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

Condensed interim financial statements (Unaudited)
For the period ended 30 September 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 at 30 September 2021 and the related condensed interim income statement, condensed interim statement of comprehensive income for the nine-month and three-month periods then ended, condensed interim statement of changes in equity, condensed interim statement of cash flows for the nine-month period then ended and other related explanatory notes. 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 nine-month ended 30 September 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 9 November 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 P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Dubai, 11 November 2021

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

Condensed interim statement of financial position
As at 30 September 2021

	Notes	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Assets			
Statutory deposits	4	**10,000**	10,000
Property and equipment		**508**	582
Investment properties	5	**70,818**	72,203
Financial assets at fair value through other comprehensive income (FVTOCI)	6	**522,830**	426,882
Insurance receivables		**57,126**	70,371
Other receivables		**31,216**	24,231
Due from related parties	7	**48,258**	31,256
Reinsurance contract assets		**194,076**	197,462
Cash and cash equivalents	8	**127,608**	97,945
Total assets		**1,062,440**	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		**173,865**	77,917
Retained earnings		**97,256**	74,662
Total equity		**625,430**	506,888
Liabilities			
Employees' end-of-service benefits		**4,214**	7,092
Insurance contract liabilities		**307,564**	303,723
Insurance payables		**81,895**	65,148
Other payables		**43,160**	43,789
Due to related parties	7	**177**	4,292
Total liabilities		**437,010**	424,044
Total equity and liabilities		**1,062,440**	930,932

These condensed interim financial statements were approved by the Board of Directors on 11 November 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 September 2021

	(Unaudited) Nine-month period ended 30 September 2021 AED'000	(Unaudited) Nine-month period ended 30 September 2020 AED'000	**(Unaudited) Three-month period ended 30 September 2021 AED'000**	(Unaudited) Three-month period ended 30 September 2020 AED'000
Gross premiums	**244,242**	261,468	**74,458**	77,638
Reinsurance share of premiums	**(159,323)**	(175,949)	**(46,268)**	(55,835)
Net premiums	**84,919**	85,519	**28,190**	21,803
Net transfer to unearned premium reserve	**(9,831)**	4,386	**(2,634)**	7,393
Net premiums earned	**75,088**	89,905	**25,556**	29,196
Commission earned	**13,014**	13,405	**4,869**	4,349
Commission paid	**(23,920)**	(32,136)	**(8,107)**	(9,884)
Others	**2,800**	2,656	**2,622**	2,330
Gross underwriting income	**66,982**	73,830	**24,940**	25,991
Gross claims paid	**131,520**	267,367	**53,612**	55,911
Reinsurance share	**(99,307)**	(239,535)	**(38,410)**	(46,114)
Net claims paid	**32,213**	27,832	**15,202**	9,797
Provision for outstanding claims and technical provisions	**(16,343)**	(333)	**(6,832)**	(6,767)
Reinsurance share of outstanding claims and technical provisions	**13,739**	5,155	**3,351**	7,775
Net claims incurred	**29,609**	32,654	**11,721**	10,805
Net underwriting income	**37,373**	41,176	**13,219**	15,186
Income from investments - net	**21,800**	22,610	**1,538**	469
Income from investment properties - net	**2,724**	3,937	**702**	868
Other income	**164**	-	**70**	-
Gross income	**62,061**	67,723	**15,529**	16,523
General and administrative expenses	**(18,418)**	(18,447)	**(6,364)**	(5,762)
Net profit for the period	**43,643**	49,276	**9,165**	10,761
Earnings per share:				
Basic and diluted (note 10)	**0.38**	0.43	**0.08**	0.09

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 September 2021

	(Unaudited) Nine-month period ended 30 September 2021 AED'000	(Unaudited) Nine-month period ended 30 September 2020 AED'000	**(Unaudited) Three-month period ended 30 September 2021 AED'000**	(Unaudited) Three-month period ended 30 September 2020 AED'000
Net profit for the period	**43,643**	49,276	**9,165**	10,761
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	**95,948**	(90,715)	**15,591**	23,399
Net realised gain on financial assets at fair value through other comprehensive income	**13,601**	-	**13,601**	-
Total comprehensive income / (loss) for the period	**153,192**	(41,439)	**38,357**	34,160

