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

Dubai - United Arab Emirates

Condensed Interim Financial Statements
(Unaudited)

For the period ended 30 June 2018

Dated : 12th August 2018

Directors' Report
For the Half Year Ended 30th June 2018

The Board of Directors is pleased to present the unaudited results for the half year ended 30th June 2018 as below.

- The gross premium written increased in the first half of 2018 by 13.5% to AED 188.85 Million as compared to AED 166.37 Million in the same period last year.

- The net underwriting income also improved significantly in the first half of 2018 by 33.9% to AED 27.30 Million as compared to AED 20.38 Million as of 30th June 2017.

- The company's Net Profit increased by 13.1% - Net profit of AED 35.11 Million reported in the first half of 2018 as compared to AED 31.04 Million in the same period last year.

- Basic and diluted earnings per share increased to AED 0.30 for the six-month period ended 30th June 2018 as compared to basic and diluted earnings per share of AED 0.27 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 June 2018 and the related condensed interim income statement, the condensed interim statement of comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows for the six 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 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

Grant Thornton
Farouk Mohamed

Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

Registration No: 86
Dubai, 12 August 2018.

Condensed interim statement of financial position
As at 30 June 2018

	Notes	(Unaudited) 30 June 2018 AED'000	(Audited) 31 December 2017 AED'000
Assets			
Non-current			
Statutory deposits	4	**10,000**	10,000
Property and equipment		**625**	639
Investment property	5	**76,825**	77,746
		87,450	88,385
Current			
Financial assets at fair value through other comprehensive income	6	**419,177**	387,553
Insurance receivables		**86,562**	58,407
Other receivables		**31,049**	21,289
Due from related parties	7	**32,067**	13,358
Re-insurers' contract assets		**209,959**	174,077
Cash and cash equivalents	8	**89,342**	140,843
		868,156	795,527
Total assets		**955,606**	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		**74,437**	66,282
Retained earnings		**51,525**	51,065
Total equity		**508,087**	499,472
Liabilities			
Non-current			
Employees' end-of-service benefits		**4,846**	4,364
Current			
Insurance contract provisions		**316,480**	262,390
Insurance payables		**85,751**	66,520
Other payables		**34,158**	37,999
Due to related parties	7	**6,284**	13,167
		442,673	380,076
Total liabilities		**447,519**	384,440
Total equity and liabilities		**955,606**	883,912

These condensed interim financial statements were approved by the Board of Directors on 12 August 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 June 2018

	(Unaudited) Six months period ended 30 June 2018 AED'000	(Unaudited) Six months period ended 30 June 2017 AED'000	(Unaudited) Three months period ended 30 June 2018 AED'000	(Unaudited) Three months period ended 30 June 2017 AED'000
Gross premium	**188,848**	166,372	**90,059**	81,071
Reinsurance share of premium	**(119,618)**	(103,656)	**(54,387)**	(49,710)
Net premium	**69,230**	62,716	**35,672**	31,361
Net transfer to unearned premium	**(9,315)**	(11,008)	**(4,274)**	(4,584)
Net premium earned	**59,915**	51,708	**31,398**	26,777
Commission income	**12,306**	11,779	**6,143**	6,018
Commission expense	**(19,725)**	(15,358)	**(10,820)**	(8,171)
Others	**2,536**	783	**1,252**	32
Gross underwriting income	**55,032**	48,912	**27,973**	24,656
Gross claims paid	**85,948**	79,462	**40,830**	40,188
Reinsurance share	**(67,107)**	(52,878)	**(33,500)**	(27,079)
Net claims paid	**18,841**	26,584	**7,330**	13,109
Movement in provision for gross outstanding claims and technical provisions	**32,996**	15,255	**22,277**	2,055
Movement in reinsurance share of outstanding claims and technical provisions	**(24,103)**	(13,310)	**(15,651)**	(1,725)
Net claims incurred	**27,734**	28,529	**13,956**	13,439
Net underwriting income	**27,298**	20,383	**14,017**	11,217
Income from financial investments - net	**18,753**	18,429	**2,496**	4,041
Income from investment property - net	**4,186**	3,609	**2,096**	1,557
Other income	**9**	12	**-**	-
Gross income	**50,246**	42,433	**18,609**	16,815
General and administrative expenses	**(15,136)**	(11,391)	**(7,649)**	(5,776)
Net profit for the period	**35,110**	31,042	**10,960**	11,039
Earnings per share:				
Basic and diluted (note 9)	**AED 0.30**	AED 0.27	**AED 0.09**	AED 0.10

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

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

	(Unaudited) Six months period ended 30 June 2018 AED'000	(Unaudited) Six months period ended 30 June 2017 AED'000	**(Unaudited) Three months period ended 30 June 2018 AED'000**	(Unaudited) Three months period ended 30 June 2017 AED'000
Net profit for the period	**35,110**	31,042	**10,960**	11,039
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Net unrealised gain/(loss) on financial assets at fair value through other comprehensive income	**8,155**	835	**(33,452)**	5,796
Total comprehensive income/ (loss) for the period	**43,265**	31,877	**(22,492)**	16,835

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

Condensed interim statement of changes in equity
For the period ended 30 June 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	-	-	-	-	-	35,110	35,110
Other comprehensive income for the period	-	-	-	-	8,155	-	8,155
Total comprehensive income for the period	-	-	-	-	8,155	35,110	43,265
Balance at 30 June 2018 (Unaudited)	**115,500**	**57,750**	**28,875**	**180,000**	**74,437**	**51,525**	**508,087**
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	-	-	-	-	-	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 paid (note 12)	-	-	-	-	-	(28,875)	(28,875)
Transactions with owners	-	-	-	-	-	(28,875)	(28,875)
Net profit for the period	-	-	-	-	-	31,042	31,042
Other comprehensive income for the period	-	-	-	-	835	-	835
Total comprehensive income for the period	-	-	-	-	835	31,042	31,877
Balance at 30 June 2017 (Unaudited)	115,500	57,750	28,875	180,000	51,880	37,046	471,051

