

# **National Takaful Company (Watania) PJSC**

Condensed interim financial information

For the period ended 31 March 2017

**Principal business address:**

National Takaful Company (Watania) PJSC  
P O Box: 6457  
Abu Dhabi  
UAE

# National Takaful Company (Watania) PJSC

## Condensed interim financial information

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## **DIRECTORS' STATEMENT FOR THE PERIOD ENDED MARCH 31, 2017**

The Board of Directors is pleased to share its statement for the period ended March 31, 2017 together with the condensed interim Financial Information as at that date.

It gives us great pleasure to report that the company has delivered positive results in Q1FY17 on all its major KPIs:

- GWP declined 1.8% y-o-y - from AED 59.0mn in Q1FY16 to AED 57.9mn. The fall is due to nonrenewal of a very large loss making government account. Adjusting for this amount the business grew by 95%. Current growth trend indicates that Company is aligned with its growth objective of 55%.
- Net earned contribution increased 74.7% y-o-y to AED 32.4mn in Q1FY17 from AED 18.5mn in Q1FY16.
- Net Takaful surplus grew to AED 5.0mn in Q1FY17 from AED 2.6mn in Q1FY16, delivering a y-o-y growth of 96%.
- Management expenses declined 11.8% y-o-y to AED 6.5mn in Q1FY17 from AED 7.4mn in Q1FY16. More significantly the operating expense ratio came down from 39.7% in Q1 FY2016 to 20.1% in Q1 FY2017.
- Investment income declined by 64.6% y-o-y to AED 1.5mn in Q1FY17 from AED 4.3mn in Q1FY16. The company had a one-off investment income of AED 2.9mn in Q1FY16.
- Due to better operational performance, the company delivered net profit of AED 33k in Q1FY17 as compared to a loss of AED 496k in Q1FY16.

The company continues to focus on profitable underwriting, good claims service, cost control and stable investment income. We are confident that the focused business strategy laid down by the Board in 2016 will continue to bear positive results in 2017 as well.

The investment market continues to be volatile. We believe the regional equity markets will see a recovery when we witness some sustained rebound in the oil prices which will lead to increase in government spending in the regional economies. The local real estate market also continues to be under pressure due to high supply which is leading to fall in occupancy and rents.

We would like to sincerely thank United Arab Emirates Government, Insurance Authority, our Clients and Business partners for their confidence in Wataria. We acknowledge and thank the management team and employees for their hard work and dedication.

**Ali Saeed Bin Harmel Al Dhaheri**  
Chairman



KPMG Lower Gulf Limited  
Level 19, Nation Tower 2  
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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 2017 condensed interim financial information of National Takaful Company (Watania) PJSC (the "Company"), which comprises of:

- the condensed interim statement of financial position as at 31 March 2017;
- the condensed interim statement of profit or loss and other comprehensive income for the three month period ended 31 March 2017;
- the condensed interim statement of changes in shareholders' equity for the three month period ended 31 March 2017;
- the condensed interim statement of cash flows for the three month period ended 31 March 2017; and
- notes to the condensed interim financial information.

Management 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 condensed 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 condensed interim financial information as at 31 March 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

A handwritten signature in blue ink, appearing to read 'Richard Ackland', with a horizontal line underneath.

Richard Ackland  
Registration No. 1015  
Abu Dhabi, United Arab Emirates  
Date: 14 MAY 2017

