

National Takaful Company (Watania) PJSC

Condensed interim financial statements

For the period ended 31 March 2014

Principal business address:

P O Box: 6457

Abu Dhabi

UAE

National Takaful Company (Watania) PJSC

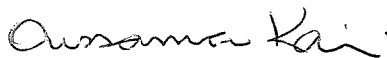
Condensed interim financial statements

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**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED
MARCH 31, 2014**

Watania Management is pleased to share the following review for the stakeholders with regards to the reviewed Financial Statements for the period ended March 31, 2014:

- The results for the first quarter are showing a net profit of AED 3.32 million as against the loss of AED 0.98 million incurred during the same period last year.
- Gross Takaful Contributions amounted to AED 57.54 million showed an increase of 53% as compared to the quarter ended March 31, 2013.
- Net earned contribution amounted to AED 17.69 million increased by 360% in comparison with the 2013 figure of AED 3.85 million.
- Net incurred claims increased significantly in comparison with the same period last year as a result of higher loss ratio attributable primarily to motor business. The net incurred claims for the current quarter amounted to AED 14.32 million.
- Net commission and other underwriting expenses amounted AED 3.02 million as compared to AED 0.87 million during the same period last year, mainly due to increase in motor and medical businesses
- Total administrative and general expenses amounted to AED 6.13 million as compared to AED 4.34 million last year representing an increase of 41% as compared to the same period last year
- Net investment income reached AED 9.11 million in comparison with AED 2.16 million last year, representing an increase of 321% due to improvement in the overall investment conditions in UAE and the region.
- The net profit for the period after accounting for deficit of AED 7.04 million in Takaful Fund amounts to AED 3.32 million as compared to a net loss of AED 0.98 million reported for the same period in 2013.
- Total asset for Watania at the end of the year amounted to AED 296.14 million as against AED 262.55 million last year depicting an increase of 13% mainly due to increase in investments, Takaful receivables and retakaful contract assets.
- Cash and cash equivalents stood at AED 39.93 million, whereas end of last year they amounted to AED 48.48 million. The variation is linked with the increase in Wakala deposits during the period.
- Takaful contract liabilities at the period end has reached AED 134.86 million as against AED 105.48 million in 2013, an increase of 28%.
- Shareholders' equity amounted to AED 133.30 million as against last year's figure of AED 129.98 million.
- Basic and diluted gain per share for the period 2014 improved to AED 0.02 as opposed to loss of AED 0.01 per share in same period last year.



Oussama Kaissi
Chief Executive Officer



Pervez Rizvi
Chief Financial Officer

May 5, 2014





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Independent Auditors' Report on Review of Condensed Interim Financial Information

The Shareholders
National Takaful Company (Watania) PJSC

Introduction

We have reviewed the accompanying 31 March 2014 condensed interim financial information of National Takaful Company (Watania) PJSC (the "Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2014;
- the condensed interim statement of profit or loss and other comprehensive income for the three month period ended 31 March 2014;
- the condensed interim statement of changes in shareholders' equity for the three month period ended 31 March 2014;
- the condensed interim statement of cash flows for the three month period ended 31 March 2014;
- and
- notes to the condensed interim financial statements.

The Board of Directors is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2014 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Munther Dajani
Registration No.:268
5 May 2014

National Takaful Company (Watania) PJSC

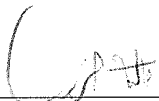
Condensed interim statement of financial position


As at

		(Unaudited) 31 March 2014 AED'000	(Audited) 31 December 2013 AED'000
	<i>Note</i>		
Assets			
Cash and cash equivalents	5	39,935	48,483
Financial assets carried at fair value through profit or loss	6	116,637	104,827
Wakala deposits held with a bank		10,466	1,997
Takaful receivables		30,154	28,083
Statutory deposit		6,000	6,000
Reinsurance and retakaful contract assets	7	80,121	60,880
Advances, deposits and other assets		8,461	8,736
Property and equipment		3,171	3,542
Total assets		294,945	262,548
Shareholders' equity, liabilities and policyholders' fund			
Shareholders' equity			
Share capital	8	150,000	150,000
Accumulated losses		(16,699)	(20,022)
Total shareholders' equity		133,301	129,978
Liabilities and policyholders' fund			
Policyholders' fund	9	-	-
Takaful contract liabilities	7	134,858	105,481
Payable to retakaful and brokers		13,160	16,175
Other liabilities		11,909	9,373
Provision for end of service benefits		1,717	1,541
Total liabilities and policyholders' fund		161,644	132,570
Total shareholders' equity, liabilities and policyholders' fund		294,945	262,548