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

Condensed interim statement of cash flows

For the period ended 30 June 2018

	(Unaudited) Six months period ended 30 June 2018 AED'000	(Unaudited) Six months period ended 30 June 2017 AED'000
Cash flows from operating activities		
Net profit for the period	**35,110**	31,042
Adjustments for:		
Depreciation on property and equipment	**196**	207
Depreciation on investment property	**921**	923
Gain on disposal of property and equipment	**(9)**	(12)
Net transfer to employees' end-of-service benefits	**482**	(102)
Income from financial investments-net	**(18,753)**	(18,429)
Income from investment property	**(5,107)**	(4,532)
Operating cash flows before changes in working capital	**12,840**	9,097
Changes in operating assets and liabilities		
Insurance contract provisions	**54,090**	44,503
Reinsurance contract assets	**(35,882)**	(31,552)
Insurance receivables	**(28,155)**	(23,363)
Other receivables	**(9,760)**	(4,822)
Insurance payables	**19,231**	24,461
Other payables	**(3,841)**	(7,650)
Due from/ to related parties – net	**(25,592)**	(21,822)
Net cash used in operating activities	**(17,069)**	(11,148)
Cash flows from investing activities		
Purchase of property and equipment	**(182)**	(82)
Purchase of financial assets at fair value through other comprehensive income	**(23,469)**	-
Proceeds from disposal of property and equipment	**9**	12
Income from investments	**18,753**	18,429
Income from investment property	**5,107**	4,532
Net cash generated from investing activities	**218**	22,891
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	**(51,501)**	(17,132)
Cash and cash equivalents, beginning of period	**140,843**	110,004
Cash and cash equivalents, end of period	**89,342**	92,872

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

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

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 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 down. 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

The condensed interim financial statements are for the six months period ended 30 June 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.

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 Technique and Net Asset Valuation Technique 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 June 2018 AED'000	(Audited) 31 December 2017 AED'000
Held with a local bank in Dubai	**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

Within UAE:	**(Unaudited) 30 June 2018 AED'000**	(Audited) 31 December 2017 AED'000
Cost at the beginning of the period	**105,721**	105,721
Accumulated depreciation	**(28,896)**	(27,975)
Carrying value at the end of the period	**76,825**	77,746

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 June 2018 (Unaudited)					
Investment in quoted securities	(a)	357,382	-	-	357,382
Investment in unquoted securities*	(b)	-	-	61,795	61,795
		357,382	**-**	**61,795**	**419,177**
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 June 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 June 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.

7 Related parties

Details of related party balances are as follows:

	(Unaudited) 30 June 2018 AED'000	(Audited) 31 December 2017 AED'000
Due from related parties		
Related parties due to common directorship		
Diamondlease LLC	8,212	4,734
Al Habtoor Theatre LLC	8,792	4,324
Dubai National Investment Company LLC	4,054	402
St. Regis Hotel Dubai LLC	167	1,143
The Westin Hotel Al Habtoor City Dubai LLC	63	1,073
Other Habtoor Group companies	10,779	1,682
	32,067	13,358
Due to related parties		
Related parties due to common directorship		
Al Habtoor Motors Co. LLC	6,284	13,162
Other Habtoor Group companies	-	5
	6,284	13,167

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 as IAS 24. These transactions are carried out at terms mutually agreed between the parties.

Significant transactions with related parties are summarized below:

	(Unaudited) Six months period ended 30 June 2018 AED'000	(Unaudited) Six months period ended 30 June 2017 AED'000
Premiums written	38,523	37,525
Claims paid	3,996	7,016
Commission paid	2,068	3,297
Agency/ non-agency repairs	21,491	18,848

8 Cash and cash equivalents

	(Unaudited) 30 June 2018 AED'000	(Audited) 31 December 2017 AED'000
Cash in hand and at banks	89,342	140,843

Cash at banks includes short term deposits with local banks carrying interest ranging from 1.95% - 3.00% (31 December 2017: 1.50% - 2.1%).

9 Earnings per share

Basic and diluted

	(Unaudited) Six months period ended 30 June 2018	(Unaudited) Six months period ended 30 June 2017	(Unaudited) Three months period ended 30 June 2018	(Unaudited) Three months period ended 30 June 2017
Earnings (AED'000):				
Net profit for the period	**35,110**	31,042	**10,960**	11,039
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	**0.30**	0.27	**0.09**	0.10

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- Six months period ended 30 June 2018 AED'000			Unaudited - Six months period ended 30 June 2017 AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	188,848	25,905	214,753	166,372	26,822	193,194
Segment result	27,298	22,939	50,237	20,383	22,038	42,421
Unallocated:						
-Other income			9			12
-General and administrative expenses			(15,136)			(11,391)
Net profit for the period			35,110			31,042

10 Segment information (continued)

	30 June 2018 (Unaudited) AED '000			31 December 2017 (Audited) AED '000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	360,262	496,002	856,264	267,770	465,299	733,069
Unallocated assets			99,342			150,843
Total assets			955,606			883,912
Segment / Total liabilities	443,391	4,128	447,519	383,465	975	384,440

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 28.8 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 with 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 Abraj Group

As per circular dated 9 July 2018 from Securities and Commodities Authority of UAE, with respect to the extent of exposure to the Abraj Group of companies, entities were requested to report in their interim financial statements for the six months period ended 30 June 2018, the extent of their exposure to Abraj 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.