

**Al Wathba National Insurance  
Company (PJSC)**

BOARD OF DIRECTORS' REPORT AND  
INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2016

**Al Wathba National Insurance  
Company (PJSC)**

BOARD OF DIRECTORS' REPORT

30 JUNE 2016



شركة الوثبة الوطنية للتأمين ش.م.ع  
ALWATHBA NATIONAL INSURANCE CO. P.J.S.C.

## Board of Directors' Report on the Company Business For the Period Ended 30 June 2016

The Board of Directors of Al Wathba National Insurance Company (the "Company") is pleased to submit the quarterly report of the Company's activities accompanied by the audited financial statements for the period ended 30 June 2016.

The level of oil prices during the period remain the same; with the steady influence on the decline in the level of various economic sectors and thus influencing the level of performance of the local insurance market which continues to struggle from intense competition that is still prevalent as reflected in the market results in general. The current market condition is expected to continue despite UAE Insurance Authority's keen efforts to stabilize current market conditions via the implementation of financial regulations.

Al Wathba National Insurance Company achieved a total profit for the period of 58.708 million dirhams compared to 48.182 million dirhams in 2015 during the same period showing an increase of 22%.

The total comprehensive income for the period rose to 72.874 million dirhams, from 14.936 million dirhams; showing an increase of 388% compared to the previous year. This was brought about by exceptional investment performance which achieved a net profit of 63.153 million dirhams for the period compared to 42.539 million dirhams in 2015.

As for the insurance business, underwriting income amounted to 16 million dirhams compared with 26 million dirhams from the previous year, this decline led to a net underwriting loss of 4.445 million dirhams after expenses. This was due primarily due to the company's efforts to increase additional reserves in line with UAE Insurance Authority instructions.

  
**Rashed Darwish Al Ketbi**  
Vice Chairman & Managing Director

**Al Wathba National Insurance  
Company (PJSC)**

INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2016

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF AL WATHBA NATIONAL INSURANCE COMPANY PJSC**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Al Wathba National Insurance Company PJSC and its subsidiaries (the “Group”) as at 30 June 2016 comprising of the interim consolidated statement of financial position as at 30 June 2016, and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim consolidated statements of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by:  
Mohammad Mobin Khan  
Partner  
Ernst & Young  
Registration No 532

13 August 2016  
Abu Dhabi

# Al Wathba National Insurance Company (PJSC)

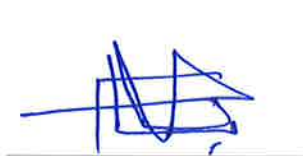
## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016 (unaudited)

	Notes	30 June 2016 (Unaudited) AED 000	31 December 2015 (Audited) AED 000
<b>ASSETS</b>			
Cash and bank balances	10	95,759	85,542
Investments carried at fair value through other comprehensive income	6	205,954	190,544
Investments carried at fair value through profit or loss	7	350,590	295,105
Investments at amortised cost	4	5,000	5,000
Insurance receivables and prepayments	8	108,291	96,379
Reinsurance contracts assets	9	221,572	162,926
Investment properties		338,017	338,017
Investment in associates	5	130,803	131,918
Intangible assets	17	2,996	-
Property and equipment		<u>7,565</u>	<u>7,305</u>
<b>TOTAL ASSETS</b>		<b><u>1,466,547</u></b>	<b><u>1,312,736</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	207,000	207,000
Legal reserve	13	103,500	76,146
Statutory reserve		51,750	51,750
General reserve		23,323	23,323
Capital reserve		9,959	9,959
Investment revaluation reserve		16,402	2,236
Retained earnings		<u>415,082</u>	<u>404,420</u>
<b>Equity attributable to equity holders of the parent</b>		<b>827,016</b>	<b>774,834</b>
Non-controlling interests		<u>131</u>	<u>-</u>
<b>Total equity</b>		<b><u>827,147</u></b>	<b><u>774,834</u></b>
<b>LIABILITIES</b>			
Employees' end of service benefits	11	9,992	9,147
Insurance contract liabilities	9	370,282	296,877
Bank overdrafts	10	143,553	124,059
Trade and other payables		<u>115,573</u>	<u>107,819</u>
<b>Total liabilities</b>		<b><u>639,400</u></b>	<b><u>537,902</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,466,547</u></b>	<b><u>1,312,736</u></b>



