

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

REVIEW REPORT AND INTERIM CONDENSED  
FINANCIAL STATEMENTS

30 SEPTEMBER 2020 (UNAUDITED)

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

DIRECTORS' REPORT

30 SEPTEMBER 2020

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## **DIRECTOR'S STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

The Board of Directors is pleased to share its report for the period ended September 30, 2020 together with the Financial Statements as at that date.

It is encouraging to note that our Company has maintained its profitability during these challenging times where the COVID19 pandemic has negatively impacted all businesses. This has been possible due to the agility of the Board and the Executive Management to adopt appropriate strategy in addressing these challenges. The company has achieved net profit of AED 17.8mn, 72% increase over corresponding period in 2019. This is supported by strong performance for underwriting as well as investments. The overall business has seen a downturn in line with the market conditions where the Gross Written Contribution has fallen by 7% over corresponding period 2019.

### **Key highlights of the results are:**

- Gross Written Contribution (GWC) of AED243mn compared to AED263mn in 2019. Fall in GDP and Aggregate Demand has led to negative growth.
- The claims ratio for 9MFY20 decreased to 55.8% as compared to 62.7% in 9MFY19 due to 3 months of lockdown. There has been an increase in claims activity in Q3 due to opening up of business.
- The expense ratio in 9MFY20 was 19.1% as compared to 18.2% in 9MFY19.
- Overall combined ratio stood at 92.1% in 9MFY20 as compared to 96.6% in 9MFY19.
- Investment income for the period was AED 5.3mn as compared to AED 5.4mn in 9MFY19.
- The Company achieved net profit of AED 17.8mn in 9MFY20 as compared to AED 10.0mn in 9MFY19.

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We expect macro-economic conditions to remain unchanged for rest of the year. This will mean negative impact on growth. However, we expect the Company to perform well in terms of profitability due to its judicious approach to business and managing costs.

Investment climate was better in Q3 as compared to the 1st 2 quarters of this financial year. Fixed income portfolio will continue to see deterioration in income due to the lower profit rates. Pressure on Real Estate yields intensified further in Q3FY20 with pressure being felt on both the sides – falling rentals and lower occupancy. Equity markets around the globe and the region recovered from the shocks of Q1 and Q2 which helped us recover majority of the losses which we incurred during the first half of the year. We will continue to focus on de-risking our investment portfolio and generating stable investment returns.

We continue to be optimistic about the Company's future in terms of growth and profitability. We believe we have made the right investment in infrastructure, IT and people over the last few years which will help us tide the current downturn in the global and regional economy.

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.

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**Dr. Ali Saeed Bin Harmel Aldhaferi**  
**Chairman**  
**National Takaful Company (Watania)**

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

INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2020

## **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 30 September 2020, comprising of the interim statement of financial position as at 30 September 2020 and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim statements of changes in equity and cash flows for the nine-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