# National Takaful Company (Watania) PJSC

## Condensed interim statement of financial position

as at

		(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
	Note		
<b>Assets</b>			
<b>Takaful operations' assets</b>			
<b>(attributable to participants)</b>			
Investments at fair value through profit or loss	9	11,029	4,072
Deferred policy acquisition cost		10,273	8,475
Retakaful and reinsurance share of unearned contribution	13	29,975	25,111
Retakaful and reinsurance share of claims	13	36,617	35,795
Advances, deposits and other assets		2,834	2,345
Due from shareholders	16	26,530	22,994
Takaful and retakaful receivables	5	75,959	76,163
Restricted bank deposits	6	3,700	6,100
Wakala deposits	8	16,000	12,000
Cash and cash equivalents	7	13,536	22,165
<b>Total takaful operations' assets</b>		<b>226,453</b>	<b>215,220</b>
<b>Shareholders' assets</b>			
Property and equipment		1,203	1,337
Investments - held to maturity	10	20,307	19,212
Financial assets available for sale	11	8,962	-
Investments at fair value through profit or loss	9	8,132	9,358
Investment properties	12	24,400	24,400
Statutory deposit		6,000	6,000
Advances, deposits and other asset		2,363	1,454
Restricted bank deposits	6	8,415	8,415
Wakala deposit	8	20,000	16,000
Cash and cash equivalents	7	10,074	21,545
<b>Total shareholders' assets</b>		<b>109,856</b>	<b>107,721</b>
<b>Total assets</b>		<b>336,309</b>	<b>322,941</b>

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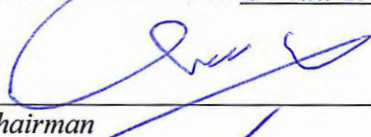
# National Takaful Company (Watania) PJSC

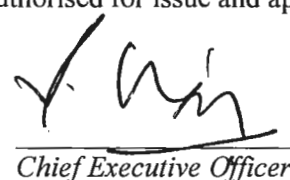
## Condensed interim statement of financial position *(continued)*

as at

		(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
<b>Liabilities</b>			
<b>Takaful operations' liabilities (attributable to participants)</b>			
Takaful and retakaful payables		27,867	35,403
Takaful contract liabilities	13	191,624	174,649
Other liabilities		6,962	5,168
<b>Total takaful operations' liabilities</b>		<b>226,453</b>	<b>215,220</b>
<b>Shareholders' liabilities</b>			
Other liabilities		1,505	3,100
End of service benefits		2,802	2,452
Due to policyholders	16	26,530	22,994
<b>Total shareholders' liabilities</b>		<b>30,837</b>	<b>28,546</b>
<b>Participants' account</b>			
Property and liability takaful fund	15	(121,290)	(119,600)
Qard hasan – financed by shareholders	15	121,290	119,600
<b>Total deficit in participants' account</b>		<b>-</b>	<b>-</b>
<b>Shareholders' equity</b>			
Share capital	14	150,000	150,000
Legal reserve		42	39
Revaluation reserve		(189)	-
Accumulated losses		(70,834)	(70,864)
<b>Total shareholders' equity</b>		<b>79,019</b>	<b>79,175</b>
<b>Total shareholders' equity and liabilities and takaful operations' liabilities</b>		<b>336,309</b>	<b>322,941</b>

The condensed interim financial information of the Company was authorised for issue and approved by the Board of Directors on 14 MAY 2017 and signed on their behalf by:

  
Chairman

  
Chief Executive Officer

The notes set out on pages 10 to 21 form an integral part of these condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 2 and 3.

## National Takaful Company (Watania) PJSC

Condensed interim statement of profit or loss and other comprehensive income  
for the three months period ended 31 March (Unaudited)

