

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

Dubai - United Arab Emirates

Condensed Interim Financial Statements
(Unaudited)

For the period ended September 30, 2016

Dubai National Insurance & Reinsurance (P.S.C.)
Condensed interim financial statements (Unaudited)
For the period ended September 30, 2016

Table of contents

	Page
Review report of the independent auditor	1
Condensed interim statement of financial position	2
Condensed interim income statement	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial statements	7



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

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") as of September 30, 2016 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 months 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 these 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

Fatouk Mohamed
Registration No: 86
Dubai, November 8, 2016



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

Condensed interim statement of financial position
As at September 30, 2016

	Notes	(Unaudited) September 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Assets			
Non-current			
Statutory deposits	4	10,000	10,000
Property and equipment		825	928
Investment property	5	80,059	81,447
		<u>90,884</u>	<u>92,375</u>
Current			
Financial assets at fair value through other comprehensive income	6	361,220	328,506
Insurance receivables		56,436	39,036
Other receivables		3,434	3,747
Due from related parties	7	17,189	4,597
Re-insurers' contract assets		132,997	98,572
Cash and cash equivalents	8	92,121	90,974
		<u>663,397</u>	<u>565,432</u>
Total assets		<u>754,281</u>	<u>657,807</u>
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		39,950	8,781
Retained earnings		33,831	16,456
Total equity		<u>455,906</u>	<u>407,362</u>
Liabilities			
Non-current			
Employees' end-of-service benefits		4,118	3,635
Current			
Insurance contract provisions		213,359	165,468
Insurance payables		58,654	45,456
Other payables		22,218	27,289
Due to related parties	7	26	8,597
		<u>294,257</u>	<u>246,810</u>
Total liabilities		<u>298,375</u>	<u>250,445</u>
Total equity and liabilities		<u>754,281</u>	<u>657,807</u>

These condensed interim financial statements were approved by the Board of Directors on November 8, 2016 and signed on their behalf by:

Mohammed Khalaf Al Habtoor
Managing Director

Sultan Ahmed Al Habtoor
Vice Chairman

The notes from 1 to 13 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 September 30, 2016

	(Unaudited) Nine months period ended September 30, 2016 AED'000	(Unaudited) Nine months period ended September 30, 2015 AED'000	(Unaudited) Three months period ended September 30, 2016 AED'000	(Unaudited) Three months period ended September 30, 2015 AED'000
Gross premiums	210,908	188,780	75,459	69,833
Reinsurance share of premiums	(130,054)	(118,361)	(51,774)	(48,049)
Net premiums	80,854	70,419	23,685	21,784
Net transfer to unearned premiums	(13,018)	(14,341)	219	(2,585)
Net premiums earned	67,836	56,078	23,904	19,199
Commission earned	19,960	17,841	8,867	8,153
Commission paid	(22,032)	(18,507)	(6,870)	(6,202)
Others	3,310	4,407	1,169	2,297
Gross underwriting income	69,074	59,819	27,070	23,447
Gross claims paid	98,449	79,408	31,987	25,370
Reinsurance share	(59,722)	(51,695)	(18,869)	(16,410)
Net claims paid	38,727	27,713	13,118	8,960
Provision for outstanding claims and technical provisions	13,168	8,250	6,006	12,205
Reinsurance share of outstanding claims	(12,720)	(4,925)	(6,035)	(8,846)
Net claims incurred	39,175	31,038	13,089	12,319
Net underwriting income	29,899	28,781	13,981	11,128
Income from investments	19,540	17,546	1,682	1,349
Income from investment property- net	8,102	8,427	2,316	2,608
Other income	52	25	1	-
Gross income	57,593	54,779	17,980	15,085
General and administrative expenses	(17,118)	(15,803)	(5,886)	(5,434)
Net profit for the period	40,475	38,976	12,094	9,651
Earnings per share:				
Basic and diluted (note 9)	AED 0.35	AED 0.34	AED 0.10	AED 0.08

The notes from 1 to 13 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 September 30, 2016

	(Unaudited) Nine months period ended September 30, 2016 AED'000	(Unaudited) Nine months period ended September 30, 2015 AED'000	(Unaudited) Three months period ended September 30, 2016 AED'000	(Unaudited) Three months period ended September 30, 2015 AED'000
Net profit for the period	40,475	38,976	12,094	9,651
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net unrealised profit/(loss) on financial assets at fair value through other comprehensive income	31,169	(12,999)	9,153	(20,894)
Other comprehensive income / (loss) for the period	31,169	(12,999)	9,153	(20,894)
Total comprehensive income / (loss) for the period	71,644	25,977	21,247	(11,243)

