Orient Insurance Company (PJSC)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013 (UNAUDITED)

Ernst & Young
P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
www.ey.com/mena

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

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Orient Insurance Company (PJSC) and its subsidiaries (the "Group") as of 30 September 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month and nine-month periods then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 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

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

23 October 2013

Dubai, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at

	Notes	*Unaudited 30 September 2013 AED'000*	*Audited 31 December 2012 (Restated)* AED'000*	*Unaudited 30 September 2012 (Restated)* AED'000*
ASSETS				
Property and equipment		**121,853**	125,939	126,427
Investment securities	4	**880,405**	675,453	665,684
Insurance contract assets	8	**884,604**	859,466	786,515
Insurance receivables		**257,837**	243,303	264,744
Prepayment and other receivables		**30,551**	38,396	40,946
Deposits with banks	5	**991,246**	844,545	817,995
Cash and cash equivalents		**82,622**	73,073	74,441
TOTAL ASSETS		**3,249,118**	2,860,175	2,776,752
EQUITY AND LIABILITIES				
Equity				
Share capital	6	**405,000**	405,000	405,000
Statutory reserve	7	**101,250**	101,250	93,750
Legal reserve	7	**152,331**	152,331	131,325
Exceptional loss reserve	7	**107,740**	107,740	92,635
General reserve	7	**293,434**	293,434	206,593
Retained earnings		**219,852**	10,851	186,617
Available-for-sale (AFS) reserve	7	**238,410**	41,967	34,636
Foreign currency translation reserve	7	**(29,911)**	(16,160)	(14,995)
Proposed dividends		**-**	81,000	-
Equity attributable to equity holders of the parent		**1,488,106**	1,177,413	1,135,561
Non-controlling interests		**33,319**	46,926	49,719
Total equity		**1,521,425**	1,224,339	1,185,280
Liabilities				
Insurance contract liabilities	8	**1,257,302**	1,215,005	1,122,184
Reinsurance payables		**256,728**	202,552	259,504
Amounts held under insurance treaties		**123,599**	117,639	113,484
Payable to policy holders of unit linked products		**2,124**	3,016	2,724
Other payables and accruals		**87,940**	97,624	93,576
Total liabilities		**1,727,693**	1,635,836	1,591,472
TOTAL EQUITY AND LIABILITIES		**3,249,118**	2,860,175	2,776,752

* Certain amounts shown here do not correspond to the financial statements as at 31 December 2012 and 30 September 2012. These changes reflect adjustments made as detailed in note 12.

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Senior Managing Director
23 October 2013

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Orient Insurance Company (PJSC) and its subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the nine months ended 30 September

	Note	*Three months ended 30 September*		*Nine months ended 30 September*	
		Unaudited 2013 AED'000	*Unaudited 2012 AED'000 (Restated)**	***2013 AED'000***	*2012 AED'000 (Restated)**
UNDERWRITING INCOME					
Gross premiums					
Insurance contracts premium		**374,630**	353,366	**1,217,381**	1,118,784
Movement in provision for unearned premium		**(12,268)**	(21,606)	**(57,499)**	(48,041)
Insurance premium revenue		**362,362**	331,760	**1,159,882**	1,070,743
Less: **Reinsurers' share of premium**					
Insurance contracts premium		**270,804**	259,153	**856,263**	805,952
Movement in provision for unearned premium		**(5,468)**	(19,044)	**(29,488)**	(32,897)
		265,336	240,109	**826,775**	773,055
Net insurance premium revenue		**97,026**	91,651	**333,107**	297,688
Commission income		**36,573**	36,649	**107,005**	106,541
Total underwriting income		**133,599**	128,300	**440,112**	404,229
UNDERWRITING EXPENSES					
Claims paid		**159,501**	131,125	**430,984**	463,775
Less: re-insurance share		**(118,106)**	(86,999)	**(296,822)**	(341,625)
Net claims		**41,395**	44,126	**134,162**	122,150
Increase in outstanding claims		**2,313**	2,667	**16,954**	15,204
Claims incurred		**43,708**	46,793	**151,116**	137,354
Commission expenses		**24,289**	21,856	**71,636**	63,977
General and administration expenses		**29,125**	31,617	**96,431**	88,864
Total underwriting expenses		**97,122**	100,266	**319,183**	290,195
NET UNDERWRITING INCOME		**36,477**	28,034	**120,929**	114,034
INVESTMENT INCOME					
Interest income		**9,483**	10,171	**26,328**	32,105
Dividend income		**699**	17	**54,863**	34,628
Other income		**779**	1,230	**3,324**	3,530
Fair value gain on investments carried at fair value through profit or loss		**919**	1,082	**6,188**	1,296
		11,880	12,500	**90,703**	71,559
PROFIT FOR THE PERIOD		**48,357**	40,534	**211,632**	185,593
Attributable to:					
Owners of the parent		**47,373**	38,666	**209,001**	178,863
Non-controlling interests		**984**	1,868	**2,631**	6,730
		48,357	40,534	**211,632**	185,593
Basic and diluted earnings per share (AED) Attributable to equity holders of the parent	3	**11.69**	9.55	**51.60**	44.16

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 30 September 2012 and reflect adjustments made as detailed in note 12.

