

National Takaful Company (Watania) PJSC

Condensed interim financial information

For the period ended 30 June 2017

Principal business address:

National Takaful Company (Watania) PJSC

P O Box: 6457

Abu Dhabi

UAE

National Takaful Company (Watania) PJSC

Condensed interim financial information

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DIRECTOR'S STATEMENT FOR THE PERIOD ENDED JUNE 30, 2017

The Board of Directors is pleased to share its statement for the period ended June 30, 2017 together with the condensed interim Financial Statements as at that date.

It gives us great pleasure to report that the company has delivered positive results in H1FY17 on all its major KPIs:

- GWP grew 20.1% y-o-y to AED 128.6mn in H1FY17 as compared AED 107.1mn in the same period last year. The growth in premium was led by Motor and Medical segment.
- Net earned contribution increased 94.3% y-o-y to AED 70.5mn in H1FY17 from AED 36.3mn in H1FY16.
- Net Takaful income grew to AED 13.0mn in H1FY17 from AED 7.8mn in H1FY16, delivering a y-o-y growth of 65.6%. Growth in net takaful income was also supported by a slight decrease in net incurred claims ratio – from 68.5% in H1FY16 to 68.1% in H1FY17.
- The Management continues to exercise tight control in its operating expenses which led to decline in expense ratio to 19.1% in H1FY17 from 42.1% in H1FY16. Overall the management expenses declined 12.0% y-o-y to AED 13.5mn in H1FY17 from AED 14.0mn in H1FY16.
- Investment income declined by 52.8% y-o-y to AED 2.7mn in H1FY17 from AED 5.6mn in H1FY16. The fall in investment income is due to the continuous pressure witnessed in the equities and real estate asset classes. The company also had a one-off investment income of AED 2.9mn in H1FY16
- Despite of fall in investment income, the company delivered net profit of AED 2.7mn in H1FY17 as compared to a loss of AED 1.6mn in H1FY16 due to better underwriting income and tight control on management expenses.

The Company delivered positive results in its core operations which led to a significant increase in its operational income. The strategy of focussing on profitable underwriting, good claims service, cost control and stable investment income continues to pay rich dividends even in this tough macro environment.

Majority of the asset classes were under pressure in 2017, especially the real estate and the equity asset classes. We witnessed drop in real estate rentals in H1FY17, however the strategy of keeping the occupancy levels high ensured that the overall impact of fall in rentals on total investment income was limited. Adverse development in the regional economic environment had a negative impact on all the asset classes including the fixed income. Despite these challenges, the Company continues to focus on building an investment portfolio which generates stable investment returns in this tough economic environment.

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

Ali Saeed Bin Harmel Al Dhaheri
Chairman



KPMG Lower Gulf Limited
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Independent auditors' report on review of condensed interim financial information

The shareholders of National Takaful Company (Watania) PJSC

Introduction

We have reviewed the accompanying 30 June 2017 condensed interim financial information of National Takaful Company (Watania) PJSC (the "Company"), which comprises:

- the condensed interim statement of financial position as at 30 June 2017;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2017;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2017;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2017; and
- notes to the condensed interim financial information.

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

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

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

Richard Ackland

Registration No: 1015

Abu Dhabi, United Arab Emirates

Date: 09 AUG 2017

National Takaful Company (Watania) PJSC

Condensed interim statement of financial position as at

		(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
	Note		
Assets			
Takaful operations' assets (attributable to participants)			
Investments at fair value through profit or loss	9	19,902	4,072
Deferred policy acquisition cost		11,598	8,475
Retakaful and reinsurance share of unearned contribution	13	42,772	25,111
Retakaful and reinsurance share of claims	13	36,364	35,795
Advances, deposits and other assets		3,099	2,345
Due from shareholders	16	39,267	22,994
Takaful and retakaful receivables	5	76,507	76,163
Restricted bank deposits	6	3,700	6,100
Wakala bank deposits	8	10,500	12,000
Cash and cash equivalents	7	19,030	22,165
Total takaful operations' assets		262,739	215,220
Shareholders' assets			
Property and equipment		1,158	1,337
Investments - held to maturity	10	20,301	19,212
Financial assets available for sale	11	13,781	-
Investments at fair value through profit or loss	9	13,286	9,358
Investment properties	12	29,770	24,400
Statutory deposit		6,000	6,000
Advances, deposits and other asset		5,175	1,454
Restricted bank deposits	6	8,545	8,415
Wakala bank deposits	8	20,000	16,000
Cash and cash equivalents	7	6,235	21,545
Total shareholders' assets		124,251	107,721
Total assets		386,990	322,941

Continued....

