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

Condensed interim financial statements (Unaudited)
For the period ended 30 June 2022

Grant Thornton Audit and Accounting Limited (Dubai Branch)

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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 June 2022 and the related condensed interim income statement, condensed interim statement of comprehensive income for the six-month and three-month periods then ended, condensed interim statement of changes in equity, condensed interim statement of cash flows for the six-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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Grant Thornton

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Dubai, 5 August 2022

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

Condensed interim statement of financial position
As at 30 June 2022

	Notes	(Unaudited) 30 June 2022 AED'000	(Audited) 31 December 2021 AED'000
Assets			
Statutory deposits	4	**10,000**	10,000
Property and equipment		**443**	473
Investment properties	5	**69,434**	70,356
Financial assets	6	**524,367**	569,470
Insurance receivables		**118,802**	66,080
Other receivables		**32,745**	26,677
Due from related parties	7	**35,424**	21,657
Reinsurance contract assets		**209,300**	173,351
Cash and bank balances	8	**139,726**	137,709
Total assets		**1,140,241**	1,075,773
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	**2,023**	2,023
Fair value reserve on financial assets at fair value through other comprehensive income (FVTOCI)		**173,005**	220,505
Retained earnings		**93,868**	103,509
Total equity		**622,146**	679,287
Liabilities			
Employees' end-of-service benefits		**4,163**	4,091
Insurance contract liabilities		**332,828**	274,833
Insurance payables		**137,155**	68,734
Other payables		**40,942**	45,690
Due to related parties	7	**3,007**	3,138
Total liabilities		**518,095**	396,486
Total equity and liabilities		**1,140,241**	1,075,773

These condensed interim financial statements were approved by the Board of Directors on 5 August 2022 and signed on their behalf by:

Sultan Ahmed Al Habtoor
Vice Chairman

Mohammed Khalaf Al Habtoor
Managing Director

Condensed interim income statement
For the period ended 30 June 2022

	(Unaudited) Six-month period ended 30 June 2022 AED'000	(Unaudited) Six-month period ended 30 June 2021 AED'000	**(Unaudited) Three-month period ended 30 June 2022 AED'000**	(Unaudited) Three-month period ended 30 June 2021 AED'000
Gross premiums	**202,103**	169,784	**111,838**	85,247
Reinsurance share of premiums	**(126,911)**	(113,055)	**(66,739)**	(57,032)
Net premiums	**75,192**	56,729	**45,099**	28,215
Net transfer to unearned premium reserve	**(19,450)**	(7,197)	**(15,980)**	(3,606)
Net premiums earned	**55,742**	49,532	**29,119**	24,609
Commission earned	**9,054**	8,145	**4,606**	4,119
Commission paid	**(15,630)**	(15,813)	**(8,023)**	(7,907)
Others	**674**	178	**282**	48
Gross underwriting income	**49,840**	42,042	**25,984**	20,869
Gross claims paid	**69,672**	77,908	**39,206**	44,559
Reinsurance share	**(41,154)**	(60,897)	**(23,324)**	(36,039)
Net claims paid	**28,518**	17,011	**15,882**	8,520
Provision for outstanding claims and technical provisions	**9,103**	(9,511)	**2,639**	(11,641)
Reinsurance share of outstanding claims and technical provisions	**(6,507)**	10,388	**(2,519)**	12,201
Net claims incurred	**31,114**	17,888	**16,002**	9,080
Net underwriting income	**18,726**	24,154	**9,982**	11,789
Income from investments - net	**19,322**	20,262	**2,087**	2,966
Income from investment properties - net	**1,960**	2,022	**1,150**	881
Other income	**-**	94	**-**	1
Gross income	**40,008**	46,532	**13,219**	15,637
General and administrative expenses	**(14,999)**	(12,054)	**(7,750)**	(6,017)
Net profit for the period	**25,009**	34,478	**5,469**	9,620
Earnings per share:				
Basic and diluted (note 10)	**0.22**	0.30	**0.05**	0.08

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

Condensed interim statement of comprehensive income
For the period ended 30 June 2022

	(Unaudited) Six-month period ended 30 June 2022 AED'000	(Unaudited) Six-month period ended 30 June 2021 AED'000	**(Unaudited) Three-month period ended 30 June 2022 AED'000**	(Unaudited) Three -month period ended 30 June 2021 AED'000
Net profit for the period	**25,009**	34,478	**5,469**	9,620
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Net unrealised (loss) / gain on financial assets at FVTOCI	**(47,500)**	80,357	**(126,506)**	41,280
Total comprehensive (loss) / income for the period	**(22,491)**	114,835	**(121,037)**	50,900

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

Condensed interim statement of changes in equity
For the period ended 30 June 2022

