

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

**REVIEW REPORT AND INTERIM CONDENSED
FINANCIAL STATEMENTS**

31 MARCH 2020 (UNAUDITED)



DIRECTOR'S STATEMENT FOR THE PERIOD ENDED MARCH 31, 2020

The Board of Directors is pleased to share its report for the period ended March 31, 2020 together with the Financial Statements as at that date.

Key highlights of the results are:

- Gross Written Contribution (GWC) increased by 8.2% in Q1 FY20 as compared to Q1 FY19. The growth in GWC was led by Motor and Medical which grew by 17.2% and 5.3%, respectively over Q1 FY19.
- The claims ratio for Q1 FY20 increased to 68.4% as compared to 60.1% in Q1 FY19 due to increased claims activity in Motor and Medical line of business.
- The expense ratio in Q1 FY20 came down to 16% as compared to 17.4% in Q1 FY19.
- The increase in claims ratio was offset by the reduction in expense & commission ratio due to which the combined operating ratio closed at 99.8%.
- Investment income for the period was AED 2.2mn compared to AED1.4mn in Q1, 2019.
- The Company achieved net profit of AED 2.3mn in Q1 FY20.

GWP growth for the first quarter was on track however the operating performance was impacted by increased claims activity in the Motor and Medical book. This is not unusual in the first quarter of any growing book and in the absence of any unusual pattern we expect this to even out over the remaining quarters and stabilize our Combined Operating Ratio.

The Investment market saw sharp decline in Q1-2020 due to COVID-19. The Company's equity portfolio witnessed similar fall as was seen in the regional equity markets. Profit rates on Islamic deposits have also come down during the quarter. Although we have seen some pull back in equities from April 2020 onwards, however we believe the recovery ahead would be slow and gradual.

PO Box 6457, Abu Dhabi, United Arab Emirates.
Tel: +971 2 013 8988
Fax: +971 2 013 8980
E-mail: info@watania.ae

شركة الوطن للتكافل الوطنية
هاتف: 02 013 8988
فاكس: 02 013 8980
بريد إلكتروني: info@watania.ae

www.watania.ae
800-WATANIA(9282642)



These are unprecedented times for UAE and rest of the world. As we see normalization of activities it is clear that economic recovery will take time. Our country's leadership in controlling the pandemic has been exemplary and we believe this will help UAE economy to bounce back sooner than many others. There is always an opportunity that is waiting to be discovered during such crises. We have managed our core business profitably and we are optimistic about our future.

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.

Ali Saeed Bin Harmel Al Dhaheri
Chairman
National Takaful Company (Watania)

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

DIRECTORS' REPORT

31 MARCH 2020

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

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2020



Building a better
working world

Ernst & Young
P.O. Box: 136
27th Floor, Nation Tower 2
Abu Dhabi Corniche
Abu Dhabi, United Arab Emirates

Tel: +971 2 417 4400
Fax: +971 2 627 3383
abudhabi@ae.ey.com
ey.com/mena

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF NATIONAL TAKAFUL COMPANY (WATANIA) P.J.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of National Takaful Company (Watania) P.J.S.C. (the "Company") as at 31 March 2020, comprising of the interim statement of financial position as at 31 March 2020 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by:

Raed Ahmad
Partner
Ernst & Young
Registration No 811

29 June 2020
Abu Dhabi

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

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2020

	Notes	31 March 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
ASSETS			
Takaful operations' assets			
Investments carried at fair value through other comprehensive income	12	21,976	-
Financial assets designated as available for sale	11	-	11,490
Investments carried at fair value through profit or loss	10	-	10,942
Deferred policy acquisition cost		18,052	15,633
Retakaful share of unearned contribution	13	72,830	61,882
Retakaful share of claims	13	58,563	52,400
Advances, deposits and other assets		6,686	5,448
Contributions and retakaful balances receivables	5	121,414	102,958
Restricted bank deposits	6	15,249	15,249
Wakala deposits	7	41,500	40,500
Due from shareholders	16	7,500	3,246
Cash and cash equivalents	8	55,694	39,051
Total takaful operations' assets		419,464	358,799
Shareholders' assets			
Property and equipment		1,117	1,073
Intangible assets		1,244	1,085
Right-of-use assets	9	9,038	9,303
Investments carried at fair value through other comprehensive income	12	41,196	-
Financial assets designated as available for sale	11	-	38,400
Investments carried at fair value through profit or loss	10	-	14,214
Investment properties		23,400	23,400
Statutory deposit	4	6,000	6,000
Advances, deposits and other assets		3,028	2,332
Restricted bank deposits	6	2,000	2,000
Wakala deposits	7	5,000	13,325
Cash and cash equivalents	8	15,233	6,383
Total shareholders' assets		107,256	117,521
TOTAL ASSETS		526,720	476,320
Liabilities			
Takaful operations' liabilities			
Takaful and retakaful payables		84,387	61,395
Takaful contract liabilities	13	309,820	273,702
Unearned retakaful commission income		7,874	6,661
Other liabilities		17,383	17,041
Total takaful operations' liabilities		419,464	358,799
Shareholders' liabilities			
Other liabilities		4,637	4,812
Employees' end of service benefits		7,137	6,564
Due to policyholders	16	7,500	3,246
Lease liabilities	9	8,296	9,201
Total shareholders' liabilities		27,570	23,823
Total liabilities		447,034	382,622
Participants' account			
Property and liability takaful fund	15	(172,296)	(156,897)
Qard hasan – financed by shareholders	15	172,296	156,897
Revaluation reserve		(109)	100
Total (deficit) surplus in participants' account		(109)	100
Shareholders' equity			
Share capital	14	150,000	150,000
Legal reserve		2,766	2,766
Revaluation reserve		(20,564)	(4,911)
Accumulated losses		(52,407)	(54,257)
Total shareholders' equity		79,795	93,598
TOTAL LIABILITIES, PARTICIPANTS' ACCOUNT AND SHAREHOLDERS' EQUITY		526,720	476,320

Chairman

Chief Executive Officer

The attached notes 1 to 25 form an integral part of these interim condensed financial information.

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

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 (Unaudited) AED'000	2019 (Unaudited) AED'000
Attributable to policyholders'			
Gross contributions written	18	118,748	109,794
Retakaful contributions ceded	18	<u>(44,520)</u>	<u>(43,194)</u>
Net takaful contributions		74,228	66,600
Change in net unearned contributions reserve		<u>(19,792)</u>	<u>(23,543)</u>
Net takaful contributions earned	18	54,436	43,057
Commissions earned		<u>3,317</u>	<u>1,892</u>
Gross takaful income		<u>57,753</u>	<u>44,949</u>
Gross claims paid		(59,617)	(51,590)
Retakaful share of claims paid		<u>21,605</u>	<u>23,682</u>
Net claims paid		(38,012)	(27,908)
Change in gross outstanding claims reserve		(5,229)	(34,989)
Change in retakaful share of outstanding claims reserve		5,708	37,598
Change in net incurred but not reported claims reserve		279	(578)
Change in unallocated loss adjustment expense reserve		<u>27</u>	<u>(10)</u>
Net takaful claims incurred		(37,227)	(25,887)
Other underwriting expenses		<u>(3,359)</u>	<u>(2,885)</u>
Total takaful expenses		<u>(40,586)</u>	<u>(28,772)</u>
Net takaful income		17,167	16,177
Policyholders' investments income		745	702
Wakala fees	19	(33,248)	(19,214)
Mudarib's share		(261)	(246)
Other income (expense)		<u>198</u>	<u>(31)</u>
Deficit of takaful result for the period		<u>(15,399)</u>	<u>(2,612)</u>
Attributable to shareholders'			
Shareholders' investments and other income, net	20	1,424	719
Wakala fees from policyholders	19	33,248	19,214
Mudarib's share from policyholders		261	246
General and administrative expenses	21	(8,574)	(7,457)
Commissions expense		(8,578)	(6,155)
Finance cost		(110)	(27)
Deficit from takaful operations		<u>(15,399)</u>	<u>(2,612)</u>
NET PROFIT FOR THE PERIOD		<u>2,272</u>	<u>3,928</u>
Basic and diluted earnings per share	22	<u>0.02</u>	<u>0.03</u>

The attached notes 1 to 25 form an integral part of these interim condensed financial information.

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2020

	Note	Three months ended 31 March	
		2020 (Unaudited) AED'000	2019 (Unaudited) AED'000
Net profit for the period		2,272	3,928
Other comprehensive loss			
<i>Items that will not be reclassified subsequently to statement of income:</i>			
Change in fair value of investments carried at fair value through other comprehensive income	12	(15,497)	-
<i>Items that will be reclassified subsequently to statement of income:</i>			
Change in fair value of financial assets designated as available for sale		-	(1,213)
Impairment on financial assets designated as available for sale		-	647
Other comprehensive loss for the period		(15,497)	(566)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(13,225)	3,362

The attached notes 1 to 25 form an integral part of these interim condensed financial information.