National Takaful Company (Watania) PJSC

Condensed interim statement of financial position *(continued)*
as at

		(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
	Note		
Liabilities			
Takaful operations' liabilities (attributable to participants)			
Takaful and retakaful payables		41,078	35,403
Takaful contract liabilities	13	213,512	174,649
Other liabilities		8,149	5,168
Total takaful operations' liabilities		262,739	215,220
Shareholders' liabilities			
Other liabilities		1,407	3,100
End of service benefits		3,073	2,452
Due to policyholders	16	39,267	22,994
Total shareholders' liabilities		43,747	28,546
Participants' account			
Property and liability takaful fund	15	(137,095)	(119,600)
Qard hasan – financed by shareholders	15	137,095	119,600
Total deficit in participants' account		-	-
Shareholders' equity			
Share capital	14	150,000	150,000
Legal reserve		39	39
Revaluation reserve		(1,368)	-
Accumulated losses		(68,167)	(70,864)
Total shareholders' equity		80,504	79,175
Total shareholders' equity and liabilities and takaful operations' liabilities		386,990	322,941

The condensed interim financial information of the Company was authorised for issue and approved by the Board of Directors on 09 AUG 2017 and signed on their behalf by:


Chairman


Chief Executive Officer

The notes set out on pages 10 to 21 form an integral part of these condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 2 and 3.

National Takaful Company (Watania) PJSC

Condensed interim statement of profit or loss and other comprehensive income
for the period ended 30 June (Unaudited)

		Three months ended		Six months ended	
	Note	2017	2016	2017	2016
		AED'000	AED'000	AED'000	AED'000
Takaful income					
Gross takaful contributions	21	70,701	48,138	128,617	107,132
Contributions ceded	21	(27,563)	(15,650)	(43,876)	(47,812)
Net takaful contributions		43,138	32,488	84,741	59,320
Net transfer to unearned contributions reserve	21	(5,017)	(14,740)	(14,230)	(23,036)
Net takaful contributions earned		38,121	17,748	70,511	36,284
Commissions earned	21	1,142	1,033	2,211	2,312
Total takaful income		39,263	18,781	72,722	38,596
Takaful expenses					
Gross claims paid	21	(28,399)	(39,139)	(59,167)	(90,365)
Retakaful share of claims paid	21	8,312	23,103	17,569	49,696
Net claims paid		(20,087)	(16,036)	(41,598)	(40,669)
Outstanding claims	21	(3,241)	13,798	(8,742)	30,116
Retakaful share of outstanding claims	21	(827)	(9,944)	1,003	(16,681)
Incurred but not reported claims – net	21	(568)	692	(66)	524
Unearned subscriptions – net	21	201	1,079	1,398	1,763
Unallocated loss adjustment expense reserve – net	21	110	63	6	98
Net takaful claims incurred		(24,412)	(10,348)	(47,999)	(24,849)
Commissions expense	21	(4,842)	(1,724)	(8,595)	(3,646)
Other underwriting expenses	21	(1,684)	(1,318)	(3,144)	(2,262)
Total takaful expenses		(30,938)	(13,390)	(59,738)	(30,757)
Net takaful income		8,325	5,391	12,984	7,839
Income from investment	21	201	28	367	45
Mudarib's share		(71)	-	(129)	-
Wakala fees	21	(24,236)	(8,873)	(30,868)	(15,953)
Other income	21	(24)	131	151	218
Net loss from takaful operations	21	(15,805)	(3,323)	(17,495)	(7,851)

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National Takaful Company (Watania) PJSC

Condensed interim statement of profit or loss and other comprehensive income
(continued)
for the period ended 30 June (Unaudited)