Rashid Darwish Ahmed  
VICE CHAIRMAN &  
MANAGING DIRECTOR



Bassam Adib Chilmeran  
CHIEF EXECUTIVE OFFICER



Abhilash Cherian  
CHIEF FINANCIAL OFFICER

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

# Al Wathba National Insurance Company (PJSC)

## INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2016 (unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 AED 000	2015 AED 000	2016 AED 000	2015 AED 000
Gross premiums written		52,486	71,729	195,239	240,846
Change in unearned premium provision		<u>20,525</u>	<u>23,525</u>	<u>(47,804)</u>	<u>(59,392)</u>
<b>Premium income earned</b>		<b><u>73,011</u></b>	<b><u>95,254</u></b>	<b><u>147,435</u></b>	<b><u>181,454</u></b>
Reinsurance premium ceded		(24,786)	(41,863)	(108,258)	(86,586)
Change in unearned premium provision		<u>(11,128)</u>	<u>(435)</u>	<u>27,573</u>	<u>7,593</u>
Reinsurance premium ceded		<u>(35,914)</u>	<u>(42,298)</u>	<u>(80,685)</u>	<u>(78,993)</u>
<b>Net premium earned</b>		<b><u>37,097</u></b>	<b><u>52,956</u></b>	<b><u>66,750</u></b>	<b><u>102,461</u></b>
Gross claims paid		(49,386)	(59,969)	(103,750)	(141,137)
Less: claims recovered from reinsurers		<u>16,852</u>	<u>17,663</u>	<u>36,966</u>	<u>54,820</u>
Net claims paid		(32,534)	(42,306)	(66,784)	(86,317)
Net movement in provision for outstanding claims		(595)	573	4,039	7,087
Net movement in claims incurred but not reported		<u>(3,180)</u>	<u>-</u>	<u>1,433</u>	<u>-</u>
<b>Net claims incurred</b>		<b><u>(36,309)</u></b>	<b><u>(41,733)</u></b>	<b><u>(61,312)</u></b>	<b><u>(79,230)</u></b>
Gross commission earned		6,800	7,351	25,615	18,201
Less: commission incurred		<u>(4,477)</u>	<u>(4,780)</u>	<u>(15,487)</u>	<u>(14,609)</u>
<b>Net commission earned</b>		<b><u>2,323</u></b>	<b><u>2,571</u></b>	<b><u>10,128</u></b>	<b><u>3,592</u></b>
<b>Underwriting income</b>		<b>3,111</b>	<b>13,794</b>	<b>15,566</b>	<b>26,823</b>
General and administrative expenses relating to underwriting		<u>(10,107)</u>	<u>(10,490)</u>	<u>(20,011)</u>	<u>(21,180)</u>
<b>Net underwriting (loss) income</b>		<b><u>(6,996)</u></b>	<b><u>3,304</u></b>	<b><u>(4,445)</u></b>	<b><u>5,643</u></b>
Other expenses		(2,433)	(1,218)	(3,582)	(2,445)
Net investment income	14	24,793	32,569	58,508	40,520
Net income arising from brokerage services		507	-	507	-
Share of profit of associates		9,803	7,377	9,880	5,503
Finance costs		<u>(1,148)</u>	<u>(558)</u>	<u>(2,160)</u>	<u>(1,039)</u>
<b>PROFIT FOR THE PERIOD</b>		<b><u>24,526</u></b>	<b><u>41,474</u></b>	<b><u>58,708</u></b>	<b><u>48,182</u></b>
Attributable to:					
Equity holders of the parent		24,534	41,474	58,716	48,182
Non-controlling interests		<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
		<b><u>24,526</u></b>	<b><u>41,474</u></b>	<b><u>58,708</u></b>	<b><u>48,182</u></b>
Basic and diluted earnings per share	15	<u>0.12</u>	<u>0.20</u>	<u>0.28</u>	<u>0.23</u>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Al Wathba National Insurance Company (PJSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2016 (unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
<b>Profit for the period</b>	<b>24,526</b>	41,474	<b>58,708</b>	48,182
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to statement of income:</b>				
Share of other comprehensive (loss) income of associates	(639)	494	(1,244)	(4,811)
Gain on sale of investments carried at fair value through other comprehensive income	-	1,587	-	1,587
Changes in fair value relating to investments carried at fair value through other comprehensive income, net	<u>8,457</u>	<u>(5,727)</u>	<u>15,410</u>	<u>(30,022)</u>
<b>Other comprehensive income (loss) for the period</b>	<b><u>7,818</u></b>	<b><u>(3,646)</u></b>	<b><u>14,166</u></b>	<b><u>(33,246)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>32,344</u></b>	<b><u>37,828</u></b>	<b><u>72,874</u></b>	<b><u>14,936</u></b>
Attributable to:				
Equity holders of the parent	32,352	37,828	72,882	14,936
Non-controlling interests	<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
	<b><u>32,344</u></b>	<b><u>37,828</u></b>	<b><u>72,874</u></b>	<b><u>14,936</u></b>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.