9 November 2020  
Abu Dhabi

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

## INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

	Notes	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
<b>ASSETS</b>			
<b>Takaful operations' assets</b>			
Investments carried at fair value through other comprehensive income	12	52,157	-
Financial assets designated as available for sale	11	-	11,490
Investments carried at fair value through profit or loss	10	-	10,942
Investment properties		6,330	-
Deferred policy acquisition cost		14,471	15,633
Retakaful share of unearned contribution	13	59,357	61,882
Retakaful share of claims	13	55,624	52,400
Advances, deposits and other assets		5,077	5,448
Contributions and retakaful balances receivables	5	101,979	102,958
Restricted bank deposits	6	15,249	15,249
Wakala deposits	7	50,000	40,500
Due from shareholders	16	-	3,246
Cash and cash equivalents	8	<u>19,693</u>	<u>39,051</u>
<b>Total takaful operations' assets</b>		<b><u>379,937</u></b>	<b><u>358,799</u></b>
<b>Shareholders' assets</b>			
Property and equipment		1,248	1,073
Intangible assets		1,195	1,085
Right-of-use assets	9	8,509	9,303
Investments carried at fair value through other comprehensive income	12	32,241	-
Financial assets designated as available for sale	11	-	38,406
Investments carried at fair value through profit or loss	10	-	14,214
Investment properties		17,070	23,400
Statutory deposit	4	6,000	6,000
Advances, deposits and other assets		3,043	2,332
Restricted bank deposits	6	2,000	2,000
Wakala deposits	7	-	13,325
Due from policyholders	16	29,132	-
Cash and cash equivalents	8	<u>17,735</u>	<u>6,383</u>
<b>Total shareholders' assets</b>		<b><u>118,173</u></b>	<b><u>117,521</u></b>
<b>TOTAL ASSETS</b>		<b><u>498,110</u></b>	<b><u>476,320</u></b>
<b>Liabilities</b>			
<b>Takaful operations' liabilities</b>			
Takaful and retakaful payables		77,959	61,395
Takaful contract liabilities	13	253,742	273,702
Unearned retakaful commission income		7,291	6,661
Due to shareholders	16	29,132	-
Other liabilities		<u>11,813</u>	<u>17,041</u>
<b>Total takaful operations' liabilities</b>		<b><u>379,937</u></b>	<b><u>358,799</u></b>
<b>Shareholders' liabilities</b>			
Other liabilities		5,396	4,812
Employees' end of service benefits		7,403	6,564
Due to policyholders	16	-	3,246
Lease liabilities	9	<u>8,091</u>	<u>9,201</u>
<b>Total shareholders' liabilities</b>		<b><u>20,890</u></b>	<b><u>23,823</u></b>
<b>Total liabilities</b>		<b><u>400,827</u></b>	<b><u>382,622</u></b>
<b>Participants' account</b>			
Property and liability takaful fund	15	(172,321)	(156,897)
Qard hasan – financed by shareholders	15	172,321	156,897
Revaluation reserve		<u>2,958</u>	<u>100</u>
<b>Total surplus in participants' account</b>		<b><u>2,958</u></b>	<b><u>100</u></b>
<b>Shareholders' equity</b>			
Share capital	14	150,000	150,000
Legal reserve		2,766	2,766
Revaluation reserve		(12,841)	(4,911)
Accumulated losses		<u>(45,600)</u>	<u>(54,257)</u>
<b>Total shareholders' equity</b>		<b><u>94,325</u></b>	<b><u>93,598</u></b>
<b>TOTAL LIABILITIES, PARTICIPANTS' ACCOUNT AND SHAREHOLDERS' EQUITY</b>		<b><u>498,110</u></b>	<b><u>476,320</u></b>

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 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 (Unaudited) AED'000	2019 (Unaudited) AED'000	2020 (Unaudited) AED'000	2019 (Unaudited) AED'000
<b>Attributable to policyholders'</b>					
Gross contributions written	18	49,689	76,168	243,422	262,786
Retakaful contributions ceded	18	(21,317)	(28,719)	(97,210)	(101,965)
<b>Net takaful contributions</b>		<b>28,372</b>	<b>47,449</b>	<b>146,212</b>	<b>160,821</b>
Change in net unearned contributions reserve		<u>22,389</u>	<u>13</u>	<u>12,287</u>	<u>(23,152)</u>
<b>Net takaful contributions earned</b>	18	<b>50,761</b>	<b>47,462</b>	<b>158,499</b>	<b>137,669</b>
Commissions earned		<u>2,783</u>	<u>2,806</u>	<u>9,538</u>	<u>7,030</u>
<b>Gross takaful income</b>		<b>53,544</b>	<b>50,268</b>	<b>168,037</b>	<b>144,699</b>
Gross claims paid		(43,212)	(90,978)	(159,551)	(178,631)
Retakaful share of claims paid		<u>19,701</u>	<u>59,356</u>	<u>62,715</u>	<u>99,031</u>
<b>Net claims paid</b>		<b>(23,511)</b>	<b>(31,622)</b>	<b>(96,836)</b>	<b>(79,600)</b>
Change in gross outstanding claims reserve		(9,587)	34,727	4,925	(14,826)
Change in retakaful share of outstanding claims reserve		3,026	(33,331)	2,469	9,347
Change in net incurred but not reported claims reserve		338	(342)	222	(1,035)
Change in unallocated loss adjustment expense reserve		<u>(171)</u>	<u>40</u>	<u>756</u>	<u>(250)</u>
<b>Net takaful claims incurred</b>		<b>(29,905)</b>	<b>(30,528)</b>	<b>(88,464)</b>	<b>(86,364)</b>
Other underwriting expenses		<u>(3,592)</u>	<u>(2,882)</u>	<u>(11,445)</u>	<u>(9,142)</u>
<b>Total takaful expenses</b>		<b>(33,497)</b>	<b>(33,410)</b>	<b>(99,909)</b>	<b>(95,506)</b>
<b>Net takaful income</b>		<b>20,047</b>	<b>16,858</b>	<b>68,128</b>	<b>49,193</b>
Policyholders' investments income		602	696	1,855	2,283
Wakala fees	19	(17,391)	(18,083)	(85,198)	(59,683)
Mudarib's share		(210)	(244)	(649)	(799)
Other income		<u>81</u>	<u>(82)</u>	<u>440</u>	<u>321</u>
<b>Surplus (deficit) of takaful result for the period</b>		<b><u>3,129</u></b>	<b><u>(855)</u></b>	<b><u>(15,424)</u></b>	<b><u>(8,685)</u></b>
<b>Attributable to shareholders'</b>					
Shareholders' investments and other income, net	20	790	1,050	3,443	3,080
Wakala fees from policyholders	19	17,391	18,083	85,198	59,683
Mudarib's share from policyholders		210	244	649	799
General and administrative expenses	21	(11,617)	(8,045)	(29,897)	(24,800)
Commissions expense		(8,589)	(7,348)	(25,873)	(19,789)
Finance cost		(110)	(146)	(331)	(280)
Surplus (deficit) from takaful operations		<u>3,129</u>	<u>(855)</u>	<u>(15,424)</u>	<u>(8,685)</u>
<b>Net profit for the period</b>		<b><u>1,204</u></b>	<b><u>2,983</u></b>	<b><u>17,765</u></b>	<b><u>10,008</u></b>
<b>Basic and diluted earnings per share</b>	22	<b><u>0.01</u></b>	<b><u>0.02</u></b>	<b><u>0.12</u></b>	<b><u>0.07</u></b>

