

Orient Insurance PJSC

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2015 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ORIENT INSURANCE PJSC

Introduction

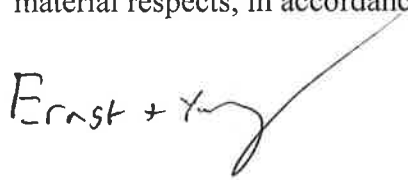
We have reviewed the accompanying interim condensed consolidated statement of financial position of Orient Insurance PJSC and its subsidiaries (the "Group") as of 30 September 2015 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and nine month periods then ended, and the interim condensed statements of changes in equity and cash flows for the nine month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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. Consequently, it 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



Ernst & Young
Signed by:
Anthony O'Sullivan
Partner
Registration No. 687

28 October 2015

Dubai, United Arab Emirates

Orient Insurance PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	<i>Notes</i>	<i>30 September 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>	<i>30 September 2014 AED'000 (Unaudited)</i>
ASSETS				
Property and equipment		119,458	123,453	125,070
Investment securities	4	2,007,151	1,484,818	1,435,617
Insurance contract assets	10	1,074,452	993,317	1,010,394
Insurance receivables		424,399	322,189	331,971
Prepayment and other receivables		48,161	24,472	35,250
Deposits with banks	5	1,123,053	1,128,758	1,091,643
Cash and cash equivalents	6	211,229	237,576	185,287
TOTAL ASSETS		5,007,903	4,314,583	4,215,232
EQUITY AND LIABILITIES				
Equity				
Share capital	7	500,000	500,000	500,000
Statutory reserve	8	125,000	125,000	101,250
Legal reserve	8	200,076	200,076	175,452
Exceptional loss reserve	8	141,170	141,170	123,100
General reserve	8	390,159	390,159	310,603
Retained earnings		247,605	15,274	229,165
Available-for-sale reserve	8	1,085,310	791,235	748,704
Foreign currency translation reserve	8	(47,397)	(37,766)	(34,950)
Proposed dividends	9	-	100,000	-
Equity attributable to equity holders of the parent		2,641,923	2,225,148	2,153,324
Non-controlling interest		41,326	40,862	42,336
Total equity		2,683,249	2,266,010	2,195,660
Liabilities				
Insurance contract liabilities	10	1,629,701	1,467,964	1,456,815
Reinsurance payables		365,780	278,875	288,840
Amounts held under reinsurance treaties		152,232	143,941	148,052
Other payables and accruals		176,941	157,793	125,865
Total liabilities		2,324,654	2,048,573	2,019,572
TOTAL EQUITY AND LIABILITIES		5,007,903	4,314,583	4,215,232

The interim condensed consolidated financial statements were approved by the Board of Directors on 28 October 2015 and signed on its behalf by:



President- Orient Group
28 October 2015

Orient Insurance PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For nine months ended 30 September 2015

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<i>Note</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
UNDERWRITING INCOME				
Gross premiums				
Insurance contracts premium	527,891	415,680	1,737,829	1,356,637
Movement in provision for unearned premiums	(73,634)	(22,620)	(223,280)	(90,327)
Insurance premium revenue	<u>454,257</u>	<u>393,060</u>	<u>1,514,549</u>	<u>1,266,310</u>
Less: Reinsurers' share of premium				
Insurance contracts premium	366,834	295,028	1,195,525	953,750
Movement in provision for unearned premium	(50,626)	(12,376)	(139,597)	(56,369)
	<u>316,208</u>	<u>282,652</u>	<u>1,055,928</u>	<u>897,381</u>
Net insurance premium revenue	138,049	110,408	458,621	368,929
Commission income	41,293	42,732	130,456	128,410
Total underwriting income	<u>179,342</u>	<u>153,140</u>	<u>589,077</u>	<u>497,339</u>
UNDERWRITING EXPENSES				
Claims paid	177,190	157,139	558,541	402,787
Less: re-insurance share	(113,520)	(107,782)	(372,257)	(257,785)
Net claims	63,670	49,357	186,284	145,002
Increase in outstanding claims	5,474	3,194	14,400	18,099
Claims incurred	69,144	52,551	200,684	163,101
Commission expenses	38,065	29,670	120,054	87,153
General and administration expenses	42,091	34,966	124,321	111,150
Total underwriting expenses	<u>149,300</u>	<u>117,187</u>	<u>445,059</u>	<u>361,404</u>
NET UNDERWRITING INCOME	<u>30,042</u>	<u>35,953</u>	<u>144,018</u>	<u>135,935</u>
INVESTMENT INCOME				
Interest income	19,204	10,518	41,678	30,652
Dividend income	63	320	50,157	54,882
Other income	1,745	2,579	7,645	4,794
Fair value (loss) gain on investments carried at fair value through profit or loss	(584)	610	83	(1,938)
	<u>20,428</u>	<u>14,027</u>	<u>99,563</u>	<u>88,390</u>
PROFIT BEFORE TAXATION	<u>50,470</u>	<u>49,980</u>	<u>243,581</u>	<u>224,325</u>
Income tax expense	(257)	(1,450)	(5,003)	(5,763)
PROFIT FOR THE PERIOD	<u>50,213</u>	<u>48,530</u>	<u>238,578</u>	<u>218,562</u>
Attributable to:				
Equity holders of the parent	48,646	47,588	232,331	214,577
Non-controlling interest	1,567	942	6,247	3,985
	<u>50,213</u>	<u>48,530</u>	<u>238,578</u>	<u>218,562</u>
Basic and diluted earnings per share (AED)				
Attributable to equity holders of the parent	3	9.73	9.52	46.47
		<u>42.92</u>		

