

National Takaful Company (Watania) PJSC

Condensed interim financial information

For the period ended 30 September 2016

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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DIRECTORS' STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2016

The Board of Directors is pleased to share the performance of your Company for the period ended 30 September 2016 together with the condensed interim Financial Statements as at that date.

It gives me great pleasure to advise that Management has reported net profit of AED 0.3 million for the quarter ended 30th September 2016 as opposed to a loss of AED 13.5 million for the corresponding period in 2015. The performance reflects the positive impact of restructuring and turn-around strategy that was implemented by the Board following the negative performance in 2015. The key element of the strategy has been:

1. Focussed analysis of target business segment,
2. Build a feasible pricing strategy
3. Improve service features by reducing transaction and response times
4. In-house handling and closely monitoring Investment portfolio
5. Reduce cost of operation and leverage shared services.

The impact of these measures is reflected in the financial result where Company's net loss for the period ended September 2016 has been reduced to AED 1.25 million (deficit of AED 1.5 million as on 30th June 2016) compared to Net Loss of AED 27.51 million for the corresponding period in 2015. The management remains focused on its adopted strategies that will further improve Company's financial and operational performance.

Energy prices stabilized in third quarter of 2016 which was a positive sign post its recovery observed in the preceding quarter. The third quarter of 2016 also witnessed many regional countries' plans to adopt further austerity measures, which indicates that the 'new normal' for the regional economies is yet to be established in terms of economic growth and government spending. The full impact of the above in the overall economy, and in particular insurance sector, will be felt in 2017. The insurance market that continues to be challenged by heavily fragmented market, stricter solvency regulations and dull investment market will need to review their business strategies. At Watania we have laid down the operating framework to deal with some of these forthcoming changes and believe that early preparation will help the Company to convert some of these challenges into opportunities.

We would like to sincerely thank United Arab Emirates Government, our Clients and Business partners for their confidence in Watania. On behalf of the Board and Shareholders I take this opportunity to thank the employees and the management for their hard work and dedication.

Khalid Al Khoori
Chairman



KPMG Lower Gulf Limited
Level 19, Nation Tower 2
P.O.Box 7613
Abu Dhabi Corniche, Abu Dhabi
United Arab Emirates
Tel. +971 (2) 401 4800
Fax +971 (2) 632 7612
www.ae-kpmg.com

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 2016 condensed interim financial information of National Takaful Company (Watania) PJSC, which comprises of:

- the condensed interim statement of financial position as at 30 September 2016;
- the condensed interim statement of profit or loss and other comprehensive income for the three month and nine month period ended 30 September 2016;
- the condensed interim statement of changes in shareholders' equity for the three and nine month period ended 30 September 2016;
- the condensed interim statement of cash flows for the nine month period ended 30 September 2016; 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 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 September 2016 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

KPMG Lower Gulf Limited
Fawzi AbuRass
Registration No. 968
Abu Dhabi, United Arab Emirates

10 NOV 2016

National Takaful Company (Watania) PJSC

Condensed interim statement of financial position as at

		(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
	<i>Note</i>		
Assets			
Takaful operation assets			
Deferred policy acquisition costs		7,217	2,984
Retakaful and reinsurance share of claims	12	35,549	74,563
Retakaful and reinsurance share of unearned contributions	12	28,899	26,642
Advances, deposits and other assets		2,194	1,557
Due from shareholders	15	28,063	39,641
Takaful and retakaful receivables	5	76,287	49,952
Restricted bank deposits	6	3,700	10,024
Cash and cash equivalents	7	19,211	26,128
Total takaful assets		201,120	231,491
Shareholders assets			
Property and equipment		1,346	1,551
Investments available for sale	9	-	10,464
Investments at fair value through profit or loss	10	53,196	67,058
Investment properties	11	24,375	24,375
Statutory deposit		6,000	6,000
Advances, deposits and other asset		3,922	2,442
Restricted bank deposits	6	8,415	8,415
Wakala bank deposits	8	15,000	-
Cash and cash equivalents	7	7,593	4,721
Total shareholders assets		119,847	125,026
Total assets		320,967	356,517

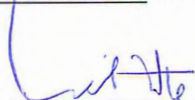
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National Takaful Company (Watania) PJSC

