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

# The Integrated Report 2021



Thursday, 24 February 2021

www.takaful.ae

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

**The integrated report which is include the following:**

A. **Board Report.**
B. **Auditor Report.**
C. **Annual financial Data and their notes.**
D. **Governance Report.**
E. **Sustainability Report**
F. **Sharia Control Committee Report.**

**Thursday, 24 February 2021**

P.O. Box 35335, Abu Dhabi, UAE ☎ +971-2-4107700 🖷 +971-2-4107800 www.takaful.ae

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

## Reports and financial statements for the year ended 31 December 2021

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

**Reports and financial statements**
**for the year ended 31 December 2021**

**Table of Contents** **Pages**


| | |
|---|---|
| **Director's report** | **1** |
| **Independent auditor's report** | **2 - 9** |
| **Statement of financial position** | **10 - 11** |
| **Statement of profit or loss** | **12** |
| **Statement of comprehensive income** | **13** |
| **Statement of changes in shareholders' equity** | **14** |
| **Statement of cash flows** | **15** |
| **Notes to the financial statements** | **16 - 57** |

## Directors' report
## for the year ended 31 December 2021

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 2021, 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:

| | 2021<br>AED |
|---|---|
| Proposed cash dividend of 25% of the paid up capital | **25,000,000** |
| Proposed stock dividend of 5% of the paid up capital | **5,000,000** |
| Transfer to Re-takaful default reserve | **1,336,855** |
| Board of Directors remunerations | **5,531,995** |
| Reversal of Zakat | **(5,320,778)** |
| Retained earnings, carried forward | **56,476,535** |
| | **88,024,607** |

**Valued Shareholders,**

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

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

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

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

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

**Khamis Buharoon**
Chairman of Board of Directors

Deloitte & Touche (M.E.)
Level 11, Al Sila Tower
Abu Dhabi Global Market Square
Al Maryah Island
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax:+971 (0) 2 408 2525
www.deloitte.com

# 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 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, 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.

Akbar Ahmad (1141), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

Deloitte.

# 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 164,079,350 which includes reported claims of AED 115,858,737 and claims incurred but not reported (IBNR) of AED 802,709. The retakaful share of outstanding claims amounted to AED 127,776,349 at the reporting date.<br><br>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.<br><br>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.<br><br>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.<br><br>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 retakaful share of IBNR held, which depends on the specific terms of the retakaful contracts in place.<br><br>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.<br><br>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. |

Deloitte.



**Key audit matters (continued)**

| **Estimation uncertainty with respect to the measurement of outstanding claims liabilities (continued)** |
| --- |
| **How the matter was addressed in the audit** |
| We established an audit approach which included both testing the design and operating effectiveness of internal controls over the measurement of outstanding claims liabilities and retakaful share of outstanding claims as well as risk-based substantive audit procedures.<br><br>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.<br><br>The primary substantive procedures which we performed to address this key audit matter included, but were not limited to, the following:<br><br>• 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;<br>• We verified reconciliations between claims data recorded in the Company's systems and data used in the actuarial reserving calculations;<br>• We assessed the competence, capabilities, qualifications and objectivity of the external actuary engaged by the Company for the valuation of technical provisions;<br>• 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 consistency between reporting periods;<br>• 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;<br>• 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;<br>• 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;<br>• 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<br>• We assessed the disclosures included in Note 3.3 and Note 7 in relation to outstanding claims against the relevant IFRS disclosure requirements. |

Deloitte.

## 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 takaful 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 takaful policies.<br><br>The unearned contribution reserve is required to be calculated in accordance with the UAE Insurance Law relating to insurance and takaful companies.<br><br>The provisions recognised for unearned contribution reserves amounted to AED 164,079,350 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:<br><br>• 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;<br>• 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;<br>• We compared the unearned contributions reserve balance recorded in the financial statements to the reserve balance determined by the Company's external actuary;<br>• 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;<br>• 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<br>• We assessed the disclosures included in Note 3.3 in relation to this area against the relevant IFRS disclosure requirements. |

Deloitte.

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

**Key audit matters (continued)**

| **Valuation of unquoted investments** |
|---|
| **The financial statement risk** |
| The Company has investments in unquoted equities and funds with a carrying value of AED 251,369,466 as at 31 December 2021. These instruments are classified as financial assets at fair value through profit or loss.<br><br>As disclosed in Note 8, the valuation of investments in unquoted equities uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgement to be applied by management in determining the appropriate valuation methodology and the use of various assumptions, for example future cash flows, discount rates, market risk adjustment etc.<br><br>Management determines the fair value of these investments by internal valuations or by involving external experts ("management experts") to provide independent valuations of the investments based on valuation techniques as allowed by IFRS 13 Fair Value Measurement.<br><br>Given the inherent subjectivity and judgment required in the valuation of unquoted investments, which are classified under level 3 of the fair value hierarchy, we determined this to be a key audit matter. |
| **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 investments and substantive audit procedures. Our audit procedures in respect of this matter included, but were not limited to, the following:<br><br>• Obtained an understanding of the process adopted by management to determine the fair value of unquoted securities and assessed the design and implementation of controls over the valuation of unquoted securities.<br>• Agreed the valuations performed by management to the amount reported in the financial statements.<br>• Assessed the valuation methodology and estimates used in the valuations by consulting with our internal valuation specialists.<br>• Agreed the inputs into the valuation to supporting documentation on a sample basis, where applicable.<br>• Reperformed the arithmetical accuracy of the valuations.<br>• Assessed the competency, objectivity and capabilities of management's experts and for a sample of valuations, evaluated the adequacy and appropriateness of their work with the assistance of our valuation experts.<br>• Reviewed the engagement letter with management's experts to determine if their scope was sufficient for audit purposes.<br>• We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs. |

Deloitte.

## 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 (as amended) , 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.

Deloitte.



**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.

Deloitte.

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- 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 (as amended);
- 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 2021;
- Note 20 to the financial statements of the Company discloses material related party transactions and the terms under which these were conducted;
- Note 25 to the financial statements of the Company discloses social contributions made during the financial year ended 31 December 2021; 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 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its articles of association which would materially affect its activities or its financial position as at 31 December 2021.

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
24 February 2022
Abu Dhabi
United Arab Emirates

## Statement of financial position
## as at 31 December 2021

| | Notes | 2021 AED | 2020 AED |
|---|---|---|---|
| **ASSETS** | | | |
| **Takaful operations assets** | | | |
| Financial assets measured at fair value | **8** | **13,352,921** | 15,010,777 |
| Retakaful share of unearned contributions | **7** | **274,002,126** | 281,805,829 |
| Retakaful share of outstanding claims | **7** | **127,776,349** | 147,038,947 |
| Prepaid expenses and other assets | | **20,736,311** | 25,891,479 |
| Contributions and retakaful balances receivables | **6** | **18,379,044** | 11,311,427 |
| Term deposits | **5** | **318,095,203** | 384,834,508 |
| Cash and bank balances | **5** | **59,953,280** | 76,966,253 |
| **Total takaful operations assets** | | **832,295,234** | 942,859,220 |
| **Shareholders' assets** | | | |
| Property and equipment | **11** | **22,440,515** | 15,839,641 |
| Statutory deposit | **9** | **10,000,000** | 10,000,000 |
| Financial assets measured at fair value | **8** | **362,770,698** | 345,265,447 |
| Investments properties | **10** | **16,815,000** | 14,403,000 |
| Deferred policy acquisition costs | | **7,445,788** | 18,869,889 |
| Prepaid expenses and other assets | | **13,034,499** | 10,086,107 |
| Term deposits | **5** | **60,148,778** | 24,549,718 |
| Cash and bank balances | **5** | **32,893,283** | 7,906,185 |
| **Total shareholders' assets** | | **525,548,561** | 446,919,987 |
| **TOTAL ASSETS** | | **1,357,843,795** | 1,389,779,207 |
| **LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY** | | | |
| **Takaful operations liabilities** | | | |
| Takaful payables | **12** | **11,300,119** | 19,245,162 |
| Outstanding claims | **7** | **164,079,350** | 183,608,231 |
| Unearned contributions | **7** | **353,999,279** | 381,316,825 |
| Retakaful payables | **12** | **279,732,447** | 300,005,265 |
| Accrued expenses and other liabilities | | **5,953,230** | 11,461,044 |
| Unearned retakaful commission income | | **6,762,953** | 5,906,511 |
| **Total takaful operations liabilities** | | **821,827,378** | 901,543,038 |

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

## Statement of financial position as at 31 December 2021 (continued)

| | Notes | 2021 AED | 2020 AED |
|---|---|---|---|
| **Shareholders' liabilities** | | | |
| Accrued expenses and other liabilities | | **9,377,066** | 19,779,942 |
| Provision for end of service benefits | 13 | **10,856,237** | 10,402,618 |
| **Total shareholders' liabilities** | | **20,233,303** | 30,182,560 |
| **Total liabilities** | | **842,060,681** | 931,725,598 |
| **Policyholders' fund** | | | |
| (Deficit)/surplus of family policyholders takaful fund | 19 | **(4,322,044)** | 18,642,051 |
| Deficit of general policyholders takaful fund | 19 | **(5,482,687)** | (5,643,460) |
| Loan from shareholders | 19 | **9,804,731** | 5,643,460 |
| Investment revaluation reserve | 19 | **(234,958)** | 103,558 |
| **Total Policyholders' fund** | | **(234,958)** | 18,745,609 |
| **Shareholders' equity** | | | |
| Share capital | 14 | **100,000,000** | 100,000,000 |
| Legal reserve | 15 | **50,000,000** | 50,000,000 |
| General reserve | 16 | **42,500,000** | 42,500,000 |
| Re-takaful default reserve | 17 | **3,848,642** | 2,511,787 |
| Investment revaluation reserve | | **7,318,068** | 15,010,837 |
| Retained earnings | | **312,351,362** | 229,285,376 |
| **Total shareholders' equity** | | **516,018,072** | 439,308,000 |
| **TOTAL LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY** | | **1,357,843,795** | 1,389,779,207 |

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 2021

| | Notes | 2021 AED | 2020 AED |
|---|---|---|---|
| **Attributable to policyholders** | | | |
| Gross contributions written | | **310,975,594** | 374,318,244 |
| Retakaful contributions accepted | | **59,306,005** | 50,985,510 |
| Retakaful contributions ceded | **7** | **(267,371,072)** | (502,357,463) |
| Net written contributions | | **102,910,527** | (77,053,709) |
| Net change in unearned contribution provision | **7** | **19,513,843** | 234,063,039 |
| Net earned contributions | | **122,424,370** | 157,009,330 |
| Commissions earned | | **22,077,806** | 19,138,594 |
| **Gross takaful income** | | **144,502,176** | 176,147,924 |
| Gross claims paid | | **(217,686,117)** | (180,465,571) |
| Retakaful share of accepted claims paid | | **(12,522,466)** | (6,847,943) |
| Retakaful share of ceded claims paid | | **166,290,905** | 129,640,085 |
| **Net paid claims** | | **(63,917,678)** | (57,673,429) |
| Change in outstanding claim | | **24,894,653** | (24,838,055) |
| Change in retakaful share of outstanding claims | | **(24,983,625)** | 25,965,914 |
| Change in incurred but not reported claims reserve | | **(5,455,324)** | 6,560,659 |
| Change in retakaful share of incurred but not reported claims reserve | | **5,721,027** | (2,593,164) |
| Change in unallocated loss adjustment expense | | **242,956** | (4,461,671) |
| **Net claims incurred** | | **(63,497,991)** | (57,039,746) |
| **Takaful income** | | **81,004,185** | 119,108,178 |
| Other income | | **3,725,339** | 536,918 |
| Retakaful settlement loss | **7** | **-** | (19,900,000) |
| **Takaful operating profit** | | **84,729,524** | 99,745,096 |
| Policyholders' investment income | **22** | **9,811,903** | 13,647,306 |
| Mudareb share | **23** | **(3,434,167)** | (4,776,557) |
| Wakalah fees | **23** | **(113,910,582)** | (139,336,360) |
| **Deficit of takaful result for the year** | **19** | **(22,803,322)** | (30,720,515) |
| **Attributable to shareholders** | | | |
| Shareholders' investment and other income, net | **24** | **41,729,347** | 11,913,010 |
| Mudareb share from policyholders | **23** | **3,434,167** | 4,776,556 |
| Wakalah fees from policyholders | **23** | **113,910,582** | 139,336,361 |
| Takaful expense | **7** | **(24,549,580)** | (31,583,468) |
| General and administrative expenses | **25** | **(42,338,638)** | (48,098,217) |
| (increase)/decrease in provision of loan from shareholders | **19** | **(4,161,271)** | 2,052,710 |
| **Profit for the year** | **27** | **88,024,607** | 78,396,952 |
| **Basic and diluted earnings per share** | **26** | **0.88** | 0.78 |

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

## Statement of comprehensive income for the year ended 31 December 2021

| | **2021** **AED** | 2020 AED |
|---|---|---|
| **Profit for the year** | **88,024,607** | 78,396,952 |
| **Other comprehensive income:** | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Change in fair value of equity investments measured at fair value through other comprehensive income | **9,203,163** | 150,476 |
| Board of Director's remuneration | **(5,531,995)** | (4,867,668) |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Change in fair value of sukuk investments measured at fair value through other comprehensive income | **(306,481)** | (217,075) |
| **Total other comprehensive income/(loss) for the year** | **3,364,687** | (4,934,267) |
| **Total comprehensive income for the year** | **91,389,294** | 73,462,685 |

