

**National Takaful Company (Watania) P.J.S.C.**

Condensed interim financial information

*For the three month period ended 31 March 2018*

**Principal business address:**  
National Takaful Company (Watania) PJSC  
P O Box: 6457  
Abu Dhabi  
UAE

# **National Takaful Company (Watania) P.J.S.C.**

## **Condensed interim financial information**

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## **DIRECTOR'S STATEMENT FOR THE PERIOD ENDED MARCH 31, 2018**

The Board of Directors is pleased to share its statement for the quarter ended March 31, 2018 together with the condensed interim Financial Statements as at that date.

### **Q1FY18:**

The Company delivered positive results in Q1FY18 where growth in contribution maintained the momentum of 2017, claims and combined ratio showed further improvement, investment income was stable and profits grew substantially. Key highlights of the results were:

- Gross Written Contribution increased by 78% in Q1FY18 as compared to Q1FY17. The growth achieved during the quarter was broad-based with all the major lines delivering impressive growth.
- The claims ratio during the quarter showed further improvement and settled at 58.9% as compared to 72.8% in Q1FY17.
- The expense ratio at 20.9% increased slightly during the quarter but was within the budget.
- Due to reduction in claims and expense ratio, the combined operating ratio (COR) improved to 95.8% in Q1FY18 from 104.6% in Q1FY17.
- Policyholders investment income improved from AED 166k to AED 423k due to increase in the investment book and better portfolio mix.
- The Company made profits of AED 1.9mn from its insurance operations due to the combination of all the above factors.
- The Shareholder's investment income was AED 1.6mn as compared to AED 1.5mn in Q1FY17.
- The Company achieved net profit of AED 3.6mn in Q1FY18 as compared to a small profit of AED 33k in Q1FY17. Annualized return on equity was 16.8%.

### **Looking to the future:**

The year 2018 has started on a positive note for the Company where all the key operating metrics were in-line with the objectives. The Company delivered its highest ever quarterly profit of AED 3.6mn. We expect to build on further to the positive results achieved in FY17 and Q1FY18. Our strategy of 'Back to Basics' which comprised of segmentation and effective pricing, consistency in delivering service in line with customer's expectations and a motivated team has been very successful. I am confident that we will be able to build on it to meet the challenges and grasp the opportunities that lie ahead by enhancing the value of our products and the services that we provide to our policyholders.

Managing GCC focussed investment book continues to be a challenge due to political and economic factors. However, we are optimistic about the positive changes that are taking place in UAE and we are confident that our investment portfolio will generate better returns in the remaining period of 2018.

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

For

Ali Saeed Bin Harmel Al Dhaheri  
Chairman



KPMG Lower Gulf Limited  
Level 19, Nation Tower 2  
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Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

## **Independent Auditors' Report**

To the Shareholders of National Takaful Company (Watania) P.J.S.C.

### **Report on Review of Condensed Interim Financial Information**

#### *Introduction*

We have reviewed the accompanying 31 March 2018 condensed interim financial information of National Takaful Company (Watania) P.J.S.C. (the "Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2018;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2018;
- the condensed interim statement of changes in shareholders' equity for the three-month period ended 31 March 2018;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2018; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and fair presentation of these 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.



**National Takaful Company (Watania) P.J.S.C.**  
*Independent auditors' report*  
31 March 2018

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, *'Interim Financial Reporting'*.

KPMG Lower Gulf Limited

A handwritten signature in black ink, appearing to read 'Richard Ackland'.

Richard Ackland  
Registration No: 1015  
Abu Dhabi, United Arab Emirates  
Date: **02 MAY 2018**

