

National Takaful Company (Watania) PJSC

Condensed interim financial information

For the period ended 30 September 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 SEPTEMBER 30, 2017

The Board of Directors is pleased to share its statement for the period ended September 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 9MFY17 on all its major KPIs:

- GWP grew 29.1% y-o-y to AED 193.6mn in 9MFY17 as compared AED 149.9mn in the same period last year. The growth in premium was led by Motor and Medical segment.
- Net earned contribution increased 89.8% y-o-y to AED 109.8mn in 9MFY17 from AED 57.8mn in 9MFY16.
- Net Takaful income grew to AED 36.3mn in 9MFY17 from AED 13.9mn in 9MFY16, delivering a y-o-y growth of 161.4%. Growth in net takaful income was also supported by a stable claims ratio of 65%.
- The Management continues to exercise tight control in its operating expenses which led to decline in expense ratio (operating expenses as a % of net earned contribution) to 18.7% in 9MFY17 from 38.9% in 9MFY16. Overall the management expenses declined 8.5% y-o-y to AED 20.6mn in 9MFY17 from AED 22.5mn in 9MFY16.
- Total Investment income declined by 42.3% y-o-y to AED 4.0mn in 9MFY17 from AED 6.9mn in 9MFY16. 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 2.8mn in 9MFY16
- Despite of fall in investment income, the company delivered net profit of AED 5.8mn in 9MFY17 as compared to a loss of AED 1.3mn in 9MFY16 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 company will continue to focus on its strategy of profitable underwriting, good customer service, cost control and stable investment income.

Managing investment book continues to be a challenge in the current macro-environment. Rentals in the residential real estate continues to witness a significant drop in 2017, however our strategy of keeping the occupancy levels high ensured that the overall impact of fall in rentals on the 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 Watania. We acknowledge and thank the management team and employees for their hard work and dedication.

Ali Saeed Bin Harmel Al Dhaheri
Chairman

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 September 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 September 2017;
- the condensed interim statement of profit or loss and other comprehensive income for the three months and nine months period ended 30 September 2017;
- the condensed interim statement of changes in equity for the nine months period ended 30 September 2017;
- the condensed interim statement of cash flows for the nine months period ended 30 September 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 September 2017 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates
Date:

National Takaful Company (Watania) PJSC

Condensed interim statement of financial position

as at

		(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
	<i>Note</i>		
Assets			
Takaful operations' assets			
(attributable to participants)			
Investments at fair value through profit or loss	9	19,839	4,072
Deferred policy acquisition cost		11,665	8,475
Retakaful and reinsurance share of unearned contribution	13	51,773	25,111
Retakaful and reinsurance share of claims	13	37,441	35,795
Advances, deposits and other assets		3,384	2,345
Due from shareholders	16	46,131	22,994
Takaful and retakaful receivables	5	57,877	76,163
Restricted bank deposits	6	3,700	6,100
Wakala bank deposits	7	15,500	12,000
Cash and cash equivalents	8	19,182	22,165
Total takaful operations' assets		266,492	215,220
Shareholders' assets			
Property and equipment		1,034	1,337
Investments - held to maturity	10	20,294	19,212
Financial assets available for sale	11	12,139	-
Investments at fair value through profit or loss	9	19,980	9,358
Investment properties	12	31,795	24,400
Statutory deposit		6,000	6,000
Advances, deposits and other asset		4,449	1,454
Restricted bank deposits	6	8,545	8,415
Wakala bank deposits	7	24,000	16,000
Cash and cash equivalents	8	7,469	21,545
Total shareholders' assets		135,705	107,721
Total assets		402,197	322,941

Continued....

National Takaful Company (Watania) PJSC

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

		(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Liabilities			
Takaful operations' liabilities (attributable to participants)			
Takaful and retakaful payables		39,440	35,403
Takaful contract liabilities	13	216,673	174,649
Other liabilities		10,379	5,168
Total takaful operations' liabilities		266,492	215,220
Shareholders' liabilities			
Other liabilities		2,644	3,100
End of service benefits		3,415	2,452
Due to policyholders	16	46,131	22,994
Total shareholders' liabilities		52,190	28,546
Participants' account			
Property and liability takaful fund	15	(150,272)	(119,600)
Qard hasan – financed by shareholders	15	150,272	119,600
Total deficit in participants' account		-	-
Shareholders' equity			
Share capital	14	150,000	150,000
Legal reserve		39	39
Fair value reserve		(1,462)	-
Accumulated losses		(65,062)	(70,864)
Total shareholders' equity		83,515	79,175
Total shareholders' equity and liabilities and takaful operations' liabilities		402,197	322,941