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

## Statement of changes in shareholders' equity for the year ended 31 December 2021

| | Share capital AED | Legal reserve AED | General reserve AED | Re-takaful default reserve AED | Investment revaluation reserve AED | Retained earnings AED | Total AED |
|---|---|---|---|---|---|---|---|
| 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 loss | - | - | - | - | (66,599) | (4,867,668) | (4,934,267) |
| Total comprehensive income / (loss) for the year | - | - | - | - | (66,599) | 73,529,284 | 73,462,685 |
| Transfer to legal reserve | - | 943,063 | - | - | - | (943,063) | - |
| Transfer to retakaful default reserve (note 17) | - | - | - | 2,511,787 | - | (2,511,787) | - |
| Zakat (note 18) | - | - | - | - | - | (5,320,778) | (5,320,778) |
| Dividends paid to shareholder's (note 21) | - | - | - | - | - | (25,000,000) | (25,000,000) |
| Balance at 1 January 2021 | 100,000,000 | 50,000,000 | 42,500,000 | 2,511,787 | 15,010,837 | 229,285,376 | 439,308,000 |
| Gain on disposal of financial assets measured at fair value through other comprehensive income /(loss) | - | - | - | - | (16,589,451) | 16,589,451 | - |
| Profit for the year | - | - | - | - | - | 88,024,607 | 88,024,607 |
| Other comprehensive income | - | - | - | - | 8,896,682 | (5,531,995) | 3,364,687 |
| Total comprehensive income for the year | - | - | - | - | 8,896,682 | 82,492,612 | 91,389,294 |
| Transfer to retakaful default reserve (note 17) | - | - | - | 1,336,855 | - | (1,336,855) | - |
| Zakat (note 18) | - | - | - | - | - | 5,320,778 | 5,320,778 |
| Dividends paid to shareholder (note 21) | - | - | - | - | - | (20,000,000) | (20,000,000) |
| **Balance at 31 December 2021** | **100,000,000** | **50,000,000** | **42,500,000** | **3,848,642** | **7,318,068** | **312,351,362** | **516,018,072** |

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

## Statement of cash flows
## for the year ended 31 December 2021

| | 2021 AED | 2020 AED |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit for the year | **88,024,607** | 78,396,952 |
| **Adjustments for:** | | |
| Depreciation of property and equipment | **1,559,779** | 2,073,159 |
| Movement of unearned contributions, net | **(19,513,842)** | (234,063,039) |
| Investment and other income | **(51,541,270)** | (29,210,997) |
| Net movement in provision for end of service benefits | **453,619** | 817,377 |
| Movement in provision for doubtful debts | **(1,226,000)** | 2,034,094 |
| Movement in provision of loan from shareholders | **4,161,271** | (2,052,710) |
| (Decrease)/increase in fair value of investment properties | **(2,412,000)** | 3,906,000 |
| Increase in fair value of investments as fair value through profit or loss | **-** | (255,284) |
| Deficit of family policy holders takaful fund | **(18,642,051)** | (32,773,225) |
| Loss/(gain) on disposal of property and equipment | **20** | (35) |
| **Profit/(loss) before movements in working capital:** | **864,133** | (211,127,708) |
| Decrease in prepaid and other assets | **2,206,776** | 117,567 |
| (Increase) / decrease in contributions and retakaful balances receivables | **(5,841,617)** | 534,104 |
| Decrease in deferred policy acquisition costs | **11,424,101** | 46,000,730 |
| Decrease in outstanding claims, net | **(266,283)** | (5,045,525) |
| Decrease in distribution payable to takaful fund policyholders | **-** | (1,047,402) |
| (Increase) / decrease in provision of loan from shareholders | **(4,161,271)** | 2,052,710 |
| (Decrease) / increase in takaful payables | **(7,945,043)** | 8,781,984 |
| (Decrease) / increase in retakaful payables | **(20,272,818)** | 179,026,362 |
| Decrease in accrued expenses and other liabilities | **(11,254,240)** | (5,498,902) |
| Increase in unearned retakaful commission income | **856,442** | 911,643 |
| Directors' remuneration paid | **(4,867,668)** | (4,867,668) |
| **Net cash (used in) / generated from operating activities** | **(39,257,488)** | 9,837,895 |
| **INVESTING ACTIVITIES** | | |
| Proceeds from sale of investments | **143,016,509** | 131,623,915 |
| Purchase of investments | **(150,305,738)** | (292,923,452) |
| Proceeds from sale of property and equipment | **-** | 400 |
| Purchase of property and equipment | **(8,160,673)** | (354,289) |
| Investment and other income received | **51,541,270** | 29,466,281 |
| Proceeds from redemption of term deposits | **353,262,015** | 241,590,961 |
| Purchase of term deposits | **(342,058,469)** | (266,012,324) |
| **Net cash generated from / (used in) investing activities** | **47,294,914** | (156,608,508) |
| **FINANCING ACTIVITY** | | |
| Dividends paid | **(20,000,000)** | (25,000,000) |
| **Increase / (decrease) in cash and cash equivalents** | **(11,962,574)** | (171,770,613) |
| Cash and cash equivalents at the beginning of the year | **112,107,465** | 283,878,078 |
| **Cash and cash equivalents at the end of the year (note 5)** | **100,144,891** | 112,107,465 |

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

## Notes to the financial statements for the year ended 31 December 2021

### 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.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into 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

A number of new IFRSs became effective for annual periods beginning on or after 1 January 2021 and have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts for the current and prior years but may affect the accounting for future transactions or arrangements.

### 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:

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Application of new and revised International Financial Reporting Standards ("IFRSs") (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 |
|---|---|
| IFRS 16 *Leases* amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification | 1 April 2021 |
| IFRS 17 *Insurance Contracts* | 1 January 2023 |
| 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 |
| Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use | 1 January 2022 |
| Amendments to IFRS 3 *Business Combinations: Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract* | 1 January 2022 |
| Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, and IAS 41 *Agriculture* | 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. |
| Amendments to IAS 1 *Presentation of financial statements* and IFRS Practice Statement 2 *Making materiality judgements* related to disclosure of accounting policies | The amendments to IAS 1 are effective from 1 January 2023 and the amendment to IFRS Practice Statement 2 does not contain an effective date or transition requirements |
| Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* related to definition of accounting estimates | 1 January 2023 |
| Amendments to IAS 12 related to deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 2 Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

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

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 01 July 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.

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

## 3 Summary of significant account policies

### 3.1 Statement of compliance

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

### 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.

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 3 Summary of significant account policies (continued)

### 3.3 Takaful contracts

Definition

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

Recognition and measurement

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

These contracts are casualty and property takaful contracts.

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

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

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

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

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.

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 3 Summary of significant account policies (continued)

### 3.3 Takaful contracts (continued)

Retakaful contract assets (continued)

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.

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.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3 Summary of significant account policies (continued)

### 3.3 Takaful contracts (continued)

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.

Gross contribution

Gross general insurance written contribution comprise the total contribution receivable for the whole period of cover provided by contracts entered into during the reporting period. They are recognised on the date on which the policy commences. Contributions include any adjustments arising in the reporting period for contributions receivable in respect of business written in prior accounting periods. Rebates that form part of the contribution rate, such as no-claim rebates, are deducted from the gross contribution; others are recognised as an expense.

Unearned contributions are those proportions of contributions written in a year that relate to periods of risk after the reporting date. The UCR is calculated as follows:

- For marine cargo line of business, it is assumed that each policy is earned fully in the quarter following the quarter in which it was written. Hence the total UCR at the end of a particular quarter will be equal to the written contribution in that quarter;
- For engineering line of business, it is assumed that the pattern of risk is non-uniform, and accordingly, contributions are allocated and earned on a daily increasing basis over the term of policy period. The UCR is calculated as the sum of earned contributions across all months after the valuation date; and
- For the remaining lines of businesses, the contributions are assumed to be earned evenly over time and the unearned contribution reserve is calculated on a daily pro rata basis.

The proportion attributable to subsequent periods is deferred as a provision for unearned contribution.

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.

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 3 Summary of significant account policies (continued)

### 3.4 Revenue recognition (continued)

Retakaful income and expenses

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

### 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 | 20 - 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.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3 Summary of significant account policies (continued)

### 3.7 Investment properties (continued)

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

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

### 3.8 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.

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 3 Summary of significant account policies (continued)

### 3.10 Employee benefits

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

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

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

### 3.11 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.

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 3 Summary of significant account policies (continued)

### 3.11 Financial assets (continued)

Investments at fair value through profit or loss

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

Derecognition of financial assets

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

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.

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 3 Summary of significant account policies (continued)

### 3.11 Financial assets (continued)

Impairment of financial assets (continued)

*a) Overview (continued)*

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.

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.

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 3 Summary of significant account policies (continued)

### 3.11 Financial assets (continued)

Impairment of financial assets (continued)

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%.

*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 instruments

Classification as debt or equity

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

Equity instruments

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

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 3 Summary of significant account policies (continued)

### 3.12 Financial liabilities and equity instruments (continued)

Trade payables and accruals

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

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

Derecognition of financial liabilities

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

### 3.13 Deficit in policyholders' fund

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

### 3.14 Dividends distribution

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

## 4 Critical accounting judgments and key sources of estimation uncertainty

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

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

Unearned contribution reserve

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

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Fair value of investment properties

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

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

Fair value of unquoted equity investments

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

Impairment of contributions and retakaful balances receivables

An estimate of the collectible amount of takaful and other receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful and other receivables are impaired entails the Company in evaluating the credit and liquidity position of the policyholders and the takaful companies, historical recovery rates including detailed investigations carried out and feedback received from the legal department. Impairment of takaful and other receivables as at 31 December 2021 amounted to AED 3,188,094 (2020: AED 2,034,000).

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 2021 amounted to AED 47,417,904 (2020:AED 41,962,580) 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 2021 (continued)**

## 5 Cash and cash equivalents

| | **2021** **AED** | 2020 AED |
|---|---|---|
| Cash and bank balances | **92,846,563** | 84,872,438 |
| Term deposits | **378,243,981** | 409,384,226 |
| Cash and bank balances | **471,090,544** | 494,256,664 |
| Less: term deposits with original maturity of more than three months | **(370,945,653)** | (382,149,199) |
| Cash and cash equivalents | **100,144,891** | 112,107,465 |
| Takaful operations assets | **67,251,608** | 104,201,280 |
| Shareholders' assets | **32,893,283** | 7,906,185 |
| | **100,144,891** | 112,107,465 |

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 0.75% to 4.5% per annum (2020: 0.95% to 5%).

## 6 Contributions and retakaful balances receivables

| | **2021** **AED** | 2020 AED |
|---|---|---|
| Due from policyholders | **6,406,801** | 2,013,650 |
| Due from Brokers | **13,264,804** | 10,125,060 |
| Due from insurance and retakaful companies | **1,895,533** | 3,586,811 |
| | **21,567,138** | 15,725,521 |
| Less: Provision for doubtful debts | **(3,188,094)** | (4,414,094) |
| | **18,379,044** | 11,311,427 |

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 2021 (continued)

### 6 Contributions and retakaful balances receivables (continued)

As at 31 December 2021, balances due from policyholders, insurance and retakaful companies at a nominal value of AED 3,188,094 (2020: AED 4,414,094) were impaired and fully provided for.

Movement in provisions for doubtful debts is as follows:

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| At 1 January | **4,414,094** | 2,380,000 |
| Additions | **-** | 2,034,094 |
| Reversal | **(1,226,000)** | - |
| | **3,188,094** | 4,414,094 |

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

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Not past due | **16,052,100** | 8,211,198 |
| Past due but not impaired | | |
| 91-180 days | **1,100,944** | 3,100,229 |
| 181-360 days | **-** | - |
| More than 360 days | **1,226,000** | - |
| | **18,379,044** | 11,311,427 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 7 Retakaful contract assets and Takaful contract liabilities

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| **Gross** | | |
| Takaful contract liabilities: | | |
| Reported claims | **115,858,737** | 140,753,390 |
| Claims incurred but not reported | **47,417,904** | 41,962,580 |
| Unallocated loss adjustment expense reserve | **802,709** | 892,261 |
| Outstanding claims | **164,079,350** | 183,608,231 |
| Unearned contributions reserve | **353,999,279** | 381,316,825 |
| | **518,078,629** | 564,925,056 |
| **Recoverable from retakaful** | | |
| Takaful contract assets: | | |
| Reported claims | **87,967,625** | 112,951,250 |
| Claims incurred but not reported | **39,808,724** | 34,087,697 |
| Retakaful share of outstanding claims | **127,776,349** | 147,038,947 |
| Retakaful share of unearned contributions (refer note below) | **274,002,126** | 281,805,829 |
| | **401,778,475** | 428,844,776 |
| **Takaful liabilities – net** | | |
| Reported claims | **27,891,112** | 27,802,140 |
| Claims incurred but not reported | **7,609,180** | 7,874,883 |
| Unallocated loss adjustment expense reserve | **802,709** | 892,261 |
| | **36,303,001** | 36,569,284 |
| Unearned contributions reserve | **79,997,153** | 99,510,996 |
| | **116,300,154** | 136,080,280 |

## Notes to the financial statements for the year ended 31 December 2021 (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 premium) 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). 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.

During the year, the Company entered into 2nd Tranche of the transaction with the same reinsurer to reinsure 97.5% of the single premium portfolio written during the period from 1 July 2020 to 31 December 2020. The new reinsurer agreed to reinsure the unearned portion of future family policies at an agreed consideration of AED 20.8 million.