# National Takaful Company (Watania) P.J.S.C.

## Condensed interim statement of financial position

as at

		<i>(Unaudited)</i>	<i>(Audited)</i>
		<b>31 March</b>	31 December
		<b>2018</b>	2017
	<i>Note</i>	<b>AED'000</b>	AED'000
<b>Assets</b>			
<b>Takaful operations' assets</b>			
<b>(attributable to participants)</b>			
Investments at fair value through profit or loss	9	17,740	19,783
Deferred policy acquisition cost		14,107	12,571
Retakaful and reinsurance share of unearned contributions	13	67,771	59,264
Retakaful and reinsurance share of claims	13	50,494	38,436
Advances, deposits and other assets		4,857	5,871
Due from shareholders	17	27,129	27,172
Takaful and retakaful receivables	5	86,684	68,385
Restricted bank deposits	6	6,700	6,700
Wakala deposits	7	52,500	30,500
Cash and cash equivalents	8	26,279	18,885
<b>Total takaful assets</b>		<b>354,261</b>	<b>287,567</b>
<b>Shareholders' assets</b>			
Property and equipment		1,248	924
Investments - held to maturity	10	30,921	20,287
Financial assets available for sale	11	20,092	12,353
Investments at fair value through profit or loss	9	15,487	27,771
Investment properties	12	30,358	30,358
Statutory deposit		6,000	6,000
Advances, deposits and other assets		5,151	3,760
Restricted bank deposits	6	8,545	8,545
Cash and cash equivalents	8	5,865	8,615
<b>Total shareholders assets</b>		<b>123,667</b>	<b>118,613</b>
<b>Total assets</b>		<b>477,928</b>	<b>406,180</b>

*Continued....*

# National Takaful Company (Watania) P.J.S.C.

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

as at

		<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
	<i>Note</i>		
<b>Liabilities</b>			
<b>Takaful operations' liabilities</b> <b>(attributable to participants)</b>			
Takaful and retakaful payables		<b>66,055</b>	43,858
Takaful contract liabilities	13	<b>273,033</b>	232,049
Other liabilities		<b>13,874</b>	11,660
VAT output payables - net	15	<b>1,299</b>	-
<b>Total takaful liabilities</b>		<b>354,261</b>	287,567
<b>Shareholders' liabilities</b>			
Other liabilities		<b>4,955</b>	2,788
End of service benefits		<b>3,936</b>	3,576
Due to policyholders	17	<b>27,129</b>	27,172
<b>Total shareholders' liabilities</b>		<b>36,020</b>	33,536
<b>Participants' account</b>			
Property and liability takaful fund	16	<b>(133,386)</b>	(133,445)
Qard hasan – financed by shareholders	16	<b>133,386</b>	133,445
<b>Total deficit in participants' account</b>		<b>-</b>	-
<b>Shareholders' equity</b>			
Share capital	14	<b>150,000</b>	150,000
Legal reserve		<b>801</b>	801
Fair value reserve		<b>(2,712)</b>	(1,714)
Accumulated losses		<b>(60,442)</b>	(64,010)
<b>Total shareholders' equity</b>		<b>87,647</b>	85,077
<b>Total shareholders' equity and liabilities</b> <b>and takaful liabilities</b>		<b>477,928</b>	406,180

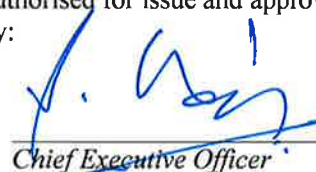
The condensed interim financial information of the Company was authorised for issue and approved by the Board of Directors on 02 MAY 2018, and signed on their behalf by:

for

Chairman



Chief Executive Officer



The notes set out on pages 10 to 22 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) P.J.S.C.

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

	Note	2018 AED'000	2017 AED'000
<b>Takaful income</b>			
Gross takaful contributions	22	103,074	57,916
Contributions ceded	22	(37,658)	(16,313)
<b>Net takaful contributions</b>		<b>65,416</b>	<b>41,603</b>
Net transfer to unearned contributions reserve	22	(19,401)	(9,213)
<b>Net takaful contributions earned</b>		<b>46,015</b>	<b>32,390</b>
Commissions earned	22	1,849	1,069
<b>Total takaful income</b>		<b>47,864</b>	<b>33,459</b>
<b>Takaful expenses</b>			
Gross claims paid	22	(40,066)	(30,768)
Retakaful share of claims paid	22	13,990	9,257
<b>Net claims paid</b>		<b>(26,076)</b>	<b>(21,511)</b>
Outstanding claims	22	(13,025)	(5,501)
Retakaful share of outstanding claims	22	11,814	1,830
Incurred but not reported claims – net	22	262	502
Unearned subscriptions – net	22	-	1,197
Unallocated loss adjustment expense reserve – net	22	(69)	(104)
<b>Net takaful claims incurred</b>		<b>(27,094)</b>	<b>(23,587)</b>
Commissions expense	22	-	(3,753)
Other underwriting expenses - net	22	(2,978)	(1,460)
<b>Total takaful expenses</b>		<b>(30,072)</b>	<b>(28,800)</b>
<b>Net takaful income</b>		<b>17,792</b>	<b>4,659</b>
Income from investments	22	423	166
Mudarib's share	22	(148)	(58)
Wakala fees	22	(18,038)	(6,632)
Other income	22	30	175
<b>Net income / (loss) from takaful operations</b>	22	<b>59</b>	<b>(1,690)</b>

