

Dubai National Insurance & Reinsurance (P.S.C.)

Dubai - United Arab Emirates

Condensed Interim Financial Statements
(Unaudited)

For the period ended 30 September 2018



Dated : 12th November 2018

Directors' Report
For the Third Quarter Ended 30th September 2018

The Board of Directors is pleased to present the unaudited results for the Third quarter ended 30th September 2018 as below.

- The gross premium written increased in the third quarter of 2018 by 9.6% to AED 283.428 Million as compared to AED 258.486 Million in the same period last year.
- The net underwriting income also improved in the third quarter of 2018 by 16.7% to AED 40.49 Million as compared to AED 34.69 Million as of 30th September 2017.
- The company's Net Profit increased by 10.7% - Net profit of AED 46.52 Million reported in the third quarter of 2018 as compared to AED 42.00 Million in the same period last year.
- Basic and diluted earnings per share increased to AED 0.40 for the nine month period ended 30th September 2018 as compared to basic and diluted earnings per share of AED 0.36 for the same period in 2017

Mohammed Khalaf Al Habtoor
Managing Director



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Review report of the independent auditor To the shareholders of Dubai National Insurance & Reinsurance (P.S.C.)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") as of 30 September 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



**GRANT THORNTON
Farouk Mohamed**



**Registration No: 86
Dubai, 12 November 2018.**

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)
Condensed interim statement of financial position
As at 30 September 2018

	Notes	(Unaudited) 30 September 2018 AED'000	(Audited) 31 December 2017 AED'000
Assets			
Non-current			
Statutory deposits	4	10,000	10,000
Property and equipment		545	639
Investment property	5	76,362	77,746
		86,907	88,385
Current			
Financial assets at fair value through other comprehensive income	6	445,118	387,553
Insurance receivables		82,695	58,407
Other receivables		31,909	21,289
Due from related parties	7	22,488	13,358
Reinsurance contract assets		212,809	174,077
Cash and cash equivalents	8	130,888	140,843
		925,907	795,527
Total assets		1,012,814	883,912
Equity and liabilities			
Equity			
Share capital		115,500	115,500
Legal reserve		57,750	57,750
Obligatory reserve		28,875	28,875
General reserve		180,000	180,000
Fair value reserve on financial assets at fair value through other comprehensive income		100,377	66,282
Retained earnings		62,942	51,065
Total equity		545,444	499,472
Liabilities			
Non-current			
Employees' end-of-service benefits		5,058	4,364
Current			
Insurance contract provisions		320,754	262,390
Insurance payables		98,788	66,520
Other payables		35,526	37,999
Due to related parties	7	7,244	13,167
		462,312	380,076
Total liabilities		467,370	384,440
Total equity and liabilities		1,012,814	883,912

These condensed interim financial statements were approved by the Board of Directors on 12 November 2018 and signed on their behalf by:


Mohammed Khalaf Al Habtoor
Managing Director

Sultan Ahmed Al Habtoor
Vice Chairman

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Condensed interim income statement
For the period ended 30 September 2018

	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000	(Unaudited) Three months period ended 30 September 2018 AED'000	(Unaudited) Three months period ended 30 September 2017 AED'000
Gross premiums	283,428	258,486	94,580	92,114
Reinsurance share of premiums	(182,716)	(166,475)	(63,098)	(62,819)
Net premiums	100,712	92,011	31,482	29,295
Net transfer to unearned premiums	(9,755)	(12,173)	(440)	(1,165)
Net premiums earned	90,957	79,838	31,042	28,130
Commission earned	17,276	17,994	4,970	6,215
Commission paid	(30,159)	(24,386)	(10,434)	(9,028)
Others	3,074	2,675	538	1,545
Gross underwriting income	81,148	76,121	26,116	26,862
Gross claims paid	136,199	120,202	50,251	40,740
Reinsurance share	(105,421)	(81,615)	(38,314)	(28,737)
Net claims paid	30,778	38,587	11,937	12,003
Provision for outstanding claims and technical provisions	28,066	23,858	(4,930)	8,603
Reinsurance share of outstanding claims and technical provisions	(18,189)	(21,021)	5,914	(7,711)
Net claims incurred	40,655	41,424	12,921	12,895
Net underwriting income	40,493	34,697	13,195	13,967
Income from investments - net	22,025	20,211	3,272	1,782
Income from investment property - net	6,028	5,041	1,842	1,432
Other income	10	26	1	14
Gross income	68,556	59,975	18,310	17,195
General and administrative expenses	(22,029)	(17,973)	(6,893)	(6,235)
Net profit for the period	46,527	42,002	11,417	10,960
Earnings per share:				
Basic and diluted (note 9)	AED 0.40	AED 0.36	AED 0.10	AED 0.09

