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

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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 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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Abu Dhabi National Takaful Company P.S.C. (the "Company") which comprise the statement of financial position as at 31 December 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.

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. The outstanding claims liabilities at the reporting date represent the Company's expectations regarding future payments for known and unknown claims including associated expenses. The Company uses various methods to estimate these obligations. Measurement of these outstanding claims is highly judgmental, and requires a number of assumptions to be made that exhibit substantial estimation uncertainty. This is particularly the case for those obligations that are recognised in respect of claims that have been incurred but not reported to the Company ("IBNR"). Certain lines of business also contain greater inherent uncertainty, for example, those where claims emerge more slowly over time, or where there is greater variability in claim settlement amounts. The key assumptions that drive the outstanding claims calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, discount rates for longer tail classes of business. The valuation of outstanding claims liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating outstanding claims liabilities, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of such liabilities may arise. In addition, the valuation of the retakaful share of outstanding claims is dependent on, but not directly correlated to, the valuation of the underlying claims outstanding. There is judgement involved in ascertaining the level of retakaful share of IBNR held, which depends on the specific terms of the retakaful contracts in place. We considered the measurement of the outstanding claims liabilities as a key audit matter due to the quantitative materiality of these obligations for the assets, liabilities and financial performance of the Company as well as the significant judgements and the associated uncertainties in the estimates made by management in determining the amount of liabilities. For further information on the accounting policies relating to this key audit matter refer to Note 3.3 as well as Note 4 for disclosures about its key sources of estimation uncertainty.

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

Key audit matters (continued)

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

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

Key Audit Matters (continued)

Estimation uncertainty with respect to provisions for unearned contribution reserves
The financial statement risk
The Company underwrites various classes of business which exhibit different risk patterns and tails of business. Gross contributions written comprise the total amount of premium receivables for the entire period covered under an 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. The unearned contribution reserve is required to be calculated in accordance with the UAE Insurance Law relating to insurance and takaful companies. The provisions recognised for unearned contribution reserves amounted to AED 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: • We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the process of capturing, processing and recording of information relating to recognition of revenue in the correct reporting period; • We assessed whether the Company's revenue recognition policy complied with IFRSs and tested the implementation of those policies. Specifically, we considered whether the contribution on takaful policies are accounted for on the date of inception of policies, with the exception of contribution income on marine cargo policies which is accounted for on the expected date of voyage, by testing a sample of revenue items to takaful contracts; • We compared the unearned contributions reserve balance recorded in the financial statements to the reserve balance determined by the Company's external actuary; • We recalculated, on a sample basis, the unearned contributions reserve based on the earning period of takaful contracts existing at the end of the reporting period; • We tested written policies on a sample basis where revenue was recorded close to year end and subsequent to year end, and evaluated whether these were recorded in the appropriate accounting period; and • We assessed the disclosures included in Note 3.3 in relation to this area against the relevant IFRS disclosure requirements.

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.

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.

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.

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:

- 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.
- Agreed the valuations performed by management to the amount reported in the financial statements.
- Assessed the valuation methodology and estimates used in the valuations by consulting with our internal valuation specialists.
- Agreed the inputs into the valuation to supporting documentation on a sample basis, where applicable.
- Reperformed the arithmetical accuracy of the valuations.
- 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.
- Reviewed the engagement letter with management's experts to determine if their scope was sufficient for audit purposes.
- We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs.

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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.

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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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

O. Abdeen

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	2020
	AED	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

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.

3 Summary of significant account policies (continued)

3.3 Takaful contracts

<u>Definition</u>

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.

<u>Recognition and measurement</u>

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.

<u>Retakaful contract assets</u>

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.

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.

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.

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.

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.

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.

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.

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.

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.

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 **AED**	2020 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 **AED**	2020 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 AED	2020 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

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

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 **AED**	2020 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 **AED**	2020 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	2020
	AED	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	2020
	AED	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	2020
	AED	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.

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.

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 **AED**	2020 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.

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.

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.

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 **AED**	2020 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 AED	2020 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.

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.