

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

Condensed interim financial statements (Unaudited)

For the period ended 30 June 2021



Grant Thornton

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Review report of the Independent Auditor

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Dubai National Insurance & Reinsurance Co. (P.S.C.) (the "Company"), as of 30 June 2021 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 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 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.

Other matter

The financial statements for the six months ended 30 June 2020 and for the year ended 31 December 2020 were reviewed and audited by another auditor who expressed an unmodified conclusion and opinion on those statements on 11 August 2020 and 11 February 2021 respectively.

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, 11 August 2021

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

Condensed interim statement of financial position
As at 30 June 2021

	Notes	(Unaudited) 30 June 2021 AED'000	(Audited) 31 December 2020 AED'000
Assets			
Non-current			
Statutory deposits	4	10,000	10,000
Property and equipment		403	582
Investment properties	5	71,281	72,203
		<u>81,684</u>	<u>82,785</u>
Current			
Financial assets at fair value through other comprehensive income	6	507,239	426,882
Insurance receivables		74,341	70,371
Other receivables		29,780	24,231
Due from related parties	7	46,523	31,256
Reinsurance contract assets		201,854	197,462
Cash and cash equivalents	8	111,535	97,945
		<u>971,272</u>	<u>848,147</u>
Total assets		<u>1,052,956</u>	<u>930,932</u>
Equity and liabilities			
Equity			
Share capital		115,500	115,500
Legal reserve	9	57,750	57,750
General reserve	9	180,000	180,000
Reinsurance reserve	9	1,059	1,059
Fair value reserve on financial assets at fair value through other comprehensive income		158,274	77,917
Retained earnings		74,490	74,662
Total equity		<u>587,073</u>	<u>506,888</u>
Liabilities			
Non-current			
Employees' end-of-service benefits		4,976	7,092
Current			
Insurance contract liabilities		316,189	303,723
Insurance payables		100,821	65,148
Other payables		39,341	43,789
Due to related parties	7	4,556	4,292
		<u>460,907</u>	<u>416,952</u>
Total liabilities		<u>465,883</u>	<u>424,044</u>
Total equity and liabilities		<u>1,052,956</u>	<u>930,932</u>

These condensed interim financial statements were approved by the Board of Directors on 11 August 2021 and signed on their behalf by:



Sultan Ahmed Al Habtoor
Vice Chairman



Mohammed Khalaf Al Habtoor
Managing Director

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

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

Condensed interim income statement
For the period ended 30 June 2021

	(Unaudited) Six months period ended 30 June 2021 AED'000	(Unaudited) Six months period ended 30 June 2020 AED'000	(Unaudited) Three months period ended 30 June 2021 AED'000	(Unaudited) Three months period ended 30 June 2020 AED'000
Gross premiums	169,784	183,830	85,247	86,917
Reinsurance share of premiums	(113,055)	(120,114)	(57,032)	(55,937)
Net premiums	56,729	63,716	28,215	30,980
Net transfer to unearned premium reserve	(7,197)	(3,007)	(3,606)	(720)
Net premiums earned	49,532	60,709	24,609	30,260
Commission earned	8,145	9,056	4,119	3,862
Commission paid	(15,813)	(22,252)	(7,907)	(10,957)
Others	178	326	48	21
Gross underwriting income	42,042	47,839	20,869	23,186
Gross claims paid	77,908	211,456	44,559	155,091
Reinsurance share	(60,897)	(193,421)	(36,039)	(147,742)
Net claims paid	17,011	18,035	8,520	7,349
Provision for outstanding claims and technical provisions	(9,511)	6,434	(11,641)	(58,084)
Reinsurance share of outstanding claims and technical provisions	10,388	(2,620)	12,201	60,416
Net claims incurred	17,888	21,849	9,080	9,681
Net underwriting income	24,154	25,990	11,789	13,505
Income from investments - net	20,262	22,141	2,966	2,965
Income from investment properties - net	2,022	3,069	881	1,306
Other income	94	-	1	-
Gross income	46,532	51,200	15,637	17,776
General and administrative expenses	(12,054)	(12,685)	(6,017)	(5,935)
Net profit for the period	34,478	38,515	9,620	11,841
Earnings per share:				
Basic and diluted (note 10)	0.30	0.33	0.08	0.10

