

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

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

31 MARCH 2018

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

BOARD OF DIRECTORS' REPORT

31 MARCH 2018



Board of Directors' Report on the Company Business For the Period Ended 31 March 2018

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 financial statements reviewed by the external auditors for the period ended 31 March 2018.

The first quarter of 2018 parallels 2017 as it followed a similar pattern during the same period of last year where local capital markets in both Abu Dhabi and Dubai exhibited positive performance; this was also reflected in the performance of the company's investment portfolio where net investment income reached AED 16.36 million compared to AED 4.83 million for the same period of the previous year.

The insurance sector in general also generated positive results, and Al Wathba National Insurance Company had a share in this. The company's net underwriting profit for the period reached AED 10.45 million compared to AED 9.21 million from the previous year showing 13.5% growth.

The company posted a net profit of AED 26.82 million compared to AED 14.04 million during the same period of the previous year.



This positive development in the company's insurance results reflects the management's conservative underwriting strategy which focuses on the technicality of the underwriting coupled with a more customer centric focused level of services.

Finally, the Board of Directors seizes this opportunity to express its highest thanks and appreciation to H.H Shiekh Khalifa Bin Zayed Al Nahyan, President of UAE and Ruler of Abu Dhabi and H.H Shiekh Mohamed Bin Rashid Al Maktoum, the Vice President , Prime Minister and the ruler of Dubai and H.H Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince and to all the rulers of the Emirates for their steadfast support for the progress of this country, all its economic institutions and Al Wathba National Insurance Company.

The Board of Directors likewise extends its appreciation and gratitude to all the company's shareholders and customers for their trust and continued support, and to all staff for their dedication and contribution to the company's performance during the last period.

Board Member

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

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

31 MARCH 2018

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 subsidiary (the “Group”) as at 31 March 2018, comprising of the interim consolidated statement of financial position as at 31 March 2018, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-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 May 2018
Abu Dhabi

Al Wathba National Insurance Company (PJSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018 (unaudited)

		31 March 2018 (Unaudited) AED 000	31 December 2017 (Audited) AED 000
	Notes		
ASSETS			
Property and equipment		4,017	4,258
Investment in associates		145,265	148,005
Investments at amortised cost	4	5,000	5,000
Investments carried at fair value through other comprehensive income	5	183,018	179,005
Investments carried at fair value through profit or loss	6	454,902	423,707
Investment properties		353,711	353,711
Investment property under development		6,004	4,543
Insurance balances receivable	7	76,510	51,118
Statutory deposits	9	6,000	6,000
Reinsurance share of unearned premium reserve	8	35,441	18,981
Reinsurer's share of outstanding claims reserve	8	112,577	124,594
Reinsurer's share of claims incurred but not reported	8	9,101	9,677
Prepayments and other receivables	7	13,291	6,077
Deposits	9	59,497	59,469
Bank balances and cash	9	<u>35,523</u>	<u>43,619</u>
TOTAL ASSETS		<u>1,499,857</u>	<u>1,437,764</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	207,000	207,000
Legal reserve		103,500	103,500
Statutory reserve		51,750	51,750
General reserve		44,476	44,476
Capital reserve		9,959	9,959
Investment revaluation reserve		111	(2,736)
Retained earnings		<u>463,553</u>	<u>436,735</u>
Equity attributable to equity holders of the parent		880,349	850,684
Non-controlling interests		<u>85</u>	<u>88</u>
Total equity		<u>880,434</u>	<u>850,772</u>
LIABILITIES			
Employees' end of service benefits		7,599	7,685
Bank overdrafts	9	203,148	188,589
Trade and other payables		89,827	83,153
Technical provisions			
Unearned premium reserve	8	127,891	102,346
Outstanding claims reserve	8	154,970	169,673
Claims incurred but not reported reserve	8	32,576	32,014
Allocated and unallocated loss adjustment expense reserve	8	<u>3,412</u>	<u>3,532</u>
TOTAL LIABILITIES		<u>619,423</u>	<u>586,992</u>
TOTAL EQUITY AND LIABILITIES		<u>1,499,857</u>	<u>1,437,764</u>


BOARD MEMBER


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Al Wathba National Insurance Company (PJSC)

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2018 (unaudited)