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2015

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>Unaudited 2015 AED'000</i>	<i>Unaudited 2014 AED'000</i>	<i>Unaudited 2015 AED'000</i>	<i>Unaudited 2014 AED'000</i>
Profit for the period	50,213	48,530	238,578	218,562
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(4,067)	(1,045)	(14,628)	(3,532)
Net unrealised (loss) gain on available-for-sale investments	(15,063)	85,800	294,075	390,240
Total comprehensive income for the period	31,083	133,285	518,025	605,270
Attributable to:				
Equity holders of the parent	30,393	132,030	516,775	602,440
Non-controlling interests	690	1,255	1,250	2,830
	31,083	133,285	518,025	605,270

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2015

	Notes	Nine months ended 30 September Unaudited	
		2015 AED'000	2014 AED'000
OPERATING ACTIVITIES			
Profit before tax for the period		243,581	224,325
Adjustments for:			
Depreciation		6,200	6,194
Gain on sale of property and equipment		(2)	(37)
Interest income		(41,678)	(30,652)
Dividend income		(50,157)	(54,882)
Unrealised gain (loss) on investments at fair value through profit or loss		(83)	1,938
Operating profit before changes in operating assets and liabilities		157,861	146,886
Insurance receivables		(102,210)	(40,172)
Insurance contract assets		(81,135)	(126,967)
Prepayments and other receivables		(23,689)	(20,196)
Insurance contract liabilities		161,737	178,501
Reinsurance payables		86,905	56,561
Amount held under insurance treaties		8,291	23,281
Other payables and accruals		14,145	(6,248)
Net cash from operating activities		221,905	211,646
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,211)	(7,726)
Proceeds from sale of property and equipment		8	81
Interest income		41,678	30,652
Dividends received		50,157	54,882
Deposits with banks		5,705	(82,712)
Purchase of available-for-sale investments		(220,634)	(7,239)
Purchase of held to maturity investments		(14,463)	(34,498)
Sale of available-for-sale investments		6,922	568
Net cash used in investing activities		(132,838)	(45,992)
FINANCING ACTIVITIES			
Dividend paid		(100,000)	(81,000)
Dividend paid to non-controlling interests		(786)	(1,679)
Share capital issued to non-controlling interests		-	4,661
Statutory payment to employees		-	(704)
Net cash used in financing activities		(100,786)	(78,722)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(11,719)	86,932
Cash and cash equivalents at 1 January		237,576	101,887
Movement in foreign currency translation reserve		(14,628)	(3,532)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	6	211,229	185,287

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015 (Unaudited)