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## National Takaful Company (Watania) P.J.S.C.

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

	Note	2018 AED'000	2017 AED'000
<b>Other revenues</b>			
Investments income – net	20	1,644	1,531
Wakala fees	19	18,038	6,632
Mudarib's share		148	58
		<u>19,830</u>	<u>8,221</u>
<b>Other expenses</b>			
General and administrative expenses	21	(9,629)	(6,498)
Commissions expense		(6,692)	-
		<u>3,509</u>	<u>1,723</u>
Income / (loss) from takaful operations	22	59	(1,690)
<b>Net profit for the period</b>		<u><u>3,568</u></u>	<u><u>33</u></u>
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Change in fair value of financial assets available for sale		(1,244)	(189)
Impairment on financial assets available for sale		246	-
		<u>(998)</u>	<u>(189)</u>
<b>Other comprehensive loss for the period</b>		<u>(998)</u>	<u>(189)</u>
<b>Total comprehensive income / (loss) for the period</b>		<u><u>2,570</u></u>	<u><u>(156)</u></u>
Earnings per ordinary share (AED)		<u><u>0.024</u></u>	<u><u>0.0002</u></u>

The notes set out on pages 10 to 22 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) P.J.S.C.

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

	Share capital AED'000	Legal reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
As at 1 January 2017 ( <i>Audited</i> )	150,000	39	-	(70,864)	79,175
<i>Total comprehensive income for the period</i>					
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)	-
As at 31 March 2017 ( <i>Unaudited</i> )	150,000	42	(189)	(70,834)	79,019
As at 1 January 2018 ( <i>Audited</i> )	150,000	801	(1,714)	(64,010)	85,077
<i>Total comprehensive income for the period</i>					
Profit for the period	-	-	-	3,568	3,568
Other comprehensive loss for the period	-	-	(998)	-	(998)
Total comprehensive (loss) / income for the period	-	-	(998)	3,568	2,570
As at 31 March 2018 ( <i>Unaudited</i> )	150,000	801	(2,712)	(60,442)	87,647

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## National Takaful Company (Watania) P.J.S.C.

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

	Note	2018 AED'000	2017 AED'000
<b>Operating activities</b>			
Profit for the period		3,568	33
<b>Adjustment for:</b>			
Depreciation and amortisation		141	160
Income from investments		(1,644)	(1,531)
Provision for end of service benefits		360	394
Provision for impairment of takaful and retakaful receivables	5	150	-
Impairment on financial assets available for sale	11	246	-
		<u>2,821</u>	<u>(944)</u>
<b>Changes in:</b>			
Takaful and retakaful receivables	5	(18,449)	204
Advances, deposit and other assets		630	(754)
Takaful and retakaful payables		22,197	(7,536)
Takaful contract liabilities	13	40,984	16,975
Retakaful contract assets	13	(20,565)	(5,686)
Deferred policy acquisition costs		(1,536)	(1,798)
Other liabilities		4,381	199
Vat output payables	15	1,299	-
		<u>31,762</u>	<u>660</u>
<b>Cash from operating activities</b>		<b>31,762</b>	<b>660</b>
Payment for end of service benefits		-	(44)
		<u>-</u>	<u>(44)</u>
<b>Net cash from operating activities</b>		<b>31,762</b>	<b>616</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(465)	(26)
Change in investments - net		(5,290)	(15,977)
Income received from investments, including restricted deposits		637	887
Change in restricted bank deposits	6	-	2,400
Change in wakala deposits	7	(22,000)	(8,000)
		<u>(27,118)</u>	<u>(20,716)</u>
<b>Net cash used in investing activities</b>		<b>(27,118)</b>	<b>(20,716)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>4,644</b>	<b>(20,100)</b>
Cash and cash equivalents at the beginning of the period		27,500	43,710
		<u>27,500</u>	<u>43,710</u>
<b>Cash and cash equivalents at the end of the period</b>	8	<b>32,144</b>	<b>23,610</b>
		<u><u>32,144</u></u>	<u><u>23,610</u></u>