The condensed interim financial information of the Company was authorised for issue and approved by the Board of Directors on 9/11/17 and signed on their behalf by:



Chairman



Chief Executive Officer

The notes set out on pages 11 to 23 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 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Takaful income					
Gross takaful contributions	21	64,983	42,826	193,600	149,958
Contributions ceded	21	(27,593)	(9,706)	(71,469)	(57,518)
Net takaful contributions		37,390	33,120	122,131	92,440
Net transfer to unearned contributions reserve	21	1,881	(11,574)	(12,349)	(34,610)
Net takaful contributions earned		39,271	21,546	109,782	57,830
Commissions earned	21	1,357	1,081	3,568	3,393
Total takaful income		40,628	22,627	113,350	61,223
Takaful expenses					
Gross claims paid	21	(38,434)	(31,210)	(97,601)	(121,575)
Retakaful share of claims paid	21	9,495	20,161	27,064	69,857
Net claims paid		(28,939)	(11,049)	(70,537)	(51,718)
Outstanding claims	21	6,130	22,268	(2,612)	52,384
Retakaful share of outstanding claims	21	97	(24,428)	1,100	(41,109)
Incurred but not reported claims – net	21	(1,176)	(428)	(1,242)	96
Unearned subscriptions – net	21	-	755	1,398	2,518
Unallocated loss adjustment expense reserve – net	21	(17)	(6)	(11)	92
Net takaful claims incurred		(23,905)	(12,888)	(71,904)	(37,737)
Commissions expense	21	8,595	(2,224)	-	(5,870)
Other underwriting expenses	21	(2,039)	(1,483)	(5,183)	(3,745)
Total takaful expenses		(17,349)	(16,595)	(77,087)	(47,352)
Net takaful income		23,279	6,032	36,263	13,871
Income from investments	21	346	28	713	73
Mudarib's share		(121)	-	(250)	-
Wakala fees	21	(36,709)	(6,632)	(67,577)	(22,585)
Other income	21	28	125	179	343
Net loss from takaful operations	21	(13,177)	(447)	(30,672)	(8,298)

Continued.....

National Takaful Company (Watania) PJSC

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

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Other revenues					
Investments income - net	19	1,348	1,320	4,001	6,941
Wakala fees	18	36,709	6,632	67,577	22,585
Mudarib's share		121	-	250	-
		<u>38,178</u>	<u>7,952</u>	<u>71,828</u>	<u>29,526</u>
Other expenses					
Mudaraba financing cost		-	(8)	-	(75)
General and administrative expenses	20	(7,118)	(7,183)	(20,576)	(22,405)
Commissions expense		(14,778)	-	(14,778)	-
		<u>(21,896)</u>	<u>(7,191)</u>	<u>(35,354)</u>	<u>(22,480)</u>
Loss from takaful operations	21	(13,177)	(447)	(30,672)	(8,298)
Net profit / (loss) for the period		<u>3,105</u>	<u>314</u>	<u>5,802</u>	<u>(1,252)</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)
Unrealised loss on financial assets available for sale		(95)	-	(1,462)	-
		<u>(95)</u>	<u>-</u>	<u>(1,462)</u>	<u>-</u>
Total comprehensive income / (loss) for the period		<u>3,010</u>	<u>314</u>	<u>4,340</u>	<u>(2,487)</u>
Earnings / (loss) per ordinary share (AED)		<u>0.02</u>	<u>0.002</u>	<u>0.04</u>	<u>(0.008)</u>

The notes set out on pages 11 to 23 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 nine months period ended 30 September

	Share capital AED'000	Legal reserve AED'000	Fair value 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	-	-	-	(1,252)	(1,252)
Other comprehensive loss for the period	-	-	(1,235)	-	(1,235)
Total comprehensive loss for the period	-	-	(1,235)	(1,252)	(2,487)
As at 30 September 2016 <i>(Unaudited)</i>	150,000	-	-	(72,462)	77,538
As at 1 January 2017 <i>(Audited)</i>	150,000	39	-	(70,864)	79,175
Profit for the period	-	-	-	5,802	5,802
Other comprehensive loss for the period	-	-	(1,462)	-	(1,462)
Total comprehensive (loss) / income for the period	-	-	(1,462)	5,802	4,340
As at 30 September 2017 <i>(Unaudited)</i>	150,000	39	(1,462)	(65,062)	83,515

The notes set out on pages 11 to 23 form an integral part of these condensed interim financial information.