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 September 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	-	-	-	-	-	43,643	43,643
Other comprehensive income	-	-	-	-	109,549	-	109,549
Total comprehensive income for the period	-	-	-	-	109,549	43,643	153,192
Dividends	-	-	-	-	-	(34,650)	(34,650)
Transferred to retained earnings on disposal of investments	-	-	-	-	(13,601)	13,601	-
Balance at 30 September 2021 (Unaudited)	**115,500**	**57,750**	**180,000**	**1,059**	**173,865**	**97,256**	**625,430**
Balance at 1 January 2020 (Audited)	115,500	57,750	180,000	-	157,857	58,336	569,443
Profit for the period	-	-	-	-	-	49,276	49,276
Other comprehensive loss	-	-	-	-	(90,715)	-	(90,715)
Total comprehensive loss for the period	-	-	-	-	(90,715)	49,276	(41,439)
Dividends	-	-	-	-	-	(40,425)	(40,425)
Transferred to retained earnings on disposal of investments	-	-	-	-	(8,138)	8,138	-
Balance at 30 September 2020 (Unaudited)	115,500	57,750	180,000	-	59,004	75,325	487,579

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 September 2021

	Note	(Unaudited) Nine-month period ended 30 September 2021 AED'000	(Unaudited) Nine-month period ended 30 September 2020 AED'000
Cash flows from operating activities			
Net profit for the period		**43,643**	49,276
Adjustments for:			
Depreciation on property and equipment		**214**	241
Depreciation on investment property		**1,385**	1,386
Provision for employees' end-of-service benefits		**449**	754
Gain on sale of property and equipment		**(164)**	-
Income from investments - net		**(21,800)**	(22,610)
Income from investment properties - net		**(4,109)**	(5,323)
Operating cash flows before changes in working capital		**19,618**	23,724
Changes in working capital			
Insurance receivables		**13,245**	15,639
Other receivables		**(6,985)**	(2,395)
Reinsurance contract assets		**3,386**	11,745
Insurance contract liabilities		**3,841**	(11,310)
Insurance payables		**16,747**	(32,117)
Other payables		**(629)**	(7,681)
Due from related parties		**(17,002)**	(10,953)
Due to related parties		**(4,115)**	2,100
Cash generated from operation		**28,106**	(11,248)
Employees' end-of-services benefits paid		**(3,327)**	(87)
Net cash generated from / (used in) operating activities		**24,779**	(11,335)
Cash flows from investing activities			
Purchase of property and equipment		**(219)**	(322)
Proceeds from sale of property and equipment		**243**	-
Proceeds from disposal of financial assets at FVTOCI		**13,601**	62,809
Income from investments - net		**21,800**	22,610
Income from investment properties - net		**4,109**	5,323
Net cash generated from investing activities		**39,534**	90,420
Cash flows from financing activity			
Dividends paid	13	**(34,650)**	(40,425)
Net cash used in financing activity		**(34,650)**	(40,425)
Net change in cash and cash equivalents		**29,663**	38,660
Cash and cash equivalents, beginning of period		**97,945**	113,931
Cash and cash equivalents, end of period	8	**127,608**	152,591

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

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 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.

The Federal Decree-Law No. 24 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the CBUAE.

2 Basis of preparation

The condensed interim financial statements are for the nine-month period ended 30 September 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.

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.

Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Company has not recognised any impairment loss against equity instruments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

4 Statutory deposits

	(Unaudited) 30 September 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 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 properties

	(Unaudited) 30 September 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	**1,385**	1,849
At the end of the period / year	**34,903**	33,518
Net book value at the end of the period / year	**70,818**	72,203

On 31 December 2020, two independent and experienced professional valuers estimated the fair value of the investment property at AED 140.04 million and AED 140.29 million. The valuers hold relevant professional qualifications and experience. Management estimates that there has been no change in the fair value of investment properties during the nine-month period ended 30 September 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 September 2021 (Unaudited)					
Investment in quoted equity securities	(a)	**437,912**	**-**	**-**	**437,912**
Investment in unquoted equity security*	(b)	**-**	**-**	**25,855**	**25,855**
Investment in debt securities		**59,063**	**-**	**-**	**59,063**
		496,975	**-**	**25,855**	**522,830**
31 December 2020 (Audited)					
Investment in quoted equity securities	(a)	324,701	-	-	324,701
Investment in unquoted equity securities*	(b)	-	-	42,853	42,853
Investment in debt securities		59,328	-	-	59,328
		384,029	-	42,853	426,882

* The title of unquoted security 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 investment in unquoted security of one entity as at 30 September 2021 (31 December 2020: two entities). This investment is 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.

6 Financial assets at fair value through other comprehensive income (continued)

Unobservable financial data used in determining the fair value of this unquoted security has been extracted from its 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 investment would not be significantly different if the financial data of these non-public investees as at 30 September 2021 could be used based on its availability. The unquoted security 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) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Due from related parties		
Related parties due to common directorship		
Al Habtoor Theatre LLC	**12,710**	12,294
Al Habtoor Motors Co. LLC	**14,165**	-
Al Habtoor Group LLC	**2,888**	2,427
Diamondlease LLC	**9,632**	5,136
Dubai National Investment Co. LLC	**3,411**	2,116
Other Habtoor Group companies	**5,452**	9,283
	48,258	31,256
Due to related parties		
Related parties due to common ownership		
Other Habtoor Group companies	**177**	-
Al Habtoor Motors Co. LLC	**-**	4,292
	177	4,292

Related party transactions

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

	(Unaudited) Nine-month period ended 30 September 2021 AED'000	(Unaudited) Nine-month period ended 30 September 2020 AED'000	**(Unaudited) Three-month period ended 30 September 2021 AED'000**	(Unaudited) Three-month period ended 30 September 2020 AED'000
Premiums written	**57,740**	62,499	**22,096**	27,903
Claims paid	**11,661**	118,249	**4,950**	2,946
Agency/ non-agency repairs	**12,674**	11,919	**6,242**	5,013
Commission paid	**1,489**	1,609	**454**	369
Key management personnel compensation				
Short term benefits	**1,391**	2,104	**405**	515
Post employment benefits	**59**	168	**28**	25
	1,450	2,272	**433**	540

8 Cash and cash equivalents

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000	(Unaudited) 30 September 2020 AED'000
Cash in hand and at banks	**127,608**	97,945	152,591

Cash at banks includes short term deposits with local banks carrying interest ranging from 0.70% - 1.10% (31 December 2020: 0.09% to 2.95%) per annum.

As per management's assessment, expected credit loss on cash and cash equivalents is immaterial.

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 nine-month period ended 30 September 2021 (31 December 2020: Nil). 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) Nine-month period ended 30 September 2021	(Unaudited) Nine-month period ended 30 September 2020	**(Unaudited) Three-month period ended 30 September 2021**	(Unaudited) Three-month period ended 30 September 2020
Earnings (AED'000):				
Net profit for the period	**43,643**	49,276	**9,165**	10,761
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	**0.38**	0.43	**0.08**	0.09

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.

	Nine-month period ended 30 September 2021 (Unaudited) AED'000			Nine-month period ended 30 September 2020 (Unaudited) AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment income	**244,242**	**29,670**	**273,912**	261,468	31,811	293,279
Segment result	**37,373**	**24,524**	**61,897**	41,176	26,547	67,723
Unallocated:						
-Other income			**164**			-
-Admin expenses			**(18,418)**			(18,447)
Net profit for the period			**43,643**			49,276

	As at 30 September 2021 (Unaudited) AED'000			As at 31 December 2020 (Audited) AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	**331,184**	**593,648**	**924,832**	323,902	499,085	822,987
Unallocated assets			**137,608**			107,945
Total assets			**1,062,440**			930,932
Segment / total liabilities	**431,929**	**5,081**	**437,010**	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 1.83 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 approved 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.

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.