

**National Takaful Company (Watania) PJSC**

Condensed interim financial statements

**For the period ended 30 September 2013**

# National Takaful Company (Watania) PJSC

## Financial statements

<i>Contents</i>	<i>Page</i>
Management discussion and analysis document	1
Independent auditors' report on the review of condensed interim financial information	2
Condensed interim statement of financial position	3
Condensed interim statement of comprehensive income	4 – 5
Condensed interim statement of changes in shareholders' equity	6
Condensed interim statement of cash flows	7
Notes to the condensed interim financial statements	8 – 14

**MANAGEMENT DISCUSSION AND ANALYSIS DOCUMENT FOR THE  
PERIOD ENDED SEPTEMBER 30, 2013**

The Board of Directors is pleased to present their quarterly report on the Financial Statements for the period ended September 30, 2013. The Board would also like to appraise the stakeholders on the main company activities which are mentioned below:

- Gross takaful contribution reached AED 103.63 million as compared to the AED 31.5 million for the same period last year, which denotes an increase of 229% from last year.
- Net earned contribution for the period ended was AED 22.8 million as against AED 5.49 million last year, signifying an increase of 315%
- Net incurred claims for the current year remained at AED 17.48 million, representing 77% of the net earned premium whereas net incurred claims for last year were AED 4.46 million.
- Net commission and other underwriting expenses during the period amounted AED 2.4 million as compared to AED 0.84 million during the same period last year
- Total administrative and general expenses amounted to AED 15.42 million as compared to AED 10.73 million last year representing an increase of 44% due to increased business activity
- Net investment income reached AED 6.18 million in comparison with AED 2.9 million last year, representing an increase of 113%.
- The company has generated a net profit of AED 0.6 million for the quarter as against the loss of AED 1.8 million in the same period last year.
- Net loss as at the period end amounted to AED 6.3 million as compared to AED 7.6 million for the previous year showing a decline of 17% as compared to previous period.
- Total asset base as at the end of period end stood at AED 248.6 million comparing with AED 180.61 million as at the end of last year, an increase of 38% as compared to previous period.
- Investments in equity and fixed income securities stood at AED 100.53 million comparing with AED 99.9 million as at the end of last year
- Cash and Wakala deposits stood at AED 46.97 million as compared to AED 33.7 million as at the end of last year
- Shareholders' equity stood at AED 126.05 million as compared to AED 132.38 million as at last year end
- The basic and diluted loss per share for the reporting period and pervious period comes out to AED 0.04 per share.



**Oussama Kaissi**  
Chief Executive Officer



**Pervez Rizvi**  
Chief Financial Officer

**November 5, 2013**



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## **Independent Auditors' Report on Review of Condensed Interim Financial Information**

The Shareholders  
National Takaful Company (Watania) PJSC

### *Introduction*

We have reviewed the accompanying 30 September 2013 condensed interim financial information of National Takaful Company (Watania) PJSC ("the Company"), which comprises:

- the condensed interim statement of financial position as at 30 September 2013;
- the condensed interim statements of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2013;
- the condensed interim statement of changes in shareholders' equity for the nine month period ended 30 September 2013;
- the condensed interim statement of cash flows for the nine month period ended 30 September 2013; and
- notes to the condensed interim financial information.

The Board of Directors 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 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 September 2013 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Munther Dajani  
Registration No.:268

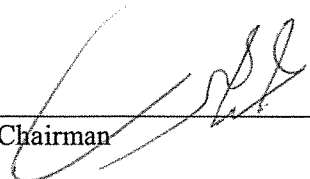
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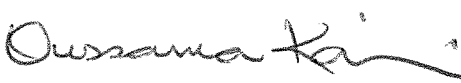
# National Takaful Company (Watania) PJSC

## Condensed interim statement of financial position

As at

	Note	(Unaudited) 30 Sep 2013 AED'000	(Audited) 31 December 2012 AED'000
<b>Assets</b>			
Cash and cash equivalents	5	38,554	33,703
Wakala deposits held with a bank		8,415	-
Investments carried at fair value through profit or loss	6	100,526	99,906
Takaful receivables		27,038	13,483
Retakaful and reinsurance contract assets	7	55,043	17,022
Advances, deposits and other assets		9,038	5,144
Statutory deposit		6,000	6,000
Fixed assets		3,983	5,353
<b>Total assets</b>		<b>248,597</b>	<b>180,611</b>
<b>Shareholders' equity, liabilities and policyholders' fund</b>			
Shareholders' equity			
Share capital	8	150,000	150,000
Accumulated loss		(23,954)	(17,625)
<b>Total shareholders' equity</b>		<b>126,046</b>	<b>132,375</b>
<b>Liabilities and policyholders' fund</b>			
Policyholders' fund			
Takaful contract liabilities	7	98,693	30,492
Payable to retakaful and brokers		16,724	9,409
Other liabilities		5,734	7,381
Provision for end of service benefits		1,400	954
<b>Total liabilities and policyholders' fund</b>		<b>122,551</b>	<b>48,236</b>
<b>Total shareholders' equity, liabilities and policyholders' fund</b>		<b>248,597</b>	<b>180,611</b>

