

National Takaful Company (Watania) PJSC

Condensed interim financial statements

For the period ended 30 June 2015

Principal business address:

P O Box: 6457

Abu Dhabi

UAE

National Takaful Company (Watania) PJSC

Condensed interim financial statements

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NOTE FROM THE CHAIRMAN

Dear Shareholders,

I place before you the financial performance of Watania for the first half of 2015. The key features of the financials are attached with Management report.

The Company is going through a challenging period. In the fourth quarter of 2014 and first quarter of 2015 the Company experienced underwriting losses in the Company. The Board has been quick to spot this irregularity and has instructed the management to take immediate corrective action. This has now been implemented.

I am also pleased to advise that following the resignation of the CEO the Board is in the process of identifying a new CEO whose appointment can be made public after obtaining regulatory approval.

On behalf of the Shareholders and Management of Watania, the Board of Directors express its sincere appreciation and utmost gratitude to His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, and to His Highness the Crown Prince Sheikh Mohamed bin Zayed Al Nahyan and to the officials of Insurance Authority for their continued support.

Khaled Abdulla Neamat Al Khoori
Chairman of the Board of Directors

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED JUNE 30, 2015

Watania Management would like to present the following analysis to our stakeholders for the reviewed Financial Statements for the half year ended June 30, 2015:

- Gross Takaful Contributions for the six months amounted to AED 165.58 million depicting an increase of 51% over last year. As a result the net earned contribution of AED 60.13 million showed an increase of 58% against 2014 corresponding figure of AED 38.12 million
- The net incurred claims for the period was AED 50.8 million as compared to AED 27.63 million last year increasing the net incurred claims by 84% from 2014.
- Net commission and other underwriting expenses amounted AED 9.02 million as compared to AED 5.83 million for the period attributable to the increased business volumes
- Total administrative and general expenses amounted to AED 18.1 million as compared to AED 12.74 million last year. Main variations are under salaries due to increase in staff strength, office rent and maintenance expenses, IT maintenance costs, etc.
- Net investment income stood at AED 3.8 million in comparison with AED 10.16 million last year showing a negative variation of 62%. It is worthwhile to mention that last year's exceptional investment income was due to very bullish equity market performance in the whole region during the first half, whereas this year the equity markets have been dull due to the various socio economic aspects facing the GCC
- As a result of the factors explained above and after accounting for takaful fund deficit of AED 14.19 million Watania has incurred a loss of AED 13.97 million as against the profit of AED 2.08 million for the same period last year.
- Even though Watania has incurred a loss during the period but the management feels confident that Watania's total assets of AED 415.55 million especially its investment assets are effectively invested in diversified avenues to ensure Watania's future operational requirements will continue to be met.
- Cash and cash equivalents stood at the period end amounted to AED 23.78 million, which is almost the same as December 2014 balance of AED 24.08 million.
- Takaful contract liabilities at the period end reached to AED 233.39 million as against AED 167.53 million in December 2014.



- Shareholders' equity as at June 30, 2015 stood at AED 106.21 million as against last reported figure of AED 120.18 million
- Basic and diluted loss per share for the current period is AED 0.09 as opposed to earning of AED 0.01 per share for June 2014

Acting Chief Executive Officer

Date: 11 AUG 2015

Handwritten initials



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Independent Auditors' Report on the Review of Condensed Interim Financial Statements

The Shareholders
National Takaful Company (Watania) PJSC

Introduction

We have reviewed the accompanying 30 June 2015 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 2015;
- the condensed interim statement of profit or loss and other comprehensive income for the three month and six month periods ended 30 June 2015;
- the condensed interim statement of changes in shareholders' equity for the six month period ended 30 June 2015;
- the condensed interim statement of cash flows for the six month period ended 30 June 2015; 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 2015 condensed interim financial statements is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

11 AUG 2015

KPMG Lower Gulf Limited
Muhammad Tariq
Registration No: 793

National Takaful Company (Watania) PJSC

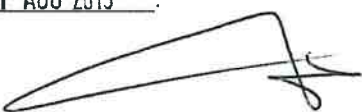
Condensed interim statement of financial position