National Takaful Company (Watania) PJSC

Condensed interim statement of cash flows for the nine months period ended 30 September (Unaudited)

	2017 AED'000	2016 AED'000
Operating activities		
Profit / (loss) for the period	5,802	(1,252)
<i>Adjustment for:</i>		
Depreciation and amortisation	474	905
Income from investments	(4,714)	(7,014)
Provision for end of service benefits	1,129	995
Gain on sale of property and equipment	-	(3)
Provision for impairment of takaful receivables	224	998
	<u>2,915</u>	<u>(5,371)</u>
<i>Changes in:</i>		
Takaful and retakaful receivables	18,062	(27,333)
Advances, deposit and other assets	(3,003)	(2,117)
Takaful and retakaful payables	4,037	(12,842)
Takaful contract liabilities	42,024	(16,127)
Retakaful contract assets	(28,308)	36,757
Deferred policy acquisition costs	(3,190)	(4,233)
Other liabilities	4,755	(678)
	<u>37,292</u>	<u>(31,944)</u>
Cash from / (used in) operating activities	37,292	(31,944)
Payment for end of service benefits	(166)	(833)
	<u>37,126</u>	<u>(32,777)</u>
Net cash from / (used in) operating activities	37,126	(32,777)
Cash flows from investing activities		
Purchase of property and equipment	(171)	(700)
Proceeds from disposal of property and equipment	-	3
Change in investments - net	(41,072)	24,326
Purchase of investment properties	(7,395)	-
Income received from investments, including restricted deposits	3,683	5,779
Change in restricted bank deposits	2,270	6,324
Change in wakala bank deposits	(11,500)	(15,000)
	<u>(54,185)</u>	<u>20,732</u>
Net cash (used in) / from investing activities	(54,185)	20,732

National Takaful Company (Watania) PJSC

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

	2017 AED'000	2016 AED'000
Cash flow from financing activities		
Proceed from Mudaraba financing - net	-	8,000
Net cash from financing activities	-	8,000
Decrease in cash and cash equivalents	(17,059)	(4,045)
Cash and cash equivalents at the beginning of the period	43,710	30,849
Cash and cash equivalents at the end of the period	26,651	26,804

The notes set out on pages 11 to 23 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 no 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 nine months period ended 30 September 2017 are not necessarily indicative of the results for the year ending 31 December 2017.

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 investments 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
IFRS 17 <i>Insurance Contracts</i>	1 January 2021

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 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful and retakaful receivables	59,987	78,049
Less: allowance for impairment of takaful and retakaful receivables	(2,110)	(1,886)
Net takaful and retakaful receivables	<u>57,877</u>	<u>76,163</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

6 Restricted bank deposits

	(Unaudited) 30 September 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 bank deposits are held in margin accounts to issue takaful business related performance and tender bonds. These deposits carry a profit rate of 2.00% to 2.25% (2016: 2.00% to 2.25%) per annum.

7 Wakala bank deposits

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful operations' assets	15,500	12,000
Shareholders' assets	24,000	16,000
	<u>39,500</u>	<u>28,000</u>

The above wakala bank deposits carry a profit rate of 1.60% to 2.50% per annum. Certain wakala bank deposits are lien marked against the mudaraba financing facility of AED 14 million (2016: AED 14 million) obtained by the Company which carry a profit rate of 3.10% per annum.

8 Cash and cash equivalents

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Cash on hand	9	11
Cash at banks – current accounts	26,642	43,699
	<u>26,651</u>	<u>43,710</u>
Takaful operations' assets	19,182	22,165
Shareholders' assets	7,469	21,545
	<u>26,651</u>	<u>43,710</u>

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

9 Investments at fair value through profit or loss

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Held for trading		
Sukuk – takaful operations' assets	19,839	4,072
Sukuk – shareholders' assets	18,627	9,358
Quoted equity securities – shareholders' assets	1,353	-
	<u>39,819</u>	<u>13,430</u>

The geographical distribution of investments is as follows:

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Inside UAE	19,500	3,521
Outside UAE	20,319	9,909
	<u>39,819</u>	<u>13,430</u>

10 Investments – held to maturity

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Sukuk – shareholders' assets	20,294	19,212
	<u>20,294</u>	<u>19,212</u>

The geographical distribution of investments is as follows:

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Inside UAE	14,000	14,019
Outside UAE	6,294	5,193
	<u>20,294</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 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Sukuk – shareholders' assets	12,139	-
	<u>12,139</u>	<u>-</u>

The geographical distribution of investments is as follows:

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Inside UAE	5,048	-
Outside UAE	7,091	-
	<u>12,139</u>	<u>-</u>

12 Investment properties

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Balance as at 1 January <i>(audited)</i>	24,400	24,375
Purchased during the period / year	7,395	-
Revaluation gain during the period / year	-	25
	<u>31,795</u>	<u>24,400</u>

13 Reinsurance and retakaful contract assets and takaful contract liabilities

	(Unaudited) 30 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Takaful contract liabilities		
Outstanding claims reserve	64,612	62,000
Incurred but not reported – claims reserve	15,316	13,528
Unallocated loss adjusted expense	1,334	1,323
Unearned contributions	135,411	95,923
Reserves for unearned subscriptions	-	1,875
	<u>216,673</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 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Reinsurance and retakaful contract assets		
Outstanding claims reserve	31,961	30,861
Incurred but not reported – claims reserve	5,480	4,934
Unallocated loss adjusted expense	-	-
	<u>37,441</u>	<u>35,795</u>
Retakaful and resinsurance share of		
unearned contributions	51,773	24,634
Reserves for unearned subscriptions	-	477
	<u>51,773</u>	<u>25,111</u>
Retakaful and reinsurance share of unearned contributions	51,773	25,111
	<u>89,214</u>	<u>60,906</u>
Takaful liabilities - net		
Outstanding claims reserve	32,651	31,139
Incurred but not reported – claims reserve	9,836	8,594
Unallocated loss adjusted expense	1,334	1,323
Unearned contributions	83,638	71,289
Reserves for unearned subscriptions	-	1,398
	<u>127,459</u>	<u>113,743</u>

14 Share capital

	(Unaudited) 30 September 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	150,000	150,000

National Takaful Company (Watania) PJSC

Notes to the condensed interim financial information

15 Policyholders' fund

	(Unaudited) 30 September 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	(30,672)	(14,135)
	<u>(150,272)</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	30,672	14,135
	<u>150,272</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 September 2017 AED'000	(Audited) 31 December 2016 AED'000
Qard Hasan (note 15)	150,272	119,600
<i>Less:</i>		
Wakala fee receivables	(64,479)	(38,750)
Transfers and payments to takaful operations	(39,662)	(57,856)
	<u>46,131</u>	<u>22,994</u>

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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>Nine months ended</i>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	30 September	30 September	30 September	30 September
	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	1,512	1,344
- Long term benefits	79	131	236	210

	(Unaudited)	(Audited)
	30 September	31 December
	2017	2016
	AED'000	AED'000
<i>Balances with related parties</i>		
Receivable from a related party - net	868	38
Bank balances with a related party	2,433	12,043
Sukuk investment	9,909	9,909
Profit accrued	211	211

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 September 2017, wakala fee has been charged at 35% (2016: 15%).

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Notes to the condensed interim financial information

19 Investment income - net

	<i>Three months ended</i>		<i>Nine months ended</i>	
	(Unaudited) 30 September 2017 AED'000	(Unaudited) 30 September 2016 AED'000	(Unaudited) 30 September 2017 AED'000	(Unaudited) 30 September 2016 AED'000
Profit on wakala bank deposits and sukuk bonds	518	873	1,948	2,337
Unrealised gain on AFS investments reclassified from other comprehensive income	-	-	-	1,235
Dividend income	20	-	505	-
Unrealised gain / (loss) on FVTPL investments	59	185	69	1,193
Realised gains on investments	368	(58)	416	1,412
Rental income from investment properties - net	413	353	1,121	975
Premium amortisation	(7)	-	(20)	-
Asset management expenses	(23)	(33)	(38)	(211)
	1,348	1,320	4,001	6,941

20 General and administrative expenses

	<i>Three months ended</i>		<i>Nine months ended</i>	
	(Unaudited) 30 September 2017 AED'000	(Unaudited) 30 September 2016 AED'000	(Unaudited) 30 September 2017 AED'000	(Unaudited) 30 September 2016 AED'000
Staff costs	5,058	4,977	15,410	15,333
Rent, rates and service charges	372	395	975	1,421
Office stationery and maintenance	152	138	542	520
IT maintenance costs	367	360	1,119	828
Audit, legal and other professional	494	922	1,226	1,633
Directors' remuneration (note 17)	-	-	-	70
Depreciation and amortisation	154	239	474	905
Provision for bad debts	224	94	224	998
Others expenses	297	58	606	697
	7,118	7,183	20,576	22,405

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21 Segmental information

For the nine months period ended 30 September 2017 (Unaudited)