Net impact of the transaction occurred during the year on the balances reported is as follows:

| | **2021 AED** |
|---|---|
| **Gross** | |
| Increase in retakaful share of unearned contribution | **33,119,419** |
| Decrease in unearned wakala fee | **2,225,277** |
| Decrease in deferred acquisition cost | **14,521,888** |
| Increase in takaful payables | **20,822,808** |

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

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Gross AED** | **Retakaful AED** | **Net AED** | Gross AED | Retakaful AED | Net AED |
| **Claims** | | | | | | |
| 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 1 January | **183,608,231** | **147,038,947** | **36,569,284** | 165,281,006 | 123,666,197 | 41,614,809 |
| Claims settled | **(230,055,179)** | **(166,290,905)** | **(63,764,274)** | (191,725,356) | (129,640,085) | (62,085,271) |
| Net claims incurred | **210,526,298** | **147,028,307** | **63,497,991** | 210,052,581 | 153,012,835 | 57,039,746 |
| Total as at 31 December | **164,079,350** | **127,776,349** | **36,303,001** | 183,608,231 | 147,038,947 | 36,569,284 |
| Reported claims | **115,858,737** | **87,967,625** | **27,891,112** | 140,753,390 | 112,951,250 | 27,802,140 |
| Incurred but not reported | **47,417,904** | **39,808,724** | **7,609,180** | 41,962,580 | 34,087,697 | 7,874,883 |
| Unallocated loss adjustment expense reserve | **802,709** | - | **802,709** | 892,261 | - | 892,261 |
| Total as at 31 December | **164,079,350** | **127,776,349** | **36,303,001** | 183,608,231 | 147,038,947 | 36,569,284 |
| **Unearned contribution** | | | | | | |
| Total at 1 January | **381,316,825** | **281,805,829** | **99,510,996** | 440,527,290 | 106,953,255 | 333,574,035 |
| Increase during the year | **353,999,279** | **274,002,126** | **79,997,153** | 381,316,825 | 281,805,829 | 99,510,996 |
| Release during the year | **(381,316,825)** | **(281,805,829)** | **(99,510,996)** | (440,527,290) | (106,953,255) | (333,574,035) |
| Net decrease during the year | **(27,317,546)** | **(7,803,703)** | **(19,513,843)** | (59,210,465) | 174,852,574 | (234,063,039) |
| Total at 31 December | **353,999,279** | **274,002,126** | **79,997,153** | 381,316,825 | 281,805,829 | 99,510,996 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 8 Investments

| | | 2021 AED | 2020 AED |
|---|---|---|---|
| **Takaful operations assets** | | | |
| Financial assets measured at fair value through profit or loss | **8(a)** | **-** | 5,840,506 |
| Financial assets measured at fair value through other comprehensive income | **8(b)** | **13,352,921** | 9,170,271 |
| | | **13,352,921** | 15,010,777 |
| **Shareholders' assets** | | | |
| Financial assets measured at fair value through profit or loss | **8(a)** | **135,765,710** | 26,042,449 |
| Financial assets measured at fair value through other comprehensive income | **8(b)** | **227,004,988** | 319,222,998 |
| | | **362,770,698** | 345,265,447 |

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

| | 2021 AED | 2020 AED |
|---|---|---|
| ***Takaful operations assets*** | | |
| Quoted securities | | |
| - *Sukuks* | **-** | 5,840,506 |
| ***Shareholders assets*** | | |
| Unquoted securities | | |
| - *Real estate funds* | **135,765,710** | 15,002,330 |
| Quoted securities | | |
| - *Sukuks* | **-** | 11,040,119 |
| *Total securities for shareholder's asset* | **135,765,710** | 26,042,449 |
| **Total fair value through profit and loss securities** | **135,765,710** | 31,882,955 |

The geographical concentration of investments is as follows:

| | 2021 AED | 2020 AED |
|---|---|---|
| Within UAE | **-** | 7,097,798 |
| Outside UAE | **135,765,710** | 24,785,157 |
| | **135,765,710** | 31,882,955 |

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 8 Investments (continued)

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

Subsequent to the reporting period, the Company partially redeemed its units in unquoted investments in real estate funds amounting to AED 73,840,694.

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

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| ***Takaful operations assets*** | | |
| Quoted securities | | |
| - *Sukuks* | **13,352,921** | 9,170,271 |
| ***Shareholders' assets*** | | |
| Quoted securities | | |
| - *Equity securities* | **78,976,074** | 94,478,308 |
| - *Sukuks* | **32,425,158** | 47,087,556 |
| ***Total quoted securities for shareholders assets*** | **111,401,232** | 141,565,864 |
| Unquoted securities | | |
| - *Unlisted equities* | **115,603,756** | 90,008,568 |
| - *Real estate funds* | **-** | 87,648,566 |
| ***Total unquoted securities for shareholders assets*** | **115,603,756** | 177,657,134 |
| **Total quoted and unquoted securities for shareholders assets** | **227,004,988** | 319,222,998 |

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Quoted securities | **124,754,153** | 150,736,135 |
| Unquoted securities | **115,603,756** | 177,657,134 |
| | **240,357,909** | 328,393,269 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (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:

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Within UAE | **69,248,063** | 86,553,455 |
| Outside UAE | **171,109,846** | 241,839,814 |
| | **240,357,909** | 328,393,269 |
| Total investments | **376,123,619** | 360,276,224 |

Investments held by the Company are sharia compliant as at 31 December 2021.

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

In 2020 the Company classified investment in unquoted real estate funds amounting to AED 87.6` million as those are measured at FVTOCI based on the Company's business model assessment. However, these unquoted investment in real estate fund meet the definition of puttable instruments. Therefore, during the current year, the Company has reclassified these investments in unquoted real estate fund to FVTPL. This reclassification does not have a material impact on the comparative information included within these financial statements and therefore the Company has not restated the comparative financial information.

## 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

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| At 1 January | **14,403,000** | 18,309,000 |
| Increase / (decrease) in fair value | **2,412,000** | (3,906,000) |
| | **16,815,000** | 14,403,000 |

## Notes to the financial statements for the year ended 31 December 2021 (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:

| | **2021** **AED** | 2020 AED |
|---|---|---|
| Rental income from investment properties | **764,173** | 1,054,619 |
| Operating expenses for properties generating rental income | **(268,057)** | (247,125) |
| Net income arising from investment properties | **496,116** | 807,494 |

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 2021 by an independent valuer at AED 16,815,000 using comparable method of valuation.

The Comparable Method analyses recent sales transactions of similar properties in a similar location, applying adjustments to reflect differences to the property, including location, specification, age, design and layout.

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 2021 (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 2021 | **18,982,731** | **8,623,078** | **8,394,902** | **1,402,900** | **37,403,611** |
| Additions | **6,213,705** | **51,831** | **1,895,137** | **-** | **8,160,673** |
| Disposals | - | **(13,901)** | **-** | - | **(13,901)** |
| At 31 December 2021 | **25,196,436** | **8,661,008** | **10,290,039** | **1,402,900** | **45,550,383** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2021 | **4,748,713** | **7,917,822** | **7,740,059** | **1,157,376** | **21,563,970** |
| Charge for the year | **788,306** | **258,884** | **403,689** | **108,900** | **1,559,779** |
| Disposals | - | **(13,881)** | **-** | - | **(13,881)** |
| At 31 December 2021 | **5,537,019** | **8,162,825** | **8,143,748** | **1,266,276** | **23,109,868** |
| **Net carrying amount 31 December 2021** | **19,659,417** | **498,183** | **2,146,291** | **136,624** | **22,440,515** |
| 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) |
| At 31 December 2020 | 18,982,731 | 8,623,078 | 8,394,902 | 1,402,900 | 37,403,611 |
| 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) |
| **At 31 December 2020** | 4,748,713 | 7,917,822 | 7,740,059 | 1,157,376 | 21,563,970 |
| Net carrying amount 31 December 2020 | 14,234,018 | 705,256 | 654,843 | 245,524 | 15,839,641 |

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 12 Takaful payable and amounts held under retakaful treaties

| | 2021 AED | 2020 AED |
|---|---|---|
| Takaful payables comprise of: | | |
| Due to policyholders | **2,348,460** | 14,742,387 |
| Due to takaful companies | **8,951,659** | 4,502,775 |
| | **11,300,119** | 19,245,162 |
| Amounts held under retakaful treaties comprise of: | | |
| Due to retakaful companies | **228,716,681** | 250,448,765 |
| Retakaful deposit retained | **51,015,766** | 49,556,500 |
| | **279,732,447** | 300,005,265 |

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 187,927,025 (2020: 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

| | 2021 AED | 2020 AED |
|---|---|---|
| At 1 January | **10,402,618** | 9,585,241 |
| Charged during the year | **1,257,597** | 1,255,107 |
| Paid during the year | **(803,978)** | (437,730) |
| At 31 December | **10,856,237** | 10,402,618 |

### 14 Share capital

| | 2021 AED | 2020 AED |
|---|---|---|
| ***Authorised, issued and fully paid*** | | |
| 100,000,000 shares of AED 1 each | **100,000,000** | 100,000,000 |

At 31 December 2021, 41,664,219 shares or 41.66% of total share capital (2020: 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 (2020: 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 2021 (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

In 2020, the Company recorded Zakat payable of AED 5,320,778 in accordance with the Cabinet Resolution No. (15/9) of 2020 of Insurance Authority. The Company was required to pay Zakat and transfer 20% of total Zakat amount payable to the Zakat Fund in UAE.

However, in 2021, a resolution No. (50/1) for 2021 of Council of Minister was issued on 24 January 2021 cancelling the Cabinet Resolution No. (15/9) of 2020 which requires the Company to pay Zakat and transfer 20% of total Zakat amount payable to the Zakat Fund in UAE . Therefore, the Company reversed back the previously recognised Zakat of AED 5,320,778 to retained earnings.

## Notes to the financial statements for the year ended 31 December 2021 (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 2020 | 46,657,720 | 5,804,958 | (7,696,170) | 7,696,170 | 151,036 | 52,613,714 |
| Surplus/(deficit) in the reporting year | (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 |
| Surplus/(deficit) in the reporting year | (22,964,095) | - | 160,773 | - | - | (22,803,322) |
| Loan repaid to shareholders for General takaful | - | - | - | (160,773) | - | (160,773) |
| Loan received from shareholders for family takaful | - | - | - | 4,322,044 | - | 4,322,044 |
| Change in investment valuation reserve | - | - | - | - | (338,516) | (338,516) |
| **Balance at 31 December 2021** | **(4,322,044)** | **-** | **(5,482,687)** | **9,804,731** | **(234,958)** | **(234,958)** |

**Notes to the financial statements**
**for the year ended 31 December 2021 (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 Decenber 2021** | | | | |
| Statutory deposit (note 9) | **10,000,000** | **-** | **-** | **10,000,000** |
| Due from related parties | **83,005** | **394,943** | **-** | **477,948** |
| Due to related a party | **654,630** | **-** | **-** | **654,630** |
| **Transactions for the year ended 31 December 2021** | | | | |
| Gross contributions written | **81,949,021** | **18,525,418** | **-** | **100,474,439** |
| Takaful expenses | **4,775,213** | **-** | **-** | **4,775,213** |
| Profit on term deposits | **46,465** | **-** | **-** | **46,465** |
| Short-term benefits | **-** | **-** | **4,327,586** | **4,327,586** |
| Long-term benefits | **-** | **-** | **213,832** | **213,832** |

| | 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 Expense | 23,297,926 | - | - | 23,297,926 |
| Profit on term deposits | 71,630 | - | - | 71,630 |
| Short-term benefits | - | - | 6,959,348 | 6,959,348 |
| Long-term benefits | - | - | 216,287 | 216,287 |

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 2021 of AED 5,465,449 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 2021 (continued)

### 21 Dividends

For the year ended 31 December 2021, the Board of Directors proposed a cash dividend of AED 25,000,000 at a rate of AED 0.25 per share and a 5% stock dividend amounting to AED 5,000,000. The 2021 proposed cash and stock dividend are subject to approval of the shareholders at the forthcoming Annual General Meeting.

For the year ended 31 December 2020, cash dividend of AED 20,000,000 at a rate of AED 0.20 per share was approved by the shareholders on 15 March 2021 and paid in March 2021.

### 22 Policyholders' investment income, net

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Return on short-term investment accounts and deposits | **10,728,884** | 14,147,876 |
| Dividend income and profit on investments, net | **382,830** | 373,994 |
| Gain on disposal of investments, net | **50,889** | 233,208 |
| (Decrease) / increase in fair value of investments at fair value through profit or loss | **(30,985)** | 211,943 |
| | **11,131,618** | 14,967,021 |
| Operating expenses | **(1,319,715)** | (1,319,715) |
| | **9,811,903** | 13,647,306 |

### 23 Mudareb share and wakalah fees

The shareholders manage the policyholders' investment fund and charge 35% (2020: 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.

| | **2021** | 2020 |
|---|---|---|
| | **(%)** | (%) |
| Motor | **35** | 35 |
| Medical | **25** | 30 |
| Energy | **10** | 10 |
| Worker Protection Program | **12.50** | 12.50 |
| All other takaful classes | **35** | 35 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 24 Shareholder's investment and other income, net

| | **2021** AED | 2020 AED |
|---|---|---|
| Return on short-term investment accounts and deposits | **1,305,452** | 1,305,205 |
| Dividend income and profit on investments, net | **37,157,883** | 12,800,366 |
| Gain on disposal of investments, net | **678,772** | 2,179,810 |
| Increase in fair value of investments at fair value through profit or loss | **996,385** | 43,341 |
| Increase / (decrease) in fair value of investment properties (note 10) | **2,412,000** | (3,906,000) |
| Rental income, net | **496,116** | 807,494 |
| (Loss) / gain on disposal of furniture and equipment | **(20)** | 35 |
| | **43,046,588** | 13,230,251 |
| Operating expenses | **(1,317,241)** | (1,317,241) |
| | **41,729,347** | 11,913,010 |

## 25 General and administrative expenses

| | **2021** AED | 2020 AED |
|---|---|---|
| Staff costs | **32,904,680** | 39,018,006 |
| Rental expenses | **911,668** | 1,086,365 |
| Depreciation of property and equipment | **1,559,779** | 2,073,159 |
| Other expenses | **6,962,511** | 5,920,687 |
| | **42,338,638** | 48,098,217 |

Social contribution included in staff costs for the year ended 31 December 2021 amounts to AED 596,437 (2020: AED 518,789).