# Al Wathba National Insurance Company (PJSC)

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2016 (unaudited)

	Share capital AED 000	Legal reserve AED 000	Statutory reserve AED 000	General reserve AED 000	Capital reserve AED 000	Investment revaluation reserve AED 000	Retained earnings AED 000	Total AED 000	Non- controlling interests AED 000	Total equity AED 000
Balance at 1 January 2015	207,000	74,330	51,750	23,323	9,959	89,887	416,366	872,615	-	872,615
Profit for the period	-	-	-	-	-	-	48,182	48,182	-	48,182
Other comprehensive (loss) income	-	-	-	-	-	(34,833)	1,587	(33,246)	-	(33,246)
Total comprehensive (loss) income	-	-	-	-	-	(34,833)	49,769	14,936	-	14,936
Transfer on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	(1,715)	1,715	-	-	-
Dividends paid (note 11)	-	-	-	-	-	-	(31,050)	(31,050)	-	(31,050)
Balance at 30 June 2015	<u>207,000</u>	<u>74,330</u>	<u>51,750</u>	<u>23,323</u>	<u>9,959</u>	<u>53,339</u>	<u>436,800</u>	<u>856,501</u>	-	<u>856,501</u>
Balance at 1 January 2016	207,000	76,146	51,750	23,323	9,959	2,236	404,420	774,834	-	774,834
Profit for the period	-	-	-	-	-	-	58,716	58,716	(8)	58,708
Other comprehensive income	-	-	-	-	-	14,166	-	14,166	-	14,166
Total comprehensive income	-	-	-	-	-	14,166	58,716	72,882	(8)	72,874
Transfer to legal reserve (note 13)	-	27,354	-	-	-	-	(27,354)	-	-	-
Acquired as part of a business combination (note 17)	-	-	-	-	-	-	-	-	639	639
Capital reduction of a subsidiary	-	-	-	-	-	-	-	-	(500)	(500)
Dividends paid (note 12)	-	-	-	-	-	-	(20,700)	(20,700)	-	(20,700)
Balance at 30 June 2016	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>23,323</u>	<u>9,959</u>	<u>16,402</u>	<u>415,082</u>	<u>827,016</u>	<u>131</u>	<u>827,147</u>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