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

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

Condensed interim statement of comprehensive income
For the period ended 30 June 2021

	(Unaudited) Six months period ended 30 June 2021 AED'000	(Unaudited) Six months period ended 30 June 2020 AED'000	(Unaudited) Three months period ended 30 June 2021 AED'000	(Unaudited) Three months period ended 30 June 2020 AED'000
Net profit for the period	34,478	38,515	9,620	11,841
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net unrealised gain / (loss) on financial assets at fair value through other comprehensive income	80,357	(114,114)	41,280	40,975
Total comprehensive income / (loss) for the period	114,835	(75,599)	50,900	52,816

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

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

Condensed interim statement of changes in equity
For the period ended 30 June 2021

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Reinsurance reserve AED'000	Fair value reserve on financial assets at FVTOCI AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2021 (Audited)	115,500	57,750	180,000	1,059	77,917	74,662	506,888
Profit for the period	-	-	-	-	-	34,478	34,478
Other comprehensive income	-	-	-	-	80,357	-	80,357
Total comprehensive income for the period	-	-	-	-	80,357	34,478	114,835
Dividends	-	-	-	-	-	(34,650)	(34,650)
Balance at 30 June 2021 (Unaudited)	115,500	57,750	180,000	1,059	158,274	74,490	587,073
Balance at 1 January 2020 (Audited)	115,500	57,750	180,000	-	157,857	58,336	569,443
Profit for the period	-	-	-	-	-	38,515	38,515
Other comprehensive loss	-	-	-	-	(114,114)	-	(114,114)
Total comprehensive loss for the period	-	-	-	-	(114,114)	38,515	(75,599)
Dividends	-	-	-	-	-	(40,425)	(40,425)
Transferred to retained earnings on disposal of investments	-	-	-	-	(8,138)	8,138	-
Balance at 30 June 2020 (Unaudited)	115,500	57,750	180,000	-	35,605	64,564	453,419

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

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

Condensed interim statement of cash flows
For the period ended 30 June 2021

	(Unaudited) Six months period ended 30 June 2021 AED'000	(Unaudited) Six months period ended 30 June 2020 AED'000
Note		
Cash flows from operating activities		
Net profit for the period	34,478	38,515
<i>Adjustments for:</i>		
Depreciation on property and equipment	144	148
Depreciation on investment property	922	923
Provision for employees' end-of-service benefits	299	503
Gain on sale of property and equipment	(94)	-
Income from investments - net	(20,262)	(22,141)
Income from investment properties - net	(2,022)	(3,069)
Operating cash flows before changes in working capital	13,465	14,879
<i>Changes in working capital</i>		
Insurance receivables	(3,970)	(91,590)
Other receivables	(5,549)	(5,371)
Reinsurance contract assets	(4,392)	236
Insurance contract liabilities	12,466	6,585
Insurance payables	35,673	(5,782)
Other payables	(4,448)	(7,015)
Due from / to related parties - net	(15,003)	90,352
Cash generated from operation	28,242	2,294
Employees' end-of-services benefits paid	(2,415)	(85)
Net cash generated from operating activities	25,827	2,209
Cash flows from investing activities		
Purchase of property and equipment	(44)	(64)
Proceeds from sale of property and equipment	173	-
Proceeds from disposal of financial assets at FVTOCI	-	62,809
Income from investments - net	20,262	22,141
Income from investment properties - net	2,022	3,069
Net cash generated from investing activities	22,413	87,955
Cash flows from financing activity		
Dividends paid	(34,650)	(40,425)
Net cash used in financing activity	(34,650)	(40,425)
Net change in cash and cash equivalents	13,590	49,739
Cash and cash equivalents, beginning of period	97,945	113,931
Cash and cash equivalents, end of period	8 111,535	163,670

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

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

Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements

For the period ended 30 June 2021

1 Legal status and activities

Dubai National Insurance & Reinsurance Co. (P.S.C.) (the “Company”) is a public shareholding company incorporated in Dubai on 6 January 1992.