  
Chairman

  
Chief Executive Officer

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 05-NOV 2013

The notes set out on pages 8 to 14 form an integral part of these condensed interim financial statements.

The independent auditors' report on the review of the condensed interim financial information 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 30 September

	Note	3 months ended		9 months ended	
		2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
<i>Attributable to the policyholders</i>					
Gross takaful contributions	11	35,019	10,272	103,625	31,450
Contributions ceded to retakaful and reinsurance companies	11	(18,108)	(6,017)	(55,873)	(17,455)
Net takaful contributions	11	16,911	4,255	47,752	13,995
Movement in unearned contributions	11	(6,590)	(1,497)	(24,952)	(8,142)
<b>Net earned contribution</b>		<b>10,321</b>	<b>2,758</b>	<b>22,800</b>	<b>5,853</b>
Gross claims paid	11	(9,303)	(3,923)	(25,371)	(6,792)
Movement in outstanding claims and incurred but not reported claims	11	(7,111)	(196)	(22,483)	(3,131)
<b>Gross claims incurred</b>		<b>(16,414)</b>	<b>(4,119)</b>	<b>(47,854)</b>	<b>(9,923)</b>
Retakaful share of claims paid	11	4,350	2,252	13,115	3,832
Movement in retakaful share of outstanding claims and retakaful share of incurred but not reported claims	11	4,368	3	17,256	1,632
<b>Gross claims recoverable from retakaful</b>		<b>8,718</b>	<b>2,255</b>	<b>30,371</b>	<b>5,464</b>
<b>Net claims incurred</b>		<b>(7,696)</b>	<b>(1,864)</b>	<b>(17,483)</b>	<b>(4,459)</b>
Commission income	11	1,644	480	2,758	693
Commission expense	11	(1,834)	(229)	(3,173)	(688)
<b>Net commission income/ (expense)</b>		<b>(190)</b>	<b>251</b>	<b>(415)</b>	<b>5</b>
<b>Total operating profit</b>		<b>2,435</b>	<b>1,145</b>	<b>4,902</b>	<b>1,399</b>
Wakala fees	12	(7,667)	(4,622)	(22,631)	(14,171)
Other underwriting expenses - net	11	(749)	(412)	(1,994)	(1,032)
<b>Deficit of takaful results for the period</b>		<b>(5,981)</b>	<b>(3,889)</b>	<b>(19,723)</b>	<b>(13,804)</b>

# National Takaful Company (Watania) PJSC

## Condensed interim statement of profit or loss and other comprehensive income (continued)

For the period ended 30 September

	Note	3 months ended		9 months ended	
		2013 AED'000	2012 AED'000	2013 AED'000	2012 AED'000
<b>Attributable to the shareholders</b>					
Investment income		4,810	1,191	6,182	2,940
Wakala fees	12	7,667	4,622	22,631	14,171
General and administrative expenses	13	(5,862)	(3,766)	(15,419)	(10,726)
Deficit of takaful results for the period		(5,981)	(3,889)	(19,723)	(13,804)
<b>Gain / (Loss) for the period</b>		<b>634</b>	<b>(1,842)</b>	<b>(6,329)</b>	<b>(7,419)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>634</b>	<b>(1,842)</b>	<b>(6,329)</b>	<b>(7,419)</b>
Basic and diluted profit / (loss) per ordinary share (AED)		<b>0.004</b>	<b>(0.01)</b>	<b>(0.04)</b>	<b>(0.04)</b>

The notes set out on pages 8 to 14 form an integral part of these condensed interim financial statements.

The independent auditors' report on 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 nine month period ended 30 September*

	<b>Share capital AED'000</b>	<b>Accumulated loss AED'000</b>	<b>Total AED'000</b>
At 1 January 2012	150,000	(7,092)	142,908
Loss for the period	-	(7,419)	(7,419)
Other comprehensive income for the period	-	-	-
<b>As at 30 Sep 2012</b>	<b>150,000</b>	<b>(14,511)</b>	<b>135,489</b>
At 1 January 2013	150,000	(17,625)	132,375
Loss for the period	-	(6,329)	(6,329)
Other comprehensive income for the period	-	-	-
<b>As at 30 Sep 2013</b>	<b>150,000</b>	<b>(23,954)</b>	<b>126,046</b>

The notes set out on pages 8 to 14 form an integral part of these condensed interim financial statements.