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

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2020

	<i>Share capital</i> AED'000	<i>Legal reserve</i> AED'000	<i>Revaluation reserve</i> AED'000	<i>Accumulated losses</i> AED'000	<i>Total shareholders' equity</i> AED'000
As at 1 January 2019 (Audited)	150,000	2,035	(2,790)	(52,901)	96,344
Profit for the period	-	-	-	3,928	3,928
Other comprehensive loss for the period	-	-	(566)	-	(566)
Total comprehensive income for the period	-	-	(566)	3,928	3,362
Dividends declared	-	-	-	(7,500)	(7,500)
As at 31 March 2019 (Unaudited)	<u>150,000</u>	<u>2,035</u>	<u>(3,356)</u>	<u>(56,473)</u>	<u>92,206</u>
As at 1 January 2020 (Audited)	150,000	2,766	(4,911)	(54,257)	93,598
Transition adjustment on adoption of IFRS 9 (note 3.1)	-	-	-	(578)	(578)
As at 1 January 2020 (adjusted)	150,000	2,766	(4,911)	(54,835)	93,020
Profit for the period	-	-	-	2,272	2,272
Other comprehensive loss for the period	-	-	(15,497)	-	(15,497)
Total comprehensive loss for the period	-	-	(15,497)	2,272	(13,225)
Transfer to retained earnings on disposal of investments carried at fair value through other comprehensive income	-	-	(156)	156	-
As at 31 March 2020 (Unaudited)	<u>150,000</u>	<u>2,766</u>	<u>(20,564)</u>	<u>(52,407)</u>	<u>79,795</u>

The attached notes 1 to 25 form an integral part of these interim condensed financial information.

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

INTERIM STATEMENT OF CASHFLOWS (UNAUDITED)

For the period ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 (Unaudited) AED'000	2019 (Unaudited) AED'000
OPERATING ACTIVITIES			
Profit for the peirod		2,272	3,928
Adjustment for:			
Unearned contributions reserve, net		19,792	23,543
Change in gross outstanding claims and claims incurred but not reported reserves		5,378	35,471
Change in retakaful share of outstanding claims and claims incurred but not reported reserves		(6,163)	(37,492)
Change in fair value of investments carried at fair value through profit or loss	20	-	91
Loss on sale of investments	20	-	21
Impairment loss on financial assets designated as available for sale	20	-	647
Depreciation of property and equipment and right-of-use assets and amortisation of intangible assets	21	504	543
Provision for end of service benefits		573	445
Provision for impairment of contributions and retakaful receivables	5 & 21	364	39
Finance cost		110	27
Dividend income		(765)	(724)
		<u>22,065</u>	<u>26,539</u>
Working changes in:			
Contributions and retakaful receivables		(19,069)	(36,318)
Advances, deposit and other assets		(1,934)	(1,201)
Takaful and retakaful payables		22,992	3,602
Deferred policy acquisition cost		(2,419)	(1,831)
Unearned retakaful commission income		1,213	1,125
Other liabilities		167	40
		<u>23,015</u>	<u>(8,044)</u>
Net cash flows from (used in) operating activities		<u>23,015</u>	<u>(8,044)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(186)	(21)
Purchase of intangible assets		(256)	(6)
Purchase of investments		(8,076)	(232)
Proceeds from disposal of investments		3,921	2,908
Restricted and wakala deposits		7,325	8,217
Dividends received		765	724
		<u>3,493</u>	<u>11,590</u>
Net cash flows from investing activities		<u>3,493</u>	<u>11,590</u>
FINANCING ACTIVITY			
Right-of-use instalment paid	9	(1,015)	(214)
		<u>(1,015)</u>	<u>(214)</u>
Net cash used in financing activity		<u>(1,015)</u>	<u>(214)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>25,493</u>	<u>3,332</u>
Cash and cash equivalents at the beginning of the period		<u>45,434</u>	<u>33,276</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	<u>70,927</u>	<u>36,608</u>

The attached notes 1 to 25 form an integral part of these financial statements.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

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).

The accompanying interim condensed financial statements of the Company for the period ended 31 March 2020 have been authorised for issue in accordance with a resolution of the Board of Directors on 28 June 2020.

2 BASIS OF PREPARATION

Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2019. In addition, results for the period ended 31 March 2020 are not necessarily indicative of the results for the year ending 31 December 2020.

The interim condensed financial statements have been prepared on the historical cost basis except for the investments carried at fair value through other comprehensive income and investment properties.