	Notes	Three months ended 31 March	
		2018 AED 000	2017 AED 000
Gross premiums written		81,483	86,130
Reinsurance premium ceded		<u>(37,334)</u>	<u>(43,014)</u>
Net premium		44,149	43,116
Net change in unearned premium provision		<u>(9,085)</u>	<u>(13,387)</u>
Net premium earned		35,064	29,729
Commission earned		12,361	14,218
Commission incurred		<u>(7,380)</u>	<u>(6,194)</u>
Gross underwriting income		40,045	37,753
Gross claims paid		(25,757)	(52,762)
Reinsurance share of claims paid		<u>7,894</u>	<u>27,280</u>
Net claims paid		(17,863)	(25,482)
Change in outstanding claims reverse		14,703	16,258
Change in reinsurance share of outstanding claims reverse		(12,017)	(12,189)
(Increase) decrease in incurred but not reported claims reserve		(1,138)	3,336
Decrease in unallocated loss adjustment expense reserve		<u>120</u>	<u>200</u>
Net claims incurred		(16,195)	(17,877)
Underwriting income		23,850	19,876
General and administrative expenses relating to underwriting		<u>(13,395)</u>	<u>(10,669)</u>
Net underwriting income		10,455	9,207
Income from investments	11	16,962	5,597
Income from investment properties (rental income)		1,253	2,420
Share of profit of associates		<u>1,304</u>	<u>1,148</u>
Total income		29,974	18,372
Other expenses		(824)	(1,287)
Finance costs		<u>(1,998)</u>	<u>(1,589)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		27,152	15,496
DISCONTINUING OPERATIONS			
Loss for the period	14	<u>(337)</u>	<u>(1,459)</u>
PROFIT FOR THE PERIOD		26,815	14,037
Attributable to:			
Equity holders of the parent		26,818	14,053
Non-controlling interests		<u>(3)</u>	<u>(16)</u>
		26,815	14,037
Basic and diluted earnings per share	13	<u>0.13</u>	<u>0.07</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Al Wathba National Insurance Company (PJSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 31 March 2018 (unaudited)

	Note	<i>Three months ended</i>	
		<i>2018</i>	<i>2017</i>
		<i>AED 000</i>	<i>AED 000</i>
Profit for the period		26,815	14,037
Other comprehensive income			
Items that will not be reclassified to statement of income:			
Share of other comprehensive (loss) income of associates		(1,166)	609
Gain on sale of investments carried at fair value through other comprehensive income		-	98
Changes in fair value relating to investments carried at fair value through other comprehensive income	5	<u>4,013</u>	<u>1,930</u>
Other comprehensive income for the period		<u>2,847</u>	<u>2,637</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>29,662</u>	<u>16,674</u>
Attributable to:			
Equity holders of the parent		29,665	16,690
Non-controlling interests		<u>(3)</u>	<u>(16)</u>
		<u>29,662</u>	<u>16,674</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Al Wathba National Insurance Company (PJSC)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2018 (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	Equity attributable to equity holders of the parent AED 000	Non-controlling interests AED 000	Total equity AED 000
Balance at 1 January 2017	207,000	103,500	51,750	23,323	9,959	19,267	406,263	821,062	119	821,181
Profit for the period	-	-	-	-	-	-	14,053	14,053	(16)	14,037
Other comprehensive income	-	-	-	-	-	2,539	98	2,637	-	2,637
Total comprehensive income	-	-	-	-	-	2,539	14,151	16,690	(16)	16,674
Transfer to retained earnings on disposal of investments carried at fair value through other comprehensive income	-	-	-	-	-	(19,309)	19,309	-	-	-
Balance at 31 March 2017	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>23,323</u>	<u>9,959</u>	<u>2,497</u>	<u>439,723</u>	<u>837,752</u>	<u>103</u>	<u>837,855</u>
Balance at 1 January 2018	207,000	103,500	51,750	44,476	9,959	(2,736)	436,735	850,684	88	850,772
Profit for the period	-	-	-	-	-	-	26,818	26,818	(3)	26,815
Other comprehensive income	-	-	-	-	-	2,847	-	2,847	-	2,847
Total comprehensive income	-	-	-	-	-	2,847	26,818	29,665	(3)	29,662
Balance at 31 March 2018	<u>207,000</u>	<u>103,500</u>	<u>51,750</u>	<u>44,476</u>	<u>9,959</u>	<u>111</u>	<u>463,553</u>	<u>880,349</u>	<u>85</u>	<u>880,434</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Al Wathba National Insurance Company (PJSC)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 31 March 2018 (unaudited)