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 Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

2 Basis of preparation

The condensed interim financial statements are for the six months period ended 30 June 2021 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 31 December 2020. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

3 Significant accounting policies

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2020, except for application of new standards effective as of 1 January 2021 as several amendments and interpretations apply for the first time in 2021. However, these amendments and interpretations do not have material impact on the condensed interim financial statements of the Company.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

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 Co. (P.S.C.)
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 June 2021

3 Significant accounting policies (continued)

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

Allowances for doubtful debts

Allowances for doubtful debts are determined using a combination of factors to ensure that insurance receivables are not overstated due to uncollectibility. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and ageing of receivables, continuing credit evaluation of the customer's financial conditions and collateral requirements from customers in certain circumstances. In addition, specific allowances for individual accounts are recorded when the Entity becomes aware of the customer's inability to meet its financial obligations.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the Entity based on Earnings Multiples and Net Assets Value 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 to the condensed interim financial information.

4 Statutory deposits

	(Unaudited) 30 June 2021 AED'000	(Audited) 31 December 2020 AED'000
Held with a local bank in Dubai, UAE	<u>10,000</u>	<u>10,000</u>

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 properties

	(Unaudited) 30 June 2021 AED'000	(Audited) 31 December 2020 AED'000
Cost		
At the beginning of the period / year	<u>105,721</u>	<u>105,721</u>
Accumulated depreciation		
At the beginning of the period / year	33,518	31,669
Charge for the period / year	<u>922</u>	<u>1,849</u>
At the end of the period / year	<u>34,440</u>	<u>33,518</u>
Net book value at the end of the period / year	<u><u>71,281</u></u>	<u><u>72,203</u></u>

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

Notes to the condensed interim financial statements
For the period ended 30 June 2021

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 2021 (Unaudited)					
Investment in quoted securities	(a)	409,012	-	-	409,012
Investment in unquoted securities*	(b)	-	-	38,550	38,550
Investment in debt securities		59,677	-	-	59,677
		468,689	-	38,550	507,239
31 December 2020 (Audited)					
Investment in quoted securities	(a)	324,701	-	-	324,701
Investment in unquoted securities*	(b)	-	-	42,853	42,853
Investment in debt securities		59,328	-	-	59,328
		384,029	-	42,853	426,882

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

(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 two entities as at 30 June 2021 (31 December 2020: two entities). These investments are fair valued by an independent valuer 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 31 December 2020 (31 December 2020: financial statements for the year ended 31 December 2019).

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 2021 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.

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

Notes to the condensed interim financial statements
For the period ended 30 June 2021

7 Related parties

Details of related party balances are as follows:

	(Unaudited) 30 June 2021 AED'000	(Audited) 31 December 2020 AED'000
Due from related parties		
<i>Related parties due to common directorship</i>		
Al Habtoor Theatre LLC	13,903	12,294
Al Habtoor Group LLC	4,816	2,427
Diamondlease LLC	12,103	5,136
Dubai National Investment Co. LLC	3,687	2,116
Other Habtoor Group companies	12,014	9,283
	46,523	31,256
Due to related parties		
<i>Related parties due to common ownership</i>		
Al Habtoor Motors Co. LLC	4,556	4,292

Related party transactions

The nature of significant related party transactions and amounts involved were as follows:

	(Unaudited) Six months period ended 30 June 2021 AED'000	(Unaudited) Six months period ended 30 June 2020 AED'000	(Unaudited) Three months period ended 30 June 2021 AED'000	(Unaudited) Three months period ended 30 June 2020 AED'000
Premiums written	35,644	34,596	20,788	19,912
Claims paid	6,711	115,303	5,932	112,772
Agency/ non-agency repairs	6,432	6,906	3,045	3,094
Commission paid	1,035	1,240	808	394