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

		(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Liabilities			
Takaful operation liabilities			
Takaful and retakaful payables		28,551	41,393
Takaful contract liabilities	12	166,706	182,833
Other liabilities		5,863	7,265
Total takaful liabilities		201,120	231,491
Shareholders' liabilities			
Other liabilities		3,954	3,230
Mudaraba financing		8,000	-
End of service benefits		2,292	2,130
Due to policyholders	15	28,063	39,641
Total shareholders liabilities		42,309	45,001
Participants' account			
Property and liability takaful fund	14	(113,763)	(105,465)
Qard hasan – financed by shareholders	14	113,763	105,465
Total deficit in participants' account		-	-
Shareholders' equity			
Share capital	13	150,000	150,000
Investment revaluation reserves		-	1,235
Accumulated losses		(72,462)	(71,210)
Total shareholders' equity		77,538	80,025
Total shareholders' equity and liabilities and takaful liabilities		320,967	356,517

The condensed interim financial information of the Company was authorised for issue and approved by the Board on 10 NOV 2016 and signed on its behalf by:



Chairman



Chief Executive Officer

The notes set out on pages 11 to 22 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 September

	Note	Three months ended		Nine months ended	
		2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Takaful income					
Gross takaful contributions	20	42,826	26,911	149,958	192,492
Contribution ceded	20	(9,706)	(18,179)	(57,518)	(91,467)
Net takaful contributions		33,120	8,732	92,440	101,025
Net transfer to unearned contribution reserve	20	(11,574)	16,776	(34,610)	(16,923)
Net takaful contributions earned		21,546	25,508	57,830	84,102
Commissions earned	20	1,081	22	3,393	2,808
Total takaful income		22,627	25,530	61,223	86,910
Takaful expenses					
Gross claims paid	20	(31,210)	(48,167)	(121,575)	(122,173)
Retakaful share of claims paid	20	20,161	26,491	69,857	62,843
Net claims paid		(11,049)	(21,676)	(51,718)	(59,330)
Outstanding claims	20	22,268	(6,544)	52,384	(24,156)
Retakaful share of outstanding claims	20	(24,428)	1,025	(41,109)	7,322
Incurred but not reported claims – net	20	(428)	57	96	(1,774)
Unearned subscriptions – net	20	755	(3,290)	2,518	(3,290)
Unallocated loss adjustment expense reserve – net	20	(6)	-	92	-
Net takaful claims incurred		(12,888)	(30,428)	(37,737)	(81,228)
Commissions expense	20	(2,224)	(2,857)	(5,870)	(9,186)
Other underwriting expenses	20	(1,483)	(1,654)	(3,745)	(5,921)
Total takaful expenses		(16,595)	(34,939)	(47,352)	(96,335)
Net takaful income		6,032	(9,409)	13,871	(9,425)
Wakala fees	20	(6,632)	(10,831)	(22,585)	(25,324)
Income from investments	20	28	13	73	57
Other income	20	125	22	343	302
Net loss from takaful operations	20	(447)	(20,205)	(8,298)	(34,390)

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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 September

	Note	Three months ended		Nine months ended	
		2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Other revenues					
Investment income - net	18	1,320	1,408	6,941	5,227
Wakala fees	17	6,632	10,831	22,585	25,324
		<u>7,952</u>	<u>12,239</u>	<u>29,526</u>	<u>30,551</u>
Other expenses					
Mudaraba financing cost		(8)	-	(75)	-
General and administrative expenses	19	(7,183)	(5,578)	(22,405)	(23,671)
		<u>(7,191)</u>	<u>(5,578)</u>	<u>(22,480)</u>	<u>(23,671)</u>
Loss from takaful operations	20	(447)	(20,205)	(8,298)	(34,390)
Net profit / (loss) for the period		<u>314</u>	<u>(13,544)</u>	<u>(1,252)</u>	<u>(27,510)</u>
Other comprehensive income					
Changes in fair value of investments available for sale		-	(19)	-	(19)
Unrealised gain on available for sale investments reclassified to profit and loss		-	-	(1,235)	-
		<u>-</u>	<u>(19)</u>	<u>(1,235)</u>	<u>(19)</u>
Total comprehensive income for the period		<u>314</u>	<u>(13,563)</u>	<u>(2,487)</u>	<u>(27,529)</u>
Profit / (loss) per ordinary share (AED)		<u>0.002</u>	<u>(0.09)</u>	<u>(0.008)</u>	<u>(0.18)</u>

The notes set out on pages 11 to 22 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 period ended 30 September