The notes set out on pages 10 to 22 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) P.J.S.C.

## 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 concerning establishment of the insurance authority and organisation of its operations, and is registered with the Insurance Companies Register of Insurance Authority of U.A.E. under registration no. (90).

### 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 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The results for three month period ended 31 March 2018 are not necessarily indicative of the results for the year ending 31 December 2018.

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 has aligned its operations with the requirements set out in the regulations.

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

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

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

These condensed interim 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) P.J.S.C.

## 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 2017.

#### *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 16 <i>Leases</i>	1 January 2019
IFRS 17 <i>Insurance Contracts</i>	1 January 2021

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.

The Company decided to use the deferral approach on the application of IFRS 9 until the earlier of the effective date of the new insurance contracts standard of 1 January 2021.

### 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 2017.

### 5 Takaful and retakaful receivables

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Takaful and retakaful receivables	<b>89,019</b>	70,570
Less: allowance for impairment of takaful and retakaful receivables	<b>(2,335)</b>	(2,185)
Net takaful and retakaful receivables	<b>86,684</b>	68,385
Movement of allowance for impairment of takaful and retakaful receivables is as follows:		
At beginning of the period / year	<b>2,185</b>	1,886
Provided during the period / year	<b>150</b>	299
At end of the period / year	<b>2,335</b>	2,185

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 6 Restricted bank deposits

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Takaful operations' assets	<b>6,700</b>	6,700
Shareholders' assets	<b>8,545</b>	8,545
	<u><b>15,245</b></u>	<u>15,245</u>

Restricted bank deposits are held in margin accounts to issue takaful business related performance and tender bonds. These deposits carry a profit rate of 2.1% to 2.25% (31 December 2017: 2.00% to 2.35%) per annum.

### 7 Wakala deposits

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Takaful operations' assets	<b>52,500</b>	30,500
	<u><b>52,500</b></u>	<u>30,500</u>

The above wakala deposits carry a profit rate of 1.80% to 3.00% per annum. Certain wakala deposits are lien marked against the mudaraba financing facility of AED 14 million (31 December 2017: AED 14 million) obtained by the Company which carry a profit rate of 3.10% (31 December 2017: 3.10%) per annum.

### 8 Cash and cash equivalents

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Cash on hand	<b>26</b>	29
Cash at banks – current accounts	<b>32,118</b>	27,471
	<u><b>32,144</b></u>	<u>27,500</u>
Takaful operations' assets	<b>26,279</b>	18,885
Shareholders' assets	<b>5,865</b>	8,615
	<u><b>32,144</b></u>	<u>27,500</u>

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

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

	<i>(Unaudited)</i> <b>31 March 2018 AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
<b>Held for trading</b>		
Sukuk – Takaful operations' assets	17,740	19,783
Sukuk – Shareholders' assets	12,308	21,221
Quoted equity securities – shareholders' assets	3,179	6,550
	<u>33,227</u>	<u>47,554</u>

The geographical distribution of investments is as follows:

	<i>(Unaudited)</i> <b>31 March 2018 AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Inside UAE	16,512	22,478
Outside UAE	16,715	25,076
	<u>33,227</u>	<u>47,554</u>

### 10 Investments – held to maturity

	<i>(Unaudited)</i> <b>31 March 2018 AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Sukuk – shareholders' assets	30,921	20,287

The geographical distribution of investments is as follows:

	<i>(Unaudited)</i> <b>31 March 2018 AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Inside UAE	17,677	13,993
Outside UAE	13,244	6,294
	<u>30,921</u>	<u>20,287</u>