This condensed interim financial information was approved by the Board of Directors and signed on their behalf by the Chairman and Chief Executive Officer on

05 MAY 2014


Chairman


Chief Executive Officer

The notes set out on pages 7 to 13 form an integral part of these condensed interim financial statements.

The independent auditors' report on the review of the condensed interim financial information is set out on page 2.



National Takaful Company (Watania) PJSC

Condensed interim statement of profit or loss and other comprehensive income

For the period ended 31 March

	Note	2014 AED'000	2013 AED'000
Attributable to the policyholders			
Gross takaful contributions	11	57,539	37,529
Contributions ceded to retakaful and reinsurance companies	11	(33,581)	(11,110)
Net takaful contributions	11	23,958	26,419
Movement in unearned contributions	11	(6,271)	(22,570)
Net contribution earned		17,687	3,849
Gross claims paid	11	(19,386)	(10,375)
Movement in outstanding claims and incurred but not reported claims	11	(7,368)	5,950
Gross claims incurred		(26,754)	(4,425)
Retakaful share of claims paid.	11	8,933	5,669
Movement in retakaful share of outstanding claims and retakaful share of incurred but not reported claims	11	3,503	(3,017)
Gross claims recoverable from retakaful		12,436	2,652
Net claims incurred		(14,318)	(1,773)
Commission income		1,058	122
Commission expense		(2,535)	(426)
Net commission expense	11	(1,477)	(304)
Other underwriting expenses – net	11	(1,550)	(573)
Takaful income		342	1,199
Wakala fees	11, 12	(7,386)	(7,854)
Deficit of takaful results for the period		(7,044)	(6,655)
Attributable to the shareholders			
Investment income		9,115	2,158
Wakala fees	11, 12	7,386	7,854
General and administrative expenses	13	(6,134)	(4,339)
Deficit of takaful results for the period		(7,044)	(6,655)
Gain / (loss) for the period		3,323	(982)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		3,323	(982)
Basic and diluted profit / (loss) per ordinary share (AED)		0.02	(0.01)

The notes set out on pages 7 to 13 form an integral part of these condensed interim financial statements.

The independent auditors' report on the review of the condensed interim financial information is set out on page 2.



National Takaful Company (Watania) PJSC

Condensed interim statement of changes in shareholders' equity

For the three month period ended 31 March 2014

	Share capital AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2013	150,000	(17,625)	132,375
Loss for the period	-	(982)	(982)
Other comprehensive income for the period	-	-	-
As at 31 March 2013	150,000	(18,607)	131,393
At 1 January 2014	150,000	(20,022)	129,978
Profit for the period	-	3,323	3,323
Other comprehensive income for the period	-	-	-
As at 31 March 2014	150,000	(16,699)	133,301

The notes set out on pages 7 to 13 form an integral part of these condensed interim financial statements.



National Takaful Company (Watania) PJSC

Condensed interim statement of cash flows

For the three month period ended 31 March

		(Unaudited) 2014 AED'000	(Unaudited) 2013 AED'000
Operating activities			
Profit / (loss) for the period		3,323	(982)
<i>Adjustment for:</i>			
Depreciation and amortisation	13	479	514
Income from investments including Wakala deposits		(9,115)	(2,158)
Provision for end of service benefits		176	148
		<hr/>	<hr/>
Operating loss before changes in working capital		(5,137)	(2,478)
Changes in:			
Reinsurance and retakaful contract assets	7	(19,241)	(2,877)
Takaful contract liabilities	7	29,377	22,514
Takaful receivables		(2,071)	(20,037)
Advances, deposit and other assets		275	210
Payable to retakaful and brokers		(3,015)	(4,514)
Other liabilities		2,536	(1,638)
		<hr/>	<hr/>
Net cash generated from / (used in) operating activities		2,724	(8,820)
Investing activities			
Purchase of property and equipment		(108)	(248)
Income from investments including Wakala deposits		9,115	2,158
Net increase in investments		(11,810)	(1,147)
Placement of Wakala deposits with banks		(8,469)	-
		<hr/>	<hr/>
Net cash (used in) / generated from investing activities		(11,272)	763
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(8,548)	(8,057)
Cash and cash equivalents at the beginning of the period		48,483	33,703
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period		39,935	25,646
		<hr/> <hr/>	<hr/> <hr/>

The notes set out on pages 7 to 13 form an integral part of these condensed interim financial statements.