	Notes	<i>Three month ended 31 March 2018 AED 000</i>	<i>Three months ended 31 March 2017 AED 000</i>
OPERATING ACTIVITIES			
Profit for the period from continuing operations		27,152	15,496
Loss for the period from discontinuing operations	14	<u>(337)</u>	<u>(1,459)</u>
Profit for the period		26,815	14,037
Adjustments for:			
Unearned premium reserve, net		9,085	13,387
Outstanding claims reserve and claims incurred but not reported reserve		<u>(14,261)</u>	<u>(26,762)</u>
Reinsurance share of outstanding claims reserve and claims incurred but not reported reserve		12,593	19,157
(Reversal of) provision for allowance for impaired receivables		<u>(8,822)</u>	1,525
Change in fair value of investments carried at fair value through profit or loss	6 & 11	67	11,751
Gain on disposal of investments carried at fair value through profit or loss	11	<u>(3)</u>	<u>(3,746)</u>
Provision for employees end of service benefits		309	219
Depreciation of property and equipment		271	1,009
Amortisation of intangible assets		-	94
Share of profit of associates		<u>(1,304)</u>	<u>(1,148)</u>
Finance costs		2,002	1,629
Dividend income	11	<u>(16,618)</u>	<u>(12,606)</u>
Interest income	11	<u>(421)</u>	<u>(353)</u>
		9,713	18,193
Working capital changes:			
Insurance receivables and prepayments		<u>(23,784)</u>	19,971
Trade and other payables		<u>6,674</u>	<u>(14,187)</u>
Cash (used in) from operations		<u>(7,397)</u>	23,977
Finance costs paid		<u>(2,002)</u>	<u>(1,629)</u>
Employees' end of service benefits paid		<u>(395)</u>	<u>(1,315)</u>
Net cash (used in) from operating activities		<u>(9,794)</u>	<u>21,033</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		<u>(30)</u>	<u>(18)</u>
Additions to investment properties		-	<u>(793)</u>
Additions to investment properties under development		<u>(1,461)</u>	-
Purchase of investments carried at fair value through profit or loss	6	<u>(34,170)</u>	<u>(145,354)</u>
Proceeds from disposal of investments carried at fair value through other comprehensive income		-	58,210
Proceeds from disposal of investments carried at fair value through profit or loss		2,911	81,571
Term deposits		<u>(28)</u>	<u>(359)</u>
Interest received		421	353
Dividends received from associates		2,878	556
Dividends received		<u>16,618</u>	<u>12,606</u>
Net cash (used in) from investing activities		<u>(12,861)</u>	<u>6,772</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(22,655)</u>	27,805
Cash and cash equivalents at the beginning of the period		<u>(144,970)</u>	<u>(130,521)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	<u>(167,625)</u>	<u>(102,716)</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Al Wathba National Insurance Company (PJSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (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 Federal Law No. (2) of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. (8) of 1984.

The Company is registered in accordance with UAE Federal Law No. (6) of 2007 Concerning the Establishment of Insurance Authority and Organisation of its Operations and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies, 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 May 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three-months ended 31 March 2018 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 consolidated financial statements as at 31 December 2017. In addition, results for the three-months period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following new amendments to standards effective as of 1 January 2018.

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions; and
- Amendments to IAS 40: Transfers of Investment Property.

Annual Improvements 2014-2016 Cycle

- IFRS 1 First-time adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first time adopters; and
- IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

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

31 March 2018 (unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

Estimates

The preparation of these interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the financial statements as at and for the year ended 31 December 2017.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

Basis of consolidation continued

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.

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 2017: 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 2017: AED 5 million) which carries interest of 6-month EIBOR + 300 bps or 7.5%, whichever is higher.

5 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>31 March 2018 (Unaudited) AED 000</i>	<i>31 December 2017 (Audited) AED 000</i>
Quoted securities	156,334	152,321
Unquoted securities	<u>26,684</u>	<u>26,684</u>
	<u>183,018</u>	<u>179,005</u>

Al Wathba National Insurance Company (PJSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (unaudited)

5 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
continued

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

	<i>31 March 2018 (Unaudited) AED 000</i>	<i>31 December 2017 (Audited) AED 000</i>
Fair value at beginning of period / year	179,005	243,686
Disposals	-	(58,112)
Change in fair value	<u>4,013</u>	<u>(6,569)</u>
Fair value at end of the period / year	<u>183,018</u>	<u>179,005</u>

The geographical distribution of investments is as follows:

Within UAE	175,478	171,212
Outside UAE	<u>7,540</u>	<u>7,793</u>
	<u>183,018</u>	<u>179,005</u>

6 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>31 March 2018 (Unaudited) AED 000</i>	<i>31 December 2017 (Audited) AED 000</i>
Fair value at beginning of period / year	423,707	333,041
Additions	34,170	315,041
Disposals	(2,908)	(213,544)
Change in fair value (note 11)	<u>(67)</u>	<u>(10,831)</u>
Fair value at end of the period / year	<u>454,902</u>	<u>423,707</u>

