

National Takaful Company (Watania) PJSC

Condensed interim financial statements

For the period ended 30 September 2014

Principal business address:

P O Box: 6457

Abu Dhabi

UAE

National Takaful Company (Watania) PJSC

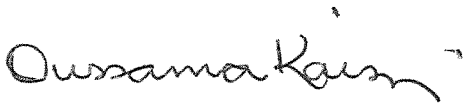
Condensed interim financial statements

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

Watania Management is pleased to share the following analysis for the stakeholders regarding the reviewed Financial Statements for the nine months period ended September 30, 2014:

- The YTD results are showing a net profit of AED 1.05 million as against the loss of AED 6.33 million for the same period last year.
- Gross Takaful Contributions for the period amounted to AED 155.45 million depicting an increase of 50% as compared to September 30, 2013.
- Net earned contribution of AED 55.64 million, increased by 144% in comparison with the 2013 figure of AED 22.8 million.
- The net incurred claims for the nine months ended Sep 30, 2014 amounted to AED 40.63 million as against AED 17.48 for September 2013. The increase primarily is the result of higher than expected losses under Motor Portfolio. The net loss ratio at 73% however, is lower than corresponding previous period (77%)
- Net commission and other underwriting expenses amounted AED 10.12 million as compared to AED 2.4 million for September 2013
- Total administrative and general expenses amounted to AED 20.24 million as compared to AED 15.42 million last year representing an increase of 32%
- Net investment income reached AED 16.4 million in comparison with AED 6.2 million last year, an increase of 164% mainly due to enhanced yields on the equity portfolio.
- The net profit for the period, after accounting for Takaful fund deficit of AED 17.78 million, stands at AED 1.05 million as compared to a net loss of AED 6.32 million reported for the same period in 2013.
- Total asset for Watania at the end of the period amounted to AED 350.01 million as against AED 262.55 million in December 2013 showing an increase of 34% mainly linked with increase in investments, Takaful receivables and retakaful contract assets.
- Cash and cash equivalents stood at AED 27.99 million, whereas end of last year they amounted to AED 48.48 million.
- Takaful contract liabilities at the period end reached AED 174.89 million as against AED 105.48 million in December 2013.
- Shareholders' equity is showing an increase due to net profit generated for the period and stands at AED 131.03 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 0.04 per share in same period last year.



Oussama Kaissi

Chief Executive Officer



Pervez Rizvi

Chief Financial Officer

November 11, 2014



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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 September 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 September 2014;
- the condensed interim statement of profit or loss and other comprehensive income for the three month and nine month periods ended 30 September 2014;
- the condensed interim statement of changes in shareholders' equity for the nine month period ended 30 September 2014;
- the condensed interim statement of cash flows for the nine month period ended 30 September 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 September 2014 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited
Tamer Ragheb
Registration No.:797

11 November 2014


National Takaful Company (Watania) PJSC

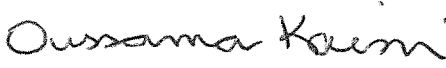
Condensed interim statement of financial position

As at

		(Unaudited) 30 September 2014 AED'000	(Audited) 31 December 2013 AED'000
	<i>Note</i>		
Assets			
Cash and cash equivalents	5	27,986	48,483
Financial assets carried at fair value through profit or loss	6	120,783	104,827
Wakala deposits held with a bank		10,466	1,997
Takaful receivables		52,901	28,083
Statutory deposit		6,000	6,000
Reinsurance and retakaful contract assets	7	119,066	60,880
Advances, deposits and other assets		9,645	8,736
Property and equipment		3,163	3,542
Total assets		350,010	262,548
Shareholders' equity, liabilities and policyholders' fund			
Shareholders' equity			
Share capital	8	150,000	150,000
Accumulated losses		(18,973)	(20,022)
Total shareholders' equity		131,027	129,978
Liabilities and policyholders' fund			
Policyholders' fund	9	-	-
Takaful contract liabilities	7	174,897	105,481
Payable to retakaful and brokers		32,070	16,175
Other liabilities		9,911	9,373
Provision for end of service benefits		2,105	1,541
Total liabilities and policyholders' fund		218,983	132,570
Total shareholders' equity, liabilities and policyholders' fund		350,010	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 11/11/2014