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National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

1 Legal status and activities

National Takaful Company (Watania) PJSC (the "Company") was incorporated in the Emirate of Abu Dhabi, United Arab Emirates on 28 June 2011 as a public joint stock company in accordance with the United Arab Emirates Federal Law No 8 of 1984 (as amended). Incorporation of the Company was approved by the Ministry of Economy with a ministerial resolution No. (379) on 28 June 2011.

The registered office address of the Company is P.O. Box No. 6457 Abu Dhabi, United Arab Emirates. The Company is primarily authorised to engage in providing all classes of non family takaful solutions in accordance with UAE Federal Law No. 6 of 2007.

2 Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, these do not include all of the information required for a complete set of financial statements, and should be read in conjunction with the financial statements of the Company as at and for the period ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis except for the financial assets carried at fair value through profit or loss. Assets and liabilities of the investment funds fully owned by the Company have been included in these condensed interim financial statements.

(c) Functional and reporting currency

These condensed interim financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

(d) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2013.

The fair value of financial assets and liabilities approximate to their carrying amounts.

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

3 Significant accounting policies

The accounting policies applied by the Company in the presentation of these condensed interim financial statements are consistent with those applied by the Company in its audited financial statements as at and for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The adoption of the new and amended standards and interpretations did not have an impact on the financial position or performance of the Company during the period.

4 Takaful and financial risk management

The Company's takaful and financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2013.

5 Cash and cash equivalents

	(Unaudited) 31 March 2014 AED'000	(Audited) 31 December 2013 AED'000
Cash in hand	7	40
Cash at bank - current account	14,790	25,503
Cash at bank - margin account	-	6,468
Wakala deposits with bank (with original maturities of less than three months)	25,138	16,472
	<u>39,935</u>	<u>48,483</u>

Wakala deposits carry a profit rate from 1.05% to 3.25% per annum (2013: 0.95% to 3.25% per annum).

6 Financial assets carried at fair value through profit or loss

	(Unaudited) 31 March 2014 AED'000	(Audited) 31 December 2013 AED'000
Equity investments	44,730	37,823
Fixed income investments	71,907	67,004
Financial assets carried at fair value through profit or loss	<u>116,637</u>	<u>104,827</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

7 Reinsurance and retakaful contract assets and takaful contract liabilities

	(Unaudited) 31 March 2014 AED'000	(Audited) 31 December 2013 AED'000
Takaful contract liabilities		
Reported claims	52,262	45,455
Claims incurred but not reported	3,222	2,661
Unearned contributions	79,374	57,365
	<u>134,858</u>	<u>105,481</u>
Reinsurance and retakaful contract assets		
Reported claims	36,883	33,571
Claims incurred but not reported	1,550	1,359
Deferred retakaful contributions	41,688	25,950
	<u>80,121</u>	<u>60,880</u>
Takaful liabilities-net		
Reported claims	15,379	11,884
Claims incurred but not reported	1,672	1,302
Unearned contributions	37,686	31,415
	<u>54,737</u>	<u>44,601</u>

8 Share capital

	(Unaudited) 31 March 2014 AED'000	(Audited) 31 December 2013 AED'000
<i>Authorised, issued and fully paid up capital</i>		
150,000,000 shares of AED 1 each	150,000	150,000

9 Policyholders' fund

	(Unaudited) 31 March 2014 AED'000	(Audited) 31 December 2013 AED'000
Deficiency of policyholders' fund		
Deficit in policyholders' fund	(7,044)	(17,082)
Deficit financed by Qard Hassan by shareholders	7,044	17,082
	<u>-</u>	<u>-</u>

The shareholders of the Company have financed the policyholders' deficit in accordance with the Company's policy.