Al Wathba National Insurance Company (PJSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (unaudited)

7 INSURANCE RECEIVABLES AND PREPAYMENTS

	<i>31 March 2018 (Unaudited) AED 000</i>	<i>31 December 2017 (Audited) AED 000</i>
Due from policy holders	50,562	43,688
Due from policy holders - related parties	30,580	15,153
Due from insurance and reinsurance companies	<u>6,848</u>	<u>12,579</u>
	87,990	71,420
Less: allowance for impaired receivables	<u>(11,480)</u>	<u>(20,302)</u>
Insurance balance receivable	<u>76,510</u>	<u>51,118</u>
Prepayments	2,329	1,113
Accrued income	1,665	1,604
Other receivables	<u>9,297</u>	<u>3,360</u>
Prepayments and other receivables	<u>13,291</u>	<u>6,077</u>
	<u>89,801</u>	<u>57,195</u>

8 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	<i>31 March 2018 (Unaudited) AED 000</i>	<i>31 December 2017 (Audited) AED 000</i>
Insurance contract liabilities		
Outstanding claims reserve (i)	158,382	173,205
Claims incurred but not reported	32,576	32,014
Unearned premiums reserve (ii)	<u>127,891</u>	<u>102,346</u>
	<u>318,849</u>	<u>307,565</u>
Reinsurance contract assets		
Outstanding claims reserve	112,577	124,594
Claims incurred but not reported	9,101	9,677
Unearned premiums reserve	<u>35,441</u>	<u>18,981</u>
	<u>157,119</u>	<u>153,252</u>
Insurance liabilities - net		
Outstanding claims reserve (i)	45,805	48,611
Claims incurred but not reported	23,475	22,337
Unearned premiums reserve (ii)	<u>92,450</u>	<u>83,365</u>
	<u>161,730</u>	<u>154,313</u>

Al Wathba National Insurance Company (PJSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2018 (unaudited)

8 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS continued

- (i) Outstanding claims includes allocated and unallocated loss adjustment expense reserve of AED 3,412 thousand (2017: AED 3,532).
- (ii) Unearned premium reserve includes gross unexpired risk reserve of AED 1,517 thousand (2017: AED 1,506 thousand) and AED 175 thousand (2017: AED 172 thousand) net of reinsurance.

9 CASH AND CASH EQUIVALENTS

	<i>31 March 2018 (Unaudited) AED 000</i>	<i>31 March 2017 (Unaudited) AED 000</i>
Bank and cash	35,523	62,624
Statutory deposit	6,000	6,000
Term deposits	<u>59,497</u>	<u>38,856</u>
Bank and cash balances	101,020	107,480
Less: bank overdrafts	(203,148)	(165,340)
Less: term deposits with original maturity over 3 months	(59,497)	(38,856)
Less: statutory deposits	<u>(6,000)</u>	<u>(6,000)</u>
Cash and cash equivalents	<u>(167,625)</u>	<u>(102,716)</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 3.25% per annum (31 March 2017: 0.85% to 3% 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 (31 March 2017: AED 6 million) which cannot be utilised without the consent of the UAE Insurance Authority.

10 SHARE CAPITAL

	<i>31 March 2018 (Unaudited) AED 000</i>	<i>31 December 2017 (Audited) AED 000</i>
<i>Authorised, issued and fully paid</i>		
207,000,000 (31 December 2017: 207,000,000)		
ordinary shares of AED 1 each	<u>207,000</u>	<u>207,000</u>

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11 NET INVESTMENT INCOME

	<i>31 March 2018 (Unaudited) AED 000</i>	<i>31 March 2017 (Unaudited) AED 000</i>
Gain on disposal of investments carried at fair value through profit or loss	3	3,746
Changes in fair value of investments carried at fair value through profit or loss (note 6)	(67)	(11,751)
Interest income	421	353
Dividend income	16,618	12,606
Other income, net	<u>(13)</u>	<u>643</u>
	<u><u>16,962</u></u>	<u><u>5,597</u></u>

12 RETAINED EARNINGS

At the Annual General Meeting held on 24 April 2018, the shareholders approved the distribution of cash dividends of AED 0.15 per share amounting to AED 31,050 thousand (31 December 2016: AED 0.15 per share amounting to AED 31,050 thousand).