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

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 11 Financial assets available for sale

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Quoted equity securities – shareholders' assets	<b>20,092</b>	12,353
	<u><b>20,092</b></u>	<u>12,353</u>

The geographical distribution of equity securities is as follows:

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Inside UAE	<b>12,919</b>	7,210
Outside UAE	<b>7,173</b>	5,143
	<u><b>20,092</b></u>	<u>12,353</u>

#### Impairment on financial assets available for sale:

The Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Based on these criteria, the Company identified an impairment on its quoted financial assets available for sale if AED 246 thousand (31 December 2017: AED Nil).

### 12 Investment properties

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
Balance as at 1 January <i>(Audited)</i>	<b>30,358</b>	24,400
Purchased during the period / year	-	7,395
Revaluation gain during the period / year	-	(1,437)
	<u><b>30,358</b></u>	<u>30,358</u>



# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

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

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<b>31 March</b>	31 December
	<b>2018</b>	2017
	<b>AED'000</b>	AED'000
<b>Takaful contract liabilities</b>		
Outstanding claims reserve	76,283	63,258
Incurred but not reported – claims reserve	19,245	19,263
Unallocated loss adjusted expense	1,642	1,573
Unearned contributions	175,863	147,955
	<u>273,033</u>	<u>232,049</u>
<b>Reinsurance and retakaful contract assets</b>		
Outstanding claims reserve	41,419	29,605
Incurred but not reported – claims reserve	9,075	8,831
	<u>50,494</u>	<u>38,436</u>
Retakaful and reinsurance share of claims	50,494	38,436
	<u>50,494</u>	<u>38,436</u>
Retakaful and reinsurance share of unearned contributions	67,771	59,264
	<u>67,771</u>	<u>59,264</u>
	<u>118,265</u>	<u>97,700</u>
<b>Takaful liabilities - net</b>		
Outstanding claims reserve	34,864	33,653
Incurred but not reported – claims reserve	10,170	10,432
Unallocated loss adjusted expense	1,642	1,573
Unearned contributions	108,092	88,691
	<u>154,768</u>	<u>134,349</u>

### 14 Share capital

	<i>(Unaudited)</i>	<i>(Audited)</i>
	<b>31 March</b>	31 December
	<b>2018</b>	2017
	<b>AED'000</b>	AED'000
<i>Authorised, issued and fully paid up capital</i>		
150,000,000 shares of AED 1 each	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 15 Value added tax

“UAE Federal Law No. (8) of 2017 being the Value Added Tax Law (“VAT Law”) was issued on 23 August 2017 and has come into force on 1 January 2018.

The Company issues non-life Takaful insurance contracts which are taxable under VAT Law. The liability is stated net of tax recoverable against taxable goods and service procured by the Company.”

### 16 Policyholders’ fund

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED’000</b>	<i>(Audited)</i> 31 December 2017 AED’000
<i>Deficit in policyholders’ fund</i>		
Balance at the beginning of the period / year	<b>(133,445)</b>	(119,600)
Surplus / (deficit) for the period / year	<b>59</b>	(13,845)
	<u><b>(133,386)</b></u>	<u>(133,445)</u>
<i>Qard Hasan from shareholders</i>		
Balance at the beginning of the period / year	<b>133,445</b>	119,600
(Paid) / provided during the period / year	<b>(59)</b>	13,845
	<u><b>133,386</b></u>	<u>133,445</u>
Total deficit in participants’ account	<u><u>-</u></u>	<u><u>-</u></u>

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

### 17 Due from shareholders and due to policyholders

	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED’000</b>	<i>(Audited)</i> 31 December 2017 AED’000
Qard Hasan (note 15)	<b>133,386</b>	133,445
<i>Less:</i>		
Wakala fee receivables	<b>(58,961)</b>	(52,685)
Transfers and payments to takaful operations	<b>(47,296)</b>	(53,588)
	<u><b>27,129</b></u>	<u>27,172</u>

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 18 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:

	<i>(Unaudited)</i> <i>Three-month</i> <i>period</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Unaudited)</i> <i>Three-month</i> <i>period</i> 31 March 2017 AED'000
<b>Transactions with related parties</b>		
Compensation to key management		
- Short term benefits	<u>504</u>	<u>504</u>
- Long term benefits	<u>79</u>	<u>79</u>
Expenses charged to related party – net	<u>306</u>	<u>394</u>
	<i>(Unaudited)</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Audited)</i> 31 December 2017 AED'000
<b>Balances with related parties</b>		
Receivables from a related party - net	<u>1,190</u>	<u>828</u>
Bank balances with a related party	<u>3,522</u>	<u>2,305</u>
Sukuk investment	<u>9,909</u>	<u>9,909</u>
Accrued profit	<u>211</u>	<u>211</u>
Equity investment in a related party	<u>934</u>	<u>900</u>

### 19 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 2018, wakala fee has been charged at 17.5% (31 March 2017: 12.0%).

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 20 Investment income - net

	<i>(Unaudited)</i> <i>Three-month</i> <i>period</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Unaudited)</i> <i>Three-month</i> <i>period</i> 31 March 2017 AED'000
Profit on wakala deposits and sukuk	<b>529</b>	786
Dividends income	<b>964</b>	386
Unrealised loss on investments at fair value through profit or loss	<b>(179)</b>	(3)
Realised gains on sale of investments	<b>216</b>	15
Asset management expenses	<b>(35)</b>	(7)
Rental income from investment property - net	<b>404</b>	361
Impairment loss on financial assets available for sale	<b>(246)</b>	-
Other investment loss	<b>(9)</b>	(7)
	<b>1,644</b>	1,531

### 21 General and administrative expenses

	<i>(Unaudited)</i> <i>Three-month</i> <i>period</i> <b>31 March</b> <b>2018</b> <b>AED'000</b>	<i>(Unaudited)</i> <i>Three-month</i> <i>period</i> 31 March 2017 AED'000
Staff costs	<b>7,613</b>	5,123
Rent and service charges	<b>390</b>	357
Office stationary and maintenance	<b>202</b>	174
IT maintenance costs	<b>564</b>	373
Audit, legal and other professional expenses	<b>362</b>	287
Depreciation and amortisation	<b>141</b>	160
Impairment of takaful and retakaful receivables ( <i>note 5</i> )	<b>150</b>	-
Other expenses	<b>207</b>	24
	<b>9,629</b>	6,498

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 22 Segmental information

For the three-month period ended 30 March 2018 (Unaudited)

	Medical AED'000	Non-medical AED'000	Total AED'000
<b>Takaful income</b>			
Gross takaful contributions	55,999	47,075	103,074
Contribution ceded	(30,281)	(7,377)	(37,658)
<b>Net takaful contributions</b>	<b>25,718</b>	<b>39,698</b>	<b>65,416</b>
Net transfer to unearned contribution reserve	(11,783)	(7,618)	(19,401)
<b>Net takaful contributions earned</b>	<b>13,935</b>	<b>32,080</b>	<b>46,015</b>
Commissions earned	546	1,303	1,849
<b>Total takaful income</b>	<b>14,481</b>	<b>33,383</b>	<b>47,864</b>
<b>Takaful expenses</b>			
Gross claim paid	(21,802)	(18,264)	(40,066)
Retakaful share of claims paid	13,936	54	13,990
<b>Net claims paid</b>	<b>(7,866)</b>	<b>(18,210)</b>	<b>(26,076)</b>
Outstanding claims	(6,592)	(6,433)	(13,025)
Retakaful share of outstanding claims	5,947	5,867	11,814
Incurred but not reported claims – net	(452)	714	262
Unallocated loss adjustment expense reserve - net	(50)	(19)	(69)
<b>Net takaful claims incurred</b>	<b>(9,013)</b>	<b>(18,081)</b>	<b>(27,094)</b>
Other underwriting expenses – net	(1,828)	(1,150)	(2,978)
<b>Total takaful expenses</b>	<b>(10,841)</b>	<b>(19,231)</b>	<b>(30,072)</b>
<b>Net takaful income</b>	<b>3,640</b>	<b>14,152</b>	<b>17,792</b>
Income from investments	218	205	423
Mudarib's share	(76)	(72)	(148)
Wakala fees	(9,360)	(8,678)	(18,038)
Other income	-	30	30
<b>Net (loss) / income from takaful operations</b>	<b>(5,578)</b>	<b>5,637</b>	<b>59</b>