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 30 September 2020

	Note	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
		<i>2020</i> <i>(Unaudited)</i> <i>AED'000</i>	<i>2019</i> <i>(Unaudited)</i> <i>AED'000</i>	<i>2020</i> <i>(Unaudited)</i> <i>AED'000</i>	<i>2019</i> <i>(Unaudited)</i> <i>AED'000</i>
<b>Net profit for the period</b>		<b>1,204</b>	2,983	<b>17,765</b>	10,008
<b>Other comprehensive income (loss)</b>					
<i>Items that will not be reclassified</i> <i>subsequently to statement of income:</i>					
Change in fair value of investments carried at fair value through other comprehensive income	12	<b>5,608</b>	-	<b>(7,460)</b>	-
Board of directors' remuneration		-	-	-	(435)
<i>Items that will be reclassified subsequently</i> <i>to statement of statement of income:</i>					
Change in fair value of financial assets designated as available for sale		-	(631)	-	(1,532)
Impairment on financial assets designated as available for sale		<u>-</u>	<u>85</u>	<u>-</u>	<u>828</u>
<b>Other comprehensive income (loss) for the period</b>		<b><u>5,608</u></b>	<u>(546)</u>	<b><u>(7,460)</u></b>	<u>(1,139)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>6,812</u></b>	<u>2,437</u>	<b><u>10,305</u></b>	<u>8,869</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 CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2020

	<i>Share capital AED '000</i>	<i>Legal reserve AED '000</i>	<i>Revaluation reserve AED '000</i>	<i>Accumulated losses AED '000</i>	<i>Total shareholders' equity AED '000</i>
As at 1 January 2019 (Audited)	150,000	2,035	(2,790)	(52,901)	96,344
Profit for the period	-	-	-	10,008	10,008
Other comprehensive loss for the period	-	-	(704)	(435)	(1,139)
Total comprehensive income for the period	-	-	(704)	9,573	8,869
Dividends declared and paid (note 14)	-	-	-	(7,500)	(7,500)
As at 30 September 2019 (Unaudited)	<u>150,000</u>	<u>2,035</u>	<u>(3,494)</u>	<u>(50,828)</u>	<u>97,713</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	-	-	-	17,765	17,765
Other comprehensive loss for the period	-	-	(7,460)	-	(7,460)
Total comprehensive income for the period	-	-	(7,460)	17,765	10,305
Dividends declared and paid (note 14)	-	-	-	(9,000)	(9,000)
Disposal of investments carried at fair value through other comprehensive income	-	-	(470)	470	-
As at 30 September 2020 (Unaudited)	<u>150,000</u>	<u>2,766</u>	<u>(12,841)</u>	<u>(45,600)</u>	<u>94,325</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 30 September 2020