# Al Wathba National Insurance Company (PJSC)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2016 (unaudited)

	<i>Notes</i>	<i>Six months ended 30 June 2016 AED 000</i>	<i>Six months ended 30 June 2015 AED 000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		58,708	48,182
Adjustments for:			
Net movement in unearned premiums reserve		20,231	51,799
Change in outstanding claims and claims incurred but not reported reserves		25,601	(12,679)
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		(31,073)	5,593
Provision for (reversal of) allowance for impaired receivables		161	(1,563)
Change in fair value of investments carried at fair value through profit or loss	7&14	(15,473)	4,775
Gain on disposal of investments carried at fair value through profit or loss		(8,715)	(15,603)
Provision for employees end of service benefits	11	565	1,500
Depreciation of property and equipment		952	776
Amortisation of intangible assets		75	-
Share of profit of associates	5	(9,880)	(5,503)
Fair value gain on acquirer's previously held equity interest	14	(1,758)	-
Bargain purchase	14	(490)	-
Finance costs		2,160	1,039
Dividend income		(25,485)	(22,344)
Interest income		(429)	(875)
		15,150	55,097
Working capital changes:			
Insurance receivables and prepayments		20,359	(46,225)
Trade and other payables		(16,112)	(14,048)
Cash from (used in) operations		19,397	(5,176)
Finance costs paid		(2,160)	(1,039)
Employees' end of service benefits paid	11	(497)	(202)
Net cash from (used in) operating activities		16,740	(6,417)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(669)	(441)
Purchase of investments carried at fair value through other comprehensive income		-	(12,921)
Purchase of investments carried at fair value through profit or loss	7	(147,219)	(120,433)
Proceeds from disposal of investments carried at fair value through other comprehensive income		-	5,165
Proceeds from disposal of investments carried at fair value through profit or loss		115,922	104,653
Proceeds from disposal of investments carried at amortised cost		-	4,771
Acquisition of a subsidiary, net of cash acquired		(3,936)	-
Term deposits		(4,048)	31,965
Interest received		429	875
Capital reduction of a subsidiary – non-controlling interest		(500)	-
Dividends received from associates	5	5,171	7,067
Dividends received		25,485	22,344
Net cash (used in) from investing activities		(9,365)	43,045
<b>FINANCING ACTIVITY</b>			
Dividends paid		(20,700)	(31,050)
Cash used in financing activity		(20,700)	(31,050)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(13,325)	5,578
Cash and cash equivalents at the beginning of the period		(78,966)	(61,222)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	10	(92,291)	(55,644)

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (unaudited)

### 1 CORPORATE INFORMATION

Al Wathba National Insurance Company PJSC (the “Company”), incorporated in Abu Dhabi is registered as a public shareholding company in accordance with the UAE Federal Law No. 8 of 1984 (as amended).

The Company is registered in accordance with UAE Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations, and is registered in the Insurance Companies Register under registration No. 10.

The Company’s principal activity is the transaction of general insurance and re-insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain, and Sharjah. The Company is domiciled in the United Arab Emirates and its registered head office is P.O. Box 45154, Abu Dhabi, United Arab Emirates.

These interim condensed consolidated financial statements includes the financial performance and position of the Company and its subsidiary (collectively referred to as “the Group”).

The interim condensed consolidated financial statements were approved for issuance by the Board of Directors on 13 August 2016

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### *Basis of preparation*

The interim condensed consolidated financial statements for the six-months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015. In addition, results for the six-months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

#### *Significant accounting policies*

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015, except for the new interpretation and amendments to standards effective as of 1 January 2016.

Amendments to standards and new standards effective 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to standards listed above had no significant impact on the Group’s financial position or performance or disclosures.

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (unaudited)

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

#### *Basis of consolidation*

The interim condensed consolidated financial statements comprise the financial results of the Company and those of its following subsidiary:

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>
Vision Capital Brokerage LLC	Brokerage services	United Arab Emirates	99%

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The financial statements of subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (unaudited)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

***Business combinations***

Acquisitions of businesses are accounted for using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the cash and equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in consolidated income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated income statements as gain on acquiring controlling interest.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss being recognised in consolidated income statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016 (unaudited)

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

*Business combinations* continued

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in consolidated income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to consolidated income statement where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**3 COMMITMENTS AND CONTINGENCIES**

The Group's bankers have issued in the normal course of business letters of guarantee in favour of third parties amounting to AED 7.5 million (31 December 2015: AED 7.7 million).

**4 INVESTMENTS AT AMORTISED COST**

Included in investments at amortised cost is a five-year sukuk amounting to AED 5 million (31 December 2015: AED 5 million) which carries interest of 6-month EIBOR + 300 bps or 7.5%, whichever is higher.

**5 INVESTMENT IN ASSOCIATES**

Effective 20 April 2016, the Company acquired an additional 89% interest in the voting shares of Vision Capital Brokerage Company LLC, increasing its ownership interest to 99%. Consequently, it has been included in the interim condensed consolidated financial statements as a subsidiary from the date of acquisition, hence reclassified out of investment in associates.