	Note	2017 AED'000	2016 AED'000
<b>Takaful income</b>			
Gross takaful contributions	21	57,916	58,994
Contributions ceded	21	(16,313)	(32,162)
<b>Net takaful contributions</b>		<b>41,603</b>	<b>26,832</b>
Net transfer to unearned contributions reserve	21	(9,213)	(8,295)
<b>Net takaful contributions earned</b>		<b>32,390</b>	<b>18,537</b>
Commissions earned	21	1,069	1,279
<b>Total takaful income</b>		<b>33,459</b>	<b>19,816</b>
<b>Takaful expenses</b>			
Gross claims paid	21	(30,768)	(51,226)
Retakaful share of claims paid	21	9,257	26,593
<b>Net claims paid</b>		<b>(21,511)</b>	<b>(24,633)</b>
Outstanding claims	21	(5,501)	16,317
Retakaful share of outstanding claims	21	1,830	(6,737)
Incurred but not reported claims – net	21	502	(169)
Unearned subscriptions – net	21	1,197	685
Unallocated loss adjustment expense reserve – net	21	(104)	35
<b>Net takaful claims incurred</b>		<b>(23,587)</b>	<b>(14,502)</b>
Commissions expense	21	(3,753)	(1,922)
Other underwriting expenses	21	(1,460)	(944)
<b>Total takaful expenses</b>		<b>(28,800)</b>	<b>(17,368)</b>
<b>Net takaful income</b>		<b>4,659</b>	<b>2,448</b>
Investments income	21	166	17
Mudarib's share	21	(58)	-
Wakala fees	21	(6,632)	(7,080)
Other income	21	175	87
<b>Net loss from takaful operations</b>	21	<b>(1,690)</b>	<b>(4,528)</b>

*Continued*



# National Takaful Company (Watania) PJSC

Condensed interim statement of profit or loss and other comprehensive income  
(continued)  
for the three months period ended 31 March (Unaudited)

	Note	2017 AED'000	2016 AED'000
<b>Other revenues</b>			
Investment income	19	1,531	4,321
Wakala fees	21	6,632	7,080
Mudarib's share	21	58	-
		8,221	11,401
<b>Other expenses</b>			
General and administrative expenses	20	(6,498)	(7,369)
		1,723	4,032
Loss from takaful operations	21	(1,690)	(4,528)
<b>Net profit / (loss) for the period</b>		33	(496)
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Unrealised loss on financial assets available for sale		(189)	-
<b>Total comprehensive loss for the period</b>		(156)	(496)
Earnings / (loss) per share (AED)		0.0002	(0.0033)

The notes set out on pages 10 to 21 form an integral part of these condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 2 and 3.

## National Takaful Company (Watania) PJSC

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

	Share capital AED'000	Legal reserve AED'000	Revaluation reserve AED'000	Accumulated losses AED'000	Total AED'000
As at 1 January 2016 <i>(Audited)</i>	150,000	-	1,235	(71,210)	80,025
Loss for the period	-	-	-	(496)	(496)
Other comprehensive loss for the period	-	-	(1,235)	-	(1,235)
Total comprehensive loss for the period	-	-	(1,235)	(496)	(1,731)
As at 31 March 2016 <i>(Unaudited)</i>	150,000	-	-	(71,706)	78,294
As at 1 January 2017 <i>(Audited)</i>	150,000	39	-	(70,864)	79,175
Profit for the period	-	-	-	33	33
Other comprehensive loss for the period	-	-	(189)	-	(189)
Total comprehensive (loss) / income for the period	-	-	(189)	33	(156)
Transfer to legal reserve	-	3	-	(3)	-
<b>As at 31 March 2017 <i>(Unaudited)</i></b>	<b>150,000</b>	<b>42</b>	<b>(189)</b>	<b>(70,834)</b>	<b>79,019</b>

The notes set out on pages 10 to 21 form an integral part of these condensed interim financial information.

# National Takaful Company (Watania) PJSC

Condensed interim statement of cash flows  
for the three months period ended 31 March (Unaudited)