	<i>Notes</i>	<i>30 September 2020 AED'000</i>	<i>30 September 2019 AED'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>17,765</b>	10,008
Adjustment for:			
Unearned contributions reserve, net		<b>(12,287)</b>	23,152
Change in gross outstanding claims and claims incurred but not reported reserves		<b>(5,148)</b>	17,155
Change in retakaful share of outstanding claims and claims incurred but not reported reserves		<b>(3,224)</b>	(10,391)
Change in fair value of investments carried at fair value through profit or loss	20	-	140
Gain on sale of investments	20	-	(538)
Impairment loss on financial assets designated as available for sale	20	-	828
Depreciation of property and equipment and right-of-use assets and amortisation of intangible assets	21	<b>1,529</b>	1,542
Provision for end of service benefits		<b>1,292</b>	1,381
Provision for impairment of contributions and retakaful receivables	5 & 21	<b>969</b>	547
Finance cost		<b>331</b>	280
Dividend income	20	<b>(1,711)</b>	(1,369)
		<b>(484)</b>	42,735
Working changes in:			
Contribution and retakaful balances receivables		<b>(239)</b>	(37,727)
Advances, deposit and other assets		<b>(340)</b>	(1,534)
Takaful and retakaful payables		<b>16,564</b>	(953)
Deferred policy acquisition costs		<b>1,162</b>	(3,130)
Unearned retakaful commission income		<b>630</b>	-
Other liabilities		<b>(4,644)</b>	5,430
Cash from operating activities		<b>12,649</b>	4,821
Employees' end of service paid		<b>(453)</b>	(106)
Net cash from operating activities		<b><u>12,196</u></b>	<u>4,715</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(377)</b>	(122)
Purchase of intangible assets		<b>(643)</b>	(19)
Purchase of investments		<b>(40,968)</b>	(20,288)
Proceeds from disposal of investments		<b>26,691</b>	20,761
Dividends received		<b>1,711</b>	1,369
Restricted and wakala deposits		<b>3,825</b>	(2,504)
Net cash used in investing activities		<b><u>(9,761)</u></b>	<u>(803)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	14	<b>(9,000)</b>	(7,500)
Right-of-use instalment paid	9	<b>(1,441)</b>	(998)
Board of directors' remuneration paid		<b>-</b>	(435)
Net cash used in financing activities		<b><u>(10,441)</u></b>	<u>(8,933)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(8,006)</b>	(5,021)
Cash and cash equivalents at the beginning of the period		<b><u>45,434</u></b>	<u>33,276</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>8</b>	<b><u>37,428</u></b>	<u>28,255</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the period ended 30 September 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 30 September 2020 have been authorised for issue in accordance with a resolution of the Board of Directors on 9 November 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 30 September 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, which are carried at fair value.

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 IFRS 16: Covid-19 related rent concession.
- Amendments to IAS 1 and IAS 8 regarding the definition of materiality.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 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:

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 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 2.00% per annum (31 December 2019: 3.25% per annum).

**5 CONTRIBUTION AND RETAKAFUL BALANCES RECEIVABLES**

	<i>(Unaudited) 30 September 2020 AED'000</i>	<i>(Audited) 31 December 2019 AED'000</i>
Due from participants	<b>81,394</b>	86,879
Due from takaful and retakaful operators	<b>22,344</b>	12,494
Due from brokers and agents	<u>7,322</u>	<u>11,448</u>
	<b>111,060</b>	110,821
Less: allowance for expected credit losses	<u>(9,081)</u>	<u>(7,863)</u>
Net contributions and retakaful receivables	<u><b>101,979</b></u>	<u>102,958</u>

As at 30 September 2020, contributions and retakaful balances receivables at a nominal value of AED 9,081 thousand (31 December 2019: AED 7,863 thousand) were impaired.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 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> <b>30 September</b> 2020 <i>AED '000</i>	<i>(Audited)</i> <b>31 December</b> 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>
	<b>8,112</b>	<b>7,121</b>
Charge for the period/ year (note 21)	<u>969</u>	<u>742</u>
At end of the period/ year	<u><b>9,081</b></u>	<u><b>7,863</b></u>

**6 RESTRICTED BANK DEPOSITS**

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED '000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED '000</i>
Takaful operations' assets	15,249	15,249
Shareholders' assets	<u>2,000</u>	<u>2,000</u>
	<u><b>17,249</b></u>	<u><b>17,249</b></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 2.0% to 2.3% (31 December 2019: 2.16% to 3.0%) per annum.