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



# National Takaful Company (Watania) PJSC

## Condensed interim statement of cash flows

For the nine month period ended 30 September

	(Unaudited) 2013 AED'000	(Unaudited) 2012 AED'000
<b>Operating activities</b>		
Loss for the period	(6,329)	(7,419)
<i>Adjustment for:</i>		
Depreciation and amortization	1,399	984
Income from investments including Wakala deposits	(6,182)	(2,940)
Provision for end of service benefits	446	410
<b>Operating loss before changes in working capital</b>	<b>(10,666)</b>	<b>(8,965)</b>
Change in retakaful contract assets	(38,021)	(11,755)
Change in takaful contract liabilities	68,201	21,396
Change in takaful receivables	(13,555)	(14,782)
Change in due from related parties	-	(5,343)
Change in advances, deposit and other assets	(3,894)	(1,921)
Change in payable to retakaful and brokers	7,315	13,595
Change in due to related party	-	(10)
Change in other liabilities	(1,647)	4,118
<b>Net cash from/ (used in) operating activities</b>	<b>7,733</b>	<b>(3,667)</b>
<b>Investing activities</b>		
Purchase of fixed assets	(29)	(756)
Income from investments including Wakala deposits	6,182	2,940
Net increase in investments	(620)	(100,794)
(Placement)/ withdrawal of Wakala deposits with banks	(8,415)	44,000
<b>Net cash used in investing activities</b>	<b>(2,882)</b>	<b>(54,610)</b>
<b>Financing activity</b>		
Issuance of share capital	-	-
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>4,851</b>	<b>(58,277)</b>
Cash and cash equivalents at the beginning of the period	33,703	85,241
<b>Cash and cash equivalents at the end of the period</b>	<b>38,554</b>	<b>26,964</b>

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# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial statement

### 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 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 interim condensed financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Accordingly, they 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 period ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

#### b) Basis of measurement

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

#### c) Functional and reporting currency

These interim condensed 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 interim condensed financial information, 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 2012.

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

#### e) New standards and interpretations not yet adopted

A number of new standards, amendments to the standards and interpretations are effective for annual periods beginning on or after reporting period, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

# 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 interim condensed financial statements are consistent with those applied by the Company in its audited financial statements as at and for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The adoption of the new and amended standards and interpretations did not have an 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 period ended 31 December 2012.

### 5 Cash and cash equivalents

	30 Sep 2013 AED'000	31 December 2012 AED'000
Cash in hand	10	2
Cash at bank - current account	22,080	11,701
Wakala deposits with bank (with original maturities of less than three months)	16,464	22,000
	<u>38,554</u>	<u>33,703</u>

Wakala deposits carry a profit rate from 0.9% to 2% per annum.

### 6 Investments carried at fair value through profit or loss

	30 Sep 2013 AED'000	31 December 2012 AED'000
Equity investments	31,622	10,246
Fixed income investments	69,904	89,660
Investments carried at fair value through profit or loss	<u>100,526</u>	<u>99,906</u>

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial statements

### 7 Reinsurance and retakaful contract assets and takaful contract liabilities

	30 Sep 2013 AED'000	31 December 2012 AED'000
<b>Takaful contract liabilities</b>		
Reported claims	31,755	7,975
Claims incurred but not reported	1,816	3,112
Unearned contributions	65,122	19,405
	<u>98,693</u>	<u>30,492</u>
<b>Retakaful contract assets</b>		
Reported claims	22,509	4,572
Claims incurred but not reported	1,077	1,759
Deferred retakaful contributions	31,457	10,691
	<u>55,043</u>	<u>17,022</u>
<b>Takaful liabilities-net</b>		
Reported claims	9,246	3,403
Claims incurred but not reported	739	1,353
Unearned contributions	33,665	8,714
	<u>43,650</u>	<u>13,470</u>

### 8 Share capital

	30 Sep 2013 AED'000	31 December 2012 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

	30 Sep 2013 AED'000	31 December 2012 AED'000
<b>Deficiency of policyholders' fund</b>		
Deficit in policyholders' fund	(19,723)	(17,540)
Deficit financed by Qard Hassan by shareholders	19,723	17,540
	<u>-</u>	<u>-</u>

