

National Takaful Company (Watania) PJSC

Condensed interim financial statements

For the period ended 30 June 2014

Principal business address:

P O Box: 6457
Abu Dhabi
UAE

National Takaful Company (Watania) PJSC

Condensed interim financial statements

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MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED JUNE 30, 2014

Watania Management is pleased to share the following review for the stakeholders with regards to the reviewed Financial Statements for the above period:

- The YTD results are showing a net profit of AED 2.08 million as against the loss of AED 6.96 million during the same period last year.
- Gross Takaful Contributions for the period amounted to AED 110.05 million depicting an increase of 60% as compared to June 30, 2013.
- Net earned contribution of AED 38.13 million, increased by 205% in comparison with the 2013 figure of AED 12.48 million.
- Net incurred claims increased during the period in line with increased top line which is 60% higher than the last year. The net incurred claims for the six months ended June 30, 2014 amounted to AED 27.63 million as against AED 9.79 for the same period last year. On a positive note loss ratio for the six month period ended stood 72% as compared to the 78% same period last year.
- Net commission and other underwriting expenses amounted AED 5.32 million as compared to AED 1.34 million for June 2013, mainly due to significant increase in businesses
- Total administrative and general expenses amounted to AED 12.74 million as compared to AED 9.56 million last year representing an increase of 33%
- Net investment income reached AED 10.16 million in comparison with AED 1.37 million last year, an increase of 641% mainly due to better performance of the investment portfolio as compared to last year despite a crash in the equity market in June 2014.
- The net profit for the period, after accounting for takaful fund deficit of AED 9.19 million, stands at AED 2.08 million as compared to a net loss of AED 6.96 million reported for the same period in 2013.
- Total asset for Watania at the end of the period amounted to AED 319.48 million as against AED 262.55 million in December 2013 showing an increase of 22% mainly linked with increase in investments, Takaful receivables and retakaful contract assets.
- Cash and cash equivalents stood at AED 26.98 million, whereas end of last year they amounted to AED 48.48 million.
- Takaful contract liabilities at the period end has reached AED 154.92 million as against AED 105.48 million in Dec 2013, an increase of 47%.
- Shareholders' equity is showing an increase due to net profit generated for the period and stands at AED 132.06 million, as against last year's figure of AED 129.98 million.
- Basic and diluted earnings per share for the current period improved to AED 0.01 as opposed to loss of AED 0.05 per share in same period last year.

Oussama Kaissi

Oussama Kaissi

Chief Executive Officer

Pervez Rizvi

Pervez Rizvi

Chief Financial Officer

July 23, 2014



KPMG Lower Gulf Limited
Abu Dhabi Branch
P. O. Box 7613
Abu Dhabi
United Arab Emirates

Telephone +971 (2) 4014 800
Telefax +971 (2) 6327 612
Website www.ae-kpmg.com

Independent Auditors' Report on Review of Condensed Interim Financial Statements

The Shareholders
National Takaful Company (Watania) PJSC

Introduction

We have reviewed the accompanying 30 June 2014 condensed interim financial statements of National Takaful Company (Watania) PJSC (the "Company"), which comprises:

- the condensed interim statement of financial position as at 30 June 2014;
- the condensed interim statement of profit or loss and other comprehensive income for the three month and six month periods ended 30 June 2014;
- the condensed interim statement of changes in shareholders' equity for the six month period ended 30 June 2014;
- the condensed interim statement of cash flows for the six month period ended 30 June 2014; and
- notes to the condensed interim financial statements.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2014 condensed interim financial statements is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Tamer Ragheb
Registration No.:797