	Share capital AED'000	Investment revaluation reserves AED'000	Accumulated losses AED'000	Total AED'000
As at 1 January 2015	150,000	-	(29,817)	120,183
Loss for the period	-	-	(27,510)	(27,510)
Other comprehensive loss for the period	-	(19)	-	(19)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	(19)	(27,510)	(27,529)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 September 2015	150,000	(19)	(57,327)	92,654
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 1 January 2016	150,000	1,235	(71,210)	80,025
Loss for the period	-	-	(1,252)	(1,252)
Other comprehensive loss for the period	-	(1,235)	-	(1,235)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	(1,235)	(1,252)	(2,487)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 September 2016	150,000	-	(72,462)	77,538
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The notes set out on pages 11 to 22 form an integral part of these condensed interim financial information.

National Takaful Company (Watania) PJSC

Condensed interim statement of cash flows for the period ended 30 September

	(Unaudited) 2016 AED'000	(Unaudited) 2015 AED'000
Operating activities		
Loss for the period	(1,252)	(27,510)
<i>Adjustment for:</i>		
Depreciation and amortisation	905	1,005
Income from investments	(7,014)	(5,227)
Provision for end of service benefits	995	2,298
Gain on sale of property and equipment	(3)	-
Provision for impairment of takaful receivables	998	-
Cash flows from operating activities	(5,371)	(29,434)
<i>Changes in:</i>		
Takaful and retakaful receivables	(27,333)	(42,331)
Advances, deposit and other assets	(2,117)	(7,812)
Takaful and retakaful payables	(12,842)	5,609
Takaful contract liabilities	(16,127)	87,311
Retakaful contract assets	36,757	(48,493)
Deferred policy acquisition costs	(4,233)	-
Other liabilities	(678)	6,880
Net cash used in operating activities	(31,944)	(28,270)
Payment for end of service benefits	(833)	(2,368)
Net cash used in operations	(32,777)	(30,638)
Cash flows from investing activities		
Purchase of property and equipment	(700)	(66)
Proceeds from disposal of property and equipment	3	-
Change in investments - net	24,326	34,888
Income from investments including restricted deposits	5,779	5,208
Change in restricted bank deposits	6,324	-
Change in wakala bank deposits	(15,000)	8,420
Purchase of investment property	-	(23,717)
Net cash from investing activities	20,732	24,733

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National Takaful Company (Watania) PJSC

Condensed interim statement of cash flows *(continued)*
for the period ended 30 September

	(Unaudited) 2016 AED'000	(Unaudited) 2015 AED'000
Cash flows from financing activities		
Proceeds from Mudaraba financing - net	8,000	-
Net cash from financing activities	<u>8,000</u>	<u>-</u>
Decrease in cash and cash equivalents	(4,045)	(5,905)
Cash and cash equivalents at the beginning of the period	30,849	24,075
Cash and cash equivalents at the end of the period	<u><u>26,804</u></u>	<u><u>18,170</u></u>

The notes set out on pages 11 to 22 form an integral part of these condensed interim financial information.

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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.

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 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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 are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2017 as per the transitional provisions contained therein. 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 the 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 financial information have been prepared on the historical cost basis except for the financial assets carried at fair value through profit or loss, available for sale and investment properties. Assets and liabilities of the investment funds fully owned by the Company have been included in these financial information.

(c) *Functional and reporting currency*

These 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 2015.

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

New and revised IFRS	Effective date
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)	1 January 2017 1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019

Management anticipates that these 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 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 2015.

5 Takaful and retakaful receivables

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Takaful and retakaful receivables	78,128	50,795
Less: provision for doubtful debts	(1,841)	(843)
Net takaful and retakaful receivables	<u>76,287</u>	<u>49,952</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

6 Restricted bank deposits

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Cash at bank – margin account	-	6,331
Wakala deposits with bank	12,115	12,108
	<u>12,115</u>	<u>18,439</u>
Takaful operation assets	3,700	10,024
Shareholders assets	8,415	8,415
	<u>12,115</u>	<u>18,439</u>

Restricted deposits are held in margin accounts to issue takaful business related performance and tender bonds. Wakala deposits carry a profit rate from 2.00% to 2.25% (2015: 1.00% to 2.00%) per annum.