The movement on investment in associates during the period / year is as follows:

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>31 December 2015 (Audited) AED 000</i>
At the beginning of the period/ year	<b>131,918</b>	147,978
Revaluation gain (note 17)	<b>1,758</b>	-
Share of profit for the period / year	<b>9,880</b>	11,891
Share of other comprehensive income of associates	<b>(1,244)</b>	(20,884)
Less: cash dividends received	<b>(5,171)</b>	(7,067)
Less: transferred to investment in subsidiary (note 17)	<b><u>(6,338)</u></b>	<u>-</u>
At end of period/ year	<b><u>130,803</u></b>	<u>131,918</u>

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**6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>31 December 2015 (Audited) AED 000</i>
Quoted securities	177,514	164,759
Unquoted securities	<u>28,440</u>	<u>25,785</u>
	<u><b>205,954</b></u>	<u><b>190,544</b></u>

The movement in the investments at fair value through other comprehensive income is as follows:

Fair value at beginning of period / year	190,544	246,249
Additions	-	12,921
Disposals	-	(3,576)
Change in fair value	<u>15,410</u>	<u>(65,050)</u>
Fair value at end of the period / year	<u><b>205,954</b></u>	<u><b>190,544</b></u>

The geographical distribution of investments is as follows:

Within UAE	196,167	183,237
Outside UAE	<u>9,787</u>	<u>7,307</u>
	<u><b>205,954</b></u>	<u><b>190,544</b></u>

**7 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Investments at fair value through profit or loss consist of quoted investments in UAE securities.

The movement in investments at fair value through profit or loss is as follows:

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>31 December 2015 (Audited) AED 000</i>
Fair value at beginning of period / year	295,105	292,360
Additions	147,219	197,582
Disposals	(107,207)	(137,091)
Change in fair value (note 14)	<u>15,473</u>	<u>(57,746)</u>
Fair value at end of the period / year	<u><b>350,590</b></u>	<u><b>295,105</b></u>

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**8 INSURANCE RECEIVABLES AND PREPAYMENTS**

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>31 December 2015 (Audited) AED 000</i>
<i>Insurance receivables:</i>		
Due from policy holders	52,570	43,661
Due from policy holders - related parties	<u>22,371</u>	<u>14,409</u>
	74,941	58,070
Less: allowance for impaired receivables	<u>(9,954)</u>	<u>(9,793)</u>
	64,987	48,277
Due from insurance and reinsurance companies	4,874	11,769
Margin trading receivables	23,636	-
Amounts due from securities markets	490	-
Prepayments	3,731	1,978
Accrued income	2,774	3,202
Payment to acquire additional equity interest in an associate	-	26,188
Other receivables	<u>7,799</u>	<u>4,965</u>
	<u>108,291</u>	<u>96,379</u>

**9 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS**

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>31 December 2015 (Audited) AED 000</i>
<b>Insurance liabilities</b>		
Outstanding claims reserve	187,212	171,783
Claims incurred but not reported	41,669	31,497
Unearned premiums reserve	<u>141,401</u>	<u>93,597</u>
	<u>370,282</u>	<u>296,877</u>
<b>Recoverable from re-insurers</b>		
Outstanding claims reserve	142,279	122,811
Claims incurred but not reported	20,312	8,707
Unearned premiums reserve	<u>58,981</u>	<u>31,408</u>
	<u>221,572</u>	<u>162,926</u>
<b>Insurance liabilities - net</b>		
Outstanding claims reserve	44,933	48,972
Claims incurred but not reported	21,357	22,790
Unearned premiums reserve	<u>82,420</u>	<u>62,189</u>
	<u>148,710</u>	<u>133,951</u>



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### 10 CASH AND CASH EQUIVALENTS

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>30 June 2015 (Unaudited) AED 000</i>
Bank and cash	51,262	26,618
Statutory deposit	6,000	6,000
Term deposits	<u>38,497</u>	<u>37,643</u>
Bank and cash balances	95,759	70,261
Less: bank overdrafts	(143,553)	(85,456)
Less: term deposits with original maturity over 3 months	(38,497)	(34,449)
Less: statutory deposits	<u>(6,000)</u>	<u>(6,000)</u>
	<u>(92,291)</u>	<u>(55,644)</u>

Term deposits are held with financial institutions in UAE. The original maturity ranges from one to twelve months. Interest is receivable at annual rates ranging from 0.85% to 2.60% per annum (30 June 2015: 0.40% to 2.6% per annum).