13 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 31 March</i>	
	<i>2018</i>	<i>2017</i>
Profit for the period (AED '000)	<u><u>26,815</u></u>	<u><u>14,037</u></u>
Weighted average number of ordinary shares outstanding during the period	<u><u>207,000,000</u></u>	<u><u>207,000,000</u></u>
Basic and diluted earnings per share (AED)	<u><u>0.13</u></u>	<u><u>0.07</u></u>

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14 DISCONTINUING OPERATION

During 2017, based on the “Administrative Decision No.69 of 2017” dated 23 January 2017, the Company’s Board of Directors resolved to liquidate Vision Capital Brokerage Company LLC (VCB), which was approved by the shareholders in the Annual General Meeting held on 17 April 2017. As a result, the financial results of VCB have been presented in the consolidated financial statements as discontinued operations. The Group expects to realise an amount equivalent to the net assets of VCB.

The results of VCB for the period ended 31 March 2018 is as follows:

a) Results for the period

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2018</i>	<i>2017</i>
	<i>AED ‘000</i>	<i>AED ‘000</i>
Net commission income	56	143
Income from margin trading	-	37
Administrative expenses	(389)	(1,599)
Finance costs	<u>(4)</u>	<u>(40)</u>
LOSS FOR THE PERIOD	<u>(337)</u>	<u>(1,459)</u>

b) The carrying values of the identifiable assets and liabilities as at 31 March 2018 are as follows:

	<i>31 March</i>
	<i>2018</i>
	<i>AED ‘000</i>
ASSETS	
Current assets	
Accounts receivable, prepayments and other receivables	135
Due from a related party	4,000
Bank balances and cash	<u>1,789</u>
TOTAL ASSETS	<u>5,924</u>
Current liabilities	
Employees’ end of service benefits	278
Accounts payable and accruals	<u>41</u>
TOTAL LIABILITIES	<u>319</u>
NET ASSETS	<u>5,605</u>

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15 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.

15.1 Segment revenue and results

	Three months ended 31 March (unaudited)									
	2018		2017							
	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	2,582	77,274	1,627	-	81,483	1,787	82,521	1,822	-	86,130
Reinsurance premium ceded	(2,205)	(33,830)	(1,299)	-	(37,334)	(1,261)	(40,745)	(1,008)	-	(43,014)
Movement in provision for unearned premiums	13	(8,726)	(372)	-	(9,085)	28	(14,040)	625	-	(13,387)
Net claims incurred	43	(17,029)	791	-	(16,195)	(99)	(18,947)	1,169	-	(17,877)
Net commission earned (incurred)	433	4,396	152	-	4,981	794	7,265	(35)	-	8,024
Rental income, net	-	-	-	1,253	1,253	-	-	-	2,420	2,420
Share of profit of associates	-	-	-	1,304	1,304	-	-	-	1,148	1,148
Net investment income	-	-	-	14,964	14,964	-	-	-	4,008	4,008
Loss from discontinuing operation	-	-	-	(337)	(337)	-	-	-	(1,459)	(1,459)
Segment profit (loss) before allocated expenses	866	22,085	899	17,184	41,034	1,249	16,054	2,573	6,117	25,993
Allocated expenses	(222)	(12,850)	(323)	-	(13,395)	(333)	(9,746)	(590)	-	(10,669)
Segment profit	644	9,235	576	17,184	27,639	916	6,308	1,983	6,117	15,324
Unallocated expenses	-	-	-	-	(824)	-	-	-	-	(1,287)
Profit for the period	-	-	-	-	26,815	-	-	-	-	14,037

Note 1:

The results of the Company's associate, Foodco, for the three-month period ended 31 March 2018 are not available as at the date of approval of these three-month interim consolidated financial statements. These will be incorporated in the Company's annual consolidated financial statements for the year ended 31 December 2018 (three-month period ended 31 March 2017: same).

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15 SEGMENT REPORTING continued

15.2 Segment assets and liabilities

	<i>As at 31 March 2018 (unaudited)</i>			<i>As at 31 December 2017 (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	282,230	1,207,556	1,489,786	245,940	1,183,873	1,429,813
Unallocated assets			<u>10,071</u>			<u>7,951</u>
Total assets			<u>1,499,857</u>			<u>1,437,764</u>
Segment liabilities	381,900	218,114	600,014	355,825	205,063	560,888
Unallocated liabilities			<u>19,409</u>			<u>26,104</u>
Total liabilities			<u>619,423</u>			<u>586,992</u>
Capital expenditure	<u>30</u>	<u>-</u>	<u>30</u>	<u>34</u>	<u>-</u>	<u>34</u>