As at

		(Unaudited) 30 June 2015 AED'000	(Audited) 31 December 2014 AED'000
	<i>Note</i>		
Assets			
Cash and cash equivalents	5	23,775	24,075
Financial assets carried at fair value through profit or loss	6	97,101	111,897
Investment properties	7	23,717	-
Wakala deposits held with a bank		8,645	10,491
Takaful receivables		107,692	62,874
Statutory deposit		6,000	6,000
Reinsurance and retakaful contract assets	8	130,788	112,084
Advances, deposits and other assets		15,631	13,139
Property and equipment		2,202	2,817
Total assets		415,551	343,377
Shareholders' equity, liabilities and policyholders' fund			
Shareholders' equity			
Share capital	9	150,000	150,000
Accumulated losses		(43,783)	(29,817)
Total shareholders' equity		106,217	120,183
Liabilities and policyholders' fund			
Policyholders' fund	10	-	-
Takaful contract liabilities	8	233,388	167,531
Payable to retakaful and brokers		60,595	41,298
Other liabilities		13,530	12,211
Provision for end of service benefits		1,821	2,154
Total liabilities and policyholders' fund		309,334	223,194
Total shareholders' equity, liabilities and policyholders' fund		415,551	343,377

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 11 AUG 2015.


Chairman


Acting Chief Executive Officer

The notes set out on pages 9 to 16 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 4.

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National Takaful Company (Watania) PJSC

Condensed interim statement of profit or loss and other comprehensive income

For the period ended 30 June

	Note	3 months ended		6 months ended	
		2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Attributable to the policyholders					
Gross takaful contributions	12	50,295	52,511	165,581	110,050
Contributions ceded to retakaful and reinsurance companies	12	(25,338)	(28,684)	(71,748)	(62,265)
Net takaful contributions	12	24,957	23,827	93,833	47,785
Movement in unearned contributions	12	4,884	(3,389)	(33,700)	(9,660)
Net contribution earned		29,841	20,438	60,133	38,125
Gross claims paid	12	(47,127)	(24,150)	(73,851)	(43,536)
Movement in outstanding claims and incurred but not reported claims	12	(4,411)	(10,145)	(21,092)	(17,513)
Gross claims incurred		(51,538)	(34,295)	(94,943)	(61,049)
Retakaful share of claims paid	12	21,201	13,818	36,503	22,751
Movement in retakaful share of outstanding claims and retakaful share of incurred but not reported claims	12	1,842	7,164	7,640	10,667
Gross claims recoverable from retakaful		23,043	20,982	44,143	33,418
Net claims incurred		(28,495)	(13,313)	(50,800)	(27,631)
Commission income		1,426	1,148	2,786	2,206
Commission expense		(3,096)	(2,784)	(6,329)	(5,319)
Net commission expense	12	(1,670)	(1,636)	(3,543)	(3,113)
Other underwriting expenses - net	12	(2,533)	(1,173)	(5,482)	(2,723)
Takaful (loss) / income		(2,857)	4,316	308	4,658
Wakala fee	12, 13	(3,857)	(6,464)	(14,493)	(13,850)
Deficit of takaful results for the period		(6,714)	(2,148)	(14,185)	(9,192)
Attributable to the shareholders					
Investment income		2,505	1,044	3,819	10,159
Wakala fee	12, 13	3,857	6,464	14,493	13,850
General and administrative expenses	14	(9,933)	(6,606)	(18,093)	(12,740)
Deficit of takaful results for the period		(6,714)	(2,148)	(14,185)	(9,192)
(Loss) / gain for the period		(10,285)	(1,246)	(13,966)	2,077
Other comprehensive income		-	-	-	-
Total comprehensive (loss) / income for the period		(10,285)	(1,246)	(13,966)	2,077
Basic and diluted (loss) / earnings per ordinary share (AED)		(0.07)	(0.01)	(0.09)	0.01

The notes set out on pages 9 to 16 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 4.