## 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:

| | **2021** | 2020 |
|---|---|---|
| Profit for the year (AED) | **88,024,607** | 78,396,952 |
| Ordinary shares in issue throughout the year | **100,000,000** | 100,000,000 |
| Basic and diluted earnings per share (AED) | **0.88** | 0.78 |

## Notes to the financial statements for the year ended 31 December 2021 (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 69.38 million (2020: AED 45.62 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:

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Underwriting AED** | **Investments AED** | **Total AED** | Underwriting AED | Investments AED | Total AED |
| **Takaful** | | | | | | |
| Direct revenues | **423,402,290** | **51,541,250** | **474,943,540** | 504,189,731 | 25,560,316 | 529,750,047 |
| Direct costs | **(338,672,766)** | - | **(338,672,766)** | (404,444,635) | - | (404,444,635) |
| Takaful expenses | **(24,549,580)** | - | **(24,549,580)** | (31,583,468) | - | (31,583,468) |
| **Segment results** | **60,179,944** | **51,541,250** | **111,721,194** | 68,161,628 | 25,560,316 | 93,721,944 |
| Unallocated costs | | | **(23,696,587)** | | | (15,324,992) |
| **Profit for the year** | | | **88,024,607** | | | 78,396,952 |

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year (2020: 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 2020, 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 2021 (continued)

### 28 Segment information (continued)

**Segment assets and liabilities**

| | **2021** | | | 2020 | | |
|---|---|---|---|---|---|---|
| | **Underwriting AED** | **Investments AED** | **Total AED** | Underwriting AED | Investments AED | Total AED |
| Segment assets | **508,292,898** | **771,182,600** | **1,279,475,498** | 561,883,824 | 784,063,450 | 1,345,947,274 |
| Unallocated assets | | | **78,368,297** | | | 43,831,933 |
| **Total assets** | | | **1,357,843,795** | | | 1,389,779,207 |
| Segment liabilities | **821,352,657** | **474,721** | **821,827,378** | 901,187,680 | 355,358 | 901,543,038 |
| Unallocated liabilities | | | **20,166,757** | | | 30,182,560 |
| **Total liabilities** | | | **841,994,135** | | | 931,725,598 |
| **Capital expenditure** | | **8,160,673** | **8,160,673** | | 354,289 | 354,289 |

**Gross takaful contributions revenue from underwriting departments**

| | **2021 AED** | 2020 AED |
|---|---|---|
| General takaful | **313,086,070** | 320,635,272 |
| Family takaful | **57,195,529** | 104,668,482 |
| **Total** | **370,281,599** | 425,303,754 |

### 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 2021 (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 2021 (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 2021 (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:

| | 2017 and earlier AED'000 | 2018 AED'000 | 2019 AED'000 | 2020 AED'000 | 2021 AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| **Motor - gross** | | | | | | |
| *Accident year* | | | | | | |
| At the end of the accident year | 32,841 | 23,959 | 32,880 | 22,504 | 18,812 | 130,996 |
| One year later | 19,171 | 18,036 | 28,659 | 22,056 | - | 87,921 |
| Two years later | 19,165 | 17,313 | 28,254 | - | - | 64,731 |
| Three years later | 15,754 | 16,525 | - | - | - | 32,279 |
| Four years later | 15,201 | - | - | - | - | 15,201 |
| Current estimate of cumulative claims | 19,165 | 18,036 | 32,880 | 22,504 | 18,812 | 100,847 |
| Cumulative payments to date | (15,125) | (15,493) | (24,727) | (16,121) | (12,039) | (83,541) |
| Liability recognised in the statement of financial position | 40 | 1,031 | 3,527 | 5,935 | 6,773 | 17,306 |
| **Non-motor and non-family - gross** | | | | | | |
| *Underwriting year* | | | | | | |
| At the end of the accident year | 52,497 | 109,371 | 58,174 | 48,087 | 94,748 | 362,876 |
| One year later | 74,846 | 121,196 | 116,037 | 160,198 | - | 472,277 |
| Two years later | 49,366 | 125,931 | 105,775 | - | - | 281,073 |
| Three years later | 49,517 | 112,289 | - | - | - | 161,807 |
| Four years later | 130,570 | - | - | - | - | 130,570 |
| Current estimate of cumulative claims | 130,570 | 112,289 | 105,775 | 160,198 | 94,748 | 603,581 |
| Cumulative payments to date | (126,372) | (110,752) | (99,392) | (132,270) | (58,654) | (527,439) |
| Liability recognised in the statement of financial position | 4,198 | 1,537 | 6,383 | 27,928 | 36,094 | 76,141 |

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 2021 (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.

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| Total shareholders' equity | **516,084,618** | 439,308,000 |
| 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 2021 (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**

| | **2021** | 2020 |
|---|---|---|
| | **AED** | AED |
| **Financial assets** | | |
| Statutory deposit | **` 10,000,000** | 10,000,000 |
| Investments | **376,123,619** | 360,276,224 |
| Retakaful contract assets | **401,778,475** | 428,844,776 |
| Takaful receivable | **18,379,044** | 11,311,427 |
| Cash and bank balances (including term deposits) | **471,090,544** | 494,256,664 |
| Total | **1,267,371,682** | 1,304,689,091 |
| **Takaful** | | |
| Takaful contract liabilities | **518,078,629** | 564,925,056 |
| Takaful and retakaful payables | **291,032,566** | 319,250,427 |
| Total | **809,111,195** | 884,175,483 |

**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 plegged.

**Notes to the financial statements**
**for the year ended 31 December 2021 (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 Companies of policyholders are mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous Companies 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 2021 (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 2021, all of the deposits were placed with 5 banks (2020: 5 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 2021** | | | |
| ***Financial liabilities*** | | | |
| Takaful payable and amounts held under re-takaful treaties | **103,105,541** | **187,927,025** | **291,032,566** |
| Takaful contract liabilities | **339,660,353** | **185,181,229** | **524,841,582** |
| **Total** | **442,765,894** | **373,108,254** | **815,874,148** |
| 31 December 2020 | | | |
| *Financial liabilities* | | | |
| 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 |
| **Total** | 505,098,430 | 379,077,053 | 884,175,483 |

## Notes to the financial statements for the year ended 31 December 2021 (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 2021** | | | |
| **Assets** | | | |
| Cash and bank balances including bank deposits | **471,090,544** | **-** | **471,090,544** |
| Statutory deposits | **-** | **10,000,000** | **10,000,000** |
| Retakaful share of unearned contributions | **112,779,236** | **161,222,890** | **274,002,126** |
| Financial assets designated at fair value through other comprehensive income | **240,357,909** | **-** | **240,357,909** |
| Financial assets designated at fair value through income statement | **135,765,710** | **-** | **135,765,710** |
| Contributions and Retakaful balance receivables | **18,379,044** | **-** | **18,379,044** |
| Deferred acquisition costs | **7,445,788** | **-** | **7,445,788** |
| Retakaful share of outstanding claims | **127,776,349** | **-** | **127,776,349** |
| Prepaid expenses and other assets | **33,770,810** | **-** | **33,770,810** |
| Property and equipment | **-** | **22,440,515** | **22,440,515** |
| Investment property | **-** | **16,815,000** | **16,815,000** |
| **Total assets** | **1,147,365,390** | **210,478,405** | **1,357,843,795** |
| **Liabilities** | | | |
| Takaful payables | **11,300,119** | **-** | **11,300,119** |
| Outstanding claims | **164,079,350** | **-** | **164,079,350** |
| Retakaful payables | **91,805,422** | **187,927,025** | **279,732,447** |
| Accrued expenses and other liabilities | **15,263,750** | **-** | **15,263,750** |
| Unearned retakaful commission income | **6,762,953** | **-** | **6,762,953** |
| Unearned contributions | **168,818,050** | **185,181,229** | **353,999,279** |
| Provision for end of service benefits | **10,856,237** | **-** | **10,856,237** |
| **Total liabilities** | **468,885,881** | **373,108,254** | **841,994,135** |

**Notes to the financial statements**
**for the year ended 31 December 2021 (continued)**

## 30 Financial instruments (continued)

### Maturity analysis of assets and liabilities (continued)

| | Current AED | Non-current AED | Total AED |
|---|---|---|---|
| 31 December 2020 | | | |
| Assets | | | |
| 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 |
| Total assets | 1,179,578,540 | 210,200,667 | 1,389,779,207 |
| Liabilities | | | |
| 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 |
| Total liabilities | 540,662,349 | 379,232,681 | 931,725,598 |

**Notes to the financial statements**
**for the year ended 31 December 2021 (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 2021** | | | | |
| Investment properties | **-** | **-** | **16,815,000** | **16,815,000** |
| Financial assets measured at fair value through profit and loss | **-** | **-** | **135,765,710** | **135,765,710** |
| Financial assets measured at fair value through other comprehensive income | **124,754,153** | **-** | **115,603,756** | **240,357,909** |
| | **124,754,153** | **-** | **268,184,466** | **392,938,619** |
| 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 |
| | 167,616,760 | - | 207,062,464 | 374,679,224 |

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

| | **2021 AED** | 2020 AED |
|---|---|---|
| Bank guarantees | **529,688** | 866,992 |

Bank guarantees were issued in the normal course of business.

**Notes to the financial statements**
**for the year ended 31 December 2021 (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 financial statements

The financial statements of the Company for the year ended 31 December 2021 has been authorised for issue in accordance with a resolution of the Board of Directors on 24 February 2022.

# Abu Dhabi National Takaful Company – PSC – Takaful

# Governance Report for the year 2021

تكافل
Takaful

## Contents


| s | Subject | Page |
|---|---|---|
| 1 | A statement of the procedures taken to complete the Corporate Governance system during 2020, and how they are applied | 3 |
| 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 | 4 |
| 3 | Board of Directors Composition | 7 |
| 4 | External Auditor | 18 |
| 5 | Audit Committee | 19 |
| 6 | Nomination and Remuneration Committee | 23 |
| 7 | Insiders' Trading Follow-Up and Supervision Committee | 24 |
| 8 | Strategy & Investment Committee | 25 |
| 9 | Internal Control System | 27 |
| 10 | Details of the violations committed during the year 2020 and a statement of the reasons | 30 |
| 11 | A statement of the cash and in-kind contributions made by the Company during the year 2020. | 30 |
| 12 | General Information | 30 |

## 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 2021, 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 2021 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 31/12/2021 | Total Sale Transactions | Total Purchase Transactions |
|---|---|---|---|---|---|
| 1 | Mr. Khamis Mohamed Khamis Buharoon Alshamsi | Chairman | - | - | - |
| 2 | Mr. Khalid Abdalla Deemas Alsuwaidi | Deputy Chairman | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| 3 | Mr. Dhafer Faroq 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 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 needs considerable experience with high qualification, in which, the Company 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, and Independent | Experience | Qualifications | Period served as a BOD member of the Company since his first election date | Their memberships and positions in any other joint-stock companies | Their positions in any other important supervisory, governmental 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 | Board Member of Agthia Company. Board member of Aram. | |
| 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. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Board member of Skynews Arabia | |
| 3 | Mr. Dhafer Faroq Mohammed 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 Company Board Member of Gulf Energy Maritime Board Member Board member of Aldar Properties Board Member of Depa Group | Executive Director UAE Real Estate-Mubadala |
| 5 | Mr. Khalid Ali Ibrahim | Board Member Non-executive | He has experience in studying and developing the economic | Master degree in Innovation and | 20/03/2010 | Board member of Burooj Properties | Owner of Circle Consultants |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Jasem Almansoori | | activities of companies and developing their resources He has also good experience in managing a number of private projects and developing the resources | Entrepreneurship | | | Owner of Creative Robotics Executive Chairman- MPM properties. |
| 6 | Mr. Naser Mohamed Naser Al Mur Al Zaabi | Board Member Non-executive Independent | Experience in banking and operations management | Bachelor in Business Management and Marketing | 9/11/2014 | Board member of Manazil Real Estate | Chief Operating Officer of Das Holding 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 Economical & 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 2021 (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 2020.**

At the General Assembly of the company held on 15/03/2021, 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 31/12/2020, 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 2021, which shall be presented in the annual General Assembly for approval.**

At the General Assembly of the company which will be held on 28/03/2022, it is proposed to the General Assembly to approve the remuneration of the members of the Board to be AED 5,531,995 without VAT for the year ended 31/12/2021, 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 2021 using the table below:**

Each member of the Board of Directors received an amount of 7500 AED for the attendance allowance for each committee meeting during the year 2021, 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 | 15000AED | 2 |
| 2 | Mr. Khalid Abdalla Deemas Alsuwaidi | Strategy & Investment Committee | 7,500AED | 1 |
| | | Remuneration & Nomination Committee | 15000AED | 2 |
| 3 | Mr. Dhafer Faroq Mohammed Luqman | Audit & Risk Committee | 30000 AED | 4 |
| | | Strategy & Investment Committee | 15000 AED | 2 |
| | | Strategy & Investment Committee | ------ | 2 |
| 4 | Mr. Khalifa Abdulla Khamis Al Romaithi | Audit & Risk Committee | 30000 AED | 4 |
| | | Strategy & Investment Committee | 15000 AED | 2 |
| | | Insiders' Trading Follow-Up and Supervision Committee | 00 | 2 |

| | | | | |
|---|---|---|---|---|
| 5 | Mr. Khalid Ali Ibrahim Jasem Almansoori | Remuneration &Nomination Committee | 15000AED | 2 |
| | | Strategy & Investment Committee | 15000AED | 2 |
| 6 | Mr. Naser Mohamed Naser Al Mur Al Zaabi | Strategy & Investment Committee | 7500 AED | 1 |
| | | Remuneration & Nomination Committee | 15000AED | 2 |
| 7 | Mr. Abdullatif Abdullah Ahmed Al Mulla | Audit & Risk Committee | 30000 AED | 4 |
| | | Strategy & Investment | 15000 AED | 2 |
| | | Insider's Trading | 00 | 2 |

**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 2021 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 | 25/01/2021 | 7 | 0 | 0 |
| 2 | 10/02/2021 | 7 | 0 | 0 |
| 3 | 09/05/2021 | 7 | 0 | 0 |
| 4 | 11/08/2021 | 6 | 1 | Mr. Naser Al Zaabi |
| 5 | 10/11/2021 | 7 | 0 | 0 |

**f. Number of the Board resolutions passed during the 2021 fiscal year, along with its meeting convention dates.**

**Has not made any decisions need to be disclosed.**

- On 25/03/2021, the Board of Directors approved by circulation the actuarial report of underwriting and pricing for 2020.
- On 27 September 2021, the Board of Directors approved by circulation the actuarial report of underwriting and pricing for the period ending on 30 June 2021.