		Three months ended		Six months ended	
		2017	2016	2017	2016
	Note	AED'000	AED'000	AED'000	AED'000
Other revenues					
Investment income - net	19	1,122	1,300	2,653	5,621
Wakala fees	18	24,236	8,873	30,868	15,953
Mudarib's share		71	-	129	-
		<u>25,429</u>	<u>10,173</u>	<u>33,650</u>	<u>21,574</u>
Other expenses					
General and administrative expenses	20	(6,960)	(7,920)	(13,458)	(15,289)
Loss from takaful operations	21	(15,805)	(3,323)	(17,495)	(7,851)
Net profit / (loss) for the period		<u>2,664</u>	<u>(1,070)</u>	<u>2,697</u>	<u>(1,566)</u>
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Revaluation gain transferred to profit or loss		-	(1,235)	-	(1,235)
Unrealised loss on financial assets available for sale		(1,179)	-	(1,368)	-
Total comprehensive income / (loss) for the period		<u>1,485</u>	<u>(2,305)</u>	<u>1,329</u>	<u>(2,801)</u>
Earnings / (loss) per ordinary share (AED)		<u>0.018</u>	<u>(0.007)</u>	<u>0.018</u>	<u>(0.01)</u>

The notes set out on pages 10 to 21 form an integral part of these condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 2 and 3.

National Takaful Company (Watania) PJSC

Condensed interim statement of changes in shareholders' equity
for the six months period ended 30 June

	Share capital AED'000	Legal reserve AED'000	Revaluation reserve AED'000	Accumulated losses AED'000	Total AED'000
As at 1 January 2016 <i>(Audited)</i>	150,000	-	1,235	(71,210)	80,025
Loss for the period	-	-	-	(1,566)	(1,566)
Other comprehensive loss for the period	-	-	(1,235)	-	(1,235)
Total comprehensive loss for the period	-	-	(1,235)	(1,566)	(2,801)
As at 30 June 2016 <i>(Unaudited)</i>	150,000	-	-	(72,776)	77,224
As at 1 January 2017 <i>(Audited)</i>	150,000	39	-	(70,864)	79,175
Profit for the period	-	-	-	2,697	2,697
Other comprehensive loss for the period	-	-	(1,368)	-	(1,368)
Total comprehensive (loss) / income for the period	-	-	(1,368)	2,697	1,329
As at 30 June 2017 <i>(Unaudited)</i>	150,000	39	(1,368)	(68,167)	80,504

The notes set out on pages 10 to 21 form an integral part of these condensed interim financial information.

National Takaful Company (Watania) PJSC

Condensed interim statement of cash flows for the six months period ended 30 June (Unaudited)

	2017 AED'000	2016 AED'000
Operating activities		
Profit / (loss) for the period	2,697	(1,566)
Adjustment for:		
Depreciation and amortisation	320	666
Income from investments	(2,653)	(5,621)
Provision for end of service benefits	801	594
Provision for impairment of takaful receivables	-	905
	<u>1,165</u>	<u>(5,022)</u>
Changes in:		
Takaful and retakaful receivables	(344)	1,117
Advances, deposit and other assets	(3,831)	(53)
Takaful and retakaful payables	5,675	(9,416)
Takaful contract liabilities	38,863	336
Retakaful contract assets	(18,230)	6,880
Deferred policy acquisition costs	(3,123)	(3,219)
Other liabilities	1,288	(3,065)
	<u>21,463</u>	<u>(12,442)</u>
Cash from / (used in) operating activities	(180)	(735)
Payment for end of service benefits	<u>21,283</u>	<u>(13,177)</u>
Net cash from / (used in) operating activities	21,283	(13,177)
Cash flows from investing activities		
Purchase of property and equipment	(141)	(485)
Change in investments - net	(35,996)	21,009
Purchase of investment properties	(5,370)	-
Income received from investments, including restricted deposits	2,009	5,622
Change in restricted bank deposits	2,270	6,324
Change in wakala bank deposits	(2,500)	(15,000)
	<u>(39,728)</u>	<u>17,470</u>
Net cash (used in) / from investing activities	(18,445)	4,293
(Decrease) / increase in cash and cash equivalents	43,710	30,849
Cash and cash equivalents at the beginning of the period	<u>43,710</u>	<u>30,849</u>
Cash and cash equivalents at the end of the period (note 7)	25,265	35,142

The notes set out on pages 10 to 21 form an integral part of these condensed interim financial information.

The independent auditors' report on review of the condensed interim financial information is set out on pages 2 and 3

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

1 Legal status and activities

National Takaful Company (Watania) PJSC (the “Company”) was incorporated in the Emirate of Abu Dhabi, United Arab Emirates on 12 July 2011 as a public joint stock company in accordance with the United Arab Emirates Federal Law No. 2 of 2015. Incorporation of the Company was approved by the Ministry of Economy with a ministerial resolution no. 379 on 28 June 2011.