7 Cash and cash equivalents

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Cash in hand	18	14
Cash at bank – current accounts	26,786	30,835
	<u>26,804</u>	<u>30,849</u>
Takaful operation assets	19,211	26,128
Shareholders assets	7,593	4,721
	<u>26,804</u>	<u>30,849</u>

8 Wakala bank deposits

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Wakala bank deposits	15,000	-

The wakala bank deposits carry a profit rate of 2.35% per annum. These deposits are lien marked against the mudaraba financing facility of AED 14 million (2015: Nil) obtained by the Company during the period which carry a profit rate of 3.10% per annum.

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

9 Investments available for sale

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Equity investments – inside UAE	-	10,464

10 Investments at fair value through profit or loss

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Investments carried at fair value through profit or loss – held for trading	53,196	67,058

An amount of AED 20 million has been lien marked on the above portfolio for issuance of takaful business related performance bonds.

11 Investment properties

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Balance as at 1 January	24,375	-
Purchases during the period	-	23,717
Revaluation gain on properties	-	658
	<u>24,375</u>	<u>24,375</u>

12 Reinsurance and retakaful contract assets and takaful contract liabilities

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Takaful contract liabilities		
Outstanding claims	57,063	109,447
Claims incurred but not reported	14,057	11,974
Unallocated loss adjusted expense	1,394	1,569
Unearned contributions	90,048	53,401
Reserves for unearned subscriptions	4,144	6,442
	<u>166,706</u>	<u>182,833</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

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

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Reinsurance and retakaful contract assets		
Outstanding claims	29,393	70,502
Claims incurred but not reported	5,501	3,322
Unallocated loss adjusted expense	655	739
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Retakaful and reinsurance share of claims	35,549	74,563
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Retakaful and reinsurance share of unearned contributions	28,432	26,395
Reserves for unearned subscriptions	467	247
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Retakaful and reinsurance share of unearned contributions	28,899	26,642
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	64,448	101,205
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Takaful liabilities - net		
Outstanding claims	27,670	38,945
Claims incurred but not reported	8,556	8,652
Unallocated loss adjusted expense	739	830
Unearned contributions	61,616	27,006
Reserves for unearned subscriptions	3,677	6,195
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	102,258	81,628
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13 Share capital

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
<i>Authorised, issued and fully paid up capital</i>		
150,000,000 shares of AED 1 each	150,000	150,000
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National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

14 Policyholders' fund

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
<i>Deficit in policyholders' fund</i>		
Balance at the beginning of the period	(105,465)	(55,816)
Deficit for the period	(8,298)	(49,649)
	<u>(113,763)</u>	<u>(105,465)</u>
<i>Qard Hasan from shareholders</i>		
Balance at the beginning of the period	105,465	55,816
Provided during the period	8,298	49,649
	<u>113,763</u>	<u>105,465</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.

15 Due to policyholders and due from shareholders

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Qard Hasan loan	113,763	105,465
<i>Less:</i>		
Wakala fee receivables	(36,347)	(36,296)
Transfers and payments to takaful operations	(49,353)	(29,528)
	<u>28,063</u>	<u>39,641</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

16 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>Nine months ended</i>	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	AED'000	AED'000	AED'000	AED'000
Gross contribution written	-	-	-	5
Gross contribution received	-	-	-	6
Compensation to key management personnel				
- Directors' remuneration	-	44	70	238
- Short term benefits	504	-	1,344	1,235
- Long term benefits	79	-	210	1,013

17 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 September 2016, wakala fee has been charged at 15% (2015: 15%).

18 Investment income

	<i>Three months ended</i>		<i>Nine months ended</i>	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	AED'000	AED'000	AED'000	AED'000
Profit on wakala bank deposits and sukuk bonds	873	498	2,337	1,962
Unrealised gain on AFS investments reclassified from other comprehensive income	-	-	1,235	-
Dividend income	-	260	-	805
Unrealised gain / (loss) on FVTPL investments	185	(1,152)	1,193	(93)
Realised (loss) / gains on investments	(58)	1,586	1,412	2,448
Rental income from investment property-net	353	340	975	572
Asset management expenses	(33)	(124)	(211)	(467)
	1,320	1,408	6,941	5,227