National Takaful Company (Watania) PJSC

Condensed interim statement of changes in shareholders' equity

For the six month period ended 30 June 2015

	Share Capital AED'000	Accumulated losses AED'000	Total AED'000
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
At 1 January 2015	150,000	(29,817)	120,183
Loss for the period	-	(13,966)	(13,966)
Other comprehensive income for the period	-	-	-
As at 30 June 2015	150,000	(43,783)	106,217

The notes set out on pages 9 to 16 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) 2015 AED'000	(Unaudited) 2014 AED'000
Operating activities			
(Loss) / profit for the period		(13,966)	2,077
<i>Adjustment for:</i>			
Depreciation and amortisation	14	669	966
Income from investments including Wakala deposits		(3,819)	(10,159)
Provision for end of service benefits		2,035	356
Operating loss before changes in working capital		(15,081)	(6,760)
Changes in:			
Reinsurance and retakaful contract assets	8	(18,704)	(32,931)
Takaful contract liabilities	8	65,857	49,437
Takaful receivables		(44,818)	(21,400)
Advances, deposits and other assets		(2,492)	(1,029)
Payable to retakaful and brokers		19,297	3,938
Other liabilities		1,319	1,124
Cash generated from / (used in) operations		5,378	(7,621)
End of service benefits paid		(2,368)	-
Net cash generated from / (used in) operating activities		3,010	(7,621)
Investing activities			
Purchase of property and equipment		(54)	(915)
Income from investments including Wakala deposits		3,819	10,159
Net increase/(decrease) in investments		14,796	(14,656)
Purchase of investment properties		(23,717)	-
Placement of Wakala deposits with banks		1,846	(8,469)
Net cash used in investing activities		(3,310)	(13,881)
Net decrease in cash and cash equivalents		(300)	(21,502)
Cash and cash equivalents at the beginning of the period	5	24,075	48,483
Cash and cash equivalents at the end of the period	5	23,775	26,981

The notes set out on pages 9 to 16 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 4.

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 2014, 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 2014.

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 2014, except for the adoption of investment property accounting policy due to the acquisition by the Company of new investment properties during the period as well as the new standards and interpretations effective as of 1 January 2015.

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.

Investment property

Investment property is property held for rental income or for capital appreciation, or both, but not for sale in the ordinary course of business, use in the production, supply of goods or services or for administrative purposes. Investment property is measured at cost and subsequently at fair value with any change therein recognised in the statement of profit or loss and other comprehensive income.

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 2014.

5 Cash and cash equivalents

	(unaudited) 30 June 2015 AED'000	(audited) 31 December 2014 AED'000	(unaudited) 30 June 2014 AED'000
Cash in hand	16	13	45
Cash at bank - current account	19,722	21,062	12,536
Cash at bank - margin account	-	-	-
Wakala deposits with bank (with original maturities of less than three months)	4,037	3,000	14,400
	<u>23,775</u>	<u>24,075</u>	<u>26,981</u>

Wakala deposits carry a profit rate from 0.7% to 3.25% per annum (2014: 0.95% to 3.25% per annum).

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

6 Financial assets carried at fair value through profit or loss

	(Unaudited) 30 June 2015 AED'000	(Audited) 31 December 2014 AED'000
Equity investments	15,033	29,237
Fixed income investments	82,068	82,660
Financial assets carried at fair value through profit or loss	<u>97,101</u>	<u>111,897</u>

7 Investment Properties

	(Unaudited) 30 June 2015 AED'000	(Audited) 31 December 2014 AED'000
Investment Properties	<u>23,717</u>	<u>-</u>

The Company acquired 20 residential one bedroom units in Marina Blue Tower, Al Reem Island Abu Dhabi on April 30, 2015. The above carrying value includes the purchase price paid plus the associated cost to acquire the units. As at 30 June 2015, the investment properties were included in level 3 of the fair value hierarchy.