**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 Chairman of 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 81,949,021 |
| 2 | affiliate company and major shareholder | major shareholder | Profit from the term deposits | AED 46,465 |
| 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 2021

| | |
|---|---|
| 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 2021 (AED) | Total Bonuses paid in 2021 |
|---|---|---|---|---|
| 1 | Chief Executive Officer | 14-03-2010 | 2,229,247 | Not defined |
| 2 | Deputy Chief Executive Officer – Technical Affairs | 30-01-2007 | 923,442 | Not defined |
| 3 | Assistant General Manager – Life and Bancassurance | 10-07-2005 | 745,431 | Not defined |
| 4 | CFO | 24/07/2016 | 724,925 | Not defined |
| 5 | Head of Internal Control | 01-06-2004 | 482,602 | Not defined |
| 6 | Sharia Coordinator | 29-11-2020 | 375,671 | Not defined |
| 7 | Manager of Brokers relationships | 06-05-2018 | 61,200 | Not defined |
| 8 | Manager of Legal & Compliance | 14-08-2007 | 348,378 | Not defined |
| 9 | Snr. Manager of Dubai & Northern Emirates Branch | 15-02-2016 | 642,840 | Not defined |
| 10 | Head of HR | 20-03-2004 | 286,498 | Not defined |
| 11 | Snr. Manager Personal Lines | 20-02-2018 | 447,500 | Not defined |
| 12 | Head of Re-takaful | 01-03-2009 | 511,864 | Not defined |
| 13 | Snr. Manager Marketing | 19-12-2010 | 342,606 | Not defined |
| 14 | Snr. Manager IT | 28-04-2019 | 427,563 | Not defined |
| 15 | Regional Manager of Customer Relationship & Emiratization | 11-04-2004 | 670,005 | Not defined |

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<br>Mohammad Khamees Al Tah |
| Number of years he served as the company external auditor | 3 |
| Number of years the company served as external auditor | 3 |
| Total audit fees for 2021 in (AED) | AED 171,500 |
| Fees and costs of other private services other than auditing the financial statements for 2021 (AED), if any, and in case of absence of any other fees, this shall be expressly stated. | AED 251,900 |
| 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 2021 (if any). In the absence of another external auditor, this matter is explicitly stated. | None |

c. **A statement of the qualified opinions made by the company's external auditor in the interim and annual financial statements for 2021. 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 5/2021 held 10/11/2021, 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<br><br>10/02/2021 | Second meeting<br><br>09/05/2021 | Third meeting<br><br>11/08/2021 | Forth meeting<br><br>10/11/2021 |
|---|---|---|---|---|
| Mr. Abdullatif Abdullah Ahmed Al Mulla | ✓ | ✓ | ✓ | ✓ |
| Mr. Khalifa Abdulla Khamis Al Romaithi | ✓ | ✓ | ✓ | ✓ |
| Mr. Dhaffer Louqman | ✓ | ✓ | ✓ | ✓ |

## 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 5/2021 held 10/11/2021, 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<br>07/02/2021 | Second Meeting<br>18/02/2021 |
|---|---|---|
| Mr. Khalid Abdalla Deemas Alsuwaidi | ✓ | ✓ |
| Mr. Khalid Ali Ibrahim Jasem Almansoori | ✓ | ✓ |
| Mr. Naser Mohamed Naser Al Mur Al Zaabi | ✓ | ✓ |

## 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 05/2021 held 10/11/2021, 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 2021. (In case the Committee not formed, state the reasons).**

- The Committee met on 10/02/2021 and confirmed that the company was not notified of any sale or purchase of the company shares by insiders.
- The Committee met on 11/08/2021 and confirmed that the company was not notified of any sale or purchase of the company shares by insiders.

## 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.

تكافل
Takaful

**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 2021, stating the frequency of attendance in person by all the members of the committee.**

| Meeting number and date<br>Board member | First meeting<br>08/03/2021 | Second Meeting<br>02/11/2021 |
|---|---|---|
| Mr. Khamis Mohamed Khamis Buharoon Alshamsi | ✓ | ✓ |
| Mr. Khalid Abdalla Deemas Alsuwaidi | ✓ | X |
| Mr. Khalifa Abdulla Khamis Al Romaithi | ✓ | ✓ |
| Mr. Naser Mohamed Naser Al Mur Al Zaabi | X | ✓ |
| 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.

**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 five audit reports in 2021.

**10. Details of the violations committed during 2021, 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 2021. 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 2021 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).**

## 12. General Information:

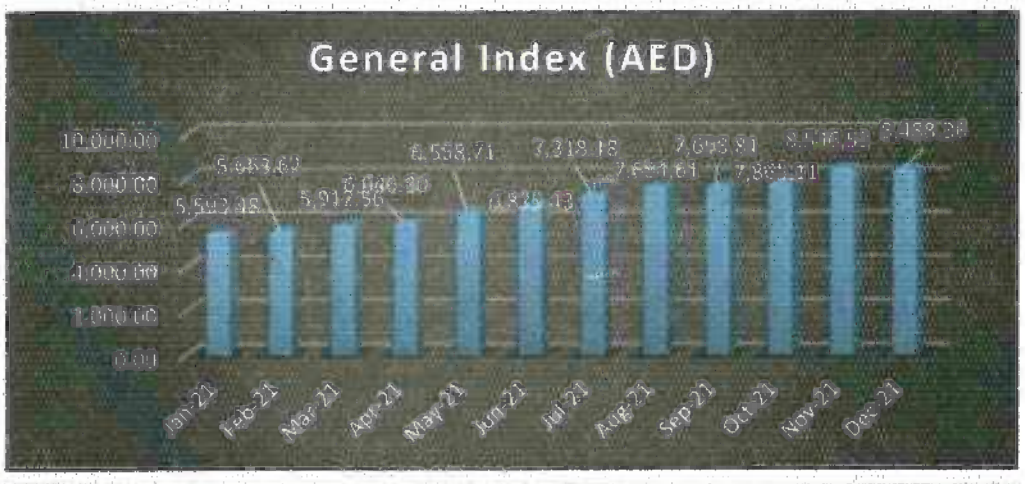
a. **A statement of the Company share price in the Market (closing price, highest price, lowest price) in the end of each month during year 2020.**

| 2021 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| The price | 5.05 | 5.6 | 6.1 | 7 | 7 | 8.05 | 7.25 | 7.4 | 6.5 | 4.9 | 6.25 | 6.16 |
| lowest price | 4 | 5.05 | 5.3 | 5.9 | 6.2 | 8.05 | 7.25 | 7 | 6 | 4.88 | 4.95 | 6.16 |
| highest price | 5.05 | 5.78 | 6.3 | 7 | 7 | 8.05 | 7.25 | 7.5 | 6.6 | 6.7 | 6.32 | 6.85 |

تكافل
Takaful

| | |
|---|---|
| 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 2021.** |






**c. A statement of shareholding distribution as of 31/12/2021 (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 | 11% | 89% | 0 | 100% |
| | GCC | 0 | 0 | 0 | |
| | Arab | 0 | 0 | 0 | |
| | Foreign | 0 | 0 | 0 | |
| | Total | 11% | 89% | 0 | 100% |

**d. A statement of the shareholders who hold 5% or more of the Company's capital as of 31/12/2021 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% | 26,673,357 |
| 3 | East & West Group | 11,7% | 11,726,465 |
| 3 | Bond Investments Ltd | 5% | 5,049,931 |

**e. A statement of shareholders distribution by the size of equity as of 31/12/2021 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 | 5,580,921 | 6% |
| 2 | From 50,000 to less than 500,000 | 39 | 4,761,656 | 5% |
| 3 | From 500,000 to less than 5,000,000 | 5 | 4,242,451 | 4% |
| 4 | More than 5,000,000 | 4 | 85,414,972 | 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 (Mr. Evan Ramadan, Acting 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 Mr. Evan Ramadan, Acting CFO:

024107700- 024107719 – Mob; 00971502898765 Fax. 024107800 – Evan.Ramadan@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 2021.

**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 2021.**

- In October 2021, 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, 2021 (workers are excluded for companies working in the field of contracting).**

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

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

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

At the end of 2021, the Emiratization rate represented 19 % of the total number of employees in the company.

Note that the company is subject to the Emiratization Strategy (points system) in accordance with the Cabinet Decision No. (267/10/3) of 2015, regarding the Emiratization Strategy in banking and insurance sectors, where the determination of target points was in accordance with the number of written premiums at 47, The company, in turn, supported the national economy and participated in achieving the government vision, achieving a great result with a score of 81.00 points.

**k. A statement of the innovative projects and initiatives implemented by the Company or which were under development during 2021.**

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 2021 and the board of directors approved them.

| Signature of the Board Chairman | Signature of Audit Committee Chairman | Signature of Nomination and Remuneration Committee Chairman | Signature of Internal Control Department Director |
|---|---|---|---|
| Date: 24/02/2022 | Date: 24/02/2022 | Date: 24/02/2022 | Date: 24/02/2022 |

Company Official Seal

تكافل
Takaful

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



# 2021
# SUSTAINABILITY REPORT

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

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



# تقرير الاستدامة لعام 2021

## شركة أبوظبي الوطنية للتكافل

# TABLE OF CONTENTS


## About us

Pages 1-8

## Financial Performance

Pages 9-12

## Our Strategic Pillars & ESG

Pages 13-30

# الفهرس


عن الشركة

Pages 1-8

الأداء المالي

Pages 9-12

استراتيجياتنا والمقاييس البيئية والاجتماعية والحوكمية

Pages 13-30




Abu Dhabi National Takaful Company P.S.C ( Takaful) was established in November 2003 as one of the first takaful insurance operators in Abu Dhabi with the aim of providing sharia'a compliant insurance products and services in the UAE.

Abu Dhabi National Takaful Co. PSC is a public shareholding company with a paid-up capital of AED.100,000,000.00 and was listed on the Abu Dhabi Securities Exchange (ADX) in April 2005; stock symbol TKFL.

With its Head Office in Abu Dhabi, the company operations cover the entire UAE with branches in Abu Dhabi, Al Ain and Dubai.




شركة أبوظبي الوطنية للتكافل أسست في شهر نوفمبر من عام 2003 كواحدة من أوائل مشغلي التأمين التكافلي في أبوظبي بهدف توفير حلول تأمين تتوافق مع الشريعة الإسلامية في دولة الإمارات العربية المتحدة.

شركة أبوظبي الوطنية للتكافل تأسست برأس مال مدفوع قدره 100,000,000 مليون درهم إماراتي وهي مدرجة في سوق أبوظبي للأسواق المالية منذ إبريل 2005 تحت رمز TKFL.

تتمتع الشركة بحضور واسع داخل الدولة حيث تغطي عملياتها أبوظبي ودبي والعين.



# MESSAGE FROM THE CEO

Abu Dhabi National Takaful Co.P.S.C ('Takaful') is a major player as a Takaful insurance solutions' provider in the UAE, with an A- financial strength rating by A.M Best.

As a Shari'a compliant insurance solutions provider, we continue to exceed expectations in achieving strong financial results, backed by excellent customer service and wide products offerings' across General Takaful, Family Takaful & Medical Takaful.

In our aim to sustain transparency with our stakeholders, and as we strive to serve the community and contribute to the development of the insurance industry, we disclose in this report our Environmental, Social and Governance (ESG) approach.

As a leading Takaful operator in the UAE, we have always been keen to prove the success of the Takaful concept as a profitable business model. Supported by our strong and sustainable financial results, we were empowered to integrate multiple (ESG) factors within our insurance and investment operations.

Our strategy forward is to further engage our stakeholders with our continuous efforts to serve the UAE's environment and insurance industry.