The registered office address of the Company is P.O. Box No. 6457 Abu Dhabi, United Arab Emirates. The Company is primarily authorised to engage in providing all classes of non family takaful solutions in accordance with UAE Federal Law No. 6 of 2007 concerning establishment of the insurance authority and organisation of its operations, and is registered with the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 90.

2 Basis of preparation

(a) *Statement of compliance*

These condensed interim financial information have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Accordingly, these do not include all of the information required for a complete set of financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The results for six months period ended 30 June 2017 are not necessarily indicative of the results for the year ending 31 December 2017.

UAE Federal Law No. 2 of 2015 being the Commercial Companies Law (“UAE Companies Law of 2015”) was issued on 1 April 2015 and has come into force on 1 July 2015. Companies were allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2017. However, the Company has finalised the process of amending its Articles of Association.

As per Federal Law No. 6 of 2007, relating to Establishment of Insurance Authority and regulation of Insurance operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to insurance companies between one to three years from the publication of the financial regulation in the Public Gazette from 29 January 2015 to align the operations to the covenants of the regulation therein. The Company is in the process of aligning these operations with the requirements set out in the regulations and will be fully aligned before the deadline for alignment period.

(b) *Basis of measurement*

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

(c) *Functional and reporting currency*

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

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

2 Basis of preparation (continued)

(d) Use of estimates and judgement

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience as well as factors including expectations of future events that are believed to be reasonable under the circumstances.

3 Significant accounting policies

The accounting policies applied by the Company in the presentation of these condensed interim financial information are consistent with those applied by the Company in its audited financial statements as at and for the year ended 31 December 2016.

New and amended International Financial Reporting Standards (IFRS) in issue but not yet effective

New and revised IFRS	Effective date
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 9 <i>Financial Instruments</i>	1 January 2018
Amendment to IFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to IFRS 4 <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to IAS 40 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to IFRS 1 and IAS 28 <i>Annual Improvements to IFRSs 2014–2016 Cycle – various standards</i>	1 January 2018
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019

Management anticipates that these new standards and amendments will be applied in the financial statement for the initial period when they become effective. Management is assessing the potential impact of the application of these standards and amendments.

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 2016.

5 Takaful and retakaful receivables

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful and retakaful receivables	78,393	78,049
Less: allowance for impairment of takaful and retakaful receivables	(1,886)	(1,886)
Net takaful and retakaful receivables	<u>76,507</u>	<u>76,163</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

6 Restricted bank deposits

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful operations' assets	3,700	6,100
Shareholders' assets	8,545	8,415
	<u>12,245</u>	<u>14,515</u>

Restricted deposits are held in margin accounts to issue takaful business related performance and tender bonds. Wakala deposits carry a profit rate of 2.00% to 2.25% (2016: 1.00% to 2.35%) per annum.

7 Cash and cash equivalents

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Cash on hand	99	11
Cash at banks – current accounts	25,166	43,699
	<u>25,265</u>	<u>43,710</u>
Takaful operations' assets	19,030	22,165
Shareholders' assets	6,235	21,545
	<u>25,265</u>	<u>43,710</u>

8 Wakala bank deposits

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful operations, assets	10,500	12,000
Shareholders, assets	20,000	16,000
	<u>30,500</u>	<u>28,000</u>

The above wakala bank deposits carry a profit rate from 2.00% to 2.50% per annum. Certain wakala bank deposits are lien marked against the mudaraba financing facility of AED 14 million (2016: 14 million) obtained by the Company which carry a profit rate of 3.10% per annum.