**7 WAKALA DEPOSITS**

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED '000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED '000</i>
Takaful operations' assets	50,000	40,500
Shareholders' assets	<u>-</u>	<u>13,325</u>
	<u><b>50,000</b></u>	<u><b>53,825</b></u>

The above wakala deposits carry a profit rate of 2.0% to 4.3% (31 December 2019: 2.3% to 4.35%) per annum.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 2020

**8 CASH AND CASH EQUIVALENTS**

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED'000</i>
Cash on hand	20	20
Cash at banks – current accounts	<u>37,408</u>	<u>45,414</u>
	<u><b>37,428</b></u>	<u><b>45,434</b></u>
Takaful operations' assets	19,693	39,051
Shareholders' assets	<u>17,735</u>	<u>6,383</u>
	<u><b>37,428</b></u>	<u><b>45,434</b></u>

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

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED'000</i>
Inside UAE	37,427	42,821
Outside UAE	<u>1</u>	<u>2,613</u>
	<u><b>37,428</b></u>	<u><b>45,434</b></u>

**9 RIGHT-OF-USE ASSETS / LEASE LIABILITIES**

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED'000</i>
<b>Right-of-use-assets</b>		
Balance at the beginning of the period / year	9,303	10,362
Depreciation expense	<u>(794)</u>	<u>(1,059)</u>
Balance at the end of the period / year	<u><b>8,509</b></u>	<u><b>9,303</b></u>
<b>Lease liabilities</b>		
Balance at the beginning of the period / year	9,201	10,043
Interest expense	331	484
Payments	<u>(1,441)</u>	<u>(1,326)</u>
Balance at the end of the period / year	<u><b>8,091</b></u>	<u><b>9,201</b></u>



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 2020

**10 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<i>(Unaudited)</i> <b>30 September</b> <b>2020</b> <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> <b>2019</b> <i>AED'000</i>
<b>Held for trading</b>		
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><u>25,156</u></u>

The geographical distribution of investments is as follows:

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

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

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

**11 FINANCIAL ASSETS DESIGNATED AS AVAILABLE FOR SALE**

	<i>(Unaudited)</i> <b>30 September</b> <b>2020</b> <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> <b>2019</b> <i>AED'000</i>
Sukuk – takaful operation’s assets	-	11,490
Quoted equity securities – shareholders’ assets	—	<u>38,406</u>
	—	<u><u>49,896</u></u>

The geographical distribution of investments is as follows:

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

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 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> 30 September 2020 AED '000	<i>(Audited)</i> 31 December 2019 AED '000
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> 30 September 2020 AED '000	<i>(Audited)</i> 31 December 2019 AED '000
<b>Takaful operation's assets</b>		
Sukuk	23,186	-
Less: allowance for expected credit losses	<u>(51)</u>	<u>-</u>
	23,135	-
Quoted equity securities	<u>29,022</u>	<u>-</u>
	<u>52,157</u>	<u>-</u>
<b>Shareholders' assets</b>		
Sukuk	9,909	-
Less: allowance for expected credit losses	<u>(278)</u>	<u>-</u>
	9,631	-
Quoted equity securities	<u>22,610</u>	<u>-</u>
	<u>32,241</u>	<u>-</u>
<b>Total</b>	<u><b>84,398</b></u>	<u><b>-</b></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	72,147	-
Outside UAE	<u>12,251</u>	<u>-</u>
	<u><b>84,398</b></u>	<u><b>-</b></u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 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> <b>30 September</b> 2020 <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED'000</i>
At 1 January	-	-
IFRS 9 transition adjustment (note 3.1)	<b>74,723</b>	-
Additions	<b>40,968</b>	-
Disposals	<b>(26,691)</b>	-
Change in fair value	<b><u>(4,602)</u></b>	<u>-</u>
	<b><u>84,398</u></b>	<u>-</u>
Change in fair value is allocated as follows:		
Shareholders' assets	<b>(7,460)</b>	-
Takaful operations' assets	<b><u>2,858</u></b>	<u>-</u>
	<b><u>(4,602)</u></b>	<u>-</u>