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

19 General and administrative expenses

	<i>Three months ended</i>		<i>Nine months ended</i>	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	AED'000	AED'000	AED'000	AED'000
Staff costs	4,977	4,484	15,333	18,921
Rent, rates and service charges	395	208	1,421	1,188
Office stationery and maintenance	138	143	520	563
IT maintenance costs	360	125	828	599
Audit, legal and other professional fees	922	105	1,633	554
Directors' remuneration	-	99	70	358
Depreciation and amortisation	239	336	905	1,005
Provision for doubtful debts	94	-	998	-
Others	58	78	697	483
	7,183	5,578	22,405	23,671

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

20 Segmental information

For the nine month period ended 30 September 2016 (Unaudited)

	Medical AED'000	Non-medical AED'000	Total AED'000
Takaful income			
Gross takaful contributions	70,255	79,703	149,958
Contribution ceded	(17,370)	(40,148)	(57,518)
Net takaful contributions	52,885	39,555	92,440
Net transfer to unearned contribution reserve	(23,079)	(11,531)	(34,610)
Net takaful contributions earned	29,806	28,024	57,830
Commissions earned	911	2,482	3,393
Total takaful income	30,717	30,506	61,223
Takaful expenses			
Gross claim paid	(52,904)	(68,671)	(121,575)
Retakaful share of claims paid	29,449	40,408	69,857
Net claims paid	(23,455)	(28,263)	(51,718)
Outstanding claims	7,955	44,429	52,384
Retakaful share of outstanding claims	(6,972)	(34,137)	(41,109)
Incurred but not reported-claims reserves – net	(294)	390	96
Unearned subscriptions – net	(778)	3,296	2,518
Unallocated loss adjustment expense reserve - net	-	92	92
Net takaful claims incurred	(23,544)	(14,194)	(37,737)
Commission expenses	(2,987)	(2,883)	(5,870)
Other underwriting expenses - net	(2,561)	(1,184)	(3,745)
Net takaful income	1,625	12,246	13,871
Wakala fees	(9,474)	(13,111)	(22,585)
Income from investments	9	64	73
Other income	13	330	343
Net loss from takaful operations	(7,827)	(471)	(8,298)

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 information

20 Segmental information *(continued)*

For the nine month period ended 30 September 2015 (Unaudited)

	Medical AED'000	Non-medical AED'000	Total AED'000
Takaful income			
Gross takaful contributions	112,979	79,513	192,492
Contribution ceded	(48,816)	(42,651)	(91,467)
Net takaful contributions	64,163	36,862	101,025
Net transfer to unearned contribution reserve	(11,523)	(5,400)	(16,923)
Net takaful contributions earned	52,640	31,462	84,102
Commissions earned	209	2,599	2,808
Total takaful income	52,849	34,061	86,910
Takaful expenses			
Gross claim paid	(77,805)	(44,368)	(122,173)
Retakaful share of claims paid	41,420	21,423	62,843
Net claims paid	(36,385)	(22,945)	(59,330)
Outstanding claims	(5,913)	(18,243)	(24,156)
Retakaful share of outstanding claims	3,536	3,786	7,322
Incurred but not reported-claims reserves - net	317	(2,091)	(1,774)
Unearned subscriptions - net	-	(3,290)	(3,290)
Unallocated loss adjustment expense reserve - net	-	-	-
Net takaful claims incurred	(38,445)	(42,783)	(81,228)
Commission expenses	(5,850)	(3,336)	(9,186)
Other underwriting expenses	(4,716)	(1,205)	(5,921)
Net takaful income / (loss)	3,838	(13,263)	(9,425)
Wakala fees	(13,397)	(11,927)	(25,324)
Income from investments	21	36	57
Other income	16	286	302
Net loss from takaful operations	(9,522)	(24,868)	(34,390)

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 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 2016				
Financial assets at fair value through profit or loss	53,196	-	-	53,196
Investments available for sale	-	-	-	-
<hr/>				
31 December 2015				
Financial assets at fair value through profit or loss	67,058	-	-	67,058
Investments available for sale	10,464	-	-	10,464
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(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 information

22 Contingent liabilities and capital commitments

	(Unaudited) 30 September 2016 AED'000	(Audited) 31 December 2015 AED'000
Bank guarantees	<u>12,115</u>	<u>18,439</u>

The above bank guarantees were issued in normal course of business. The bank guarantees have been issued against restricted bank deposits (refer note 6).

Capital commitments

As at 30 September 2016, the Company is committed to incur other capital expenditure of AED 387 thousand (2015: nil). These commitments are expected to be settled in 2016.

23 Comparative figures

The comparative figures have been re-classified to conform with current period presentation changes.