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

9 Investments at fair value through profit or loss

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Held for trading		
Sukuk - takaful operation assets	19,902	4,072
Sukuk - shareholders assets	13,286	9,358
	<u>33,188</u>	<u>13,430</u>

The geographical distribution of investments is as follows:

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Inside UAE	19,623	3,521
Outside UAE	13,656	9,909
	<u>33,188</u>	<u>13,430</u>

10 Investments – held to maturity

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Sukuk - shareholders assets	20,301	19,212

The geographical distribution of investments is as follows:

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Inside UAE	14,007	14,019
Outside UAE	6,294	5,193
	<u>20,301</u>	<u>19,212</u>

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

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

11 Financial assets available for sale

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Quoted equity securities – shareholders assets	<u>13,781</u>	<u>-</u>

The geographical distribution of investments is as follows:

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Inside UAE	9,629	-
Outside UAE	4,152	-
	<u>13,781</u>	<u>-</u>

12 Investment properties

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Balance as at 1 January	24,400	24,375
Purchased during the period / year	5,370	-
Revaluation gain	-	25
	<u>29,770</u>	<u>24,400</u>

13 Reinsurance and retakaful contract assets and takaful contract liabilities

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful contract liabilities		
Outstanding claims reserve	70,742	62,000
Incurred but not reported – claims reserve	13,160	13,528
Unallocated loss adjusted expense	1,317	1,323
Unearned contributions	128,293	95,923
Reserves for unearned subscriptions	-	1,875
	<u>213,512</u>	<u>174,649</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

13 Reinsurance and retakaful contract assets and takaful contract liabilities (continued)

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Reinsurance and retakaful contract assets		
Outstanding claims reserve	31,864	30,861
Incurred but not reported – claims reserve	4,500	4,934
Unallocated loss adjusted expense	-	-
	<u>36,364</u>	<u>35,795</u>
Retakaful and reinsurance share of claims		
Retakaful and reinsurance share of unearned contributions	42,772	24,634
Reserves for unearned subscriptions	-	477
	<u>42,772</u>	<u>25,111</u>
Retakaful and reinsurance share of unearned contributions	42,772	25,111
	<u>79,136</u>	<u>60,906</u>
Takaful liabilities - net		
Outstanding claims reserve	38,878	31,139
Incurred but not reported – claims reserve	8,660	8,594
Unallocated loss adjusted expense	1,317	1,323
Unearned contributions	85,521	71,289
Reserves for unearned subscriptions	-	1,398
	<u>134,376</u>	<u>113,743</u>

14 Share capital

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 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>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

15 Policyholders' fund

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
<i>Deficit in policyholders' fund</i>		
Balance at the beginning of the period / year	(119,600)	(105,465)
Deficit for the period / year	(17,495)	(14,135)
	<u>(137,095)</u>	<u>(119,600)</u>
<i>Qard Hasan from shareholders</i>		
Balance at the beginning of the period / year	119,600	105,465
Provided during the period / year	17,495	14,135
	<u>137,095</u>	<u>119,600</u>
Total deficit in participants' account	<u>-</u>	<u>-</u>

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

16 Due from shareholders and due to policyholders

	(Unaudited) 30 June 2017 AED'000	(Audited) 31 December 2016 AED'000
Qard Hasan (note 15)	137,095	119,600
<i>Less:</i>		
Wakala fee receivables	(43,197)	(38,750)
Transfers and payments to takaful operations	(54,631)	(57,856)
	<u>39,267</u>	<u>22,994</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

17 Related party transactions

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
<i>Transactions with related parties</i>				
Compensation to key management				
- Directors' remuneration	-	6	-	70
- Short term benefits	504	840	1,008	840
- Long term benefits	79	131	158	131
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			(Unaudited)	(Audited)
			30 June	31 December
			2017	2016
			AED'000	AED'000
<i>Balances with related parties</i>				
Receivable from a related party - net			537	38
Bank balances with a related party			6,012	12,043
Sukuk investment			9,909	9,909
Profit accrued			421	-
			<u> </u>	<u> </u>

18 Wakala fees

The shareholders manage the takaful operations of the Company for the policyholders and charge a maximum of 35% of gross written contributions. During the period ended 30 June 2017, wakala fee has been charged at 24% (2016: 15%).

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Notes to the condensed interim financial information

19 Investment income - net

	<i>Three months ended</i>		<i>Six months ended</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Profit on wakala bank deposits and sukuk bonds	644	706	1,430	1,464
Unrealised gain on AFS investments reclassified from other comprehensive income	-	-	-	1,235
Dividend income	99	-	485	-
Unrealised gain / (loss) on FVTPL investments	13	352	10	1,008
Realised gains on investments	33	35	48	1,470
Rental income from investment properties - net	347	296	708	622
Premium amortisation	(6)	-	(13)	-
Asset management expenses	(8)	(89)	(15)	(178)
	1,122	1,300	2,653	5,621