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Condensed interim statement of comprehensive income
For the period ended 30 September 2018

	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000	(Unaudited) Three months period ended 30 September 2018 AED'000	(Unaudited) Three months period ended 30 September 2017 AED'000
Net profit for the period	46,527	42,002	11,417	10,960
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net unrealised profit on financial assets at fair value through other comprehensive income	34,095	2,174	25,941	1,339
Other comprehensive income for the period	34,095	2,174	25,941	1,339
Total comprehensive income for the period	80,622	44,176	37,358	12,299

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Condensed interim statement of changes in equity
For the period ended 30 September 2018

	Share capital AED'000	Legal reserve AED'000	Obligatory reserve AED'000	General reserve AED'000	Fair value reserve on financial assets at fair value through other comprehensive income AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2018 (Audited)	115,500	57,750	28,875	180,000	66,282	51,065	499,472
Dividend paid (note 12)	-	-	-	-	-	(34,650)	(34,650)
Transactions with owners	-	-	-	-	-	(34,650)	(34,650)
Net profit for the period	-	-	-	-	-	46,527	46,527
Other comprehensive income for the period	-	-	-	-	34,095	-	34,095
Total comprehensive income for the period	-	-	-	-	34,095	46,527	80,622
Balance at 30 September 2018 (Unaudited)	115,500	57,750	28,875	180,000	100,377	62,942	545,444
Balance at 1 January 2017 (Audited)	115,500	57,750	28,875	180,000	51,045	33,563	466,733
Effect of change in accounting policy (note 13)	-	-	-	-	-	1,316	1,316
Balance at 1 January 2017 (Restated)	115,500	57,750	28,875	180,000	51,045	34,879	468,049
Dividend (note 12)	-	-	-	-	-	(28,875)	(28,875)
Transactions with owners	-	-	-	-	-	(28,875)	(28,875)
Net profit for the period	-	-	-	-	-	42,002	42,002
Other comprehensive income for the period	-	-	-	-	2,174	-	2,174
Total comprehensive income for the period	-	-	-	-	2,174	42,002	44,176
Balance at 30 September 2017 (Unaudited)	115,500	57,750	28,875	180,000	53,219	48,006	483,350

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows
For the period ended 30 September 2018

	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Cash flows from operating activities		
Net profit for the period	46,527	42,002
<i>Adjustments for:</i>		
Depreciation on property and equipment	280	304
Depreciation on investment property	1,384	1,386
Gain on disposal of property and equipment	(9)	(26)
Net transfer to employees' end-of-service benefits	694	111
Insurance contract provisions	58,364	68,367
Reinsurance contract assets	(38,732)	(53,358)
Income from investments - net	(22,025)	(20,211)
Income from investment property	(7,413)	(6,427)
Operating cash flows before changes in working capital	39,070	32,148
<i>Changes in working capital:</i>		
Insurance receivables	(24,288)	(22,917)
Other receivables	(10,620)	(7,176)
Insurance payables	32,268	24,500
Other payables	(2,473)	(1,986)
Due from/to related parties – net	(15,053)	(14,767)
Net cash generated from operating activities	18,904	9,802
Cash flows from investing activities		
Purchase of property and equipment	(186)	(113)
Proceeds from disposal of property and equipment	9	26
Purchase of financial assets at fair value through other comprehensive income	(23,470)	-
Income from investments – net	22,025	20,211
Income from investment property	7,413	6,427
Net cash generated from investing activities	5,791	26,551
Cash flows from financing activity		
Dividend paid	(34,650)	(28,875)
Net cash used in financing activity	(34,650)	(28,875)
Net change in cash and cash equivalents	(9,955)	7,478
Cash and cash equivalents, beginning of period	140,843	110,004
Cash and cash equivalents, end of period	130,888	117,482

The notes from 1 to 14 form an integral part of these condensed interim financial statements.