	<i>Attributable to shareholders of the parent</i>											
	<i>Share capital</i> AED '000	<i>Statutory reserve</i> AED '000	<i>Legal reserve</i> AED '000	<i>Exceptional loss reserve</i> AED '000	<i>General reserve</i> AED '000	<i>Retained earnings</i> AED '000	<i>Available-for-sale (AFS) reserve</i> AED '000	<i>Foreign currency translation reserve</i> AED '000	<i>Proposed dividend</i> AED '000	<i>Total</i> AED '000	<i>Non-controlling interests</i> AED '000	<i>Total</i> AED '000
As at 1 January 2015 (Audited)	500,000	125,000	200,076	141,170	390,159	15,274	791,235	(37,766)	100,000	2,225,148	40,862	2,266,010
Profit for the period	-	-	-	-	-	232,331	-	-	-	232,331	6,247	238,578
Other comprehensive income	-	-	-	-	-	-	294,075	(9,631)	-	284,444	(4,997)	279,447
Total comprehensive income	-	-	-	-	-	232,331	294,075	(9,631)	-	516,775	1,250	518,025
Dividend paid (note 9)	-	-	-	-	-	-	-	(100,000)	(100,000)	(100,000)	(786)	(100,786)
At 30 September 2015 (Unaudited)	500,000	125,000	200,076	141,170	390,159	247,605	1,085,310	(47,397)	-	2,641,923	41,326	2,683,249

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014 (Unaudited)

	<i>Attributable to shareholders of the parent</i>											
	Share capital AED '000	Statutory reserve AED '000	Legal reserve AED '000	Exceptional loss reserve AED '000	General reserve AED '000	Retained earnings AED '000	Available- for-sale reserve AED '000	Foreign currency translation reserve AED '000	Proposed dividend AED '000	Total AED '000	Non-controlling interests AED '000	Total AED '000
As at 1 January 2014 (Audited)	405,000	101,250	175,452	123,100	405,603	15,010	358,464	(32,573)	81,000	1,632,306	36,806	1,669,112
Profit for the period	-	-	-	-	-	214,577	-	-	-	214,577	3,985	218,562
Other comprehensive income	-	-	-	-	-	-	390,240	(2,377)	-	387,863	(1,155)	386,708
Total comprehensive income	-	-	-	-	-	214,577	390,240	(2,377)	-	602,440	2,830	605,270
Issue of share capital (note 7)	95,000	-	-	-	(95,000)	-	-	-	-	-	-	-
Increase in share capital	-	-	-	-	-	-	-	-	-	-	4,661	4,661
Statutory payment to employees	-	-	-	-	-	(422)	-	-	-	(422)	(282)	(704)
Dividend paid (note 9)	-	-	-	-	-	-	-	-	(81,000)	(81,000)	(1,679)	(82,679)
At 30 September 2014 (Unaudited)	500,000	101,250	175,452	123,100	310,603	229,165	748,704	(34,950)	-	2,153,324	42,336	2,195,660

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

1 CORPORATE INFORMATION

Orient Insurance PJSC (the "Company") is a Public Shareholding Company and is registered under the Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE and also registered in accordance with the UAE Federal Law No. 6 of 2007, as amended ("The Insurance Companies Law"). The Company mainly issues short term insurance contracts in connection with property, motor, marine, fire and engineering, general accident risks and medical (collectively known as general insurance) and group life and individual life classes (collectively referred as life insurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 27966, Dubai, United Arab Emirates. The holding company of the Group is Al Futtaim Development Services Company which is based in Dubai, United Arab Emirates and has control over the Group.

These interim condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") and the group's share of the results.

The Group comprises of the parent and the under-mentioned subsidiary companies.

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership</u>
Arab Orient Insurance Company	General insurance	Syria	40%
Arab Orient Takaful Company	General insurance	Egypt	60%
Orient Insurance Limited	General insurance	Sri Lanka	100%
Orient Sigorta Anomin Sirketi	General insurance	Turkey	100%

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the nine months ended 30 September 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

These amendments are not relevant to the Group and thus do not impact the Group's accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12 and thus this amendment does not impact the Group's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Annual Improvements 2010-2012 Cycle:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Company has no joint arrangements, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). This amendment does not impact the accounting policy of the Group.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment is not relevant for the Group as it does not have any investment properties. Thus, this amendment does not impact the accounting policy of the Group.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	<i>Nine months ended 30 Sept Unaudited</i>	
	<i>2015 AED'000</i>	<i>2014 AED'000</i>
Profit after tax for the period	238,578	218,562
Less: Attributable to minority interest	(6,247)	(3,985)
Profit attributable to shareholders	232,331	214,577
Weighted average number of shares outstanding during the period ('000)	5,000	5,000
Earnings per share (AED)	46.47	42.92