8 Reinsurance and retakaful contract assets and takaful contract liabilities

	(Unaudited) 30 June 2015 AED'000	(Audited) 31 December 2014 AED'000
Takaful contract liabilities		
Reported claims	101,304	81,541
Claims incurred but not reported	6,579	5,250
Unearned contributions	125,505	80,740
	<u>233,388</u>	<u>167,531</u>
Reinsurance and retakaful contract assets		
Reported claims	70,567	62,424
Claims incurred but not reported	1,587	2,090
Deferred retakaful contributions	58,634	47,570
	<u>130,788</u>	<u>112,084</u>
Takaful liabilities-net		
Reported claims	30,737	19,117
Claims incurred but not reported	4,991	3,160
Unearned contributions	66,871	33,170
	<u>102,599</u>	<u>55,447</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

9 Share capital

	(Unaudited) 30 June 2015 AED'000	(Audited) 31 December 2014 AED'000
<i>Authorised, issued and fully paid up capital</i> 150,000,000 shares of AED 1 each	150,000	150,000

10 Policyholders' fund

	(Unaudited) 30 June 2015 AED'000	(Audited) 31 December 2014 AED'000
Deficiency of policyholders' fund		
Deficit in policyholders' fund	(14,185)	(21,194)
Deficit financed by Qard Hassan by shareholders	14,185	21,194
	-	-

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

11 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 2015 AED'000	30 June 2014 AED'000	30 June 2015 AED'000	30 June 2014 AED'000
Transactions with related parties				
Gross contributions written	1	-	5	132
Gross contribution received	2	-	6	99
Compensation to key management personnel	3,903	530	4,743	1,060

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

12 Segmental information

For the six month period ended 30 June 2015 (Unaudited)

	Medical AED'000	Others AED'000	Total AED'000
Gross takaful contributions	94,199	71,382	165,581
Contributions ceded to retakaful	(34,294)	(37,454)	(71,748)
Net takaful contributions	59,905	33,928	93,833
Unearned premium movement	(21,000)	(12,700)	(33,700)
Net contribution earned	38,905	21,228	60,133
Gross claim paid	(42,520)	(31,331)	(73,851)
Movement in outstanding and IBNR claims	(7,121)	(13,971)	(21,092)
Retakaful share of claims paid	19,916	16,587	36,503
Movement in retakaful share of outstanding and IBNR claims	2,254	5,386	7,640
Net claims incurred	(27,471)	(23,329)	(50,800)
Net commission expense	(2,848)	(695)	(3,543)
Other underwriting expenses - net	(4,209)	(1,273)	(5,482)
Total operating gain	4,377	(4,069)	308
Wakala fee	(7,355)	(7,138)	(14,493)
Deficit of takaful results for the period	(2,979)	(11,206)	(14,185)

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

National Takaful Company (Watania) PJSC

12 Segmental information *(continued)*

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.

13 Wakala fee

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 months period ended 30 June 2015, Wakala fee has been charged at 8.8% (2014:12.8%).

14 General and administrative expenses

	(Unaudited) 3 months ended		(Unaudited) 6 months ended	
	30 June 2015 AED'000	30 June 2014 AED'000	30 June 2015 AED'000	30 June 2014 AED'000
Staff cost	7,947	4,897	14,437	9,224
Rent, rates and service charges	472	325	980	760
Office stationary and maintenance	240	143	420	282
Marketing and advertising	89	211	267	354
IT maintenance costs	269	253	474	369
Audit, legal and other professional expenses	279	141	449	507
Directors' remuneration	253	63	259	123
Depreciation and amortisation	328	487	669	966
Others	56	86	138	155
	<u>9,933</u>	<u>6,606</u>	<u>18,093</u>	<u>12,740</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

15 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 2015				
Financial assets at fair value through profit or loss	97,101	-	-	97,101
31 December 2014				
Financial assets at fair value through profit or loss	111,897	-	-	111,897

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

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

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

16 Commitments and contingencies

Commitments as at 30 June 2015 amounted to Nil (2014: Nil). Contingent liabilities as at 30 June 2015 were AED 13,762 thousand (2014: AED 10,507 thousand) and represent bank guarantees.

17 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.