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 30 September

	Note	3 months ended		9 months ended	
		2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Attributable to the policyholders					
Gross takaful contributions	11	45,405	35,019	155,455	103,625
Contributions ceded to retakaful and reinsurance companies	11	(32,896)	(18,108)	(95,161)	(55,873)
Net takaful contributions	11	12,509	16,911	60,294	47,752
Movement in unearned contributions	11	5,004	(6,590)	(4,656)	(24,952)
Net contribution earned		17,513	10,321	55,638	22,800
Gross claims paid	11	(25,684)	(9,303)	(69,220)	(25,371)
Movement in outstanding claims and incurred but not reported claims	11	(20,273)	(7,111)	(37,786)	(22,483)
Gross claims incurred		(45,957)	(16,414)	(107,006)	(47,854)
Retakaful share of claims paid.	11	12,411	4,350	35,162	13,115
Movement in retakaful share of outstanding claims and retakaful share of incurred but not reported claims	11	20,545	4,368	31,212	17,256
Gross claims recoverable from retakaful		32,956	8,718	66,374	30,371
Net claims incurred		(13,001)	(7,696)	(40,632)	(17,483)
Commission (reversed) / income		(214)	1,644	1,992	2,758
Commission expense		(2,173)	(1,834)	(7,492)	(3,173)
Net commission (expense) / income	11	(2,387)	(190)	(5,500)	(415)
Other underwriting expenses - net	11	(1,899)	(749)	(4,622)	(1,994)
Takaful income		226	1,686	4,884	2,908
Wakala fees	11, 12	(8,813)	(7,667)	(22,663)	(22,631)
Deficit of takaful results for the period		(8,587)	(5,981)	(17,779)	(19,723)
Attributable to the shareholders					
Investment income		6,242	4,810	16,401	6,182
Wakala fees	11, 12	8,813	7,667	22,663	22,631
General and administrative expenses	13	(7,496)	(5,862)	(20,236)	(15,419)
Deficit of takaful results for the period		(8,587)	(5,981)	(17,779)	(19,723)
(Loss) / gain for the period		(1,028)	634	1,049	(6,329)
Other comprehensive income		-	-	-	-
Total comprehensive (loss) / income for the period		(1,028)	634	1,049	(6,329)
Basic and diluted (loss) / earnings per ordinary share (AED)		(0.01)	0.01	0.01	(0.04)

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 nine month period ended 30 September 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	-	(6,329)	(6,329)
Other comprehensive income for the period	-	-	-
As at 30 September 2013	150,000	(23,954)	126,046
At 1 January 2014	150,000	(20,022)	129,978
Profit for the period	-	1,049	1,049
Other comprehensive income for the period	-	-	-
As at 30 September 2014	150,000	(18,973)	131,027

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 nine month period ended 30 September

	(Unaudited) 2014 AED'000	(Unaudited) 2013 AED'000
	<i>Note</i>	
Operating activities		
Profit / (loss) for the period	1,049	(6,329)
<i>Adjustment for:</i>		
Depreciation and amortisation	13 1,508	1,399
Income from investments including Wakala deposits	(16,401)	(6,182)
Provision for end of service benefits	571	446
Operating loss before changes in working capital	(13,273)	(10,666)
Changes in:		
Reinsurance and retakaful contract assets	7 (58,186)	(38,021)
Takaful contract liabilities	7 69,416	68,201
Takaful receivables	(24,818)	(13,555)
Advances, deposit and other assets	(909)	(3,894)
Payable to retakaful and brokers	15,895	7,315
Other liabilities	538	(1,647)
Cash (used in) / generated from operations	(11,337)	7,733
End of service benefits paid	(7)	-
Net cash (used in) / generated from operating activities	(11,344)	7,733
Investing activities		
Purchase of property and equipment	(1,129)	(29)
Income from investments including Wakala deposits	16,401	6,182
Net increase in investments	(15,956)	(620)
Placement of Wakala deposits with banks	(8,469)	(8,415)
Net cash used in investing activities	(9,153)	(2,882)
Net (decrease) / increase in cash and cash equivalents	(20,497)	4,851
Cash and cash equivalents at the beginning of the period	48,483	33,703
Cash and cash equivalents at the end of the period	27,986	38,554

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.