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

4 INVESTMENT SECURITIES

	<i>Carrying value</i>			<i>Fair value</i>		
	<i>30 Sept 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 Sept 2014 AED'000 Unaudited</i>	<i>30 Sept 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 Sept 2014 AED'000 Unaudited</i>
Investment securities						
At fair value through profit or loss (Note 4.1)	2,171	2,136	2,070	2,171	2,136	2,070
Held for trading (Note 4.2)	11,518	11,470	13,004	11,518	11,470	13,004
Available for sale (Note 4.3)	1,866,857	1,359,070	1,312,643	1,866,857	1,359,070	1,312,643
Held to maturity (Note 4.4)	126,605	112,142	107,900	126,605	112,142	107,900
	<u>2,007,151</u>	<u>1,484,818</u>	<u>1,435,617</u>	<u>2,007,151</u>	<u>1,484,818</u>	<u>1,435,617</u>

4.1 INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>30 Sept 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 Sept 2014 AED'000 Unaudited</i>
Managed portfolios – (outside UAE)	<u>2,171</u>	<u>2,136</u>	<u>2,070</u>

4.2 INVESTMENT SECURITIES HELD FOR TRADING

	<i>30 Sept 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 Sept 2014 AED'000 Unaudited</i>
Shares – quoted (within UAE)	<u>11,518</u>	<u>11,470</u>	<u>13,004</u>

4.3 INVESTMENT SECURITIES AVAILABLE FOR SALE

	<i>30 Sept 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 Sept 2014 AED'000 Unaudited</i>
<i>Equity</i>			
Quoted (within UAE)	1,594,947	1,292,408	1,249,746
Quoted – Investment held on behalf of policy holders of unit linked products (within UAE)	12,602	6,588	3,652
Unquoted (within UAE)	238,695	42,028	41,476
	<u>1,846,244</u>	<u>1,341,024</u>	<u>1,294,874</u>
<i>Debt</i>			
Quoted (within UAE)	9,800	9,625	9,600
Unquoted (outside UAE)	10,813	8,421	8,169
	<u>20,613</u>	<u>18,046</u>	<u>17,769</u>
	<u>1,866,857</u>	<u>1,359,070</u>	<u>1,312,643</u>

Unquoted equity and debt securities are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at reliable fair values.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

4.4 INVESTMENT SECURITIES HELD TO MATURITY

	<i>30 Sept 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 Sept 2014 AED'000 Unaudited</i>
<i>Amortised cost</i>			
Debt – unquoted (outside UAE)	<u>126,605</u>	<u>112,142</u>	<u>107,900</u>

Debt securities amounting to AED 126,605 thousand (2014: AED 107,900 thousand) include investments under lien to comply with regulatory requirements in Egypt. The investments carry interest at an effective rate of 11.24% per annum (2014: 11.7% per annum). The maturity profile of these debt instruments is shown below:

	<i>30 September 2015</i>		
	<i>Less than 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Debt – unquoted (outside UAE)	<u>126,605</u>	<u>-</u>	<u>126,605</u>
	<i>31 December 2014 Audited</i>		
	<i>Less than 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Debt – unquoted (outside UAE)	<u>112,142</u>	<u>-</u>	<u>112,142</u>
	<i>30 Sept 2014 Unaudited</i>		
	<i>Less than 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Debt – unquoted (outside UAE)	<u>107,900</u>	<u>-</u>	<u>107,900</u>

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5 DEPOSITS WITH BANKS

Deposits with banks include the following:

	<i>30 September 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 September 2014 AED'000 Unaudited</i>
<i>Statutory deposits:</i>			
a) Statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007	10,000	10,000	10,000
b) Amounts under lien with Capital Market Authority, Sultanate of Oman towards license of Muscat branch	22,273	21,939	16,303
c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	478	478	478
d) Amounts under lien with Insurance Authority of Syria	417	513	613
e) Amounts under lien with Egyptian Financial Supervisory Authority	29,889	36,277	36,968
f) Amounts under lien with Turkish Treasury, Turkey	5,464	10,264	10,516
	<u>68,521</u>	<u>79,471</u>	<u>74,878</u>
<i>Other deposits:</i>			
g) Fixed term deposits maturing after three months	1,054,532	1,049,287	1,016,765
	<u>1,123,053</u>	<u>1,128,758</u>	<u>1,091,643</u>

