acknowledgement of its responsibility for the Internal Control System in the Company and its review of the functioning mechanism of internal control and ensuring its effectiveness.

The Board of Directors acknowledges and reviews the company's internal control system and verifies its effectiveness through the Internal Control Department, which provides regular and periodic reports to the Board, Audit & Risk Committee, and executive management.

b. The name, qualifications, and date of appointment of the Director of Internal Control Department.

As part of implementation of Corporate Governance measures by the Company in 2010, Mr. Zainudeen Faizan Mohamed was appointed as the Manager of this department. He has over 20 years of Banking and Insurance Industry experience including Financial Control positions held with HSBC Bahrain and Takaful International



Bahrain previously. He holds professional qualifications ACMA, CIRM & CFE relating to Management Accounting, Risk Management & Fraud Examination.

c. The name, qualifications, and date of appointment of the Compliance Officer.

In 2017 Mr. Mustafa Hassoun, the Legal Department Manager – has been appointed as Compliance Officer, he has a Bachelor's degree in Sharia and Law since 2004.

d. How the Internal Control Department handle any significant issues in the company, or issues disclosed in the annual reports and accounts (in case there are no significant issues, it should stated that the Company did not have any significant issues).

The Internal Control Department provides the Board with periodic reports on its work, including the problems experienced by the company and the manner of dealing with, and the best solution as well, despite that the company did not face any major problems:

e. Number of reports issued by the Internal Control Department to the Company's Board of Directors.

The Internal Control Department issued three audit reports in 2020.

10. Details of the violations committed during 2020, explaining their causes, how to address them and avoid their recurrence in the future.

According to the reports submitted by the Internal Control Department, the Company did not face any significant violations during the fiscal year 2020. The company considers that the absence of these errors is part of the success achieved through the good practices formulated by the Board and Executive Management.

11. A statement of the cash and in-kind contributions made by the Company during the year 2020 toward the local community development and environmental conservation. (In case

there are no contributions, it should be stated that the Company did not make any contributions).

The company's board of directors approved for the company to make a financial contribution of AED 90,000 to the government fund (Hand in Hand to face Covid19).

12. General Information:

a. A statement of the Company share price in the Market (closing price, highest price, lowest price) in the end of each month during year 2020.

2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
The price	3	3.5	3.5	3.5	3.35	3.3	3.35	3.3	6.18	6.18	4.14	3.9
lowest price	2.74	3.05	3.5	3.5	3.35	3.3	3.25	3.3	3.38	3.38	4.14	3.8
highest price	3.1	3.89	3.5	3.5	3.35	3.35	3.35	3.35	6.5	6.5	5.88	4

b. A statement of the comparative performance of the company's shares with the market index and the sector index to which the company belongs during year 2020.



c. A statement of shareholding distribution as of 31/12/2020 (individuals, companies, governments) classified as follows: local, GCC, Arab, foreign using the table below:

S/N	Shareholder Category	Percentage of Shares Held			
		Individual	Companies	Government	Total
	Local	12%	88%	0	100%
	GCC	0	0	0	
	Arab	0	0	0	
	Foreign	0	0	0	
	Total	12%	88%	0	100%

d. A statement of the shareholders who hold 5% or more of the Company's capital as of 31/12/2020 using the table below:

S/N	Name	Number of Shares Held	% of the Shares Held of the Company's Capital
1	Abu Dhabi Islamic Bank	% 41,7	41,664,219
2	Tasameem Real Estate Co. LLC (Tasameem)	27%	26,974,357
3	East & West Group	%11	10,976,466
3	Bond Investments Ltd	% 5	5,049,931

e. A statement of shareholders distribution by the size of equity as of 31/12/2020 using the table below:

S/N	Share(s) Owned	Number of Shareholders	Number of Share Held	% of the Shares Held of the Capital
1	Less than 50,000	1472	5,672,542	% 6
2	From 50,000 to less than 500,000	44	6,016,337	6%



3	From 500,000 to less than 5,000,000	5	3,646,148	4%
4	More than 5,000,000	4	84,664,973	85%

f. A statement of the procedures taken with respect to the controls of investors' relations, indicating the following:

- **The name and contact information of the Investors' Relations Manager**
- **The link of the Investor Relations webpage on the website of the Company.**

The Company has appointed an officer for all the functions related to Investor Relations with the tasks stipulated in the Chairman Decision (Securities and Commodities Authority) No. 7 R.M of 2016 concerning the Standards of Institutional Discipline and Governance of Public Shareholding Companies.