In accordance with the requirements of Federal Law No. 6 of 2007, concerning Establishment of Insurance Authority and Organisation of its Operations, the Group maintains a bank deposit of AED 6 million (30 June 2015: AED 6 million) which cannot be utilised without the consent of the UAE Insurance Authority.

### 11 EMPLOYEE'S END OF SERVICE BENEFITS

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>31 December 2015 (Audited) AED 000</i>
At 1 January	9,147	7,986
Acquisition of a subsidiary (note 17)	777	-
Charge for the year	565	2,091
Paid during the year	<u>(497)</u>	<u>(930)</u>
	<u>9,992</u>	<u>9,147</u>

### 12 SHARE CAPITAL

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>31 December 2015 (Audited) AED 000</i>
<i>Authorised, issued and fully paid</i>		
207,000,000 (31 December 2015: 207,000,000) ordinary shares of AED 1 each	<u>207,000</u>	<u>207,000</u>

At the Annual General Meeting held on 20 April 2016, the shareholders approved the distribution of cash dividends of AED 0.10 per share amounting to AED 20,700,000 (31 December 2015: AED 0.15 per share amounting to AED 31,050,000).

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### 13 LEGAL RESERVE

As required by the U.A.E. Federal Law No. (2) of 2015, 10% of the profit for the year has been transferred to the legal reserve. The Group may resolve to discontinue such annual transfers when the reserve equals 50% of the issued share capital. This reserve is not available for distribution.

At the Annual General Meeting held on 20 April 2016, the shareholders approved the transfer of AED 27,354 thousand to legal reserve in order to equal it to 50% of the issued share capital.

### 14 NET INVESTMENT INCOME

	<i>30 June 2016 (Unaudited) AED 000</i>	<i>30 June 2015 (Unaudited) AED 000</i>
Rental income, net	5,675	6,405
Gain on disposal of investments at fair value through profit or loss	8,715	15,603
Changes in fair value of investments at fair value through profit or loss (note 7)	15,473	(4,775)
Fair value gain on acquirer's previously held equity interest (note 5&17)	1,758	-
Bargain purchase (note 17)	490	-
Dividend income	25,485	22,344
Interest income	429	875
Other income	<u>483</u>	<u>68</u>
	<u><b>58,508</b></u>	<u><b>40,520</b></u>

### 15 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit for the period by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Profit for the period (AED '000)	<u>24,526</u>	<u>41,474</u>	<u>58,708</u>	<u>48,182</u>
Weighted average number of ordinary shares outstanding during the period	<u>207,000,000</u>	<u>207,000,000</u>	<u>207,000,000</u>	<u>207,000,000</u>
Basic and diluted earnings per share (AED)	<u><b>0.12</b></u>	<u>0.20</u>	<u><b>0.28</b></u>	<u>0.23</u>

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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#### 16 SEGMENT REPORTING

For management purposes the Group is organised into departments based on the classes of insured risks. The reportable operating segments of the Group are fire and general accident, medical, marine, aviation and investments.

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents disclosure of segment revenues, measurement of segment profit for the period and their reconciliation to the Group's income and profit for the period.

#### 16.1 Segment revenue and results

	2016					2015				
	Six months ended 30 June (unaudited)					Six months ended 30 June (unaudited)				
	Marine and aviation AED'000	Fire and general accident AED'000	Medical AED'000	Investments AED'000	Total AED'000	Marine and aviation AED'000	Fire and general accident AED'000	Medical AED'000	Investments AED'000	Total AED'000
Gross premiums written	7,535	123,573	64,131	-	195,239	17,580	121,375	101,891	-	240,846
Reinsurance premium ceded	(6,511)	(59,010)	(42,737)	-	(108,258)	(16,383)	(66,723)	(3,480)	-	(86,586)
Movement in provision for unearned premiums	121	(12,358)	(7,994)	-	(20,231)	(388)	(5,596)	(45,815)	-	(51,799)
Net claims incurred	(405)	(36,183)	(24,724)	-	(61,312)	(236)	(31,485)	(47,509)	-	(79,230)
Net commission earned	1,184	8,664	280	-	10,128	1,964	8,674	(7,046)	-	3,592
Net income arising from brokerage services	-	-	-	507	507	-	-	-	-	-
Rental income, net	-	-	-	5,675	5,675	-	-	-	6,405	6,405
Share of profit of associates	-	-	-	9,880	9,880	-	-	-	5,503	5,503
Net investment income	-	-	-	50,673	50,673	-	-	-	33,076	33,076
Segment profit (loss) before allocated expenses	1,924	24,686	(11,044)	66,735	82,301	2,537	26,245	(1,959)	44,984	71,807
Allocated expenses	(900)	(14,854)	(4,257)	-	(20,011)	(1,043)	(15,265)	(4,872)	-	(21,180)
Segment profit (loss)	1,024	9,832	(15,301)	66,735	62,290	1,494	10,980	(6,831)	44,984	50,627
Unallocated expenses	-	-	-	(3,582)	(3,582)	-	-	-	-	(2,445)
Profit for the period	-	-	-	58,708	58,708	-	-	-	-	48,182