The interim condensed financial statements are presented in United Arab Emirates Dirhams (“AED”), being the functional and presentation currency of the Company.

Use of estimates and judgement

The preparation of these interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the financial statements as at and for the year ended 31 December 2019.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2019, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to references to the Conceptual Framework for Financial Reporting.
- Amendment to IFRS 3 regarding the definition of business.
- Amendment to IFRS 7, IFRS 9 and IAS 39 regarding the interest rate benchmark reforms.
- Amendments to IAS 1 and IAS 8 regarding the definition of materiality.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.1 VOLUNTARY CHANGE IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company had initially opted for the temporary exemption allowed under IFRS 9 for companies predominately in insurance business, as all requirements to do so were met. During the prior year, management decided to adopt the standard as at 1 January 2020, and following is the transitional impact on adoption.

Classification and measurement of financial assets

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

IFRS 9 requires the Company to consider two criteria when determining the measurement basis for investments held as financial assets:

- (i) its business model for managing those financial assets; and
- (ii) cash flow characteristics of the assets.

Based on these criteria, financial assets are measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

In addition, the Company may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. This designation is also available to existing financial assets.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2020, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2020. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

In line with the IFRS 9 transition provisions, the Company has elected to record an adjustment to its opening 1 January 2020 retained earnings to reflect the application of the new requirements of Impairment, Classification and Measurement at the adoption date without restating comparative information.

The effect of adopting IFRS 9 as at 1 January 2020 was, as follows:

	<i>31 December 2019 AED'000</i>	<i>Reclassification AED'000</i>	<i>IFRS 9 impact AED'000</i>	<i>1 January 2020 AED'000</i>
Financial assets designated as available-for-sale	<u>49,896</u>	<u>(49,896)</u>	<u>-</u>	<u>-</u>
Investments carried at fair value through profit or loss	<u>25,156</u>	<u>(25,156)</u>	<u>-</u>	<u>-</u>
Investment carried at fair value through other comprehensive income	<u>-</u>	<u>75,052</u>	<u>(329)</u>	<u>74,723</u>
Contribution and retakaful balances receivables	<u>102,709</u>	<u>-</u>	<u>(249)</u>	<u>102,460</u>
Accumulated losses – equity component	<u>-</u>	<u>-</u>	<u>578</u>	<u>578</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

3 SIGNIFICANT ACCOUNTING POLICIES continued

3.1 VOLUNTARY CHANGE IN ACCOUNTING POLICIES continued

IFRS 9 Financial Instruments continued

Impairment of financial assets

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at fair value through other comprehensive income, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IFRS 16 Leases.

Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach is applied whereby the lifetime ECL are always recognised.

The following table reconciles the impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2020:

	<i>31 December 2019 AED'000</i>	<i>IFRS 9 impact AED'000</i>	<i>1 January 2020 AED'000</i>
Contribution and retakaful balances receivables (note 5)	7,863	249	8,112
Investment in sukuks (note 12)	<u>-</u>	<u>329</u>	<u>329</u>
	<u>7,863</u>	<u>578</u>	<u>8,441</u>

4 STATUTORY DEPOSIT

In accordance with the requirements of Federal Law No. (6) of 2007, regarding the establishment of the Insurance Authority and Insurance Operations, the Company maintains a bank deposit of AED 6,000 thousand which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a bank in UAE, carrying a profit rate of 3.25% per annum (31 December 2019: 3.25% per annum).

5 CONTRIBUTION AND RETAKAFUL BALANCES RECEIVABLES

	<i>(Unaudited) 31 March 2020 AED'000</i>	<i>(Audited) 31 December 2019 AED'000</i>
Due from participants	107,741	86,879
Due from takaful and retakaful operators	13,202	12,494
Due from brokers and agents	<u>8,947</u>	<u>11,448</u>
	129,890	110,821
Less: allowance for expected credit losses	<u>(8,476)</u>	<u>(7,863)</u>
Net contributions and retakaful receivables	<u>121,414</u>	<u>102,958</u>

As at 31 March 2020, contributions and retakaful balances receivables at a nominal value of AED 8,476 thousand (31 December 2019: AED 7,863 thousand) were impaired.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

5 CONTRIBUTION AND RETAKAFUL BALANCES RECEIVABLES continued

Movement of allowance for expected credit losses of contributions and retakaful receivables is as follows:

	<i>(Unaudited)</i> 31 March 2020 <i>AED'000</i>	<i>(Audited)</i> 31 December 2019 <i>AED'000</i>
At beginning of the period/ year	7,863	7,121
IFRS 9 transition adjustment (note 3.1)	<u>249</u>	<u>-</u>
	8,112	7,121
Charge for the period/ year (note 21)	<u>364</u>	<u>742</u>
At end of the period/ year	<u>8,476</u>	<u>7,863</u>

6 RESTRICTED BANK DEPOSITS

	<i>(Unaudited)</i> 31 March 2020 <i>AED'000</i>	<i>(Audited)</i> 31 December 2019 <i>AED'000</i>
Takaful operations' assets	15,249	15,249
Shareholders' assets	<u>2,000</u>	<u>2,000</u>
	<u>17,249</u>	<u>17,249</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 2.16% to 3.0% (31 December 2019: 2.16% to 3.0%) per annum.

7 WAKALA DEPOSITS

	<i>(Unaudited)</i> 31 March 2020 <i>AED'000</i>	<i>(Audited)</i> 31 December 2019 <i>AED'000</i>
Takaful operations' assets	41,500	40,500
Shareholders' assets	<u>5,000</u>	<u>13,325</u>
	<u>46,500</u>	<u>53,825</u>

The above wakala deposits carry a profit rate of 1.85% to 4.3% (31 December 2019: 2.3% to 4.35%) per annum.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

8 CASH AND CASH EQUIVALENTS

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Cash on hand	20	20
Cash at banks – current accounts	<u>70,907</u>	<u>45,414</u>
	<u>70,927</u>	<u>45,434</u>
Takaful operations' assets	55,694	39,051
Shareholders' assets	<u>15,233</u>	<u>6,383</u>
	<u>70,927</u>	<u>45,434</u>

The geographical distribution of cash and cash equivalents is as follows:

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Inside UAE	70,927	42,821
Outside UAE	<u>-</u>	<u>2,613</u>
	<u>70,927</u>	<u>45,434</u>

9 RIGHT-OF-USE ASSETS / LEASE LIABILITIES

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Right-of-use-assets		
Balance at the beginning of the period / year	9,303	10,362
Depreciation expense	<u>(265)</u>	<u>(1,059)</u>
Balance at the end of the period / year	<u>9,038</u>	<u>9,303</u>
Lease liabilities		
Balance at the beginning of the period / year	9,201	10,043
Interest expense	110	484
Payments	<u>(1,015)</u>	<u>(1,326)</u>
Balance at the end of the period / year	<u>8,296</u>	<u>9,201</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

10 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Held for trading		
Sukuk – Takaful operations' assets	—	<u>10,942</u>
Sukuk – Shareholders' assets	-	9,909
Quoted equity securities – shareholders' assets	—	<u>4,305</u>
	—	<u>14,214</u>
	—	<u>25,156</u>

The geographical distribution of investments is as follows:

Inside UAE	-	15,247
Outside UAE	—	<u>9,909</u>
	—	<u>25,156</u>

The movement in investments carried at fair value through profit or loss is as follows:

At 1 January	25,156	24,887
Reclassified on adoption of IFRS 9 (note 3.1)	(25,156)	-
Additions	-	5,102
Disposals	-	(4,989)
Change in fair value	—	<u>156</u>
	—	<u>25,156</u>

11 FINANCIAL ASSETS DESIGNATED AS AVAILABLE FOR SALE

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Sukuk – takaful operation's assets	-	11,490
Quoted equity securities – shareholders' assets	—	<u>38,406</u>
	—	<u>49,896</u>

The geographical distribution of investments is as follows:

Inside UAE	-	44,607
Outside UAE	—	<u>5,289</u>
	—	<u>49,896</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

11 FINANCIAL ASSETS DESIGNATED AS AVAILABLE FOR SALE continued

The movement in financial assets designated as available for sale is as follows:

	<i>(Unaudited)</i> 31 March 2020 <i>AED'000</i>	<i>(Audited)</i> 31 December 2019 <i>AED'000</i>
At 1 January	49,896	42,464
Reclassified on adoption of IFRS 9 (note 3.1)	(49,896)	-
Additions	-	26,883
Disposals	-	(16,951)
Change in fair value	<u>-</u>	<u>(2,500)</u>
	<u><u>-</u></u>	<u><u>49,896</u></u>