The appointed Investor Relations Officer (Mrs. Farah Arakji, Chief Financial Officer) is fluent in English and Arabic, with very good qualification, and has practical experience in business and accounting along with capable knowledge in the legal requirements. she has also full knowledge of the company's activities and opportunities and the required skills to communicate with investors.

A special Investor Relations page has also been created on the company's website, which includes: Investor Relations data and means of communication, and all reports related to the financial results.

A committee with five senior employees of the Company (Executive Risk Management Committee) has been set up to deal with any crisis and contingencies facing the Company. The committee will develop a communication plan with investors and the media regarding the practical steps taken by the Company to face the contingency. And appoint an official spokesperson to take care of the corporate communication.

The current Investor Relations Officer is Ms. Farah Arakji, Chief Financial Officer:
024107700- 024107719 - Mob: 00971544300822 Fax. 024107800 -
Farah.Arakji@takaful.ae

The e-link of the Investor Relations page on the company's website is:



<https://takaful.ae/en/about-us/investors-relations/>

g. A statement of the special resolutions presented to the General Assembly held in 2020 and the procedures taken with respect thereto.

No special resolutions were presented to the General Assembly during 2020.

h. The Rapporteur of the Board meetings, and his/her appointment date and his/her qualifications and experiences and a statement of his/ her duties during the year.

On 12/05/2011 Mrs. Sara Alabsi, was appointed as Rapporteur of Board Meetings. Mrs. Sara holds a Master degree in Strategy and Business Administration from the University of Strathclyde.

Her duties include coordination between members regarding the meetings of the Board of Directors and its committees. She also coordinates with members of top management to collect topics for discussion in meetings and distribute them to members.

She also reports the minutes of board meetings along with the related decisions and follows up on implementation.

i. A statement of the significant events that took place in the Company in 2020.

- In March 2020 when Covid19 impact reached the UAE, ADNTC as other companies took the needful measures to face the pandemic's challenges and proved its readiness to fully serve its customers remotely.
- In October 2020, Abu Dhabi National Takaful Company (PSC) announced that it has regained the financial strength rating to A- (Excellent), and the long-term credit rating A- from the global rating agency A.M. Best, while the forward-looking for credit ratings is positive, maintaining one of the highest rating given to a Takaful operator in the worldwide, for the fifth consecutive year.



j. Statement of Emiratisation percentage in the Company at the end of 2018, 2019,2020 (workers are excluded for companies working in the field of contracting).

At the end of 2018, the Emiratisation rate represented 17 % of the total number of employees in the company.

At the end of 2019, the Emiratisation rate represented 17 % of the total number of employees in the company.

At the end of 2020, the Emiratisation rate represented 19 % of the total number of employees in the company.

Note that the company is subject to the Emiratisation Strategy (points system) in accordance with the Cabinet Decision No. (267/10/3) of 2015, regarding the Emiratisation Strategy in banking and insurance sectors, where the determination of target points was in accordance with the number of written premiums at 72, The company, in turn, supported the national economy and participated in achieving the government vision, achieving a great result with a score of 83.00 points.

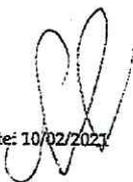


k. A statement of the innovative projects and initiatives implemented by the Company or which were under development during 2020.

The company has established an internal innovation committee with the support of the Chief Executive Officer. The committee established to facilitate the transformation of the company toward the digitalization and implementing the industry's globally accepted best practices.

The committee recommended two digital transformation projects to be implemented in 2020 and the board of directors approved them.

Signature of the Board
Chairman



Date: 10/02/2021

Signature of Audit
Committee Chairman



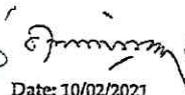
Date: 10/02/2021

Signature of Nomination
and Remuneration
Committee Chairman



Date: 10/02/2021

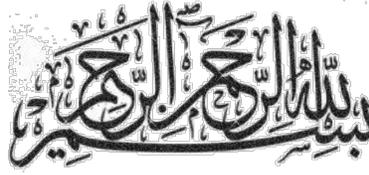
Signature of Internal
Control Department
Director



Date: 10/02/2021

Company Official Seal





**Report of Sharia Committee of Abu Dhabi National Takaful Company P.S.C
(Takaful) to the General Assembly of the Shareholders of the company for
the year ended 31 December 2020**

To Shareholders of Abu Dhabi National Takaful Company P.S.C (Takaful)

May peace be upon you all,

According to Article (69) of the Company's Articles of association, we hereby provide the following report:

We have reviewed the principles of the company's business, financial results, investments that entered into and samples of Takaful policies (Insurance), which have been concluded or offered by the company during the financial year ended 31 December 2020 and other company's business & activities with purpose of expressing an opinion regarding whether the company is complying with the provisions and principles of Islamic Sharia'a, and the specific resolutions, guidelines that have been issued by us.