20 General and administrative expenses

	<i>Three months ended</i>		<i>Six months ended</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Staff costs	5,229	5,544	10,352	10,356
Rent, rates and service charges	246	534	603	1,026
Office stationery and maintenance	216	226	390	382
IT maintenance costs	379	262	752	468
Audit, legal and other professional	445	380	732	711
Directors' remuneration (note 17)	-	6	-	70
Depreciation and amortisation	160	343	320	666
Provision for bad debts	-	446	-	905
Others expenses	285	179	309	705
	6,960	7,920	13,458	15,289

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Notes to the condensed interim financial information

21 Segmental information

For the six months period ended 30 June 2017 (Unaudited)

	Medical AED'000	Non-medical AED'000	Total AED'000
Takaful income			
Gross takaful contributions	61,473	67,144	128,617
Contribution ceded	(28,660)	(15,216)	(43,876)
Net takaful contributions	32,813	51,928	84,741
Net transfer to unearned contribution reserve	4,408	(18,638)	(14,230)
Net takaful contributions earned	37,221	33,290	70,511
Commissions earned	549	1,662	2,211
Total takaful income	37,770	34,952	72,722
Takaful expenses			
Gross claim paid	(40,065)	(19,102)	(59,167)
Retakaful share of claims paid	13,653	3,916	17,569
Net claims paid	(26,412)	(15,186)	(41,598)
Outstanding claims	(4,081)	(4,661)	(8,742)
Retakaful share of outstanding claims	1,501	(498)	1,003
Incurred but not reported-claims reserves – net	12	(78)	(66)
Unearned subscriptions – net	508	890	1,398
Unallocated loss adjustment expense reserve - net	(49)	55	6
Net takaful claims incurred	(28,521)	(19,478)	(47,999)
Commission expenses	(3,581)	(5,014)	(8,595)
Other underwriting expenses - net	(2,247)	(897)	(3,144)
Total takaful expenses	(34,349)	(25,389)	(59,738)
Net takaful income	3,421	9,563	12,984
Income from investments	180	187	367
Mudarib's share	(63)	(66)	(129)
Wakala fees	(13,256)	(17,612)	(30,868)
Other income	100	51	151
Net loss from takaful operations	(9,618)	(7,877)	(17,495)

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 information

21 Segmental information *(continued)*

For the six months period ended 30 June 2016 (Unaudited)

	Medical AED'000	Non-medical AED'000	Total AED'000
Takaful Income			
Gross takaful contributions	44,813	62,319	107,132
Contribution ceded	(11,487)	(36,325)	(47,812)
Net takaful contributions	33,326	25,994	59,320
Net transfer to unearned contribution reserve	(15,926)	(7,110)	(23,036)
Net takaful contributions earned	17,400	18,884	36,284
Commissions earned	666	1,646	2,312
Total takaful income	18,066	20,530	38,596
Takaful expenses			
Gross claim paid	(40,148)	(50,217)	(90,365)
Retakaful share of claims paid	23,801	25,895	49,696
Net claims paid	(16,347)	(24,322)	(40,669)
Outstanding claims	8,320	21,796	30,116
Retakaful share of outstanding claims	(5,138)	(11,543)	(16,681)
Incurred but not reported-claims reserves – net	248	276	524
Unearned subscriptions – net	(331)	2,094	1,763
Unallocated loss adjustment expense reserve - net	-	98	98
Net takaful claims incurred	(13,248)	(11,601)	(24,849)
Commission expenses	(1,866)	(1,780)	(3,646)
Other underwriting expenses	(1,643)	(619)	(2,262)
Total takaful expenses	(16,757)	(14,000)	(30,757)
Net takaful income	1,309	6,530	7,839
Income from Investments	7	38	45
Mudarib's share	-	-	-
Wakala fees	(5,919)	(10,034)	(15,953)
Other income	10	208	218
Net loss from takaful operations	(4,593)	(3,258)	(7,851)

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 information

22 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 2017 (Unaudited)				
Investment at fair value				
through profit or loss	33,188	-	-	33,188
Financial assets available for sale	13,781	-	-	13,781
	46,969	-	-	46,969
	46,969	-	-	46,969
31 December 2016 (Audited)				
Investment at fair value				
through profit or loss	13,430	-	-	13,430
Financial assets available for sale	-	-	-	-
	13,430	-	-	13,430
	13,430	-	-	13,430

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

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

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