12 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>(Unaudited)</i> 31 March 2020 <i>AED'000</i>	<i>(Audited)</i> 31 December 2019 <i>AED'000</i>
Takaful operation's assets		
Sukuk	22,027	-
Less: allowance for expected credit losses	<u>(51)</u>	<u>-</u>
	<u>21,976</u>	<u>-</u>
Shareholders' assets		
Sukuk	9,909	-
Less: allowance for expected credit losses	<u>(278)</u>	<u>-</u>
	<u>9,631</u>	<u>-</u>
Quoted equity securities – shareholders' assets	<u>31,565</u>	<u>-</u>
	<u>41,196</u>	<u>-</u>
	<u>63,172</u>	<u><u>-</u></u>

The movement of allowance for impairment of investment in Sukuks is as follows:

At beginning of the period / year	-	-
IFRS 9 transition adjustment (note 3.1)	<u>329</u>	<u>-</u>
At end of the period / year	<u><u>329</u></u>	<u><u>-</u></u>

The geographical distribution of investments is as follows:

Inside UAE	43,891	-
Outside UAE	<u>19,281</u>	<u>-</u>
	<u>63,172</u>	<u><u>-</u></u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

12 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME continued

The movement in investments carried at fair value through other comprehensive income is as follows:

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
At 1 January	-	-
IFRS 9 transition adjustment (note 3.1)	74,723	-
Additions	8,076	-
Disposals	(3,921)	-
Change in fair value	<u>(15,706)</u>	<u>-</u>
	<u>63,172</u>	<u>-</u>
Change in fair value is allocated as follows:		
Shareholders' assets	(15,497)	-
Takaful operations' assets	<u>(209)</u>	<u>-</u>
	<u>(15,706)</u>	<u>-</u>

13 RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITIES

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Gross takaful contract liabilities		
Outstanding claims reserve	86,151	80,922
Incurred but not reported – claims reserve	22,300	22,124
Unallocated loss adjusted expense reserve	2,598	2,625
Unearned contributions reserve	198,771	167,821
Unearned subscription reserve (premium deficiency reserve)	<u>-</u>	<u>210</u>
	<u>309,820</u>	<u>273,702</u>
Retakaful contract assets:		
Outstanding claims reserve	48,533	42,825
Incurred but not reported – claims reserve	<u>10,030</u>	<u>9,575</u>
Retakaful share of claims	58,563	52,400
Retakaful share of unearned contributions reserve	<u>72,830</u>	<u>61,882</u>
	<u>131,393</u>	<u>114,282</u>
Takaful liabilities - net:		
Outstanding claims reserve	37,618	38,097
Incurred but not reported – claims reserve	12,270	12,549
Unallocated loss adjusted expense reserve	2,598	2,625
Unearned contributions reserve	125,941	105,939
Unearned subscription reserve (premium deficiency reserve)	<u>-</u>	<u>210</u>
	<u>178,427</u>	<u>159,420</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

14 SHARE CAPITAL

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 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>

15 POLICYHOLDERS' FUND

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
<i>Deficit in policyholders' fund:</i>		
Balance at the beginning of the period / year	(156,897)	(149,234)
Deficit for the period / year	<u>(15,399)</u>	<u>(7,663)</u>
	<u>(172,296)</u>	<u>(156,897)</u>
<i>Qard Hasan from shareholders:</i>		
Balance at the beginning of the period / year	156,897	149,234
Provided during the period / year	<u>15,399</u>	<u>7,663</u>
	<u>172,296</u>	<u>156,897</u>
Total participants' account, net	<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

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
Qard Hasan (note 15)	172,296	156,897
Less: Wakala fee receivables	(153,928)	(131,236)
Transfers and payments to takaful operations	<u>(10,868)</u>	<u>(22,415)</u>
	<u>7,500</u>	<u>3,246</u>

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:

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

17 RELATED PARTY TRANSACTIONS continued

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Unaudited)</i> 31 March 2019 AED'000
Transactions with related parties		
Compensation to key management:		
Short term benefits	<u>531</u>	<u>504</u>
Long term benefits	<u>86</u>	<u>78</u>
	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Audited)</i> 31 December 2019 AED'000
<i>Balances with related parties:</i>		
Payable to a related party	<u>(70)</u>	<u>(78)</u>
Sukuk investment	<u>9,909</u>	<u>9,909</u>