Key management personnel compensation

The compensation of key management personnel is as follows:

	986	1,589	412	519
Short term benefits	31	143	25	27
Post employment benefits	1,017	1,732	437	546

8 Cash and cash equivalents

	(Unaudited) 30 June 2021 AED'000	(Audited) 31 December 2020 AED'000	(Unaudited) 30 June 2020 AED'000
Cash in hand and at banks	111,535	97,945	163,670

Cash at banks includes short term deposits with local banks carrying interest ranging from 0.70% - 1.45% (31 December 2020: 0.09% to 2.95%) per annum.

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

Notes to the condensed interim financial statements
For the period ended 30 June 2021

9 Reserves

Legal reserve

In accordance with the UAE Commercial Companies Law and the Company's Article of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid-up share capital. Accordingly, no transfers have been made during the six months period ended 30 June 2021. The reserve is not available for distribution except in the circumstances stipulated by the law.

General reserve

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors. During the period, no amount was transferred to the general reserve from retained earnings (31 December 2020: Nil).

Reinsurance reserve

In accordance with article 34 of Insurance Authority's Board of Directors Decision No. 23 of 2019, Concerning instructions organising reinsurance operations, an amount of AED 1.059 million was transferred from retained earnings to reinsurance reserve during the year ended 31 December 2020. The reserve is not available for distribution and will not be disposed of without prior approval from Insurance Authority.

10 Earnings per share

	(Unaudited) Six months period ended 30 June 2021	(Unaudited) Six months period ended 30 June 2020	(Unaudited) Three months period ended 30 June 2021	(Unaudited) Three months period ended 30 June 2020
Earnings (AED'000):				
Net profit for the period	34,478	38,515	9,620	11,841
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	0.33	0.08	0.10

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

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

Notes to the condensed interim financial statements
For the period ended 30 June 2021

11 Segment information

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

Underwriting segment is further classified into General Insurance, 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.

	Six months period ended 30 June 2021 (Unaudited) AED'000			Six months period ended 30 June 2020 (Unaudited) AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment revenue	169,784	25,502	195,286	183,830	28,292	212,122
Segment result	24,154	22,284	46,438	25,990	25,210	51,200
Unallocated:						
-Other income			94			-
-Admin expenses			(12,054)			(12,685)
Net profit for the period			34,478			38,515

	As at 30 June 2021 (Unaudited) AED'000			As at 31 December 2020 (Audited) AED'000		
	Underwriting	Investments	Total	Underwriting	Investments	Total
Segment assets	352,901	578,520	931,421	323,902	499,085	822,987
Unallocated assets			121,535			107,945
Total assets			1,052,956			930,932
Segment / total liabilities	461,223	4,660	465,883	419,073	4,971	424,044

12 Commitments and contingencies

In the normal course of business, the Company's bankers have issued guarantees in favor of third parties amounting to AED 0.18 million (31 December 2020: AED 0.31 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.

13 Dividends

The Board proposed cash dividend of AED 34.650 million (AED 0.30 per share) representing 30% of paid up capital as at 31 December 2020. This was proposed by the management at the Annual General Meeting held on 17 March 2021 and distributed on 12 April 2021.

During the comparative period, the Board proposed cash dividend of AED 40.425 million (AED 0.35 per share) representing 35% of paid up capital as at 31 December 2019. This was approved at the Annual General Meeting held on 8 March 2020 and distributed on 25 March 2020.

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

Notes to the condensed interim financial statements
For the period ended 30 June 2021

14 Seasonality of results and impact of COVID-19

The Company does not anticipate any major impact in relation to the COVID-19 situation due to its lower retention levels and the reinsurance being placed with internationally reputed “A” rated reinsurers. The Company continues to maintain a strong liquidity position and robust solvency margins that remain significantly higher than the mandated requirement. The Company’s investment portfolio comprises long positions taken on large and financially stable corporations that generate consistent yearly cash dividends.