	2017 AED'000	2016 AED'000
<b>Operating activities</b>		
Profit / (loss) for the period	33	(496)
<i>Adjustment for:</i>		
Depreciation and amortisation	160	323
Income from investments	(1,531)	(4,321)
Provision for end of service benefits	394	217
Provision for impairment of takaful receivables	-	459
	<hr/>	<hr/>
<b>Cash used in operating activities</b>	<b>(944)</b>	<b>(3,818)</b>
<i>Changes in:</i>		
Takaful and retakaful receivables	204	(12,299)
Advances, deposit and other assets	(754)	(557)
Takaful and retakaful payables	(7,536)	(2,412)
Takaful contract liabilities	16,975	4,600
Retakaful contract assets	(5,686)	(6,437)
Deferred policy acquisition costs	(1,798)	(946)
Other liabilities	199	(1,312)
	<hr/>	<hr/>
<b>Cash from / (used in) operating activities</b>	<b>660</b>	<b>(23,181)</b>
Payment for end of service benefits	(44)	(157)
	<hr/>	<hr/>
<b>Net cash from / (used in) operating activities</b>	<b>616</b>	<b>(23,338)</b>
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(26)	(49)
Change in investments - net	(15,977)	9,273
Income from investments including restricted deposits	887	4,321
Change in restricted bank deposits	2,400	6,324
Change in wakala bank deposits	(8,000)	(10,000)
	<hr/>	<hr/>
<b>Net cash (used in) / from investing activities</b>	<b>(20,716)</b>	<b>9,869</b>
	<hr/>	<hr/>
<b>Decrease in cash and cash equivalents</b>	<b>(20,100)</b>	<b>(13,469)</b>
Cash and cash equivalents at the beginning of the period	43,710	30,849
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period (note 7)</b>	<b>23,610</b>	<b>17,380</b>
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The notes set out on pages 10 to 21 form an integral part of these condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 2 and 3.

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 1 Legal status and activities

National Takaful Company (Watania) PJSC (the “Company”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates on 12 July 2011 as a public joint stock company in accordance with the United Arab Emirates Federal Law No. 2 of 2015. 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 information 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 year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The results for three months period ended 31 March 2017 are not necessarily indicative of the results for the year ending 31 December 2017.

UAE Federal Law No. 2 of 2015 being the Commercial Companies Law (“UAE Companies Law of 2015”) was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2017 as per the transitional provisions contained therein. The Company has finalised the process of amending its Articles of Association.

As per Federal Law No. 6 of 2007, relating to Establishment of Insurance Authority and regulation of Insurance operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to insurance companies between one to three years from the publication of the financial regulation in the Public Gazette from 29 January 2015 to align the operations to the covenants of the regulation therein. The Company is in the process of aligning these operations with the requirements set out in the regulations and will be fully aligned before the deadline for alignment period.

#### (b) *Basis of measurement*

These financial information have been prepared on the historical cost basis except for the financial assets carried at fair value through profit or loss, financial assets available for sale and investment properties.

#### (c) *Functional and reporting currency*

These financial information 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.

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 2 Basis of preparation (continued)

#### (d) Use of estimates and judgement

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience as well as factors including expectations of future events that are believed to be reasonable under the circumstances.

### 3 Significant accounting policies

The accounting policies applied by the Company in the presentation of these condensed interim financial information are consistent with those applied by the Company in its audited financial statements as at and for the year ended 31 December 2016.

#### *New and amended International Financial Reporting Standards (IFRS) in issue but not yet effective*

<b>New and revised IFRS</b>	<b>Effective date</b>
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 9 <i>Financial Instruments</i>	1 January 2018
Amendment to IFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to IFRS 4 <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to IAS 40 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to IFRS 1 and IAS 28 <i>Annual Improvements to IFRSs 2014–2016 Cycle – various standards</i>	1 January 2018
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019

Management anticipates that these new standards and amendments will be applied in the financial statement for the initial period when they become effective. Management is assessing the potential impact of the application of these standards and amendments.

### 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 2016.

### 5 Takaful and retakaful receivables

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful and retakaful receivables	77,845	78,049
Less: allowance for impairment of takaful and retakaful receivables	(1,886)	(1,886)
Net takaful and retakaful receivables	<u>75,959</u>	<u>76,163</u>

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 6 Restricted bank deposits

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful operation assets	3,700	6,100
Shareholders assets	8,415	8,415
	<u>12,115</u>	<u>14,515</u>

Restricted deposits are held in margin accounts to issue takaful business related performance and tender bonds. Wakala deposits carry a profit rate from 2.00% to 2.35% (2016: 1.00% to 2.00%) per annum.