18 NET CONTRIBUTIONS

	<i>Gross contributions written</i> <i>AED'000</i> <i>a</i>	<i>Change in gross unearned contributions</i> <i>AED'000</i> <i>b</i>	<i>Gross contributions earned</i> <i>AED'000</i> <i>c = a - b</i>	<i>Retakaful contributions ceded</i> <i>AED'000</i> <i>d</i>	<i>Change in retakaful share of unearned contributions</i> <i>AED'000</i> <i>e</i>	<i>Retakaful contributions earned</i> <i>AED'000</i> <i>f = d - e</i>	<i>Net contributions earned</i> <i>AED'000</i> <i>g = c - f</i>
<i>For the three month ended 31 March 2020 (Unaudited)</i>							
Medical	71,063	21,776	49,287	27,221	6,286	20,935	28,352
Motor	36,886	7,762	29,124	10,486	3,878	6,608	22,516
Engineering	2,608	(604)	3,212	1,272	(286)	1,558	1,654
Property	3,107	1,012	2,095	2,245	619	1,626	469
Marine cargo & hull	610	161	449	453	107	346	103
Others	<u>4,474</u>	<u>633</u>	<u>3,841</u>	<u>2,843</u>	<u>344</u>	<u>2,499</u>	<u>1,342</u>
Total	<u>118,748</u>	<u>30,740</u>	<u>88,008</u>	<u>44,520</u>	<u>10,948</u>	<u>33,572</u>	<u>54,436</u>
<i>For the three month ended 31 March 2019 (Unaudited)</i>							
Medical	67,490	29,324	38,166	33,110	10,622	22,488	15,678
Motor	31,467	6,588	24,879	3,030	2,245	785	24,094
Engineering	2,545	(587)	3,132	1,213	(457)	1,670	1,462
Property	2,777	509	2,268	1,935	219	1,716	552
Marine cargo & hull	790	319	471	613	259	354	117
Others	<u>4,725</u>	<u>1,508</u>	<u>3,217</u>	<u>3,293</u>	<u>1,230</u>	<u>2,063</u>	<u>1,154</u>
Total	<u>109,794</u>	<u>37,661</u>	<u>72,133</u>	<u>43,194</u>	<u>14,118</u>	<u>29,076</u>	<u>43,057</u>

19 WAKALA FEES

The shareholders manage the takaful operations of the Company for the policyholders and charge a maximum of 35% of gross contributions written. During the period ended 31 March 2020, wakala fee has been charged at 28% (31 March 2019: 17.5%).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

20 SHAREHOLDERS' INVESTMENT AND OTHER INCOME

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Unaudited)</i> 31 March 2019 AED'000
Profit on wakala deposits and sukuk	342	340
Dividends income	765	724
Change in fair value of investments at fair value through profit or loss	-	(91)
Realised loss on sale of investments	-	(21)
Rental income from investment properties, net	317	414
Impairment loss on financial assets designated as available for sale	<u>-</u>	<u>(647)</u>
	<u>1,424</u>	<u>719</u>

21 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>(Unaudited)</i> 31 March 2020 AED'000	<i>(Unaudited)</i> 31 March 2019 AED'000
Staff costs	6,291	5,712
Rent and service charges	67	70
Office stationary and maintenance	214	190
IT maintenance costs	419	431
Audit, legal and other professional expenses	641	357
Depreciation and amortisation	504	543
Impairment of takaful and retakaful receivables (note 5)	364	39
Other expenses	<u>74</u>	<u>115</u>
	<u>8,574</u>	<u>7,457</u>

22 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit for the period by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

	<i>Three months ended</i> 31 March	
	2020	2019
Profit for the period (AED '000)	<u>2,272</u>	<u>3,928</u>
Weighted average number of ordinary shares outstanding during the period	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.02</u>	<u>0.03</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

23 SEGMENTAL INFORMATION

For the three-month period ended 31 March 2020 (Unaudited)