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

10 Related party transactions

The Company, in the normal course of business, collects contributions, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the revised International Accounting Standard 24. The following are the details of significant transactions with related parties.

	(Unaudited) 31 March 2014 AED'000	(Unaudited) 31 March 2013 AED'000
Transactions with related parties		
Gross contributions written	132	22
Gross contribution received	99	12
Compensation to key management personnel	530	530

11 Segmental information

For the three month period ended 31 March 2014 (Unaudited)

	Medical AED'000	Others AED'000	Total AED'000
Gross takaful contributions	17,698	39,841	57,539
Contributions ceded to retakaful	(12,616)	(20,965)	(33,581)
Net takaful contributions	5,082	18,876	23,958
Unearned premium movement	3,067	(9,338)	(6,271)
Net contribution earned	8,149	9,538	17,687
Gross claim paid	(12,002)	(7,384)	(19,386)
Movement in outstanding and IBNR claims	(88)	(7,280)	(7,368)
Retakaful share of claims paid	7,207	1,726	8,933
Movement in retakaful share of outstanding and IBNR claims	105	3,398	3,503
Net claims incurred	(4,778)	(9,540)	(14,318)
Net commission expense	(1,141)	(336)	(1,477)
Other underwriting expenses - net	(942)	(608)	(1,550)
Total operating gain / (loss)	1,288	(946)	342
Wakala fee	(1,410)	(5,976)	(7,386)
Deficit of takaful results for the period	(122)	(6,922)	(7,044)

Segment reporting by business in respect of assets and liabilities are not available for disclosure purposes.

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

11 Segmental information *(continued)*

For the three month period ended 31 March 2013 (Unaudited)

	Medical AED'000	Others AED'000	Total AED'000
Gross takaful contributions	10,228	27,301	37,529
Contributions ceded to retakaful	(8,035)	(3,075)	(11,110)
Net takaful contributions	2,193	24,226	26,419
Unearned premium movement	515	(23,085)	(22,570)
Net contribution earned	2,708	1,141	3,849
Gross claim paid	9,945	430	10,375
Movement in outstanding and IBNR claims	(6,568)	618	(5,950)
Retakaful share of claims paid	(5,470)	(199)	(5,669)
Movement in retakaful share of outstanding and IBNR claims	3,692	(675)	3,017
Net claims incurred	1,599	174	1,773
Net commission income / (expense)	(556)	252	(304)
Other underwriting expenses - net	(321)	(252)	(573)
Total operating gain	232	967	1,199
Wakala fee	(1,028)	(6,826)	(7,853)
Deficit of takaful results for the period	(796)	(5,859)	(6,655)

Segment reporting by business in respect of assets and liabilities are not available for disclosure purposes.

12 Wakala fees

The shareholders manage the takaful operations of the Company for the policyholders and charge a maximum of 45% of gross directly written contributions. During the three months period ended, Wakala fee has been charged at 13% (2013:17%).

13 General & administrative expenses

	(Unaudited) 31 March 2014 AED'000	(Unaudited) 31 March 2013 AED'000
Staff cost	4,327	3,227
Rent, rates and service charges	435	366
Office stationary and maintenance	139	3
Marketing and advertising	143	47
IT maintenance costs	116	110
Audit, legal and other professional expenses	366	33
Directors' remuneration	60	57
Depreciation and amortisation	479	514
Others	69	(18)
	<u>6,134</u>	<u>4,339</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

14 Fair value of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(a) Financial instruments measured at fair value – fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2014				
Financial assets at fair value through profit or loss	116,637	-	-	116,637
31 December 2013				
Financial assets at fair value through profit or loss	104,827	-	-	104,827

(b) Financial instruments not measured at fair value – fair value hierarchy

Carrying value of all other assets and liabilities that are not measured at fair value are close approximates of their fair values.

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

15 Commitments and contingencies

Commitments as at 31 March 2014 amounted to AED 148 thousands *(2013: 148 thousands)*.
Contingent liabilities as at 31 March 2014 were 10,507 *(2013: AED 8,430 thousands)*.

16 Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform to the presentation adopted in these condensed interim financial statements. Such reclassification neither has any impact on the income and expenses nor on the assets and liabilities for the comparative year.