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

Dubai - United Arab Emirates

Condensed Interim Financial Statements
(Unaudited)

For the period ended March 31, 2018

Dated : 14th May 2018

Directors' Report
For the First Quarter Ended 31st March 2018

The Board of Directors is pleased to present the unaudited results for the first quarter ended 31st March 2018 as below.

- The gross premium written increased in the first quarter of 2018 by 15.8% to AED 98.79 Million as compared to AED 85.30 Million in the same period last year.
- The net underwriting income also improved significantly in the first quarter of 2018 by 44.9% to AED 13.28 Million as compared to AED 9.17 Million as of 31st March 2017.
- The company's Net Profit increased by 20.7% - Net profit of AED 24.15 Million reported in the first quarter of 2018 as compared to AED 20.00 Million in the same period last year.
- Basic and diluted earnings per share increased to AED 0.21 for the three-month period ended 31st March 31 2018 as compared to basic and diluted earnings per share of AED 0.17 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 31 March 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 three 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

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

Grant Thornton
Farouk Mohamed

Registration No: 86
Dubai, 14 May 2018.

Condensed interim statement of financial position
As at March 31, 2018

	Notes	(Unaudited) March 31, 2018 AED'000	(Audited) December 31, 2017 AED'000
Assets			
Non-current			
Statutory deposits	4	10,000	10,000
Property and equipment		697	639
Investment property	5	77,286	77,746
		87,983	88,385
Current			
Financial assets at fair value through other comprehensive income	6	447,130	387,553
Insurance receivables		81,599	58,407
Other receivables		38,924	21,289
Due from related parties	7	22,829	13,358
Reinsurance contract assets		194,816	174,077
Cash and cash equivalents	8	81,629	140,843
		866,927	795,527
Total assets		954,910	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		107,889	66,282
Retained earnings		40,565	51,065
Total equity		530,579	499,472
Liabilities			
Non-current			
Employees' end-of-service benefits		4,536	4,364
Current			
Insurance contract provisions		290,436	262,390
Insurance payables		84,513	66,520
Other payables		35,618	37,999
Due to related parties	7	9,228	13,167
		419,795	380,076
Total liabilities		424,331	384,440
Total equity and liabilities		954,910	883,912

These condensed interim financial statements were approved by the Board of Directors on May 14, 2018 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.

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Condensed interim income statement
For the period ended March 31, 2018

	(Unaudited) March 31, 2018 AED'000	(Unaudited) March 31, 2017 AED'000
Gross premiums	98,789	85,301
Reinsurance share of premiums	(65,231)	(53,946)
Net premiums	33,558	31,355
Net transfer to unearned premium	(5,041)	(6,424)
Net premiums earned	28,517	24,931
Commission earned	6,163	5,761
Commission paid	(8,905)	(7,187)
Others	1,284	751
Gross underwriting income	27,059	24,256
Gross claims paid	45,118	39,274
Reinsurance share	(33,607)	(25,799)
Net claims paid	11,511	13,475
Provision for outstanding claims and technical provisions	10,719	13,200
Reinsurance share of outstanding claims and technical provisions	(8,452)	(11,585)
Net claims incurred	13,778	15,090
Net underwriting income	13,281	9,166
Income from investments - net	16,257	14,388
Income from investment property- net	2,090	2,052
Other income	9	12
Gross income	31,637	25,618
General and administrative expenses	(7,487)	(5,615)
Net profit for the period	24,150	20,003
Earnings per share:		
Basic and diluted (note 9)	AED 0.21	AED 0.17

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Condensed interim statement of comprehensive income
For the period ended March 31, 2018

	(Unaudited) March 31, 2018 AED'000	(Unaudited) March 31, 2017 AED'000
Net profit for the period	**24,150**	20,003
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net unrealized profit/(loss) on financial assets at fair value through other comprehensive income	**41,607**	(4,961)
Total comprehensive income for the period	**65,757**	15,042

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Condensed interim statement of changes in equity
For the period ended March 31, 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 January 1, 2018 (Audited)	**115,500**	**57,750**	**28,875**	**180,000**	**66,282**	**51,065**	**499,472**
Dividend (note 12)	-	-	-	-	-	(34,650)	(34,650)
Transactions with owners	-	-	-	-	-	(34,650)	(34,650)
Net profit for the period	-	-	-	-	-	24,150	24,150
Other comprehensive income for the period	-	-	-	-	41,607	-	41,607
Total comprehensive income for the period	-	-	-	-	41,607	24,150	65,757
Balance at March 31, 2018 (Unaudited)	**115,500**	**57,750**	**28,875**	**180,000**	**107,889**	**40,565**	**530,579**
Balance at January 1, 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 January 1, 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	-	-	-	-	-	20,003	20,003
Other comprehensive income for the period	-	-	-	-	(4,961)	-	(4,961)
Total comprehensive income for the period	-	-	-	-	(4,961)	20,003	15,042
Balance at March 31, 2017 (Unaudited)	115,500	57,750	28,875	180,000	46,084	26,007	454,216