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

# National Takaful Company (Watania) PJSC

## 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>9 months ended</i>	
	<b>30 Sep 2013 AED'000</b>	<b>30 Sep 2012 AED'000</b>	<b>30 Sep 2013 AED'000</b>	<b>30 Sep 2012 AED'000</b>
<b>Transactions with related parties</b>				
Gross contributions written	10	12	40	16
Gross contribution received	20	6	50	9
Compensation to key management personnel	530	530	1,592	1,417

### 11 Segmental information

For the nine month period ended 30 September 2013

	<b>Medical AED'000</b>	<b>Others AED'000</b>	<b>Total AED'000</b>
Gross takaful contributions	56,132	47,493	103,625
Contributions ceded to retakaful	(31,913)	(23,960)	(55,873)
Net takaful contributions	24,219	23,533	47,752
Unearned premium movement	(12,566)	(12,386)	(24,952)
Net earned contribution	11,653	11,147	22,800
Gross claim paid	(19,756)	(5,615)	(25,371)
Movement in outstanding and IBNR claims	1,829	(24,312)	(22,483)
Retakaful share of claims paid	11,084	2,031	13,115
Movement in retakaful share of outstanding and IBNR claims	(798)	18,054	17,256
Net claims incurred	(7,641)	(9,842)	(17,483)
Net commission income / (expense)	(1,704)	1,289	(415)
Total operating gain	2,308	2,594	4,902
Wakala fee	(10,757)	(11,874)	(22,631)
Other underwriting expenses - net	(1,279)	(715)	(1,994)
Deficit of takaful results for the period	<u>(9,728)</u>	<u>(9,995)</u>	<u>(19,723)</u>

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

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial statements

### 11 Segmental information *(continued)*

For the nine month period ended 30 September 2012

	Medical AED'000	Others AED'000	Total AED'000
Gross takaful contributions	23,036	8,414	31,450
Contributions ceded to retakaful	(11,731)	(5,724)	(17,455)
Net takaful contributions	11,305	2,690	13,995
Unearned premium movement	(6,266)	(1,876)	(8,142)
Net earned contribution	5,039	814	5,853
Gross claim paid	(6,707)	(85)	(6,792)
Movement in outstanding and IBNR claims	(2,848)	(283)	(3,131)
Retakaful share of claims paid	3,722	110	3,832
Movement in retakaful share of outstanding and IBNR claims	1,605	27	1,632
Net claims incurred	(4,228)	(231)	(4,459)
Net commission income / (expense)		(292)	297
Total operating gain	519	880	1,399
Wakala fee	(10,366)	(3,805)	(14,171)
Other underwriting expenses - net	(401)	(631)	(1,032)
Deficit of takaful results for the period	(10,248)	(3,556)	(13,804)

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 on gross directly written contributions. During the nine month period ended, Wakala fee has been charged at 25% (2012: 45%).

### 13 General & administrative expenses

	(Unaudited) 3 months ended		(Unaudited) 9 months ended	
	30 Sep 2013 AED'000	30 Sep 2012 AED'000	30 Sep 2013 AED'000	30 Sep 2012 AED'000
Staff Cost	4,202	2,652	11,084	7,657
Rent, Rates and Service charges	382	318	1,146	974
Office stationary and maintenance	127	11	304	86
Marketing and advertising	51	(6)	228	173
IT maintenance costs	311	229	537	426
Audit, legal and other professional expenses	214	187	214	175
Directors' remuneration	21	-	123	123
Depreciation and amortisation	453	334	1,399	984
Others	101	41	384	128
	<u>5,862</u>	<u>3,766</u>	<u>15,419</u>	<u>10,726</u>

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial statements

### 14 Fair value of investments

All financial assets are measured at fair value by reference to published price quotations in an active market or from prices quoted by counterparties or through use of valuation techniques such as discounted cash flow method.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within 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).

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

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
<b>30 Sep 2013</b>				
Financial assets at fair value through profit or loss	100,526	-	-	100,526
<b>31 December 2012</b>				
Financial assets at fair value through profit or loss	99,906	-	-	99,906

### 15 Commitments and contingencies

Commitments as at 30 September 2013 amounted to AED 137 thousands (2012: 1,646 thousands). Contingent liabilities as at 30 September 2013 were 8,415 (2012: AED1,100 thousands).

# National Takaful Company (Watania) PJSC

## Notes to the condensed interim financial statements

### 16 Comparative figures

Certain comparative figures have been reclassified to confirm the presentation for the current period 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.