23 July 2014

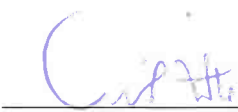
National Takaful Company (Watania) PJSC

Condensed interim statement of financial position

As at

		(Unaudited) 30 June 2014 AED'000	(Audited) 31 December 2013 AED'000
	<i>Note</i>		
Assets			
Cash and cash equivalents	5	26,981	48,483
Financial assets carried at fair value through profit or loss	6	119,483	104,827
Wakala deposits held with a bank		10,466	1,997
Takaful receivables		49,483	28,083
Statutory deposit		6,000	6,000
Reinsurance and retakaful contract assets	7	93,811	60,880
Advances, deposits and other assets		9,765	8,736
Property and equipment		3,491	3,542
Total assets		319,480	262,548
Shareholders' equity, liabilities and policyholders' fund			
Shareholders' equity			
Share capital	8	150,000	150,000
Accumulated losses		(17,945)	(20,022)
Total shareholders' equity		132,055	129,978
Liabilities and policyholders' fund			
Policyholders' fund	9	-	-
Takaful contract liabilities	7	154,918	105,481
Payable to retakaful and brokers		20,113	16,175
Other liabilities		10,497	9,373
Provision for end of service benefits		1,897	1,541
Total liabilities and policyholders' fund		187,425	132,570
Total shareholders' equity, liabilities and policyholders' fund		319,480	262,548

These condensed interim financial statements were approved by the Board of Directors and signed on their behalf by the Chairman and Chief Executive Officer on July 23, 2014.


Chairman


Chief Executive Officer

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

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

National Takaful Company (Watania) PJSC

Condensed interim statement of profit or loss and other comprehensive income

For the period ended

		3 months ended 30 June		6 months ended 30 June	
	Note	2014	2013	2014	2013
		AED'000	AED'000	AED'000	AED'000
Attributable to the policyholders					
Gross takaful contributions	11	52,511	31,077	110,050	68,607
Contributions ceded to retakaful and reinsurance companies	11	(28,684)	(26,654)	(62,265)	(37,765)
Net takaful contributions	11	23,827	4,423	47,785	30,842
Movement in unearned contributions	11	(3,389)	4,208	(9,660)	18,363
Net contribution earned		20,438	8,631	38,125	12,479
Gross claims paid	11	(24,150)	(5,692)	(43,536)	(16,067)
Movement in outstanding claims and incurred but not reported claims	11	(10,145)	(21,323)	(17,513)	(15,373)
Gross claims incurred		(34,295)	(27,015)	(61,049)	(31,440)
Retakaful share of claims paid.	11	13,818	3,096	22,751	8,765
Movement in retakaful share of outstanding claims and retakaful share of incurred but not reported claims	11	7,164	15,904	10,667	12,887
Gross claims recoverable from retakaful		20,982	19,000	33,418	21,652
Net claims incurred		(13,313)	(8,015)	(27,631)	(9,788)
Commission income		1,148	993	2,206	1,115
Commission expense		(2,784)	(914)	(5,319)	(1,340)
Net commission (expense) / income	11	(1,636)	79	(3,113)	(225)
Other underwriting expenses - net	11	(1,173)	(672)	(2,723)	(1,244)
Takaful income		4,316	23	4,658	1,222
Wakala fees	11, 12	(6,464)	(7,110)	(13,850)	(14,964)
Deficit of takaful results for the period		(2,148)	(7,087)	(9,192)	(13,742)
Attributable to the shareholders					
Investment income		1,044	(787)	10,159	1,372
Wakala fees	11, 12	6,464	7,110	13,850	14,964
General and administrative expenses	13	(6,606)	(5,216)	(12,740)	(9,557)
Deficit of takaful results for the period		(2,148)	(7,087)	(9,192)	(13,742)
(Loss) / gain for the period		(1,246)	(5,980)	2,077	(6,963)
Other comprehensive income		-	-	-	-
Total comprehensive (loss) / income for the period		(1,246)	(5,980)	2,077	(6,963)
Basic and diluted (loss) / earnings per ordinary share (AED)		(0.01)	(0.04)	0.01	(0.05)

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

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

National Takaful Company (Watania) PJSC

Condensed interim statement of changes in shareholders' equity
For the six month period ended 30 June 2014

	Share capital AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2013	150,000	(17,625)	132,375
Loss for the period	-	(6,963)	(6,963)
Other comprehensive income for the period	-	-	-
As at 30 June 2013	150,000	(24,588)	125,412
At 1 January 2014	150,000	(20,022)	129,978
Profit for the period	-	2,077	2,077
Other comprehensive income for the period	-	-	-
As at 30 June 2014	150,000	(17,945)	132,055