	Medical AED'000	Non-medical AED'000	Total AED'000
Takaful income			
Gross takaful contributions	90,011	103,589	193,600
Contribution ceded	(49,536)	(21,933)	(71,469)
Net takaful contributions	40,475	81,656	122,131
Net transfer to unearned contribution reserve	12,289	(24,638)	(12,349)
Net takaful contributions earned	52,764	57,018	109,782
Commissions earned	914	2,654	3,568
Total takaful income	53,678	59,672	113,350
Takaful expenses			
Gross claim paid	(66,827)	(30,774)	(97,601)
Retakaful share of claims paid	23,014	4,050	27,064
Net claims paid	(43,813)	(26,724)	(70,537)
Outstanding claims	3,391	(6,003)	(2,612)
Retakaful share of outstanding claims	1,510	(410)	1,100
Incurred but not reported claims – net	(243)	(999)	(1,242)
Unearned subscriptions – net	508	890	1,398
Unallocated loss adjustment expense reserve - net	7	(18)	(11)
Net takaful claims incurred	(38,640)	(33,264)	(71,904)
Commission expenses	-	-	-
Other underwriting expenses	(3,456)	(1,727)	(5,183)
Total takaful expenses	(42,096)	(34,991)	(77,087)
Net takaful income	11,582	24,681	36,263
Income from investments	274	439	713
Mudarib's share	(96)	(154)	(250)
Wakala fees	(26,317)	(41,260)	(67,577)
Other income	100	79	179
Net loss from takaful operations	(14,457)	(16,215)	(30,672)

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

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21 Segmental information

For the nine months 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 -- 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	(2,561)	(1,184)	(3,745)
Total takaful expenses	(29,092)	(18,261)	(47,352)
Net takaful income	1,625	12,246	13,871
Income from Investments	9	64	73
Mudarib's share	-	-	-
Wakala fees	(9,474)	(13,111)	(22,585)
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.

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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 September 2017 (Unaudited)				
Investment at fair value				
through profit or loss	38,466	-	-	38,466
Financial assets - equity	13,492	-	-	13,492
	<u>51,958</u>	<u>-</u>	<u>-</u>	<u>51,958</u>
31 December 2016 (Audited)				
Investment at fair value				
through profit or loss	13,430	-	-	13,430
Financial assets - equity	-	-	-	-
	<u>13,430</u>	<u>-</u>	<u>-</u>	<u>13,430</u>

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.

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Notes to the condensed interim financial information

23 Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities.

At 30 September 2017 (Unaudited)

	FVTPL investments AED'000	Financial assets available for sale AED'000	Amortised cost AED'000	Total carrying amount AED'000
<u>Financial assets</u>				
Investments	39,819	12,139	20,294	72,252
Due from shareholders	-	-	46,131	46,131
Takaful and retakaful receivables	-	-	57,877	57,877
Statutory deposit	-	-	6,000	6,000
Restricted bank deposits	-	-	12,245	12,245
Wakala bank deposits	-	-	39,500	39,500
Cash and cash equivalents	-	-	26,651	26,651
Deposits and other receivables	-	-	4,720	4,720
	<u>39,819</u>	<u>12,139</u>	<u>213,418</u>	<u>265,376</u>
<u>Financial liabilities</u>				
Takaful and retakaful payables	-	-	39,440	39,440
Due to policyholders	-	-	46,131	46,131
Other liabilities	-	-	8,510	8,510
	<u>-</u>	<u>-</u>	<u>94,081</u>	<u>94,081</u>

At 31 December 2016 (Audited)

	FVTPL investments AED'000	Financial assets available for sale AED'000	Amortised cost AED'000	Total carrying amount AED'000
<u>Financial assets</u>				
Investments	13,430	-	19,212	32,642
Due from shareholders	-	-	22,994	22,994
Takaful and retakaful receivables	-	-	76,163	76,163
Statutory deposit	-	-	6,000	6,000
Restricted bank deposits	-	-	14,515	14,515
Wakala bank deposits	-	-	28,000	28,000
Cash and cash equivalents	-	-	43,710	43,710
Deposits and other receivables	-	-	1,370	1,370
	<u>13,430</u>	<u>-</u>	<u>211,964</u>	<u>225,394</u>
<u>Financial liabilities</u>				
Takaful and retakaful payables	-	-	35,403	35,403
Due to policyholders	-	-	22,994	22,994
Other liabilities	-	-	5,236	5,236
	<u>-</u>	<u>-</u>	<u>63,723</u>	<u>63,723</u>