**Osama Abdeen**
**Chief Executive Officer**



# رسالة الرئيس التنفيذي

**تعد شركة أبوظبي الوطنية للتكافل (تكافل) لاعبا رئيسيا في قطاع التأمين مع تمتعها بتصنيف دولي قوي من قبل وكالة التصنيف العالمية "إيه إم بست". وبصفتنا مقدم للحلول التأمينية المتوافقة مع أحكام الشريعة الإسلامية، فإننا نعمل، وباستمرار، لتجاوز التوقعات من خلال تحقيق نتائج مالية قوية، مدعومة بخدمة العملاء المتميزة بالإضافة إلى المنتجات الواسعة والمبتكرة في مجال التأمين العام والتأمين التكافلي العائلي والتأمين التكافلي الصحي.**

**ضمن جهودنا لتعزيز الشفافية مع حملة الأسهم والأطراف ذات العلاقة، تحرص شركتنا ليكون لها دورا مجتمعيا بالمساهمة الفعالة في تطوير سوق التأمين.**
**ونوضح في هذا التقرير دورنا ضمن المقاييس البيئية والاجتماعية والحوكمية التي تم دمجها مع استراتيجيات الشركة ودعمها بأدائنا المالي القوي والمستدام سواء على صعيد عمليات التأمين أم على صعيد الاستثمارات.**
**ونحن ندأب ونتطلع لنزود حملة الأسهم والأطراف ذات العلاقة لنرتقي بجهودنا أكثر في خدمة مجتمعنا وسوق التأمين.**

أسامة عابدين
الرئيس التنفيذي

# ABOUT THIS REPORT

# عن هذا التقرير

Through this report we demonstrate the company's strategies to establish, monitor and enhance our commitment to ADX ESG disclosure guidance and the global sustainable development goals ( SDG). We do that by striving to align our business and operational strategies embedding key sustainable development goals.

خلال هذا التقرير نشرح استراتيجيات الشركة المتبعة لإنشاء، مراقبة وتطوير التزامنا بمعييار الاستدامةالمتبعة محليا وعالميا ودمجها ضمن استراتيجتنا وإدارة عملياتنا لتحقيق أهداف الاستدامة.



# MISSION

To offer innovative and diversified Sharia'a compliant products and services with high quality customer service.

# VISION

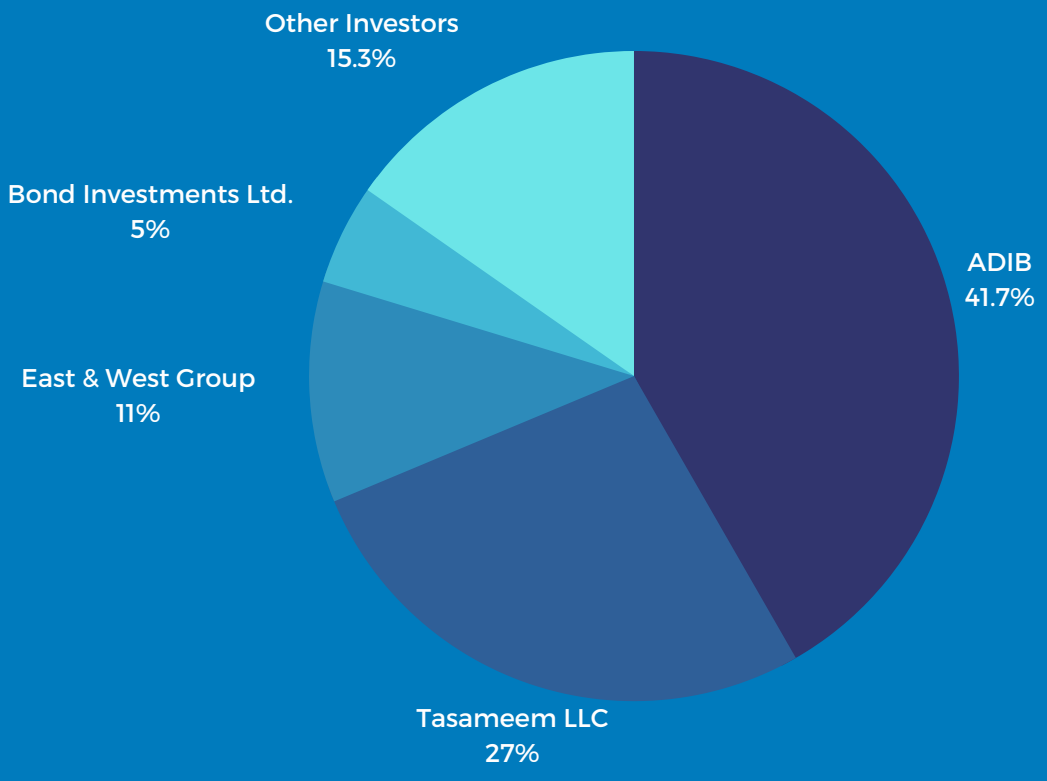
To be the Takaful operator of first choice in the region.

## Takaful Company of First Choice

# ADNTC OWNERSHIP STRUCTURE

# هيكل الملكية

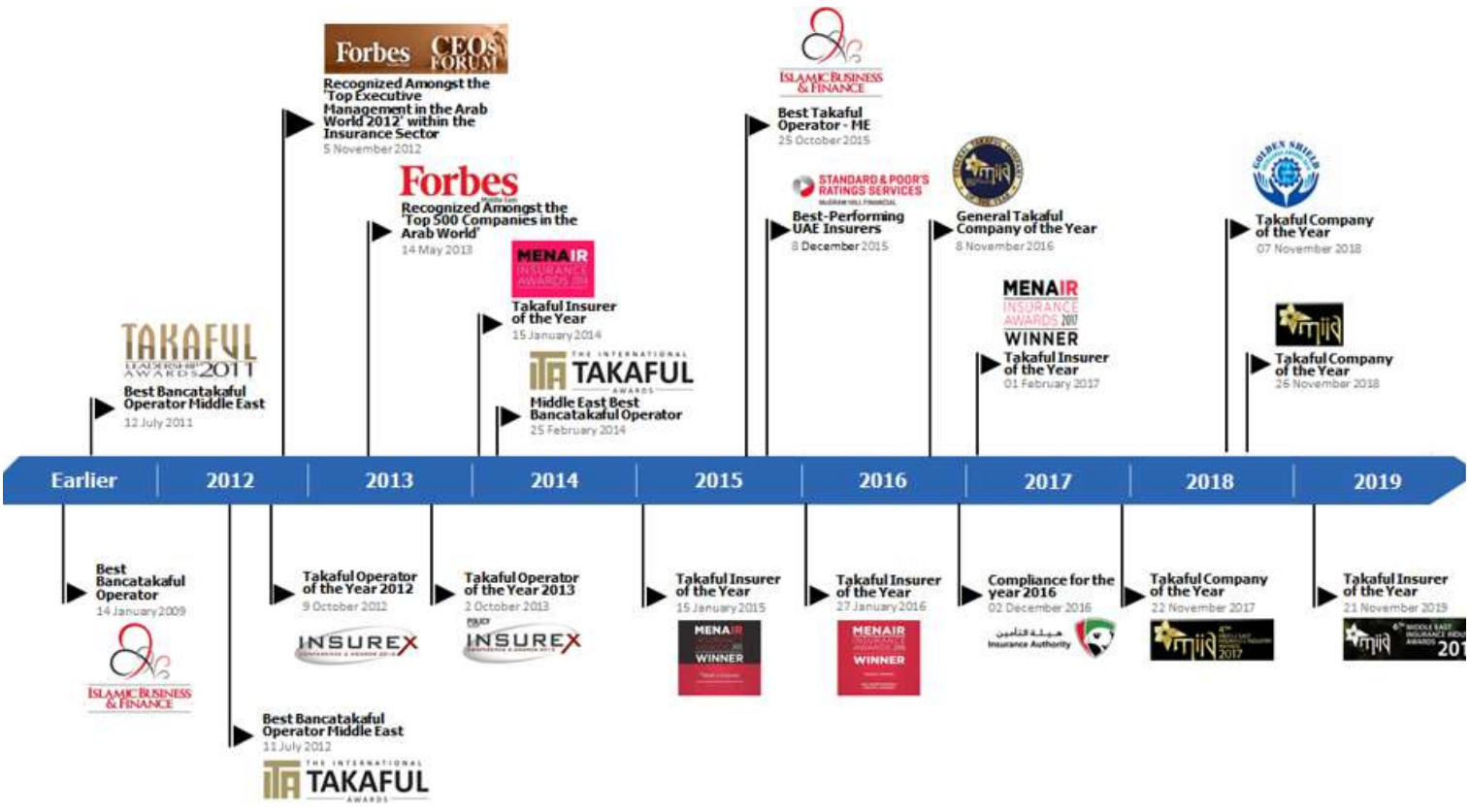
31 Dec 2020




For more informration please visit ADX link
https://www.adx.ae/English/Pages/ProductsAndServices/Securities/SelectCompany/default.aspx?listedcompanyid=AEA001801017&pnavTitle=Abu%20Dhabi%20National%20Takaful%20Co.

# AWARDS AND RECOGNITIONS

# الجوائز والتقديرات



# FINANCIAL PERFORMANCE الأداء المالي

**600 M**

The company has an accumulated Shareholders Profit of AED 600M from 2010-2021

حققت الشركة ربح كلي للمساهمين بقيمة 600 مليون درهم إماراتي من عام 2010 إلى عام 2021

**522M**

The company has achieved self-funded increase in equity from AED 73 M (2009) to AED 423,1 M (2021).

حققت الشركة ارتفاعا ذاتيا في الحقوق المالية من 73 مليون درهم في عام 2009 إلى 522مليون درهم في عام 2021

**303%**

Company Assets Increased by 303% from AED 337 M in 2010 to AED 1.35 Bn in 2021.

ارتفعت أصول الشركة بنسبة 303% من 337 مليون درهم عام 2010 لتصل إلى1.35 بليون درهم في عام 2021



# FINANCIAL PERFORMANCE الأداء المالي

**88 M**

The company reported shareholder's **profit** of AED 86.8 million for the year 2021.

حققت الشركة ربحا كليا قدره 88مليون درهم إماراتي لعام 2021.

لقد نجحت شركة أبوظبي الوطنية للتكافل بدعم وثقة مجلس إدارتها واستراتيجياتها الناجحة بأن تخرج من أزمة كوفيد19 أقوى رغم تتابع آثار الجائحة واستمرارها.

With the support, trust and guidance of our Board of Directors together with our well executed strategies, we have emerged stronger despite the ongoing impacts of COVID-19 and its challenges.



# FINANCIAL RATING

# التصنيف المالي




**حصلت الشركة للسنة السادسة على التوالي على تصنيف القوة المالية A- من وكالة التصنيف العالمية إيه إم بست للتصنيف المالي في عام 2021.**

**ADNTC's Financial Strength Rating** was re-affirmed for the sixth **year** as **A- (Excellent)** by **AM Best international financial rating agency** in **2021**.

| Year | Rating | Outlook |
|---|---|---|
| 2021 | A- | Stable |
| 2020 | A- | Positive |
| 2019 | A- | Positive |
| 2018 | A- | Stable |
| 2017 | A- | Stable |
| 2016 | A- | Stable |
| 2015 | B++ | Positive |

**This is one of the highest ratings assigned to a composite Takaful Provider worldwide by AM Best.**

**يعد هذا التصنيف واحدا من أعلى التصنيفات المالية لشركة تأمين تكافلي (تأمينات عامة وحياة) على مستوى العالم من وكالة إيه إم بست.**

# DEVELOPMENT GOALS

# أهداف التنمية



# OUR APPROACH

**At ADNTC, we strive to align ESG metrics with our business strategies and embed them within our business model. While constructing our business plan, we use the ESG metrics as a reference that complements our objectives and support them.**

في شركة أبوظبي الوطنية للتكافل نحن نسعى لدمج معيير الاستدامة والتنمية لتكون جزءا من نموذج عملنا بحيث نضمنها في خطة الأعمال السنوية لدعم نهج أعمالنا.



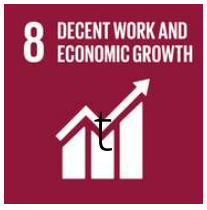
# OUR STRATEGIC PILLARS AND ESG

# استراتيجيتنا وأهداف الاستدامة

The value created at the UAE level by ADNTC's strategy and business model over time translates into economic and social development.

GROWTH AND EXPANSION

النمو والتوسع




PROFITABILITY AND RETURNS

الربحية والعائدات




OPERATIONAL EFFICIENCY

فعالية العمليات










STAKEHOLDERS ' SATISFACTION

رضاء أصحاب العلاقة









# GROWTH & EXPANSION النمو والتوسع

# Cash & Investments Portfolio

## النقد ومحفظة الاستثمارات




**ADNTC have made a significant increase in of 534% in its investment portfolio from AED 181 million in 2010 to AED 875 million in 2021.**

حققت الشركة زيادة مهمة بلغت **534%** في المحفظة الاستثمارية من **181** مليون درهم إماراتي في عام **2010** إلى**875** مليون درهم إماراتي في عام **2021**.