# Al Wathba National Insurance Company (PJSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 16 SEGMENT REPORTING continued

#### 16.2 Segment assets and liabilities

	<i>As at 30 June 2016 (unaudited)</i>			<i>As at 31 December 2015 (audited)</i>		
	<i>Underwriting AED'000</i>	<i>Investments AED'000</i>	<i>Total AED'000</i>	<i>Underwriting AED'000</i>	<i>Investments AED'000</i>	<i>Total AED'000</i>
Segment assets	332,447	1,123,540	1,455,987	264,375	1,034,625	1,299,000
Unallocated assets			<u>10,560</u>			<u>13,736</u>
Total assets			<u>1,466,547</u>			<u>1,312,736</u>
Segment liabilities	443,815	174,500	618,315	370,391	143,651	514,042
Unallocated liabilities			<u>21,085</u>			<u>23,860</u>
Total liabilities			<u>639,400</u>			<u>537,902</u>
Capital expenditure	<u>669</u>	<u>-</u>	<u>669</u>	<u>1,905</u>	<u>-</u>	<u>1,905</u>

As the Group's activities are performed on an integrated basis a segmental analysis of assets and liabilities would not be meaningful.

### 17 BUSINESS COMBINATION

At the Annual General Meeting held on 20 April 2016, the shareholders approved the Company's acquisition of an additional 89% interest in the voting shares of Vision Capital Brokerage Company LLC (VCB), increasing its ownership interest to 99%. Consideration of AED 56.4 million was paid for the acquisition. VCB has been included in the interim condensed consolidated financial statements as a subsidiary. The principal activities of the Vision Capital Brokerage Company LLC are the provision of share brokerage services in the United Arab Emirates. The Company acquired this business to diversify its income resources.

The fair value of the identifiable assets and liabilities Vision Capital Brokerage Company LLC as at the date of acquisition were:

	<i>Fair value recognised on acquisition AED 000</i>
Furniture, equipment and vehicles	543
Intangible assets – customer relations	3,071
Accounts receivable and prepayments	58,620
Bank and cash balances	<u>6,539</u>
<b>Total assets</b>	<b><u>68,773</u></b>
Employees' end of service benefits (note 11)	777
Accounts payable and accruals	<u>4,129</u>
<b>Total liabilities</b>	<b><u>4,906</u></b>
<b>Total identifiable net assets at fair value</b>	<b>63,867</b>
Non-controlling interest measured at fair value	(639)
Fair value of acquirer's previously held equity interest (i.e. 10%) (note 5&14)	(6,338)
Bargain purchase (note 14)	<u>(490)</u>
<b>Purchase consideration</b>	<b><u>56,400</u></b>

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### 17 BUSINESS COMBINATION continued

Intangible assets comprise the value of customer relations, which represents the value attributable to the business expected to be generated from customers that existed at the acquisition date.

	<i>AED 000</i>
Intangible asset recognised on acquisition of business	3,071
Amortisation during the period	<u>(75)</u>
At 30 June 2016	<u>2,996</u>

Amortisation is recognised on a straight-line basis over their estimated useful life of eight years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The analysis of purchase consideration payment is as follows:

	<i>AED 000</i>
Purchase consideration	56,400
Advance payment made during the prior year	(26,188)
Adjustment against receivable from an outgoing shareholder	(15,000)
Amounts to be settled later in 2016	<u>(4,737)</u>
<b>Payment made during the period</b>	<b><u>10,475</u></b>