**13 RETAKAFUL CONTRACT ASSETS AND TAKAFUL CONTRACT LIABILITIES**

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED'000</i>
<b>Gross takaful contract liabilities</b>		
Outstanding claims reserve	<b>75,997</b>	80,922
Incurred but not reported – claims reserve	<b>22,657</b>	22,124
Unallocated loss adjusted expense reserve	<b>1,869</b>	2,625
Unearned contributions reserve	<b>153,219</b>	167,821
Unearned subscription reserve (premium deficiency reserve)	<b><u>-</u></b>	<u>210</u>
	<b><u>253,742</u></b>	<u>273,702</u>
<b>Retakaful contract assets:</b>		
Outstanding claims reserve	<b>45,294</b>	42,825
Incurred but not reported – claims reserve	<b><u>10,330</u></b>	<u>9,575</u>
Retakaful share of claims	<b>55,624</b>	52,400
Retakaful share of unearned contributions reserve	<b><u>59,357</u></b>	<u>61,882</u>
	<b><u>114,981</u></b>	<u>114,282</u>
<b>Takaful liabilities - net:</b>		
Outstanding claims reserve	<b>30,703</b>	38,097
Incurred but not reported – claims reserve	<b>12,327</b>	12,549
Unallocated loss adjusted expense reserve	<b>1,869</b>	2,625
Unearned contributions reserve	<b>93,862</b>	105,939
Unearned subscription reserve (premium deficiency reserve)	<b><u>-</u></b>	<u>210</u>
	<b><u>138,761</u></b>	<u>159,420</u>

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 2020

### 14 SHARE CAPITAL

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED'000</i>
<i>Authorised, issued and fully paid up capital</i>		
150,000,000 shares of AED 1 each	<b><u>150,000</u></b>	<b><u>150,000</u></b>

On 21 April 2020 (2019: 26 March 2019), the Shareholders at the Annual General Assembly approved cash dividends of 0.06 fils per share (2019: 0.05 fils per share) amounting to AED 9,000 thousand (2019: AED 7,500 thousand).

### 15 POLICYHOLDERS' FUND

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED'000</i>
<i>Deficit in policyholders' fund:</i>		
Balance at the beginning of the period / year	<b>(156,897)</b>	(149,234)
Deficit for the period / year	<b><u>(15,424)</u></b>	<u>(7,663)</u>
	<b><u>(172,321)</u></b>	<b><u>(156,897)</u></b>
<i>Qard Hasan from shareholders:</i>		
Balance at the beginning of the period / year	<b>156,897</b>	149,234
Provided during the period / year	<b><u>15,424</u></b>	<u>7,663</u>
	<b><u>172,321</u></b>	<b><u>156,897</u></b>
Total participants' account, net	<b><u>—</u></b>	<b><u>—</u></b>

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

### 16 DUE FROM/TO SHAREHOLDERS AND DUE TO/FROM POLICYHOLDERS

	<i>(Unaudited)</i> <b>30 September</b> 2020 <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> 2019 <i>AED'000</i>
Qard Hasan (note 15)	<b>172,321</b>	156,897
Less: Wakala fee receivables	<b>(172,281)</b>	(131,236)
Transfers and payments to takaful operations	<b><u>(29,172)</u></b>	<u>(22,415)</u>
	<b><u>(29,132)</u></b>	<b><u>3,246</u></b>

During the period based on management's decision and approval obtained from the Sharia board, quoted equity securities and investment properties amounting to AED 21,187 thousand and AED 6,330 thousand respectively, were transferred from shareholder's assets to takaful operations' assets.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 2020

### 17 RELATED PARTY TRANSACTIONS continued

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> <b>30 September</b> <b>2020</b> <i>AED'000</i>	<i>(Unaudited)</i> <b>30 September</b> <b>2019</b> <i>AED'000</i>
<b>Transactions with related parties</b>		
Compensation to key management:		
Short term benefits	<u><b>1,593</b></u>	<u>1,584</u>
Long term benefits	<u><b>252</b></u>	<u>325</u>
	<i>(Unaudited)</i> <b>30 September</b> <b>2020</b> <i>AED'000</i>	<i>(Audited)</i> <b>31 December</b> <b>2019</b> <i>AED'000</i>
<i>Balances with related parties:</i>		
Payable to a related party	<u><b>(78)</b></u>	<u>(78)</u>
Sukuk investment	<u><b>9,631</b></u>	<u>9,909</u>

