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

Condensed interim financial statements (Unaudited)
For the period ended 31 March 2021

Grant Thornton

An instinct for growth™

Grant Thornton
United Arab Emirates
Rolex Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925
F +971 4 388 9915

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 31 March 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 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 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 three months ended 31 March 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 19 May 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

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

Grant Thornton
Farouk Mohamed
Registration No: 86
Dubai, 10 May 2021

Condensed interim statement of financial position
As at 31 March 2021

	Notes	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Assets			
Non-current			
Statutory deposits	4	**10,000**	10,000
Property and equipment		**441**	582
Investment properties	5	**71,743**	72,203
		82,184	82,785
Current			
Financial assets at fair value through other comprehensive income	6	**465,959**	426,882
Insurance receivables		**70,476**	70,371
Other receivables		**33,188**	24,231
Due from related parties	7	**33,526**	31,256
Reinsurance contract assets		**205,428**	197,462
Cash and cash equivalents	8	**135,644**	97,945
		944,221	848,147
Total assets		**1,026,405**	930,932
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		**116,994**	77,917
Retained earnings		**99,520**	74,662
Total equity		**570,823**	506,888
Liabilities			
Non-current			
Employees' end-of-service benefits		**7,177**	7,092
Current			
Insurance contract liabilities		**315,597**	303,723
Insurance payables		**91,978**	65,148
Other payables		**38,898**	43,789
Due to related parties	7	**1,932**	4,292
		448,405	416,952
Total liabilities		**455,582**	424,044
Total equity and liabilities		**1,026,405**	930,932

These condensed interim financial statements were approved by the Board of Directors on 10 May 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.

Condensed interim income statement
For the period ended 31 March 2021

	(Unaudited) Three months period ended 31 March 2021 AED'000	(Unaudited) Three months period ended 31 March 2020 AED'000
Gross premiums	**84,537**	96,913
Reinsurance share of premiums	**(56,023)**	(64,177)
Net premiums	**28,514**	32,736
Net transfer to unearned premium reserve	**(3,591)**	(2,287)
Net premiums earned	**24,923**	30,449
Commission earned	**4,026**	5,194
Commission paid	**(7,906)**	(11,295)
Others	**130**	305
Gross underwriting income	**21,173**	24,653
Gross claims paid	**33,349**	56,365
Reinsurance share	**(24,858)**	(45,679)
Net claims paid	**8,491**	10,686
Provision for outstanding claims and technical provisions	**2,130**	64,518
Reinsurance share of outstanding claims and technical provisions	**(1,813)**	(63,036)
Net claims incurred	**8,808**	12,168
Net underwriting income	**12,365**	12,485
Income from investments - net	**17,296**	19,176
Income from investment properties - net	**1,141**	1,763
Other income	**93**	-
Gross income	**30,895**	33,424
General and administrative expenses	**(6,037)**	(6,750)
Net profit for the period	**24,858**	26,674
Earnings per share:		
Basic and diluted (note 10)	**0.22**	0.23

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 31 March 2021

	(Unaudited) **Three months period ended 31 March 2021** **AED'000**	(Unaudited) Three months period ended 31 March 2020 AED'000
Net profit for the period	**24,858**	26,674
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	**39,077**	(155,089)
Total comprehensive income / (loss) for the period	**63,935**	(128,415)

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 31 March 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	**-**	**-**	**-**	**-**	**-**	**24,858**	**24,858**
Other comprehensive income	**-**	**-**	**-**	**-**	**39,077**	**-**	**39,077**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**39,077**	**24,858**	**63,935**
Balance at 31 March 2021 (Unaudited)	**115,500**	**57,750**	**180,000**	**1,059**	**116,994**	**99,520**	**570,823**
Balance at 1 January 2020 (Audited)	115,500	57,750	180,000	-	157,857	58,336	569,443
Profit for the period	-	-	-	-	-	26,674	26,674
Other comprehensive loss	-	-	-	-	(155,089)	-	(155,089)
Total comprehensive loss for the period	-	-	-	-	(155,089)	26,674	(128,415)
Dividends	-	-	-	-	-	(40,425)	(40,425)
Balance at 31 March 2020 (Unaudited)	115,500	57,750	180,000	-	2,768	44,585	400,603