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

National Takaful Company (Watania) PJSC

Condensed interim statement of cash flows

For the six month period ended 30 June

		(Unaudited) 2014 AED'000	(Unaudited) 2013 AED'000
Operating activities			
Profit / (loss) for the period		2,077	(6,963)
<i>Adjustment for:</i>			
Depreciation and amortisation	13	966	1,001
Income from investments including Wakala deposits		(10,159)	(1,372)
Provision for end of service benefits		356	272
Operating loss before changes in working capital		(6,760)	(7,062)
Changes in:			
Reinsurance and retakaful contract assets	7	(32,931)	(32,972)
Takaful contract liabilities	7	49,437	53,820
Takaful receivables		(21,400)	(29,746)
Advances, deposit and other assets		(1,029)	(1,641)
Payable to retakaful and brokers		3,938	13,422
Other liabilities		1,124	(2,164)
Net cash used in operating activities		(7,621)	(6,343)
Investing activities			
Purchase of property and equipment		(915)	(280)
Income from investments including Wakala deposits		10,159	1,372
Net increase in investments		(14,656)	3,268
Placement of Wakala deposits with banks		(8,469)	(8,415)
Net cash used in investing activities		(13,881)	(4,055)
Net decrease in cash and cash equivalents		(21,502)	(10,398)
Cash and cash equivalents at the beginning of the period		48,483	33,703
Cash and cash equivalents at the end of the period		26,981	23,305

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

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National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

1 Legal status and activities

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

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

2 Basis of preparation

(a) *Statement of compliance*

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

(b) *Basis of measurement*

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

(c) *Functional and reporting currency*

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

(d) *Use of estimates and judgement*

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

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

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

3 Significant accounting policies

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

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

4 Takaful and financial risk management

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

5 Cash and cash equivalents

	(Unaudited) 30 June 2014 AED'000	(Audited) 31 December 2013 AED'000
Cash in hand	45	40
Cash at bank - current account	12,536	25,503
Cash at bank - margin account	-	6,468
Wakala deposits with bank (with original maturities of less than three months)	14,400	16,472
	<u>26,981</u>	<u>48,483</u>

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

6 Financial assets carried at fair value through profit or loss

	(Unaudited) 30 June 2014 AED'000	(Audited) 31 December 2013 AED'000
Equity investments	30,176	37,823
Fixed income investments	89,307	67,004
Financial assets carried at fair value through profit or loss	<u>119,483</u>	<u>104,827</u>

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Notes to the condensed interim financial statements

7 Reinsurance and retakaful contract assets and takaful contract liabilities

	(Unaudited) 30 June 2014 AED'000	(Audited) 31 December 2013 AED'000
Takaful contract liabilities		
Reported claims	60,799	45,455
Claims incurred but not reported	4,830	2,661
Unearned contributions	89,289	57,365
	<u>154,918</u>	<u>105,481</u>
Reinsurance and retakaful contract assets		
Reported claims	43,457	33,571
Claims incurred but not reported	2,140	1,359
Deferred retakaful contributions	48,214	25,950
	<u>93,811</u>	<u>60,880</u>
Takaful liabilities-net		
Reported claims	17,342	11,884
Claims incurred but not reported	2,690	1,302
Unearned contributions	41,075	31,415
	<u>61,107</u>	<u>44,601</u>

8 Share capital

	(Unaudited) 30 June 2014 AED'000	(Audited) 31 December 2013 AED'000
<i>Authorised, issued and fully paid up capital</i> 150,000,000 shares of AED 1 each	<u>150,000</u>	<u>150,000</u>

9 Policyholders' fund

	(Unaudited) 30 June 2014 AED'000	(Audited) 31 December 2013 AED'000
Deficiency of policyholders' fund		
Deficit in policyholders' fund	(9,192)	(17,082)
Deficit financed by Qard Hassan by shareholders	9,192	17,082
	<u>-</u>	<u>-</u>

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

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Notes to the condensed interim financial statements