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2018

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C.) (the “Company”) is a public shareholding company incorporated in Dubai on 6 January 1992 with an overseas branch in Beirut, Lebanon.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations relating to insurance companies and insurance agents.

The registered address of the Company is Dubai National Insurance Building, Floor 7 & 9, Port Saeed, P.O. Box 1806, Dubai, UAE.

The overseas branch in Beirut is in the process of being wound up. Its license as required by local regulations has been terminated and it will shut down once it meets all its obligations, as published in the official gazette in April 2004. The branch has no operations and the total expenses and assets of the branch are not material to these condensed interim financial statements. Hence, these condensed interim financial statements do not separately disclose the expenses, assets, liabilities and cash flows for the discontinued operations of the branch.

2 General information and basis of preparation

These condensed interim financial statements are for the nine months period ended 30 September 2018 and are presented in United Arab Emirate Dirham (AED), which is the functional currency of the Company. These condensed interim financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2017. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

3 Significant accounting policies

These condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Company’s most recent annual financial statements for the year ended 31 December 2017. Certain amendments to accounting standards and annual improvements, as disclosed in the Company’s most recent annual financial statements for the year ended 31 December 2017, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may substantially be different.

Outstanding claims and technical provisions

The estimation of the ultimate liability (both technical and outstanding) arising from claims made under insurance contracts is the Company’s most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculation), is an appropriate basis for predicting future events.

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2018

3 Significant accounting policies (continued)

Critical accounting estimates and judgments in applying accounting policies (continued)

Classification of investment property

The Company makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property.

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance receivables. For non-insurance receivables the recoverability is assessed and provisions are created in compliance with simplified approach under the IFRS 9 methodology.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the management based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Actual results may substantially be different. Further information on using the estimates is mentioned in note 6.

4 Statutory deposits

	(Unaudited) 30 September 2018 AED'000	(Audited) 31 December 2017 AED'000
Held with a local bank in Dubai	<u>10,000</u>	<u>10,000</u>

Statutory deposits held with a local bank in Dubai, UAE represents deposits held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations, relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.

5 Investment property

	(Unaudited) 30 September 2018 AED'000	(Audited) 31 December 2017 AED'000
Within UAE:		
Cost at the beginning of the period	105,721	105,721
Accumulated depreciation	(29,359)	(27,975)
Written down value at the end of the period	<u>76,362</u>	<u>77,746</u>

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2018

6 Financial assets at fair value through other comprehensive income

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 September 2018 (Unaudited)					
Investment in quoted securities	(a)	383,322	-	-	383,322
Investment in unquoted securities*	(b)	-	-	61,796	61,796
		383,322	-	61,796	445,118
31 December 2017 (Audited)					
Investment in quoted securities	(a)	304,720	-	-	304,720
Investment in unquoted securities*	(b)	-	-	82,833	82,833
		304,720	-	82,833	387,553

- (a) Fair values have been determined by reference to their quoted prices at the reporting date.
- (b) The Company holds investments in unquoted securities of three entities as at 30 September 2018 (31 December 2017: three entities). These investments are fair valued based on Earnings Multiple and Net Asset Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Unobservable financial data used in determining the fair values of these unquoted securities has been extracted from their latest available audited financial statements for the year ended 31 December 2017 (31 December 2017: financial statements for the year ended 31 December 2016).

Management believes the fair values of these unquoted investments would not be significantly different if the financial data of these non-public investees as at 30 September 2018 could be used based on its availability. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimate is significant.

*The title of the unquoted securities is held by related parties for the beneficial interest of the Company.