Interest on bank deposits are ranging from 0.04% to 12.68% (31 December 2014: 0.80% to 11.40%) per annum.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise the following statement of financial position amounts:

	<i>30 September 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 September 2014 AED'000 Unaudited</i>
Bank balances and cash	137,210	100,541	100,394
Deposits with banks maturing within three months	74,019	137,035	84,893
	<u>211,229</u>	<u>237,576</u>	<u>185,287</u>

7 SHARE CAPITAL

	<i>30 September 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 September 2014 AED'000 Unaudited</i>
<i>Issued and fully paid 5,000,000 shares (2014: 5,000,000 shares) of AED 100 each</i>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

During the previous period, the shareholders approved an increase in the share capital of AED 95 million by capitalisation of the general reserve in the extraordinary general meeting held on 27 February 2014.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

8 RESERVES

Nature and purpose of reserves

- **STATUTORY RESERVE**

In accordance with the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to a statutory reserve. The Group may resolve to discontinue such annual transfers when the statutory reserve is equal to 25% of paid up capital. No transfer has been made during the nine months period to 30 September 2015, as this will be based on the results for the year. The reserve can be used for any purpose to be decided by the shareholders upon the recommendation of the Board of Directors.

- **LEGAL RESERVE**

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the legal reserve. The Group may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. No transfer has been made during the nine months period to 30 September 2015, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

- **EXCEPTIONAL LOSS RESERVE**

An amount equal to 10% of the net underwriting income for the year is to be transferred to an exceptional loss reserve to ensure that the Group has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years. No transfer has been made during the nine months period to 30 September 2015, as this will be based on the results for the year.

- **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors and are approved by the shareholders. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

- **AVAILABLE-FOR-SALE RESERVE**

This reserve records fair value changes on available-for-sale financial assets.

- **FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

9 PROPOSED DIVIDENDS

Dividends of AED 20 per share (totalling AED100 million) relating to the year 2014 were declared upon approval of the shareholders at the Annual General Meeting and paid during the period (2014: AED 20 per share).

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

10 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>30 September 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 September 2014 AED'000 Unaudited</i>
Insurance contract liabilities			
Unearned premium reserve	1,007,975	807,348	782,948
Payable to policy holders of unit linked products	12,602	6,588	3,652
Deferred acquisition cost	(4,386)	(2,218)	(858)
Outstanding claims	613,510	656,246	671,073
	<u>1,629,701</u>	<u>1,467,964</u>	<u>1,456,815</u>
Reinsurance assets			
Unearned premium reserve	685,871	554,205	541,578
Deferred acquisition cost	(2,842)	(1,587)	(525)
Outstanding claims	391,423	440,699	469,341
	<u>1,074,452</u>	<u>993,317</u>	<u>1,010,394</u>

11 INCOME TAXES

The Group calculates income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The Group entities operate in the Sultanate of Oman, Egypt, Syria, Turkey and Sri Lanka, and are subject to income tax in these countries.

The component of income tax recognised in the interim condensed consolidated statement of profit or loss is as follows:

	<i>Nine months ended 30 September (unaudited)</i>	
	<i>2015 AED'000</i>	<i>2014 AED'000</i>
Current income tax expense	<u>5,003</u>	<u>5,763</u>

Movements in the income tax payable recognised in the consolidated statement of financial position are as follows:

	<i>30 September 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 September 2014 AED'000 Unaudited</i>
Provision as at 1 January	2,427	1,840	1,840
Provided during the period	5,003	5,798	5,763
Taxes paid during the period	(499)	(5,074)	(767)
Exchange differences	(433)	(137)	(38)
Balance as at the end of the period	<u>6,498</u>	<u>2,427</u>	<u>6,798</u>

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

12 OPERATING SEGMENTS

Identification of reportable segments

For management purposes the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment comprises motor, marine, fire, engineering, general accident and medical
- The life segment includes individual and group life insurance.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates on an arm's length basis.