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 September 2014 AED'000	(Audited) 31 December 2013 AED'000
Cash in hand	3	40
Cash at bank - current account	15,583	25,503
Cash at bank - margin account	-	6,468
Wakala deposits with bank (with original maturities of less than three months)	12,400	16,472
	<u>27,986</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 September 2014 AED'000	(Audited) 31 December 2013 AED'000
Equity investments	35,442	37,823
Fixed income investments	85,341	67,004
Financial assets carried at fair value through profit or loss	<u>120,783</u>	<u>104,827</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

7 Reinsurance and retakaful contract assets and takaful contract liabilities

	(Unaudited) 30 September 2014 AED'000	(Audited) 31 December 2013 AED'000
Takaful contract liabilities		
Reported claims	81,900	45,455
Claims incurred but not reported	4,002	2,661
Unearned contributions	88,995	57,365
	<u>174,897</u>	<u>105,481</u>
Reinsurance and retakaful contract assets		
Reported claims	64,763	33,571
Claims incurred but not reported	1,379	1,359
Deferred retakaful contributions	52,924	25,950
	<u>119,066</u>	<u>60,880</u>
Takaful liabilities-net		
Reported claims	17,137	11,884
Claims incurred but not reported	2,623	1,302
Unearned contributions	36,071	31,415
	<u>55,831</u>	<u>44,601</u>

8 Share capital

	(Unaudited) 30 September 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 September 2014 AED'000	(Audited) 31 December 2013 AED'000
Deficiency of policyholders' fund		
Deficit in policyholders' fund	(17,779)	(17,082)
Deficit financed by Qard Hassan by shareholders	17,779	17,082
	<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>	
	30 Sep 2014 AED'000	30 Sep 2013 AED'000	30 Sep 2014 AED'000	30 Sep 2013 AED'000
Transactions with related parties				
Gross contributions written	-	10	5	40
Gross contribution received	-	20	5	50
Compensation to key management personnel	530	530	1,584	1,417

11 Segmental information

For the nine month period ended 30 September 2014 (Unaudited)

	Medical AED'000	Others AED'000	Total AED'000
Gross takaful contributions	91,320	64,135	155,455
Contributions ceded to retakaful	(62,873)	(32,288)	(95,161)
Net takaful contributions	28,447	31,847	60,294
Unearned premium movement	(2,110)	(2,546)	(4,656)
Net contribution earned	26,337	29,301	55,638
Gross claim paid	(37,336)	(31,884)	(69,220)
Movement in outstanding and IBNR claims	(1,311)	(36,475)	(37,786)
Retakaful share of claims paid	22,625	12,537	35,162
Movement in retakaful share of outstanding and IBNR claims	1,191	30,021	31,212
Net claims incurred	(14,831)	(25,801)	(40,632)
Net commission expense	(3,189)	(2,311)	(5,500)
Other underwriting expenses - net	(3,178)	(1,444)	(4,622)
Total operating gain	5,139	(255)	4,884
Wakala fee	(10,477)	(12,186)	(22,663)
Deficit of takaful results for the period	(5,338)	(12,441)	(17,779)

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 2013 (Unaudited)

	Medical AED'000	Others AED'000	Total AED'000
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 contribution earned	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 (expense) / income	(1,704)	1,289	(415)
Other underwriting expenses - net	(1,279)	(715)	(1,994)
Total operating gain	1,029	1,879	2,908
Wakala fee	(10,757)	(11,874)	(22,631)
Deficit of takaful results for the period	(9,728)	(9,995)	(19,723)

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 nine months period ended 30 September 2014, Wakala fee has been charged at 15% (2013:22%).

13 General and administrative expenses

	(Unaudited) 3 months ended		(Unaudited) 9 months ended	
	30 Sep 2014 AED'000	30 Sep 2013 AED'000	30 Sep 2014 AED'000	30 Sep 2013 AED'000
Staff cost	5,449	4,202	14,674	11,084
Rent, rates and service charges	675	382	1,435	1,146
Office stationary and maintenance	179	127	461	304
Marketing and advertising	50	51	404	228
IT maintenance costs	254	311	624	537
Audit, legal and other professional expenses	301	214	808	214
Directors' remuneration	18	21	141	123
Depreciation and amortisation	542	453	1,508	1,399
Others	28	101	181	384
	<u>7,496</u>	<u>5,862</u>	<u>20,236</u>	<u>15,419</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 September 2014				
Financial assets at fair value through profit or loss	120,783	-	-	120,783
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.

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial statements

15 Commitments and contingencies

Commitments as at 30 September 2014 amounted to 175 thousand (2013: AED 148 thousand). Contingent liabilities as at 30 September 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.