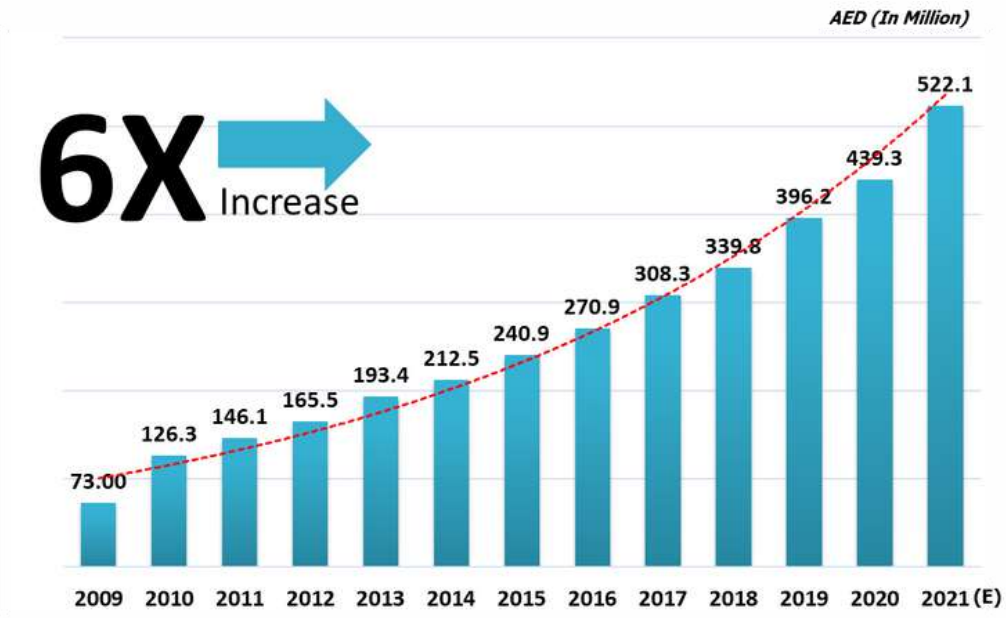
# Total Assets Vs Liabilities

## الأصول والمطلوبات

# PROFITABILITY & RETURNS الربحية والعائدات

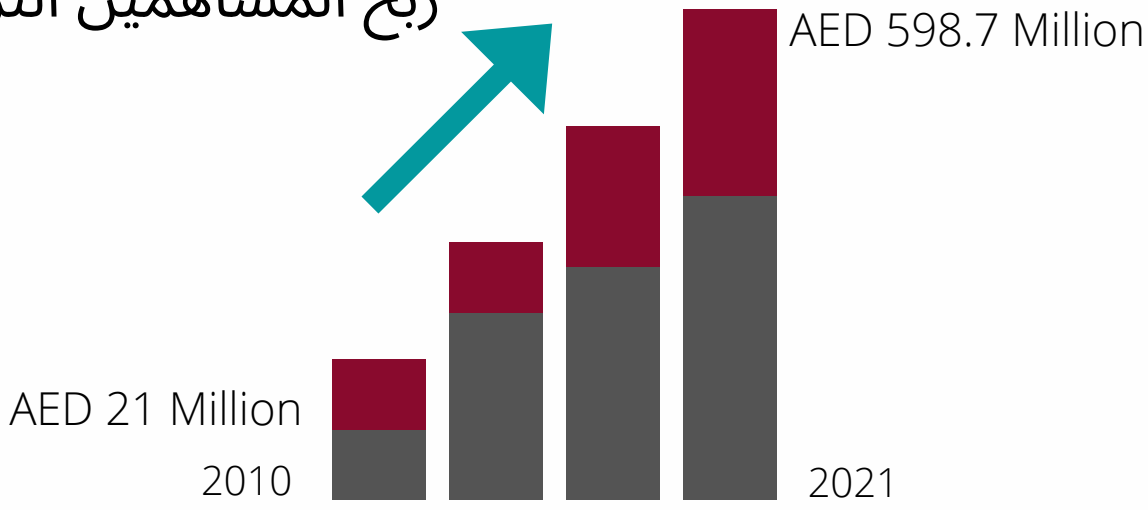
## Shareholders' Equity

## حقوق المساهمين




## Accumulated Shareholders Net Profit

## ربح المساهمين التراكمي



# Our Approach

Digital transformation has been our focus for the last three years in order to keep ADNTC updated with the emerging technologies in the Insurance industry.

While we embark on the digitization journey, we keep in mind what impact could renewed processes could have not only on our stakeholders', but also our environment.



# نهجنا

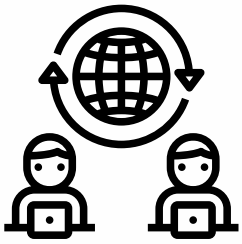
إن التحول الرقمي هو واحد من الركائز الأساسية التي نسعى لتطويرها منذ ثلاث سنوات بشكل مستمر للنهوض بالشركة على المستوى التقني مواكبة أحدث التكنولوجيا الحديثة المتبعة في سوق التأمين.

وفي رحلة سعينا نحو التحول الرقمي فإن شركتنا تأخذ بعين الاعتبار أثر هذا التظور التكنولوجي على الأطراف ذات العلاقة وعلى بيئتنا.

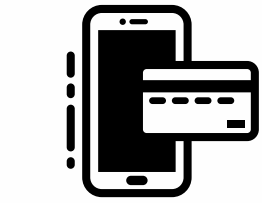


# التحول الرقمي

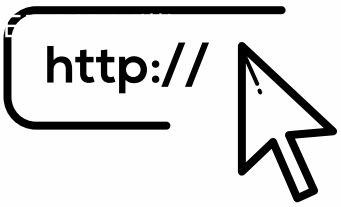
خلال عام 2021 عملنا بجهد لضمان استمرار عملياتنا لجميع الأطراف ذات العلاقة عن طريق عدة منصات رقمية:



العمل عن بعد



Pay Pay



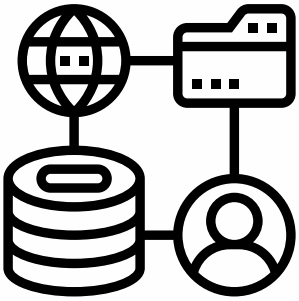

موقع الكتروني لشراء المنتجات التأمينية



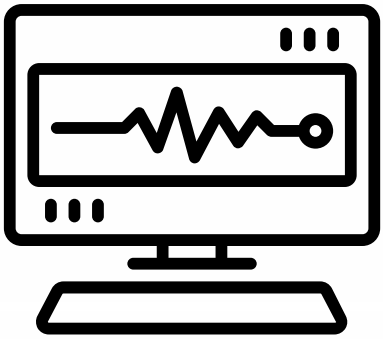
خدمة واتساب 24/7



بيئة خالية من الورق



نظام إدارة الوثائق الالكترونية والأرشفة الالكترونية



نظام الكتروني لتأمينات الصحة والحياة

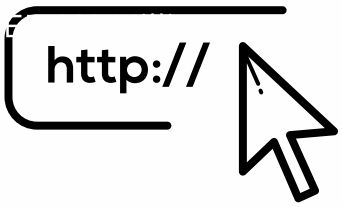
# OPERATIONAL EFFICIENCY

# Digital Transformation

During 2021, we made sure that our stakeholders can reach us via multiple digital platforms with end-to end solutions:



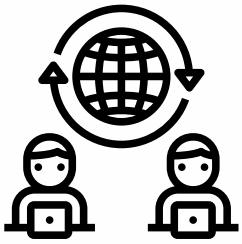
24/7 support



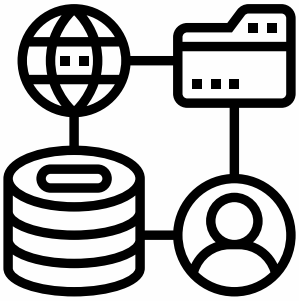

online portal



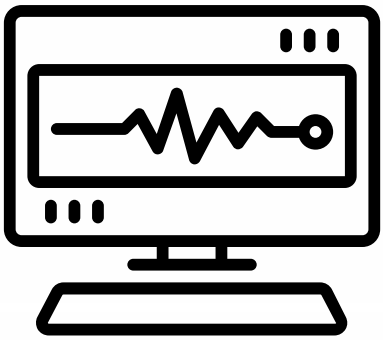


Remote Working



Work Flow & Document Management System



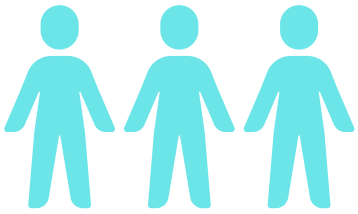
State of the art Medical & Life Systems



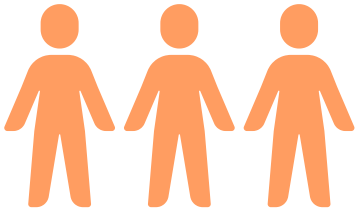
**Towards Paperless Environment**

# STAKEHOLDERS' SATISFACTION الربحية والعائدات

**During the worldwide Covid-19 pandemic, the company's main priority was the well-being and safety of all its stakeholders.**



Employees



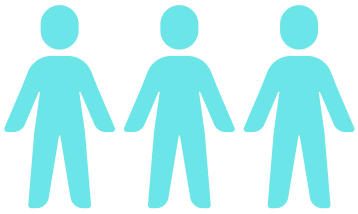
Customers



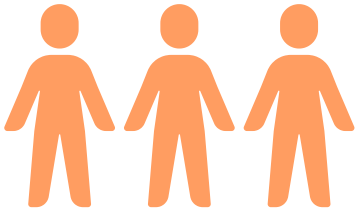
Shareholders

# STAKEHOLDERS' SATISFACTION
# رضا الأطراف ذات العلاقة

خلال جائحة كوفيد-19 العالمية وضعت الشركة سلامة الأطراف ذات العلاقة أولا.



الموظفين



العملاء



المساهمين

# STAKEHOLDERS' SATISFACTION رضا الأطراف ذات العلاقة

As soon as Covid19 pandemic was identified, Abu Dhabi National Takaful Company P.S.C put into action a series of precautionary measures in protection of all its stakeholders.
We take pride of being one of the quickest companies responding to the authorities's guidelines effectively and efficiently.

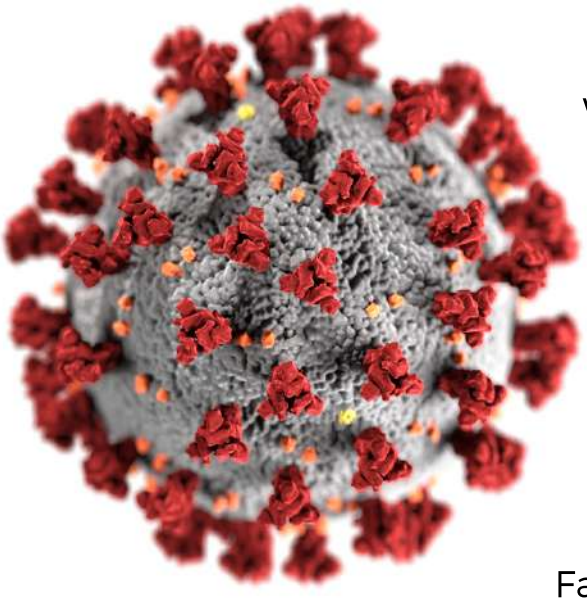
## Employees:



Financial Well-being



Working from Home





Zero Terminations




Facilitated Vaccine for all employees



Precautionary measures & On Premises PCR test

# STAKEHOLDERS' SATISFACTION رضا الأطراف ذات العلاقة

منذ بداية جائحة كوفيد-19 اتخذت شركة أبوظبي الوطنية للتكافل عددا من الإجراءات الاحترازية التي تضمن استمرارية الأعمال وسلامة الأطراف ذات العلاقة.
كما نفخر بكوننا من أوائل الشركات استجابة لتداعيات الجائحة ولقرارات الجهات المعنية في الدولة.

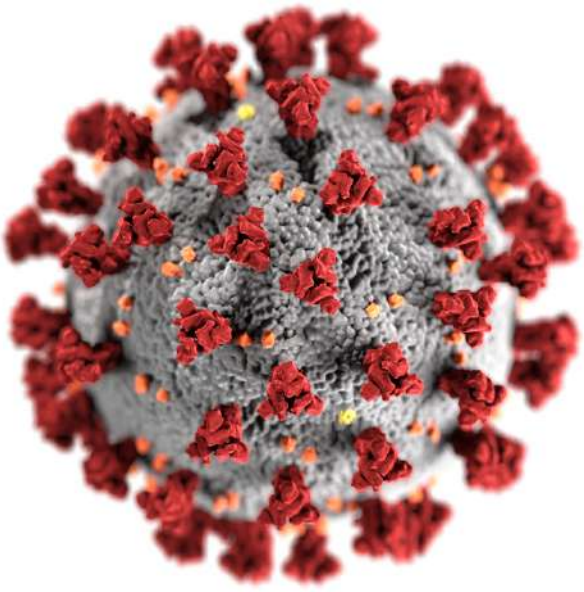
## Employees:



الأمان المالي



العمل من المنزل





الأمان الوظيفي




اللقاح



الإجراءات الوقائية بما فيها فحص PCR داخل وخارج المكتب عن طريق توقيع عقود مع مختبرات معتمدة

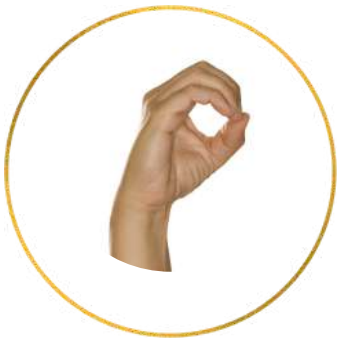
# STAKEHOLDERS' SATISFACTION رضا الأطراف ذات العلاقة



Financial Well-being: Since the start of Covid-19 pandemic, the company didn't cut off employees salaries' .