Operating segment information for the period is presented below:

	<i>Nine months ended 30 September</i>					
	<i>General insurance</i>		<i>Life insurance</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Total underwriting income	522,542	445,805	66,535	51,534	589,077	497,339
Net underwriting income	136,031	119,835	7,987	16,100	144,018	135,935
Total investment income					99,563	88,390
Less: income tax					(5,003)	(5,763)
Profit for the period					238,578	218,562

	<i>General Insurance</i>		<i>Life Insurance</i>		<i>Investments</i>		<i>Total</i>	
	<i>30 September 2015</i>	<i>31 December 2014</i>	<i>30 September 2015</i>	<i>31 December 2014</i>	<i>30 September 2015</i>	<i>31 December 2014</i>	<i>30 September 2015</i>	<i>31 December 2014</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Segment assets	1,679,757	1,533,066	197,942	167,941	3,130,204	2,613,576	5,007,903	4,314,583
Segment liabilities	2,134,062	1,885,632	190,592	162,941	-	-	2,324,654	2,048,573

13 CONTINGENT LIABILITIES

	<i>30 September 2015</i>	<i>31 December 2014</i>	<i>30 September 2014</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>
<i>Guarantees</i>			
Bank guarantees other than those relating to claims for which provisions are held	7,823	19,550	7,823

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

13 CONTINGENT LIABILITIES (continued)

Bank guarantees have been issued in the normal course of business.

	<i>30 Sept 2015 AED'000 Unaudited</i>	<i>31 December 2014 AED'000 Audited</i>	<i>30 Sept 2014 AED'000 Unaudited</i>
<i>Capital commitment</i>			
Commitment for investments	<u>16,505</u>	<u>21,771</u>	<u>21,752</u>

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
30 September 2015				
Financial assets held-for-trading:				
Equity securities	<u>11,518</u>	<u>-</u>	<u>-</u>	<u>11,518</u>
Financial assets designated at fair value through profit or loss				
Equity securities	<u>-</u>	<u>-</u>	<u>2,171</u>	<u>2,171</u>
Available-for-sale financial assets:				
Equity securities	<u>1,607,549</u>	<u>-</u>	<u>-</u>	<u>1,607,549</u>
Debt securities	<u>9,800</u>	<u>-</u>	<u>-</u>	<u>9,800</u>
	<u>1,628,867</u>	<u>-</u>	<u>2,171</u>	<u>1,631,038</u>

Orient Insurance PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<i>31 December 2014</i>				
Financial assets held-for-trading:				
Equity securities	11,470	-	-	11,470
Financial assets designated at fair value through profit or loss:				
Equity securities	-	-	2,136	2,136
Available-for-sale financial assets:				
Equity securities	1,298,996	-	-	1,298,996
Debt securities	9,625	-	-	9,625
	<u>1,320,091</u>	<u>-</u>	<u>2,136</u>	<u>1,322,227</u>

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2015 (Unaudited)

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

30 September 2015

	<i>At 1 January 2015 AED'000</i>	<i>Total gain or loss recorded in profit and loss AED'000</i>	<i>Purchase AED'000</i>	<i>Sales AED'000</i>	<i>Total gain or loss recorded in equity AED'000</i>	<i>Transfer from level 1 AED'000</i>	<i>At 30 September 2015 AED'000</i>
Financial assets designated at fair value through profit or loss							
Equity securities	2,136	35	-	-	-	-	2,171
Total	2,136	35	-	-	-	-	2,171

31 December 2014

	<i>At 1 January 2014 AED'000</i>	<i>Total gain or loss recorded in profit and loss AED'000</i>	<i>Purchase AED'000</i>	<i>Sales AED'000</i>	<i>Total gain or loss recorded in equity AED'000</i>	<i>Transfer from level 1 AED'000</i>	<i>At 31 December 2014 AED'000</i>
Financial assets designated at fair value through profit or loss							
Equity securities	1,902	234	-	-	-	-	2,136
Total	1,902	234	-	-	-	-	2,136

15 SEASONALITY OF RESULTS

Dividend income amounting to AED 50,157 thousand for nine months ended 30 September 2015 and AED 54,882 thousand for nine months ended 30 September 2014 depends on market conditions, investment activities of the Group and declaration of profits by the investee companies, which are of seasonal nature. Accordingly, results for the period ended 30 September 2015 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2015.