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

Condensed interim statement of cash flows
For the period ended March 31, 2018

	(Unaudited) March 31, 2018 AED'000	(Unaudited) March 31, 2017 AED'000
Cash flows from operating activities		
Net profit for the period	24,150	20,003
Adjustments for:		
Depreciation on property and equipment	108	106
Depreciation on investment property	460	462
Gain on disposal of property and equipment	(9)	(11)
Net transfer to employees' end-of-service benefits	172	183
Insurance contract provisions	28,046	35,333
Reinsurance contract assets	(20,739)	(27,296)
Income from investments	(16,257)	(14,388)
Income from investment property	(2,550)	(2,512)
Operating cash flows before changes in working capital	13,381	11,880
Changes in working capital		
Insurance receivables	(23,192)	(11,530)
Other receivables	(17,635)	(14,072)
Insurance payables	17,993	12,133
Other payables	(2,381)	(3,205)
Due from/to related parties – net	(13,410)	(13,967)
Net cash used in operating activities	(25,244)	(18,761)
Cash flows from investing activities		
Purchase of property and equipment	(166)	(43)
Purchase of investments	(17,970)	-
Proceeds from disposal of property and equipment	9	11
Income from investments	16,257	14,388
Income from investment property	2,550	2,512
Net cash generated from investing activities	680	16,868
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	(59,214)	(30,768)
Cash and cash equivalents, beginning of period	140,843	110,004
Cash and cash equivalents, end of period	81,629	79,236

The notes from 1 to 13 form an integral part of these condensed interim financial statements.

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 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 three months period ended March 31, 2018 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, 2017. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending December 31, 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 December 31, 2017. 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, 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 calculations), 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 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) March 31, 2018 AED'000	(Audited) December 31, 2017 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 Organization 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) March 31, 2018	(Audited) December 31, 2017
Within UAE:	**AED'000**	AED'000
Cost at the beginning of the period	**105,721**	105,721
Accumulated depreciation	**(28,435)**	(27,975)
Written down value at the end of the period	**77,286**	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	Level 2	Level 3	Total
		AED'000	AED'000	AED'000	AED'000
March 31, 2018 (Unaudited)					
Investment in quoted securities	(a)	364,297	-	-	364,297
Investment in unquoted securities*	(b)	-	-	82,833	82,833
		364,297	**-**	**82,833**	**447,130**
December 31, 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 March 31, 2018 (December 31, 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 December 31, 2016 (December 31, 2016: financial statements for the year ended December 31, 2015).

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 March 31, 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 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) March 31, 2018	(Audited) December 31, 2017
Due from related parties	AED'000	AED'000
Related parties due to common directorship		
Diamond Lease LLC	3,280	4,734
Al Habtoor Theatre LLC	7,415	4,324
Dubai National Investment Co. LLC	1,594	402
Al Habtoor Group LLC	2,720	-
St. Regis Hotel Dubai LLC	1,141	1,143
The Westin Hotel Al Habtoor City Dubai LLC	1,072	1,073
Other Habtoor Group companies	5,607	1,682
	22,829	13,358
Due to related parties		
Related parties due to common ownership		
Al Habtoor Motors Co. LLC	9,228	13,162
Other Habtoor Group companies	-	5
	9,228	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 summarised below:

	(Unaudited) Three months period ended March 31, 2018	(Unaudited) Three months period ended March 31, 2017
	AED'000	AED'000
Premiums written	19,529	19,921
Claims paid	2,455	2,806
Commission paid	490	1,337
Agency/ Non-agency repairs	11,736	8,247

8 Cash and cash equivalents

	(Unaudited) March 31, 2018 AED'000	(Audited) December 31, 2017 AED'000
Cash in hand and at banks	81,629	140,843

Cash at banks includes short term deposits with local banks carrying interest ranging from 2.00% - 2.25% (December 31, 2017: 1.25% - 2.25%).

9 Earnings per share

	(Unaudited) Three months period ended March 31, 2018	(Unaudited) Three months period ended March 31, 2017
Earnings (AED'000):		
Net profit for the period	**24,150**	20,003
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**115,500,000**	115,500,000
Earnings per share (AED):		
Basic and diluted	**0.21**	0.17

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.

	Three months period ended March 31, 2018 (Unaudited) AED '000			Three months period ended March 31, 2017 (Unaudited) AED '000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	98,789	19,736	118,525	85,301	19,106	104,407
Segment result	13,281	18,347	31,628	9,166	16,440	25,606
Unallocated:						
-Other income			9			12
-Admin expenses			(7,487)			(5,615)
Net profit for the period			24,150			20,003

	As at March 31, 2018 (Unaudited) AED '000			As at December 31, 2017 (Audited) AED '000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	338,865	524,416	863,281	267,770	465,299	733,069
Unallocated assets			91,629			150,843
Total assets			954,910			883,912
Segment / Total liabilities	419,029	5,314	424,333	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 (December 31, 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 December 31, 2017 which was approved at the Annual General Meeting held on March 7, 2018 and distributed in March 2018.

During the comparative period, the Board proposed cash dividend of 25% of paid up capital amounting to AED 28.9 million i.e. AED 0.25 per share, for the year ended December 31, 2016 which was approved at the Annual General Meeting held on March 7, 2017 and distributed in March 2017.

13 Comparatives

Following comparative figures have been reclassified in order to conform with current year'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 year.

	Reclassified from		Reclassified to	
	Statement of income item	**AED'000**	**Statement of income item**	**AED'000**
(i)	Others	131	General and administrative expenses	131