	<i>Medical AED'000</i>	<i>Non-medical AED'000</i>	<i>Total AED'000</i>
Takaful income			
Gross contributions written	71,063	47,685	118,748
Retakaful contribution ceded	<u>(27,221)</u>	<u>(17,299)</u>	<u>(44,520)</u>
Net takaful contributions	43,842	30,386	74,228
Change in net unearned contribution reserve	<u>(15,490)</u>	<u>(4,302)</u>	<u>(19,792)</u>
Net takaful contributions earned	28,352	26,084	54,436
Commissions earned	<u>357</u>	<u>2,960</u>	<u>3,317</u>
Gross takaful income	<u>28,709</u>	<u>29,044</u>	<u>57,753</u>
Gross claim paid	<u>(29,679)</u>	<u>(29,938)</u>	<u>(59,617)</u>
Retakaful share of claims paid	<u>15,840</u>	<u>5,765</u>	<u>21,605</u>
Net claims paid	<u>(13,839)</u>	<u>(24,173)</u>	<u>(38,012)</u>
Change in gross outstanding claims reserve	(7,999)	2,770	(5,229)
Change in retakaful share of outstanding claims reserve	2,947	2,761	5,708
Change in net incurred but not reported claims reserve	(135)	414	279
Change in unallocated loss adjustment expense reserve	<u>(42)</u>	<u>69</u>	<u>27</u>
Net takaful claims incurred	<u>(19,068)</u>	<u>(18,159)</u>	<u>(37,227)</u>
Other underwriting expenses	<u>(2,165)</u>	<u>(1,194)</u>	<u>(3,359)</u>
Total takaful expenses	<u>(21,233)</u>	<u>(19,353)</u>	<u>(40,586)</u>
Net takaful income	7,476	9,691	17,167
Policyholders' investment income	356	389	745
Wakala fees	<u>(19,091)</u>	<u>(14,157)</u>	<u>(33,248)</u>
Mudarib's share	<u>(125)</u>	<u>(136)</u>	<u>(261)</u>
Other income	<u>176</u>	<u>22</u>	<u>198</u>
Deficit of takaful result for the period	<u>(11,208)</u>	<u>(4,191)</u>	<u>(15,399)</u>

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 INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

23 SEGMENTAL INFORMATION continued

For the three-month period ended 31 March 2019 (Unaudited)

	<i>Medical</i> <i>AED'000</i>	<i>Non-medical</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Takaful income			
Gross contributions written	67,490	42,304	109,794
Retakaful contribution ceded	<u>(33,110)</u>	<u>(10,084)</u>	<u>(43,194)</u>
Net takaful contributions	34,380	32,220	66,600
Change in net unearned contribution reserve	<u>(18,702)</u>	<u>(4,841)</u>	<u>(23,543)</u>
Net takaful contributions earned	15,678	27,379	43,057
Commissions earned	<u>529</u>	<u>1,363</u>	<u>1,892</u>
Gross takaful income	<u>16,207</u>	<u>28,742</u>	<u>44,949</u>
Gross claims paid	<u>(34,289)</u>	<u>(17,301)</u>	<u>(51,590)</u>
Retakaful share of claims paid	<u>22,511</u>	<u>1,171</u>	<u>23,682</u>
Net claims paid	<u>(11,778)</u>	<u>(16,130)</u>	<u>(27,908)</u>
Change in gross outstanding claims reserve	5,579	(40,568)	(34,989)
Change in retakaful share of outstanding claims reserve	(2,998)	40,596	37,598
Change in net incurred but not reported claims reserve	96	(674)	(578)
Change in unallocated loss adjustment expense reserve	<u>39</u>	<u>(49)</u>	<u>(10)</u>
Net takaful claims incurred	(9,062)	(16,825)	(25,887)
Other underwriting expenses	<u>(1,989)</u>	<u>(896)</u>	<u>(2,885)</u>
Total takaful expenses	<u>(11,051)</u>	<u>(17,721)</u>	<u>(28,772)</u>
Net takaful income	5,156	11,021	16,177
Policyholders' investment income	393	309	702
Wakala fees	(10,918)	(8,296)	(19,214)
Mudarib's share	(138)	(108)	(246)
Other (expense) income	<u>(56)</u>	<u>25</u>	<u>(31)</u>
(Deficit) surplus of takaful result for the period	<u>(5,563)</u>	<u>2,951</u>	<u>(2,612)</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

24 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.

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:

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
31 March 2020 (Unaudited)				
Investments carried at fair value through other comprehensive income	<u>63,172</u>	—	—	<u>63,172</u>
	<u>63,172</u>	—	—	<u>63,172</u>
31 December 2019 (Audited)				
Investments at fair value through profit or loss	25,156	-	-	25,156
Financial assets designated as available for sale	<u>49,896</u>	—	—	<u>49,896</u>
	<u>75,052</u>	—	—	<u>75,052</u>

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

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 2020

25 IMPACT OF COVID 19

The outbreak of novel coronavirus (COVID-19) continues to progress and evolve, causing disruption to business and economic activity. During the period, there has been macro economic uncertainty with regards to prices and demand for commodities. However, the scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. As per internal assessment made by management, there is no material financial impact of COVID-19 on the Company's businesses for the three month period ended 31 March 2020, as the severity hit UAE by mid March 2020.

As the situation is fluid and rapidly evolving, management does not consider it practical to provide a quantitative estimate of the potential impact of this outbreak on the Company's interim condensed financial statements at this stage.