### 7 Cash and cash equivalents

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
Cash on hand	20	11
Cash at bank – current accounts	23,590	43,699
	<u>23,610</u>	<u>43,710</u>
Takaful operation assets	13,536	22,165
Shareholders assets	10,074	21,545
	<u>23,610</u>	<u>43,710</u>

### 8 Wakala bank deposits

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful operation assets	16,000	12,000
Shareholders assets	20,000	16,000
	<u>36,000</u>	<u>28,000</u>

The above wakala bank deposits carry a profit rate of 1.40% to 2.35% per annum. Certain deposits are lien marked against the mudaraba financing facility of AED 14 million (2016: 14 million) obtained by the Company which carry a profit rate of 3.10% per annum.

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 9 Investments at fair value through profit or loss

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
<b>Held for trading</b>		
Sukuk - Takaful operation assets	11,029	4,072
Sukuk - Shareholders assets	8,132	9,358
	<u>19,161</u>	<u>13,430</u>

The geographical distribution of investments is as follows:

	2017 AED'000	2016 AED'000
Inside UAE	4,845	3,521
Outside UAE	14,316	9,909
	<u>19,161</u>	<u>13,430</u>

### 10 Investments – held to maturity

	(Unaudited) 31 March 2017	(Audited) 31 December 2016
Sukuk - Shareholders assets	<u>20,307</u>	<u>19,212</u>

The geographical distribution of investments is as follows:

	2017 AED'000	2016 AED'000
Inside UAE	14,014	14,019
Outside UAE	6,293	5,193
	<u>20,307</u>	<u>19,212</u>

This portfolio has been lien marked for issuance of takaful business related performance bonds.

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 11 Financial assets available for sale

	(Unaudited) 31 March 2017	(Audited) 31 December 2016
Quoted equity securities	<u>8,962</u>	<u>-</u>

The geographical distribution of investments is as follows:

	2017 AED'000	2016 AED'000
Inside UAE	1,954	-
Outside UAE	7,008	-
	<u>8,962</u>	<u>-</u>

### 12 Investment properties

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
Balance as at 1 January	24,400	24,375
Revaluation gain	-	25
Balance as at end of period / year	<u>24,400</u>	<u>24,400</u>

### 13 Reinsurance and retakaful contract assets and takaful contract liabilities

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
<b>Takaful contract liabilities</b>		
Outstanding claims reserve	67,501	62,000
Incurred but not reported – claims reserve	12,018	13,528
Unallocated loss adjusted expense	1,427	1,323
Unearned contributions	110,000	95,923
Reserves for unearned subscriptions	678	1,875
	<u>191,624</u>	<u>174,649</u>



# National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

## 13 Reinsurance and retakaful contract assets and takaful contract liabilities (continued)

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
<b>Reinsurance and retakaful contract assets</b>		
Outstanding claims reserve	32,691	30,861
Incurred but not reported – claims reserve	3,926	4,934
Unallocated loss adjusted expense	-	-
	<u>36,617</u>	<u>35,795</u>
Retakaful and reinsurance share of claims		
Retakaful and reinsurance share of unearned contributions	29,498	24,634
Reserves for unearned subscriptions	477	477
	<u>29,975</u>	<u>25,111</u>
Retakaful and reinsurance share of unearned contributions	29,975	25,111
	<u>66,592</u>	<u>60,906</u>
<b>Takaful liabilities - net</b>		
Outstanding claims reserve	34,810	31,139
Incurred but not reported – claims reserve	8,092	8,594
Unallocated loss adjusted expense	1,427	1,323
Unearned contributions	80,502	71,289
Reserves for unearned subscriptions	201	1,398
	<u>125,032</u>	<u>113,743</u>