	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 2022 (Audited)	115,500	57,750	180,000	2,023	220,505	103,509	679,287
Profit for the period	-	-	-	-	-	**25,009**	**25,009**
Other comprehensive loss	-	-	-	-	**(47,500)**	-	**(47,500)**
Total comprehensive loss for the period	-	-	-	-	**(47,500)**	**25,009**	**(22,491)**
Dividends (note 13)	-	-	-	-	-	**(34,650)**	**(34,650)**
Balance at 30 June 2022 (Unaudited)	**115,500**	**57,750**	**180,000**	**2,023**	**173,005**	**93,868**	**622,146**
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 (note 13)	-	-	-	-	-	(34,650)	(34,650)
Balance at 30 June 2021 (Unaudited)	115,500	57,750	180,000	1,059	158,274	74,490	587,073

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

Condensed interim statement of cash flows
For the period ended 30 June 2022

	Note	(Unaudited) Six-month period ended 30 June 2022 AED'000	(Unaudited) Six-month period ended 30 June 2021 AED'000
Cash flows from operating activities			
Net profit for the period		**25,009**	34,478
Adjustments for:			
Depreciation on property and equipment		**123**	144
Depreciation on investment property		**922**	922
Provision for employees' end-of-service benefits		**299**	299
Gain on sale of property and equipment		**-**	(94)
Income from investments - net		**(19,322)**	(20,262)
Income from investment properties - net		**(2,882)**	(2,944)
Operating cash flows before changes in working capital		**4,149**	12,543
Changes in working capital			
Insurance receivables		**(52,722)**	(3,970)
Other receivables		**(6,068)**	(5,549)
Reinsurance contract assets		**(35,949)**	(4,392)
Insurance contract liabilities		**57,995**	12,466
Insurance payables		**68,421**	35,673
Other payables		**(4,748)**	(4,448)
Due from related parties		**(13,767)**	(15,267)
Due to related parties		**(131)**	264
Cash generated from operation		**17,180**	27,320
Employees' end-of-services benefits paid		**(227)**	(2,415)
Net cash generated from operating activities		**16,953**	24,905
Cash flows from investing activities			
Purchase of property and equipment		**(93)**	(44)
Proceeds from sale of property and equipment		**-**	173
Net movement in fixed deposits		**29,962**	(9,801)
Income from investments – net		**16,925**	20,262
Income from investment properties - net		**2,882**	2,944
Net cash generated from investing activities		**49,676**	13,534
Cash flows from financing activities			
Dividend paid	13	**(34,650)**	(34,650)
Net cash used in financing activity		**(34,650)**	(34,650)
Net change in cash and cash equivalents		**31,979**	3,789
Cash and cash equivalents, beginning of period		**57,092**	62,169
Cash and cash equivalents, end of period	8	**89,071**	65,958

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 Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates 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 effective 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.

Federal Law by Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015 (as amended) on Commercial Companies. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

2 Basis of preparation

The condensed interim financial statements are for the six-month period ended 30 June 2022 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 2021. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 2021, except for application of new standards effective as of 1 January 2022 as several amendments and interpretations apply for the first time in 2022. 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.

3 Significant accounting policies (continued)

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

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 condensed interim 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.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the Entity based on Earnings Multiples 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 these 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 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 June 2022 AED'000	(Audited) 31 December 2021 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 Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates 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 June 2022 AED'000	(Audited) 31 December 2021 AED'000
Cost		
At the beginning and end of the period / year	**105,721**	105,721
Accumulated depreciation		
At the beginning of the period / year	**35,365**	33,518
Charge for the period / year	**922**	1,847
At the end of the period / year	**36,287**	35,365
Net book value at the end of the period / year	**69,434**	70,356

On 31 December 2021, two independent and experienced professional valuers estimated the fair value of the investment properties at AED 140.5 million and AED 141 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 six-month period ended 30 June 2022.

6 Financial assets

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 2022 (Unaudited)					
Financial assets at FVTPL					
Investment in quoted equity securities	(a)	**2,397**	-	-	**2,397**
Financial assets at FVTOCI					
Investment in quoted equity securities*	(a)	**446,862**	-	-	**446,862**
Investment in unquoted equity security*	(b)	-	-	**19,445**	**19,445**
Investment in debt securities		**55,663**	-	-	**55,663**
		504,922	-	**19,445**	**524,367**
31 December 2021 (Audited)					
Financial assets at FVTOCI					
Investment in quoted equity securities*	(a)	460,827	-	-	460,827
Investment in unquoted equity securities*	(b)	-	-	50,154	50,154
Investment in debt securities		58,489	-	-	58,489
		519,316	-	50,154	569,470

* The title of unquoted security and a quoted security is held by a related party 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 June 2022 (31 December 2021: one entity). This investment is fair valued by an independent valuer based on Earnings Multiple value techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of this investee. Management has taken the impact of fair value changes as at the reporting date.