### 18 NET CONTRIBUTIONS

	<i>Gross contributions written</i> <i>AED'000</i> <i>a</i>	<i>Change in 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 nine month ended 30 September 2020 (Unaudited)</i>							
Medical	145,375	987	144,388	56,888	(2,378)	59,266	85,122
Motor	71,915	(12,932)	84,847	23,063	774	22,289	62,558
Engineering	7,575	(2,084)	9,659	4,124	(520)	4,644	5,015
Property	5,910	(781)	6,691	4,416	(649)	5,065	1,626
Marine cargo & hull	1,869	427	1,442	1,476	405	1,071	371
Others	<u>10,778</u>	<u>(429)</u>	<u>11,207</u>	<u>7,243</u>	<u>(157)</u>	<u>7,400</u>	<u>3,807</u>
Total	<u>243,422</u>	<u>(14,812)</u>	<u>258,234</u>	<u>97,210</u>	<u>(2,525)</u>	<u>99,735</u>	<u>158,499</u>
<i>For the nine month ended 30 September 2019 (Unaudited)</i>							
Medical	151,964	25,992	125,972	68,496	1,485	67,011	58,961
Motor	81,429	8,191	73,238	14,592	9,962	4,630	68,608
Engineering	8,304	(1,224)	9,528	3,780	(1,191)	4,971	4,557
Property	6,958	298	6,660	5,324	229	5,095	1,565
Marine cargo & hull	1,870	311	1,559	1,428	286	1,142	417
Others	<u>12,261</u>	<u>2,024</u>	<u>10,237</u>	<u>8,345</u>	<u>1,669</u>	<u>6,676</u>	<u>3,561</u>
Total	<u>262,786</u>	<u>35,592</u>	<u>227,194</u>	<u>101,965</u>	<u>12,440</u>	<u>89,525</u>	<u>137,669</u>

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 2020

### 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 30 September 2020, wakala fee has been charged at 35% (30 September 2019: 22.7%).

### 20 SHAREHOLDERS' INVESTMENT AND OTHER INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>(Unaudited)</i> <i>30 September</i> <i>2020</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2019</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2020</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2019</i> <i>AED'000</i>
Profit on wakala deposits and sukuk	255	420	879	1,107
Dividends income	280	192	1,711	1,369
Change in fair value of investments				
at fair value through profit or loss	-	(9)	-	(140)
Realised gains on sale of investments	-	235	-	538
Rental income from investment properties, net	258	297	869	1,034
Impairment loss on financial assets				
designated as available for sale	-	(85)	-	(828)
Asset management expenses	(3)	-	(16)	-
	<u>790</u>	<u>1,050</u>	<u>3,443</u>	<u>3,080</u>

### 21 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>(Unaudited)</i> <i>30 September</i> <i>2020</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2019</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2020</i> <i>AED'000</i>	<i>(Unaudited)</i> <i>30 September</i> <i>2019</i> <i>AED'000</i>
Staff costs	8,675	6,075	22,059	18,699
Rent and service charges	53	58	176	192
Office stationery and maintenance	190	192	612	609
IT maintenance costs	860	417	1,600	1,134
Audit, legal and other professional expenses	750	373	1,805	1,309
Director remuneration	-	-	519	-
Depreciation and amortisation	511	466	1,529	1,542
Impairment of takaful and				
retakaful receivables (note 5)	350	205	969	547
Other expenses	228	259	628	768
	<u>11,617</u>	<u>8,045</u>	<u>29,897</u>	<u>24,800</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 2020

**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>		<i>Nine months ended</i>	
	<i>30 September (Unaudited)</i>		<i>30 September (Unaudited)</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Profit for the period (AED '000)	<u><b>1,204</b></u>	<u>2,983</u>	<u><b>17,765</b></u>	<u>10,008</u>
Weighted average number of ordinary shares outstanding during the period	<u><b>150,000,000</b></u>	<u>150,000,000</u>	<u><b>150,000,000</b></u>	<u>150,000,000</u>
Basic and diluted earnings per share (AED)	<u><b>0.01</b></u>	<u>0.02</u>	<u><b>0.12</b></u>	<u>0.07</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 2020

23 SEGMENTAL INFORMATION

For the nine-month period ended 30 September 2020 (Unaudited)