## 14 Share capital

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
<i>Authorised, issued and fully paid up capital</i>		
150,000,000 shares of AED 1 each	<u>150,000</u>	<u>150,000</u>

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 15 Policyholders' fund

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
<i>Deficit in policyholders' fund</i>		
Balance at the beginning of the period / year	(119,600)	(105,465)
Deficit for the period / year	(1,690)	(14,135)
	<u>(121,290)</u>	<u>(119,600)</u>
<i>Qard Hasan from shareholders</i>		
Balance at the beginning of the period / year	119,600	105,465
Provided during the period / year	1,690	14,135
	<u>121,290</u>	<u>119,600</u>
Total deficit in participants' account	<u>-</u>	<u>-</u>

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

### 16 Due from shareholders and due to policyholders

	(Unaudited) 31 March 2017 AED'000	(Audited) 31 December 2016 AED'000
Qard Hasan (note 15)	121,290	119,600
<i>Less:</i>		
Wakala fee receivables	(40,040)	(38,750)
Transfers and payments to takaful operations	(54,720)	(57,856)
	<u>26,530</u>	<u>22,994</u>

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 17 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) <i>Three month period ended</i> <b>31 March</b> <b>2017</b> <b>AED'000</b>	(Unaudited) <b>31 March</b> <b>2016</b> <b>AED'000</b>
<b>Transactions with related parties</b>		
Compensation to key management personnel		
- Directors' reimbursement	-	64
- Short term benefits	<b>504</b>	336
- Long term benefits	<b>79</b>	62
	<hr/> <hr/>	<hr/> <hr/>
	(Unaudited) <b>31 March</b> <b>2017</b> <b>AED'000</b>	(Audited) <b>31 December</b> <b>2016</b> <b>AED'000</b>
<b>Balances with related parties</b>		
Receivable from related party - net	<b>432</b>	38
Bank balances with a related party	<b>5,221</b>	12,043
Sukuk investment	<b>9,909</b>	9,909
Profit accrued	<b>211</b>	-
	<hr/> <hr/>	<hr/> <hr/>

### 18 Wakala fees

The shareholders manage the takaful operations of the Company for the policyholders and charge a maximum of 35% of gross written contributions. During the period ended 31 March 2017, wakala fee has been charged at 12% (2016: 12%).

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 19 Investment income

	(Unaudited) 31 March 2017 AED'000	(Unaudited) 31 March 2016 AED'000
Profit on wakala bank deposits and sukuk bonds	786	778
Dividend income	386	-
Unrealised (loss) / gain on investments at fair value through profit or loss	(3)	655
Realised gains on investments	15	2,652
Rental income from investment properties - net	361	326
Premium amortisation	(7)	-
Asset management expenses	(7)	(90)
	<u>1,531</u>	<u>4,321</u>

### 20 General and administrative expenses

	(Unaudited) 31 March 2017 AED'000	(Unaudited) 31 March 2016 AED'000
Staff costs	5,123	4,812
Rent, rates and service charges	357	492
Office stationary and maintenance	174	156
IT maintenance costs	373	206
Audit, legal and other professional	287	331
Directors' remuneration (note 17)	-	64
Depreciation and amortisation	160	323
Provision for bad debts	-	459
Other expenses	24	526
	<u>6,498</u>	<u>7,369</u>

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial information

### 21 Segmental information

For the three month period ended 31 March 2017 (Unaudited)