10 Related party transactions

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

	<i>3 months ended</i>		<i>6 months ended</i>	
	30 June 2014 AED'000	30 June 2013 AED'000	30 June 2014 AED'000	30 June 2013 AED'000
Transactions with related parties				
Gross contributions written	-	9	132	30
Gross contribution received	-	9	99	30
Compensation to key management personnel	530	530	1,060	1,060

11 Segmental information

For the six month period ended 30 June 2014 (Unaudited)

	Medical AED'000	Others AED'000	Total AED'000
Gross takaful contributions	58,318	51,732	110,050
Contributions ceded to retakaful	(37,557)	(24,708)	(62,265)
Net takaful contributions	20,761	27,024	47,785
Unearned premium movement	(3,266)	(6,394)	(9,660)
Net contribution earned	17,495	20,630	38,125
Gross claim paid	(23,674)	(19,862)	(43,536)
Movement in outstanding and IBNR claims	(5,365)	(12,148)	(17,513)
Retakaful share of claims paid	14,326	8,425	22,751
Movement in retakaful share of outstanding and IBNR claims	3,525	7,142	10,667
Net claims incurred	(11,188)	(16,443)	(27,631)
Net commission expense	(2,334)	(779)	(3,113)
Other underwriting expenses - net	(2,029)	(694)	(2,723)
Total operating gain	1,944	2,714	4,658
Wakala fee	(6,091)	(7,759)	(13,850)
Deficit of takaful results for the period	(4,147)	(5,045)	(9,192)

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

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Notes to the condensed interim financial statements

11 Segmental information (continued)

For the six month period ended 30 June 2013 (Unaudited)

	Medical AED'000	Others AED'000	Total AED'000
Gross takaful contributions	28,719	39,888	68,607
Contributions ceded to retakaful	(17,065)	(20,700)	(37,765)
Net takaful contributions	11,654	19,188	30,842
Unearned premium movement	(5,431)	(12,932)	(18,363)
Net contribution earned	6,223	6,256	12,479
Gross claim paid	(13,644)	(2,423)	(16,067)
Movement in outstanding and IBNR claims	4,683	(20,056)	(15,373)
Retakaful share of claims paid	7,544	1,221	8,765
Movement in retakaful share of outstanding and IBNR claims	(2,544)	15,431	12,887
Net claims incurred	(3,961)	(5,827)	(9,788)
Net commission (expense) / income	(907)	682	(225)
Other underwriting expenses - net	(827)	(417)	(1,244)
Total operating gain	528	694	1,222
Wakala fee	(4,991)	(9,973)	(14,964)
Deficit of takaful results for the period	(4,463)	(9,279)	(13,742)

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

12 Wakala fees

The shareholders manage the takaful operations of the Company for the policyholders and charge a maximum of 45% of gross directly written contributions. During the six month period ended, Wakala fee has been charged at 13% (2013:22%).

13 General and administrative expenses

	(Unaudited) 3 months ended		(Unaudited) 6 months ended	
	30 June 2014 AED'000	30 June 2013 AED'000	30 June 2014 AED'000	30 June 2013 AED'000
Staff cost	4,897	3,653	9,224	6,882
Rent, rates and service charges	325	398	760	764
Office stationary and maintenance	143	88	282	90
Marketing and advertising	211	130	354	177
IT maintenance costs	253	109	369	218
Audit, legal and other professional expenses	141	(82)	507	(48)
Directors' remuneration	63	45	123	102
Depreciation and amortisation	487	488	966	1,001
Others	86	387	155	371
	<u>6,606</u>	<u>5,216</u>	<u>12,740</u>	<u>9,557</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

14 Fair value of financial instruments

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

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

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

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

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

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

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 June 2014				
Financial assets at fair value through profit or loss	119,483	-	-	119,483
31 December 2013				
Financial assets at fair value through profit or loss	104,827	-	-	104,827

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

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

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Notes to the condensed interim financial statements

15 Commitments and contingencies

Commitments as at 30 June 2014 amounted to AED 148 thousand (*2013: AED 148 thousand*) and represent commitments for future capital expenditure. Contingent liabilities as at 30 June 2014 were AED 10,507 thousand (*2013: AED 8,430 thousand*) and represent bank guarantees.

16 Comparative figures

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