	<i>Medical</i> <i>AED'000</i>	<i>Non-medical</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>Takaful income</b>			
Gross contributions written	145,375	98,047	243,422
Retakaful contribution ceded	<u>(56,888)</u>	<u>(40,322)</u>	<u>(97,210)</u>
<b>Net takaful contributions</b>	88,487	57,725	146,212
Change in net unearned contribution reserve	<u>(3,365)</u>	<u>15,652</u>	<u>12,287</u>
<b>Net takaful contributions earned</b>	85,122	73,377	158,499
Commissions earned	<u>900</u>	<u>8,638</u>	<u>9,538</u>
<b>Gross takaful income</b>	<u>86,022</u>	<u>82,015</u>	<u>168,037</u>
Gross claim paid	(94,884)	(64,667)	(159,551)
Retakaful share of claims paid	<u>45,261</u>	<u>17,454</u>	<u>62,715</u>
<b>Net claims paid</b>	(49,623)	(47,213)	(96,836)
Change in gross outstanding claims reserve	347	4,578	4,925
Change in retakaful share of outstanding claims reserve	1,182	1,287	2,469
Change in net incurred but not reported claims reserve	(783)	1,005	222
Change in unallocated loss adjustment expense reserve	<u>(15)</u>	<u>771</u>	<u>756</u>
<b>Net takaful claims incurred</b>	(48,892)	(39,572)	(88,464)
Other underwriting expenses	<u>(8,182)</u>	<u>(3,263)</u>	<u>(11,445)</u>
<b>Total takaful expenses</b>	<u>(57,074)</u>	<u>(42,835)</u>	<u>(99,909)</u>
<b>Net takaful income</b>	28,948	39,180	68,128
Policyholders' investment income	1,058	797	1,855
Wakala fees	(48,767)	(36,431)	(85,198)
Mudarib's share	(370)	(279)	(649)
Other income	<u>379</u>	<u>61</u>	<u>440</u>
<b>(Deficit) surplus of takaful result for the period</b>	<u>(18,752)</u>	<u>3,328</u>	<u>(15,424)</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 30 September 2020

**23 SEGMENTAL INFORMATION**

*For the nine-month period ended 30 September 2019 (Unaudited)*

	<i>Medical</i> <i>AED '000</i>	<i>Non-medical</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<b>Takaful income</b>			
Gross contributions written	151,964	110,822	262,786
Retakaful contribution ceded	<u>(68,496)</u>	<u>(33,469)</u>	<u>(101,965)</u>
<b>Net takaful contributions</b>	83,468	77,353	160,821
Change in net unearned contribution reserve	<u>(24,507)</u>	<u>1,355</u>	<u>(23,152)</u>
<b>Net takaful contributions earned</b>	58,961	78,708	137,669
Commissions earned	<u>1,527</u>	<u>5,503</u>	<u>7,030</u>
<b>Gross takaful income</b>	<u>60,488</u>	<u>84,211</u>	<u>144,699</u>
Gross claim paid	(87,911)	(90,720)	(178,631)
Retakaful share of claims paid	<u>56,855</u>	<u>42,176</u>	<u>99,031</u>
<b>Net claims paid</b>	(31,056)	(48,544)	(79,600)
Change in gross outstanding claims reserve	(2,211)	(12,615)	(14,826)
Change in retakaful share of outstanding claims reserve	(1,600)	10,947	9,347
Change in net incurred but not reported claims reserve	213	(1,248)	(1,035)
Change in unallocated loss adjustment expense reserve	<u>6</u>	<u>(256)</u>	<u>(250)</u>
<b>Net claims incurred</b>	(34,648)	(51,716)	(86,364)
Other underwriting expenses	<u>(5,978)</u>	<u>(3,164)</u>	<u>(9,142)</u>
<b>Total takaful expenses</b>	<u>(40,626)</u>	<u>(54,880)</u>	<u>(95,506)</u>
<b>Net takaful income</b>	19,862	29,331	49,193
Policyholders' investment income	1,211	1,072	2,283
Wakala fees	(31,977)	(27,706)	(59,683)
Mudarib's share	(424)	(375)	(799)
Other income	<u>99</u>	<u>222</u>	<u>321</u>
<b>(Deficit) surplus of takaful result for the period</b>	<u>(11,229)</u>	<u>2,544</u>	<u>(8,685)</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 30 September 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>
<b>30 September 2020 (Unaudited)</b>				
Investments carried at fair value through other comprehensive income	<b><u>84,398</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>84,398</u></b>
	<b><u>84,398</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>84,398</u></b>
<b>31 December 2019 (Audited)</b>				
Investments at fair value through profit or loss	25,156	-	-	25,156
Financial assets designated as available for sale	<u>49,896</u>	<u>-</u>	<u>-</u>	<u>49,896</u>
	<u>75,052</u>	<u>-</u>	<u>-</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 30 September 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 nine month period ended 30 September 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.