The notes from 1 to 13 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 September 30, 2016

	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/ (accumulated losses) AED'000	Total equity AED'000
Balance at January 1, 2016 (Audited)	115,500	57,750	28,875	180,000	8,781	16,456	407,362
Dividend (note 12)	-	-	-	-	-	(23,100)	(23,100)
Transactions with owners	-	-	-	-	-	(23,100)	(23,100)
Net profit for the period	-	-	-	-	-	40,475	40,475
Other comprehensive income for the period	-	-	-	-	31,169	-	31,169
Total comprehensive income for the period	-	-	-	-	31,169	40,475	71,644
Balance at September 30, 2016 (Unaudited)	115,500	57,750	28,875	180,000	39,950	35,831	455,906
Balance at January 1, 2015 (Audited)	115,500	57,750	28,875	220,000	38,289	(37,751)	422,663
Dividend (note 12)	-	-	-	-	-	(23,100)	(23,100)
Transactions with owners	-	-	-	-	-	(23,100)	(23,100)
Net profit for the period	-	-	-	-	-	38,976	38,976
Other comprehensive income	-	-	-	-	(12,999)	-	(12,999)
Total comprehensive income for the period	-	-	-	-	(12,999)	38,976	25,977
Balance at September 30, 2015 (Unaudited)	115,500	57,750	28,875	220,000	25,290	(21,875)	425,540

The notes from 1 to 13 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 September 30, 2016

	(Unaudited) Nine months period ended September 30, 2016 AED'000	(Unaudited) Nine months period ended September 30, 2015 AED'000
Cash flows from operating activities		
Net profit for the period	40,475	38,976
<i>Adjustments for:</i>		
Depreciation on property and equipment	346	263
Depreciation on investment property	1,388	1,382
Gain on disposal of property and equipment	(52)	(40)
Net transfer to employees' end-of-service benefits	483	444
Insurance contract provisions	47,891	44,960
Re-insurer's contract assets	(34,425)	(27,295)
Income from investments	(19,540)	(17,546)
Income from investment property	(9,490)	(9,809)
Operating cash flows before changes in working capital	27,076	31,335
<i>Changes in working capital:</i>		
Insurance receivables	(17,400)	(10,483)
Other receivables	313	(1,444)
Insurance payables	13,198	17,778
Other payables	(5,071)	1,210
Due from/to related parties – net	(21,163)	(24,419)
Net cash (used in)/generated from operating activities	(3,047)	13,977
Cash flows from investing activities		
Purchase of property and equipment	(243)	(133)
Proceeds from disposal of property and equipment	52	40
Purchase of financial assets at fair value through other comprehensive income	(1,545)	-
Income from investments	19,540	17,546
Income from investment property	9,490	9,809
Net cash generated from investing activities	27,294	27,262
Cash flows from financing activity		
Dividend paid	(23,100)	(23,100)
Net cash used in financing activity	(23,100)	(23,100)
Net change in cash and cash equivalents	1,147	18,139
Cash and cash equivalents, beginning of period	90,974	73,314
Cash and cash equivalents, end of period	92,121	91,453

The notes from 1 to 13 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 September 30, 2016

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") is a public shareholding company incorporated in Dubai on January 6, 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 Organization 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 be 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 September 30, 2016 and are presented in United Arab Emirate Dirham (AED), which is also 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 December 31, 2015. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2016.

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 December 31, 2015. Certain amendments to accounting standards and annual improvements, as disclosed in the Company's most recent annual financial statements for the year ended December 31, 2015, 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 calculations), 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 September 30, 2016

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.

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 respective non-public investees. Actual results may substantially be different. Further information on using the estimates is mentioned in note 6.

4 Statutory deposits

	(Unaudited) September 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Held with a local bank in Dubai, UAE	10,000	10,000

Statutory deposit 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) September 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Within UAE:		
Cost at the beginning of the period	105,721	105,721
Accumulated depreciation	(25,662)	(24,274)
Written down value at the end of the period	80,059	81,447

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

Notes to the condensed interim financial statements
For the period ended September 30, 2016

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
September 30, 2016					
Investment in quoted securities	(a)	301,953	-	-	301,953
Investment in unquoted securities ¹	(b)	-	-	59,267	59,267
		301,953	-	59,267	361,220
December 31, 2015					
Investment in quoted securities	(a)	281,333	-	-	281,333
Investment in unquoted securities ¹	(b)	-	-	47,173	47,173
		281,333	-	47,173	328,506

(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 September 30, 2016. These investments are fair valued 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. 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 December 31, 2015.