7 Related parties

Details of related party balances are as follows:

	(Unaudited) 30 June 2022 AED'000	(Audited) 31 December 2021 AED'000
Due from related parties		
Related parties due to common directorship		
Diamondlease L.L.C	**10,789**	7,383
Al Habtoor Theatre LLC	**6,853**	7,850
Dubai National Investment Co.	**3,215**	1,571
Habtoor Palace LLC	**2,507**	1,738
Metropolitan City Centre	**2,354**	-
Al Habtoor Group LLC	**2,260**	849
Others	**7,446**	2,266
	35,424	21,657
Due to related parties		
Related parties due to common ownership		
Al Habtoor Motors Co. LLC	**2,973**	3,123
Others	**34**	15
	3,007	3,138

Related party transactions

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

	(Unaudited) Six-month period ended 30 June 2022 AED'000	(Unaudited) Six-month period ended 30 June 2021 AED'000	(Unaudited) Three-month period ended 30 June 2022 AED'000	(Unaudited) Three-month period ended 30 June 2021 AED'000
Premiums written	**40,182**	35,644	**23,585**	20,788
Claims paid	**4,650**	6,711	**2,624**	5,932
Agency / non-agency repairs	**10,446**	6,432	**4,556**	3,045
Commission paid	**1,275**	1,035	**602**	808
Key management personnel compensation				
Short term benefits	**814**	986	**406**	412
Post employment benefits	**41**	31	**37**	25
	855	1,017	**443**	437

8 Cash and bank balances

Cash and bank balances comprise the following statement of financial position amounts:

	(Unaudited) 30 June 2022 AED'000	(Audited) 31 December 2021 AED'000
Cash in hand and at banks	**139,726**	137,709

Cash at banks includes deposits with local banks carrying interest ranging from 0.90% - 3.10% (31 December 2021: 0.35% - 1.10%) per annum.

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

Cash and cash equivalents at the end of the period as shown in the statement of cash flows can be reconciled to the related items in the financial items in the statement of financial position as follows:

	(Unaudited) 30 June 2022 AED'000	(Unaudited) 30 June 2021 AED'000
Cash and bank balances	**139,726**	111,535
Bank deposits with maturity over 3 months	**(50,655)**	(45,577)
Cash and cash equivalents	**89,071**	65,958

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-month period ended 30 June 2022 (31 December 2021: 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 2021: 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, the reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of United Arab Emirates.

10 Earnings per share

	(Unaudited) Six-month period ended 30 June 2022	(Unaudited) Six-month period ended 30 June 2021	(Unaudited) Three-month period ended 30 June 2022	(Unaudited) Three-month period ended 30 June 2021
Earnings (AED'000):				
Net profit for the period	**25,009**	34,478	**5,469**	9,620
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	**0.22**	0.30	**0.05**	0.08

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, Group life and Health Insurance. Investments segment comprises Investment Property and Financial Assets. The Group life Insurance provided by the Company is for a period of 12 months and does not include any investment portion.

	Six-month period ended 30 June 2022 (Unaudited) AED'000			Six-month period ended 30 June 2021 (Unaudited) AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment income	**202,103**	**21,347**	**223,450**	169,784	25,502	195,286
Segment result	**18,726**	**21,282**	**40,008**	24,154	22,284	46,438
Unallocated:						
-Other income			**-**			94
-Admin expenses			**(14,999)**			(12,054)
Net profit for the period			**25,009**			34,478

	As at 30 June 2022 (Unaudited) AED'000			As at 31 December 2021 (Audited) AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	**396,714**	**593,801**	**990,515**	288,238	639,826	928,064
Unallocated assets			**149,726**			147,709
Total assets			**1,140,241**			1,075,773
Segment / total liabilities	**513,509**	**4,586**	**518,095**	392,199	4,287	396,486

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 0.55 million (31 December 2021: AED 1.97 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 has proposed cash dividend of 30% of paid up share capital, amounting to AED 34.650 million (AED 0.30 per share) for the year ended 31 December 2021. This was proposed by the Board on at the Annual General Meeting held on 31 March 2022 and distributed on 28 April 2022.

During the comparative period, the Board proposed cash dividend of 30% of paid up share capital, amounting to AED 34.650 million (AED 0.30 per share) for the year ended 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 Post-reporting date events

Subsequent to period end, an unquoted investment of the Company got listed on Dubai Financial Market on 18 July 2022. Due to change in market value of investment, this is considered as a material adjusting event hence management has adjusted the carrying value in these condensed interim financial statements.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these condensed interim financial statements.