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2018

7 Related parties

Details of related party balances are as follows:

	(Unaudited) 30 September 2018 AED'000	(Audited) 31 December 2017 AED'000
Due from related parties		
<i>Related parties due to common directorship</i>		
Diamondlease LLC	6,157	4,734
Al Habtoor Theatre LLC	7,462	4,324
Dubai National Investment Company LLC	3,154	402
St. Regis Hotel Dubai LLC	572	1,143
The Westin Hotel Al Habtoor City Dubai LLC	62	1,073
Other Habtoor Group companies	5,081	1,682
	<u>22,488</u>	<u>13,358</u>

Due to related parties

Related parties due to common directorship

Al Habtoor Motors Co. LLC	7,237	13,162
Other Habtoor Group companies	7	5
	<u>7,244</u>	<u>13,167</u>

Related party transactions

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IAS 24. These transactions are carried out at terms mutually agreed between the parties.

Significant transactions with related parties are summarised below:

	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Premiums written	56,657	59,791
Claims paid	6,970	10,509
Commission paid	2,763	5,356
Agency/ Non-agency repairs	29,604	29,901

8 Cash and cash equivalents

	(Unaudited) 30 September 2018 AED'000	(Audited) 31 December 2017 AED'000
Cash in hand and at banks	<u>130,888</u>	<u>140,843</u>

Cash at banks includes short term deposits with local banks carrying interest ranging from 1.95% - 3.15% (31 December 2017: 1.50% - 2.25%).

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2018

9 Earnings per share

Basic and diluted

	(Unaudited) Nine months period ended 30 September 2018	(Unaudited) Nine months period ended 30 September 2017	(Unaudited) Three months period ended 30 September 2018	(Unaudited) Three months period ended 30 September 2017
Earnings (AED'000):				
Net profit for the period	46,527	42,002	11,417	10,960
Number of shares:				
Weighted average number of ordinary shares for the purpose of basic earnings per share	115,500,000	115,500,000	115,500,000	115,500,000
Earnings per share (AED):				
Basic and diluted	0.40	0.36	0.10	0.09

The Company does not have potentially diluted shares and accordingly, diluted earnings per share equals basic earnings per share.

10 Segment information

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance and Life and Health Insurance. Investments segment comprises Investment Property and Financial Assets. The Life Insurance provided by the Company is for a period of 12 months and does not include any investment portion.

	Unaudited - Nine months period ended 30 September 2018 AED'000			Unaudited - Nine months period ended 30 September 2017 AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	283,428	32,777	316,205	258,486	32,179	290,665
Segment result	40,493	28,053	68,546	34,697	25,252	59,949
Unallocated:						
-Other income			10			26
-Admin expenses			(22,029)			(17,973)
Net profit for the period			46,527			42,002

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2018

10 Segment information (continued)

	Unaudited - 30 September 2018			31 December 2017		
	AED'000			AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	350,446	521,480	871,926	267,770	465,299	733,069
Unallocated assets			140,888			150,843
Total assets			<u>1,012,814</u>			<u>883,912</u>
Segment / Total liabilities	463,400	3,970	<u>467,370</u>	383,465	975	<u>384,440</u>

11 Commitments and contingencies

In the normal course of business, the Company's bankers have issued guarantees in favor of third parties amounting to AED 0.3 million (31 December 2017: AED 0.3 million).

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

12 Dividend

The Board proposed cash dividend of 30% of paid up capital amounting to AED 34.650 million, i.e. AED 0.30 per share, for the year ended 31 December 2017 which was approved at the Annual General Meeting held on 7 March 2018 and distributed in March 2018.

During the comparative period, the Board proposed cash dividend of 25% of paid up capital amounting to AED 28.875 million i.e. AED 0.25 per share, for the year ended 31 December 2016 which was approved at the Annual General Meeting held on 7 March 2017 and distributed in March 2017.

13 Comparatives

Comparative figures have been reclassified in order to conform to current period's presentation and improve the quality of information presented. However, there is no effect on previously reported total assets, total equity, total liabilities and profit for the period.

14 Exposure to Abraaj Group

As per circular dated 9 July 2018 from Securities and Commodities Authority of UAE, with respect to the extent of exposure to the Abraaj Group of companies, entities were requested to report in their interim financial statements for the nine months period ended 30 September 2018, the extent of their exposure to Abraaj Group and or any of the related projects. In response to the aforesaid Circular, the Company reported to the Securities and Commodities Authority on 10 July 2018 that it has nil exposure to Abraaj Group.