Management believes that there is no significant deterioration in the value of these unquoted investments during the period ended September 30, 2016. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimates is significant.

¹The 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 September 30, 2016

7 Related parties

Details of related party balances are as follows:

	(Unaudited) September 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Due from related parties		
<i>Related parties due to common directorship</i>		
Al Habtoor Motors Co. L.L.C.	3,861	-
Diamond Lease L.L.C.	6,134	1,734
Habtoor Grand Resort & Spa LLC	1,459	-
Dubai National Investment Co. LLC	1,717	-
Other Habtoor Group companies	4,018	2,863
	<u>17,189</u>	<u>4,597</u>
Due to related parties		
<i>Related parties due to common directorship</i>		
Al Habtoor Motors Co. L.L.C.	-	8,505
Other Habtoor Group companies	26	92
	<u>26</u>	<u>8,597</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 IAS 24. These transactions are carried out at terms mutually agreed between the parties.

Significant transactions with related parties are summarized below:

	(Unaudited) Nine months period ended September 30, 2016 AED'000	(Unaudited) Nine months period ended September 30, 2015 AED'000
Premiums written	53,286	64,914
Claims paid	6,770	3,627
Commission paid	3,876	5,223
Agency/ Non-agency repairs	31,728	24,295
Salvage sale	-	160

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

Notes to the condensed interim financial statements
For the period ended September 30, 2016

8 Cash and cash equivalents

	(Unaudited) September 30, 2016 AED'000	(Audited) December 31, 2015 AED'000
Cash in hand and at banks	92,121	90,974

- (a) Cash in hand and at banks includes approximately AED 0.5 million (2015: AED 0.5 million) converted from Lebanese Lira (LL).
- (b) Cash at banks includes short term deposits with local banks carrying interest ranging from 0.60% - 2.0% (December 31, 2015: 0.21% - 1.75%).

9 Earnings per share

Basic and diluted

	(Unaudited) Nine months period ended September 30, 2016	(Unaudited) Nine months period ended September 30, 2015	(Unaudited) Three months period ended September 30, 2016	(Unaudited) Three months period ended September 30, 2015
Earnings (AED'000):				
Net profit for the period	40,475	38,976	12,094	9,651
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	0.35	0.34	0.10	0.08

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.

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

Notes to the condensed interim financial statements
For the period ended September 30, 2016

10 Segment information (continued)

	Nine months period ended September 30, 2016 AED'000			Nine months period ended September 30, 2015 AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	210,908	31,960	242,868	188,780	30,233	219,013
Segment result	29,899	27,642	57,541	28,781	25,973	54,754
Unallocated:						
-Other income			52			25
-Admin expenses			(17,118)			(15,803)
Net profit for the period			40,475			38,976

	September 30, 2016 AED'000			December 31, 2015 AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	210,881	441,279	652,160	146,880	409,953	556,833
Unallocated assets			102,121			100,974
Total assets			754,281			657,807
Segment / Total liabilities	296,295	2,080	298,375	248,083	2,362	250,445

11 Commitments and contingencies

In the normal course of business, the Company's bankers have issued in the normal course of business guarantees in favor of third parties amounting to AED 0.3 million (December 31, 2015: 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 20% of paid up capital amounting to AED 23.1 million (prior period: AED 23.1 million), i.e. AED 0.20 per share, for the year ended December 31, 2015 which was approved at the Annual General Meeting held on March 7, 2016 and distributed in March 2016.

During the period ended September 30, 2015, cash dividend of AED 23.1 million (AED 0.20 per share) for the year ended December 31, 2014, approved at the Annual General Meeting held on March 9, 2015, was paid in April 2015.

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

Notes to the condensed interim financial statements
For the period ended September 30, 2016

13 Comparatives

As at December 31, 2015, a balance of AED 19,538 million relating to direct motor claim third party recoveries from individuals and local insurance companies (salvage and subrogation recoveries) had been recorded as the Company's receivable and payable under "Re-insurers' contract assets" and "Insurance contract provisions" respectively. Accordingly, comparatives have now been adjusted to exclude the said balance as summarized below. There was no impact of the said reclassification on the reported profit or loss.

	December 31, 2015 AED'000 Reported	Reclassification AED'000	December 31, 2015 AED'000 Restated
Re-insurers' contract assets	118,110	(19,538)	98,572
Insurance contract provisions	185,006	(19,538)	165,468