	Medical AED'000	Non-medical AED'000	Total AED'000
<b>Takaful income</b>			
Gross takaful contributions	28,008	29,908	57,916
Contribution ceded	(8,761)	(7,552)	(16,313)
<b>Net takaful contributions</b>	<b>19,247</b>	<b>22,356</b>	<b>41,603</b>
Net transfer to unearned contribution reserve	(1,081)	(8,132)	(9,213)
<b>Net takaful contributions earned</b>	<b>18,166</b>	<b>14,224</b>	<b>32,390</b>
Commissions earned	282	787	1,069
<b>Total takaful income</b>	<b>18,448</b>	<b>15,011</b>	<b>33,459</b>
<b>Takaful expenses</b>			
Gross claim paid	(22,313)	(8,455)	(30,768)
Retakaful share of claims paid	8,086	1,171	9,257
<b>Net claims paid</b>	<b>(14,227)</b>	<b>(7,284)</b>	<b>(21,511)</b>
Outstanding claims	73	(5,574)	(5,501)
Retakaful share of outstanding claims	(911)	2,741	1,830
Incurred but not reported – claims reserves – net	211	291	502
Unearned subscriptions – net	307	890	1,197
Unallocated loss adjustment expense reserve – net	(2)	(102)	(104)
<b>Net takaful claims incurred</b>	<b>(14,549)</b>	<b>(9,038)</b>	<b>(23,587)</b>
Commission expenses	(1,657)	(2,096)	(3,753)
Other underwriting expenses - net	(1,010)	(450)	(1,460)
<b>Total takaful expenses</b>	<b>(17,216)</b>	<b>(11,584)</b>	<b>(28,800)</b>
<b>Net takaful income</b>	<b>1,232</b>	<b>3,427</b>	<b>4,659</b>
Income from investments	80	86	166
Mudarib's share	(28)	(30)	(58)
Wakala fees	(3,043)	(3,589)	(6,632)
Other income	100	75	175
<b>Net loss from takaful operations</b>	<b>(1,659)</b>	<b>(31)</b>	<b>(1,690)</b>

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 information

### 21 Segmental information

For the three month period ended 31 March 2016 (Unaudited)

	Medical AED'000	Non-medical AED'000	Total AED'000
<b>Takaful Income</b>			
Gross takaful contributions	14,939	44,055	58,994
Contribution ceded	(2,209)	(29,953)	(32,162)
Net takaful contributions	12,730	14,102	26,832
Net transfer to unearned contribution reserve	(4,265)	(4,030)	(8,295)
Net takaful contributions earned	8,465	10,072	18,537
Commissions earned	411	868	1,279
<b>Total takaful income</b>	<b>8,876</b>	<b>10,940</b>	<b>19,816</b>
<b>Takaful expenses</b>			
Gross claim paid	(24,581)	(26,645)	(51,226)
Retakaful share of claims paid	13,993	12,600	26,593
Net claims paid	(10,588)	(14,045)	(24,633)
Outstanding claims	6,048	10,269	16,317
Retakaful share of outstanding claims	(2,124)	(4,613)	(6,737)
Incurred but not reported-claims reserves – net	-	(169)	(169)
Unearned subscriptions – net	-	685	685
Unallocated loss adjustment expense reserve - net	-	35	35
Net takaful claims incurred	(6,664)	(7,838)	(14,502)
Commission expenses	(977)	(945)	(1,922)
Other underwriting expenses - net	(817)	(127)	(944)
<b>Total takaful expenses</b>	<b>(8,458)</b>	<b>(8,910)</b>	<b>(17,368)</b>
<b>Net takaful income</b>	<b>418</b>	<b>2,030</b>	<b>2,448</b>
Wakala fees	(1,683)	(5,397)	(7,080)
Income from Investments	3	14	17
Other income	6	81	87
<b>Net loss from takaful operations</b>	<b>(1,256)</b>	<b>(3,272)</b>	<b>(4,528)</b>

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 information

### 22 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
<b>31 March 2017 (Unaudited)</b>				
Investments at fair value through profit or loss	19,161	-	-	19,161
Financial assets available for sale	8,962	-	-	8,962
	<u>28,123</u>	<u>-</u>	<u>-</u>	<u>28,123</u>
<b>31 December 2016 (Audited)</b>				
Investments at fair value through profit or loss	13,430	-	-	13,430
	<u>13,430</u>	<u>-</u>	<u>-</u>	<u>13,430</u>

During the period / year there were no transfers between fair value hierarchy levels.

#### (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.