The management is responsible for ensuring that the company business activities is in accordance with the provisions and principles of the Islamic Sharia'a and bears the implementation responsibility of the same in accordance with the provisions of the Articles of association which stipulate the full adherence with the provisions and principles of Islamic Sharia'a.

However, our responsibility is limited to expressing an independent opinion based on our review, and preparing a report.

We conducted our review, which involved a review of the financial results of the company, and its financial structure, based on our review of its Financial Position and the income statement, revenues and expenditures.

We have also reviewed the Investments which the company has entered into, the Zaka value to be recommended for company's share, revenues of the charities account as well as disbursement aspects. In addition, we audited samples of Takaful policies that were concluded in different types of takaful and we also have reviewed the progress of the re-insurance (Retakaful) and the entities which the re-insurance agreements have been concluded with. In addition, we have reviewed the status of the facultative & co-insurance with traditional insurance companies.

We have reviewed Sharia'a auditing reports that have been prepared and submitted by the Internal Sharia Controller of the company.

We have obtained the information and interpretations which have been considered necessary to provide us with sufficient proofs to give reasonable assurance that the company did not violate the provisions and principles of Islamic Sharia'a within the scope of the its activities reviewed by us.

In our opinion:

- The company has complied, in its financial structure, with separating between the Policyholders account and the shareholders' account which represent the basis of the takaful insurance. Moreover, the company prepared its Financial statement for the year ended 31 December 2020 in accordance with the Sharia'a form, which established the basis of preparing the Financial statement. Such form

reflects the reality and nature of the Takaful company activities and its financial structure.

- The Company did not deduct from the policyholders account any amounts except for the Wakala Fees or less than, and its share of investment profits arising of that account in its capacity as an investor (Mudareb).
- The investments which the Company has engaged in are acceptable in light of our findings. However, it has been assured that it is necessary to purify the returns of shares of the companies which the company is investing in (through its investment portfolio) and has got an unpermitted income from as the amounts of the same should be calculated and set aside, regardless of how less they are, and to disburse the same in charities.
- The company had confirmed the conclusion for re-insurance agreements in the treaty re-insurance according to the principles adopted by us. We have instructed to work on raising the percentage of re-insurance with the Islamic reinsurance companies. However, as for the facultative re-insurance has been entered into by company with both traditional & Islamic companies, we have requested to reduce the facultative re-insurance with traditional companies as much as possible along with the necessity to rebuild the treaty and facultative re-insurance with Islamic companies on the basis of the Islamic insurance clearly, and ask them to provide the company with the formal texts that enable us to achieve that.
- The policies used by the company forms of which have been reviewed are acceptable policies, in the light of our findings and reviews. The said policies are the policies approved by us.
- Whereas the management of the company is not authorized to disburse the Zakat “Alms Giving” on behalf of the shareholders, the disbursement of the same remains the shareholders responsibilities in

adherence with the third pillar of Islam. The amount of Zakat per every Company share is around AED(0.0533) for the year ended 31/12/2020

Best Regards,

**Issued by us in Abu Dhabi on Thursday, February 18, 2021,
corresponding to Rajab 06,1442
Sharia Committee of Abu Dhabi National Takaful Company PSC (Takaful)**

His Eminence Sheikh, Essam Muhammad Ishaq, Chairman of the Committee

Sheikh Dr. Nizam Yaqoubi, Committee Member

Sheikh Dr. Osaid Al-Kaylani, Committee Member



شركة أبوظبي الوطنية للتكاful ش.م.ع.
Takaful Abu Dhabi National Takaful Co. P.S.C



Thank You!

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Light Vehicles Registration Office
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Al Ain
Light Vehicles Registration Office
Tel.: 03 7811 566

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Opposite Al Ain Mall
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