Working from Home: the company implemented a quick risk assessment approach protecting the safety and well-being of all employees with effective working from home policy that ensures connectivity and operational efficiency.



Zero Terminations: The company' believes that its employees are the core asset for its success. Ever since the start of the pandemic, the company didn't terminate any staff member.
To the contrary, all employees were encouraged to have one team spirit that helps sail ADNTC through the crisis and emerge stronger than ever.
The result was a gross written production of AED 200 million.



On Premises PCR test: ADNTC initiated an agreement with one of the primary labs in UAE to have employees tested on premises. This is only one of the many precautionary measures that the company implemented in protection of its staff wellbeing.




Facilitated Vaccine for all employees: The company facilitaed vaccines for all its staff and their family members. Vaccinated staff members were provided with complimentary weekly PCR tests on premises.

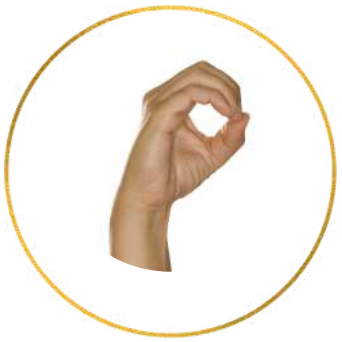
# STAKEHOLDERS' SATISFACTION رضا الأطراف ذات العلاقة



الأمان المالي: حرصت الشركة منذ بداية الأزمة حرصت الشركة على عدم اقتطاع أي مبلغ مالي من الرواتب الشهرية للموظفين



العمل عن بعد: طبقت الشركة كإجراء احترازي سريع سياسة العمل من المنزل لضمان سلامة الموظفين وعائلاتهم وسير الأعمال بفعالية.



الأمان الوظيفي: نؤمن بشركتنا أن الموظفين هم حجر الأساس لنجاحنا وهم رأس مالها الحقيقي. لذا ومنذ بداية الجائحة حرصنا على استمرارية سير الأعمال بإنتاجية تمكننا من الحفاظ على جميع الموظفين وعدم تسريح أيا منهم. استراتجيتنا هذه أدت إلى زيادة إجمالي الأقساط المكتتبة لتصل إلى 200 مليون درهم إماراتي مما ساعد الشركة على أن تعبر الجائحة أقوى من السنوات السابقة.



فحص PCR في الشركة:تعاقدت الشركة مع عدد من المختبرات المعتمدة في الدولة لفحص الموظفين في الشركة كواحد من العديد من الإجراءات الاحترازية لحماية وسلامة الموظفين وعائلاتهم.




سهلت الشركة للموظفين اللقاح لجميع الموظفين وعائلاتهم كما سهلت فحوصات PCR مجانية اسبوعيا.

# STAKEHOLDERS' SATISFACTION رضا الأطراف ذات العلاقة

## Customers:



During the pandemic, customers were able to reach our staff , services and products by multiple touch points to ensure their safety within or after business hours.



We strive to offer our customers and clients the best value for their money and during the pandemic we made various promotions to meet customers' needs and ease the financial burden.

## Shareholders:



The health and well-being of our shareholders' was protected by facilitating online meetings and e-signature ensuring business continuity  at all times.

# STAKEHOLDERS' SATISFACTION رضا الأطراف ذات العلاقة

## العملاء



اخلال الجائحة تمكنت شركتنا من الاستمرار بخدمة عملائها عبر عدة منصات لضمان سلامتهم وسير الأعمال خلال او بعد أوقات العمل.



قامت الشركة بتقديم أفضل خدمة لعملائنا وقيمة خلال الجائحة من خلال عروض ترويجية مختلفة تتناسب مع احتياجاتهم التأمينية خلال تلك الأوقات الصعبة لمساعدتهم على تجاوزها قدر الإمكان.

## المساهمين



إن صحة وسلامة مساهمينا تقع ضمن أولوياتنا وقد حرصنا على سلامتهم عبر تسهيل الاجتماعات والتوقيعات بشكل الكتروني.

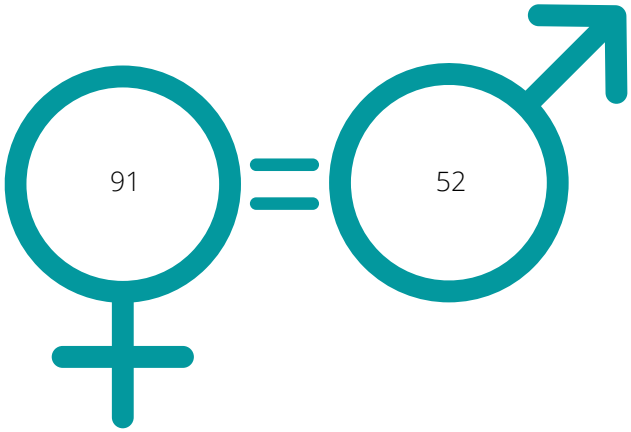
# STAKEHOLDERS' SATISFACTION رضا الأطراف ذات العلاقة

نحن فخورون بسياستنا المتبعة بما يخص المساواة بين الجنسين في نطاق العمل ونفخر بتزايد أعداد الإناث في المناصب الإدارية.



**We take pride in our approach towards gender equality at workplace which is evident by the increasing number of women leadership in managerial roles across all functions.**

**Headcount by Gender as at 31 Dec 2021**




**Ethnic Diversity as at 31 Dec 2021**

19% UAE Nationals



44% Arabs

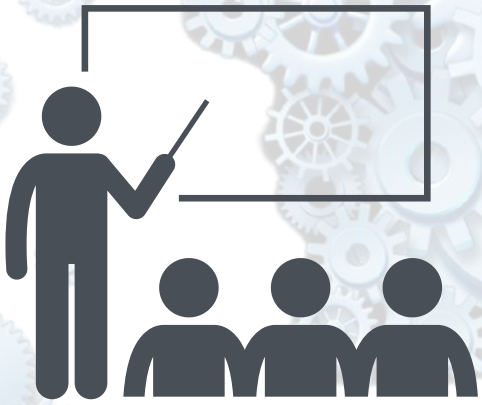
37% Non-Arabs

# Training & Development

**One of the key drivers to our company's success over the years is our devoted attention to building employees' knowledge.**



**CBUAE/ Insurance Authority/ EIBFS**



**Inhouse-training**



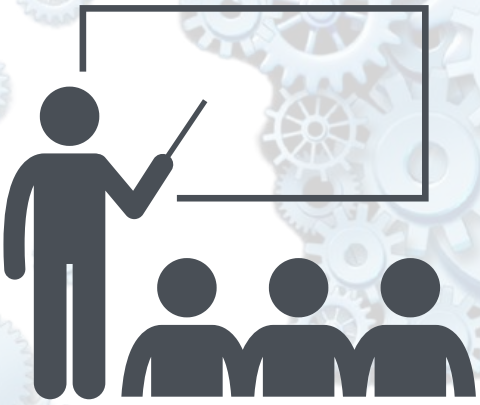
**Sharing of Knowledge**

# التدريب والتطوير

**إن التدريب والتطوير هو عامل أساسي من عوامل نجاح شركتنا وقد حرصنا عبر السنوات على مساعدة موظفينا في بناء المعرفة وتوسيع آفاقهم.**



برنامج مشاركة المعرفة



التدريب الداخلي



التدريب عبر المصرف المركزي ومركز الإمارات للدراسات الصيرفية

# Training & Development
# التدريب والتطوير

I

The company has a special program called " Sharing of Knowledge". Via this program, every employee is encouraged to deliver on monthly basis one training session on any topic to the staff.

تقدم الشركة برنامجا أطلقت عليه ( مشاركة المعرفة) حيث يرشح أحد الموظفين نفسه ليقوم بتدريب زملائه على أحد المواضيع سواء كانت تتعلق بالتأمين أم بتطوير الذات.

II

In-house training is being encouraged for all employees by Head of Department's and senior managers on multiple and diversified topics. In addition, job rotation across departments is part of employees training program.

التدريب : نحن حريصون في شركتنا على تشجيع رؤساء الأقسام لتسجيل موظفيهم في عدة دورات تدريبية في مختلف المجالات. بالإضافة لذلك فإننا نطبق التناوب الوظيفي ليكتسب الموظفون المعرفة من عدة أقسام.

III

Special training programs are being delivered to employees on specific mandatory requirements such as: AML/CFT, Anti Bribery, Cyber Security, Code of Conduct and others.

يتم تزويد موظفينا بشكل دوري بالتدريبات المتعلقة بالمتطلبات الأساسية المتبعة من الهيئات ذات العلاقة مثل الامتثال الوظيفي ومكافحة غسيل الأموال والأمن السيبراني وغيرها.

IV

All employees are scheduled on annual basis to pursue the courses offered by Insurance Authority, Central Bank of UAE and EIBFS to enhance business and insurance knowledge.

تحدد الشركة سنويا جدول تدريبي يشمل كل الموظفين للمواد والمواضيع التي توفرها كل من هيئة التأمين والمصرف المركزي و معهد الإمارات للدراسات المصرفية سواء في مجال التأمين أو إدارة الأعمال.

V

Due to its belief that core insurance knowledge is key to the development of the sector and to the career progression of the employees, the company contracted with RISC institute to provide in house CII courses.

نظرا لإيماننا العميق بأهمية المعرفة التأمينيةوالتي هي حجر الأساس لتطور القطاع والتقدم الموظفين للعاملين فيه ولذلك تعاقدت مع معهد ريسك لتقديم مواد CII.

هيئة التأمين Insurance Authority

مصرف الإمارات العربية المتحدة المركزي CENTRAL BANK OF THE U.A.E.

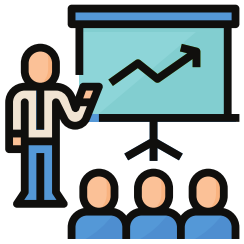
Chartered Insurance Institute

eibfs معهد الامارات للدراسات المصرفية والمالية Emirates Institute for Banking and Financial Studies

# Training & Development
# التدريب والتطوير

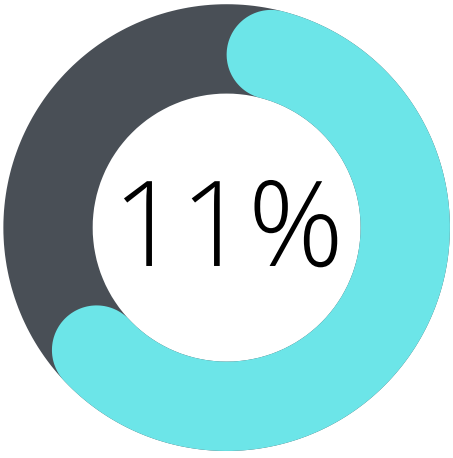


## CII Program
## CII برنامج



Due to its belief that core insurance knowledge is key to the development of the sector and to the career progression of the employees, the company contracted with RISC institute to provide in house CII courses.

نظرا لإيماننا العميق بأهمية المعرفة التأمينيةوالتي هي حجر الأساس لتطور القطاع والتقدم الموظفين للعاملين فيه ولذلك تعاقدت مع معهد ريسك لتقديم مواد CII.




**of our employees progressing with the CII program**

**من موظفين الشركة التحقوا ببرنامج CII التدريبي**

# CORPORATE GOVERNANCE الحوكمة

# Our Approach:

At Abu Dhabi National Takaful, we strive to contentiously develop and monitor our corporate governance practices providing utmost transparency and long-term value to our shareholders.



# CORPORATE GOVERNANCE



We have amended our Article of Association (AOA) to meet the latest rules and regulations of ADX & SCA

Abu Dhabi National Takaful company believe that corporate governance is an integral part of our progress and development.



- Special Procedures for corporate governance
- Internal Control Department
- Code of Professional Conduct
- Insider Trading Policy
- Board of Directors Declarations
- Whistle-blowing Policy

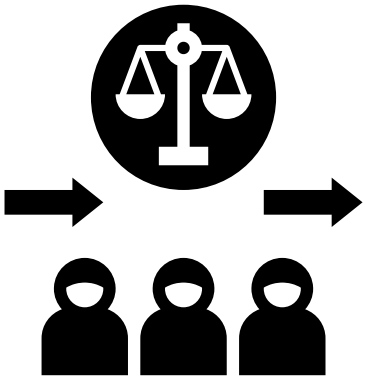
# CORPORATE GOVERNANCE



We have an evolving risk management framework that we consider a central part of our operation. Our Board of Directors receives periodical update on our risk position.
Our risk registrar is quarterly updated by the Internal control department in coordination with departmental risk champions.




We are ISO certified since 2019



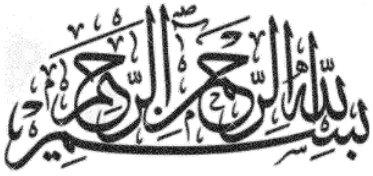
AT ADNTC, we pay significant attention to good house-keeping with the following in place:

- Code of ethics
- Cyber Security Policy
- Conflict of Interest
- Anti-Money Laundry
- Departmental Policies and Procedures

# Abu Dhabi National Takaful Company P.S.C

## TALK TO US

+971 2 410 7700
www.takaful.ae
***CEO.Office@takaful.ae***



**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 2021**

**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 herby 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 2021 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 directly or through an internal Sharia audit, 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 2021 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 from Sharia perspective, 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 Takaful reinsurance companies. However, as for the facultative re-insurance has been entered into by company with both traditional & Takaful 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 Takaful 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(0.0665) for the year ended 31/12/2021

**Best Regards,**

**Issued by us in Abu Dhabi on Wednesday, February 23, 2022, corresponding to Rajab 20,1443**
**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**


Thank You