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

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 22 Segmental information

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

	Medical AED'000	Non-medical AED'000	Total AED'000
Takaful income			
Gross takaful contributions	28,008	29,908	57,916
Contribution ceded	(8,761)	(7,552)	(16,313)
Net takaful contributions	19,247	22,356	41,603
Net transfer to unearned contribution reserve	(1,081)	(8,132)	(9,213)
Net takaful contributions earned	18,166	14,224	32,390
Commissions earned	282	787	1,069
Total takaful income	18,448	15,011	33,459
Takaful expenses			
Gross claim paid	(22,313)	(8,455)	(30,768)
Retakaful share of claims paid	8,086	1,171	9,257
Net claims paid	(14,227)	(7,284)	(21,511)
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)
Net takaful claims incurred	(14,549)	(9,038)	(23,587)
Commission expenses	(1,657)	(2,096)	(3,753)
Other underwriting expenses - net	(1,010)	(450)	(1,460)
Total takaful expenses	(17,216)	(11,584)	(28,800)
Net takaful income	1,232	3,427	4,659
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
Net loss from takaful operations	(1,659)	(31)	(1,690)

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

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 23 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 2018 (Unaudited)</b>				
Investments at fair value				
through profit or loss	33,227	-	-	33,227
Financial assets available for sale	20,092	-	-	20,092
	<u>53,319</u>	<u>-</u>	<u>-</u>	<u>53,319</u>
<b>31 December 2017 (Audited)</b>				
Investments at fair value				
through profit or loss	47,554	-	-	47,554
Financial assets available for sale	12,353	-	-	12,353
	<u>59,907</u>	<u>-</u>	<u>-</u>	<u>59,907</u>

During the period / year there was 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.

# National Takaful Company (Watania) P.J.S.C.

## Notes to the condensed interim financial information

### 24 Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities.

At 31 March 2017 (Unaudited)

	FVTPL investments AED'000	Financial assets available for sale AED'000	Amortised cost AED'000	Total carrying amount AED'000
<b><u>Financial assets</u></b>				
Investments	33,227	20,092	30,921	84,240
Due from shareholders	-	-	27,129	27,129
Takaful and retakaful receivables	-	-	86,684	86,684
Statutory deposit	-	-	6,000	6,000
Restricted bank deposits	-	-	15,245	15,245
Wakala deposits	-	-	52,500	52,500
Cash and cash equivalents	-	-	32,144	32,144
Deposits and other receivables	-	-	2,714	2,714
	<u>33,227</u>	<u>20,092</u>	<u>253,337</u>	<u>306,656</u>
<b><u>Financial liabilities</u></b>				
Takaful and retakaful payables	-	-	66,055	66,055
Due to policyholders	-	-	27,129	27,129
Other liabilities	-	-	14,175	14,175
	<u>-</u>	<u>-</u>	<u>107,359</u>	<u>107,359</u>

At 31 December 2017 (Audited)

	FVTPL investments AED'000	Financial assets available for sale AED'000	Amortised cost AED'000	Total carrying amount AED'000
<b><u>Financial assets</u></b>				
Investments	47,554	12,353	20,287	80,194
Due from shareholders	-	-	27,172	27,172
Takaful and retakaful receivables	-	-	68,385	68,385
Statutory deposit	-	-	6,000	6,000
Restricted bank deposits	-	-	15,245	15,245
Wakala deposits	-	-	30,500	30,500
Cash and cash equivalents	-	-	27,500	27,500
Deposits and other receivables	-	-	1,706	1,706
	<u>47,554</u>	<u>12,353</u>	<u>196,795</u>	<u>256,702</u>
<b><u>Financial liabilities</u></b>				
Takaful and retakaful payables	-	-	43,858	43,858
Due to policyholders	-	-	27,172	27,172
Other liabilities	-	-	9,638	9,638
	<u>-</u>	<u>-</u>	<u>80,668</u>	<u>80,668</u>