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 31 March 2021

	Note	**(Unaudited) Three months period ended 31 March 2021 AED'000**	(Unaudited) Three months period ended 31 March 2020 AED'000
Cash flows from operating activities			
Net profit for the period		**24,858**	26,674
Adjustments for:			
Depreciation on property and equipment		**81**	75
Depreciation on investment property		**460**	462
Provision for employees' end-of-service benefits		**149**	252
Gain on sale of property and equipment		**(93)**	-
Income from investments - net		**(17,296)**	(19,176)
Income from investment properties - net		**(1,141)**	(1,763)
Operating cash flows before changes in working capital		**7,018**	6,524
Changes in working capital			
Insurance receivables		**(105)**	1,047
Reinsurance contract assets		**(8,957)**	(64,764)
Other receivables		**(7,966)**	(12,255)
Insurance contract liabilities		**11,874**	68,532
Insurance payables		**26,830**	5,133
Other payables		**(4,891)**	(5,572)
Due from / to related parties – net		**(4,630)**	(9,662)
Cash generated from operation		**19,173**	(11,017)
Employees' end-of-services benefits paid		**(64)**	(78)
Net cash generated from / (used in) operating activities		**19,109**	(11,095)
Cash flows from investing activities			
Purchase of property and equipment		**(19)**	(64)
Proceeds from sale of property and equipment		**172**	-
Income from investments - net		**17,296**	19,176
Income from investment properties - net		**1,141**	1,763
Net cash generated from investing activities		**18,590**	20,875
Cash flows from financing activity			
Dividends paid		**-**	(40,425)
Net cash used in financing activity		**-**	(40,425)
Net change in cash and cash equivalents		**37,699**	(30,645)
Cash and cash equivalents, beginning of period		**97,945**	113,931
Cash and cash equivalents, end of period	8	**135,644**	83,286

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.

2 Basis of preparation

The condensed interim financial statements are for the three months period ended 31 March 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.

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.

3 Significant accounting policies (continued)

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

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) 31 March 2021 AED'000	(Audited) 31 December 2020 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 properties

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Cost		
At the beginning of the period / year	**105,721**	105,721
Accumulated depreciation		
At the beginning of the period / year	**33,518**	31,669
Charge for the period / year	**460**	1,849
At the end of the period / year	**33,978**	33,518
Net book value at the end of the period / year	**71,743**	72,203

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
31 March 2021 (Unaudited)					
Investment in quoted securities	(a)	**363,268**	**-**	**-**	**363,268**
Investment in unquoted securities*	(b)	**-**	**-**	**42,853**	**42,853**
Investment in debt securities		**59,838**	**-**	**-**	**59,838**
		423,106	**-**	**42,853**	**465,959**
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 31 March 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 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 31 March 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.

7 Related parties

Details of related party balances are as follows:

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Due from related parties		
Related parties due to common directorship		
Al Habtoor Theatre LLC	**12,908**	12,294
Al Habtoor Group LLC	**4,111**	2,427
Diamond Lease LLC	**3,470**	5,136
Dubai National Investment Co. LLC	**2,057**	2,116
Other Habtoor Group companies	**10,980**	9,283
	33,526	31,256
Due to related parties		
Related parties due to common ownership		
Al Habtoor Motors Co. LLC	**1,932**	4,292

Related party transactions

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

	(Unaudited) Three months period ended 31 March 2021 AED'000	(Unaudited) Three months period ended 31 March 2020 AED'000
Premiums written	**14,856**	14,684
Claims paid	**779**	2,531
Agency/ non-agency repairs	**3,387**	3,812
Commission paid	**227**	846
Key management personnel compensation		
The compensation of key management personnel is as follows:		
Short term benefits	**574**	1,070
Post employment benefits	**6**	116
	580	1,186

8 Cash and cash equivalents

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000	(Unaudited) 31 March 2020 AED'000
Cash in hand and at banks	**135,644**	97,945	83,286

Cash at banks includes short term deposits with local banks carrying interest ranging from 0.70% - 2.00% (31 December 2020: 0.09% to 2.95%) per annum.

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 three months period ended 31 March 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) Three months period ended 31 March 2021	(Unaudited) Three months period ended 31 March2020
Earnings (AED'000):		
Net profit for the period	**24,858**	26,674
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	**0.22**	0.23

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

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.

	Three months period ended 31 March 2021 (Unaudited) AED '000			Three months period ended 31 March 2020 (Unaudited) AED '000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**84,537**	**19,938**	**104,475**	96,913	22,302	119,215
Segment result	**12,364**	**18,437**	**30,801**	12,485	20,939	33,424
Unallocated:						
-Other income			**93**			-
-Admin expenses			**(6,036)**			(6,750)
Net profit for the period			**24,858**			26,674

	As at 31 March 2021 (Unaudited) AED '000			As at 31 December 2020 (Audited) AED '000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	**343,059**	**537,702**	**880,761**	323,902	499,085	822,987
Unallocated assets			**145,644**			107,945
Total assets			**1,026,405**			930,932
Segment / Total liabilities	**450,662**	**4,920**	**455,582**	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 0.31 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.

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 Entity 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.