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Orient Insurance Company (PJSC) and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September

	Three months ended 30 September		*Nine months ended 30 September*	
	***Unaudited* 2013 AED'000**	*Unaudited 2012 AED'000 (Restated)**	***2013 AED'000***	*2012 AED'000 (Restated)**
Profit for the period	**48,357**	40,534	**211,632**	185,593
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	**(10,971)**	(2,896)	**(29,989)**	(21,119)
Net unrealised gains on available-for-sale investments	**33,217**	29,249	**196,443**	36,588
Total comprehensive income for the period	**70,603**	66,887	**378,086**	201,062
Attributable to:				
Owner of the parent	**69,619**	56,200	**375,455**	194,332
Non-controlling interests	**984**	10,687	**2,631**	6,730
	70,603	66,887	**378,086**	201,062

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 30 September 2012 and reflect adjustments made as detailed in note 12.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September

	Unaudited 2013 AED'000	*Unaudited 2012 AED'000 (Restated)**
OPERATING ACTIVITIES		
Profit for the period	**211,632**	185,593
Adjustments for:		
Depreciation	**5,087**	5,042
Gain on sale of property and equipment	**(18)**	(298)
Interest income	**(26,328)**	(32,105)
Dividend income	**(54,863)**	(34,628)
Unrealised gain on investments at fair value through profit or loss	**(6,188)**	(1,296)
Operating profit before changes in operating assets and liabilities	**129,322**	122,308
Insurance contract assets	**(25,138)**	(69,348)
Insurance receivables	**(14,534)**	(54,915)
Prepayments and other receivables	**7,845**	(13,156)
Insurance contract liabilities	**42,297**	84,171
Reinsurance payables	**54,176**	58,877
Amount held under insurance treaties	**5,960**	2,107
Payable to policyholders of unit linked products	**(892)**	2,724
Other payables and accruals	**(9,684)**	(887)
Net cash from operating activities	**189,352**	131,881
INVESTING ACTIVITIES		
Purchase of property and equipment	**(1,124)**	(2,940)
Proceeds from sale of property and equipment	**141**	487
Interest income	**26,328**	32,105
Deposit with banks	**(146,701)**	436,755
Purchase of available-for-sale investments	**(743)**	(505,336)
Sale of available-for-sale investments	**6,426**	4,001
Purchase of held to maturity investments	**(8,004)**	(14,706)
Net cash used in investing activities	**(123,677)**	(49,634)
FINANCING ACTIVITIES		
Dividends paid	**(81,000)**	(83,983)
Dividends received	**54,863**	34,628
Net cash used in financing activities	**(26,137)**	(49,355)
INCREASE IN CASH AND CASH EQUIVALENTS	**39,538**	32,892
Cash and cash equivalents at 1 January	**73,073**	62,668
Movement in foreign currency translation reserve	**(29,989)**	(21,119)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**82,622**	74,441

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 30 September 2012 and reflect adjustments made as detailed in note 12.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2013

	Attributable to owners of the parent											
	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 (AFS) 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 2013 (restated)	405,000	101,250	152,331	107,740	293,434	10,851	41,967	(16,160)	81,000	1,177,413	46,926	1,224,339
Profit for the period	-	-	-	-	-	209,001	-	-	-	209,001	2,631	211,632
Other comprehensive income	-	-	-	-	-	-	196,443	(13,751)	-	182,692	(16,238)	166,454
Total comprehensive income	-	-	-	-	-	209,001	196,443	(13,751)	-	391,693	(13,607)	378,086
Transfer to current liability	-	-	-	-		-	-	-	(81,000)	(81,000)	-	(81,000)
At 30 September 2013	**405,000**	**101,250**	**152,331**	**107,740**	**293,434**	**219,852**	**238,410**	**(29,911)**	-	**1,488,106**	**33,319**	**1,521,425**

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 31 December 2012 and reflect adjustments made as detailed in note 12.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2013

	Attributable to owners of the parent											
	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 (AFS) 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 2012 (restated)*	375,000	93,750	131,325	92,635	236,593	7,754	(1,952)	(5,026)	75,000	1,005,079	63,122	1,068,201
Profit for the period	-	-	-	-	-	178,863	-	-	-	178,863	6,730	185,593
Other comprehensive income	-	-	-	-	-	-	36,588	(9,969)	-	26,619	(11,150)	15,469
Total comprehensive income	-	-	-	-	-	178,863	36,588	(9,969)	-	205,482	(4,420)	201,062
Capitalisation of general reserve	30,000	-	-	-	(30,000)		-	-	-	-	-	-
Transfer to current liability	-	-	-	-		-	-	-	(75,000)	(75,000)	(8,983)	(83,983)
At 30 September 2012	405,000	93,750	131,325	92,635	206,593	186,617	34,636	(14,995)	-	1,135,561	49,719	1,185,280

* Certain amounts shown here do not correspond to the interim condensed financial statements as at 31 December 2011 and reflect adjustments made as detailed in note 12.

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Orient Insurance Company (PJSC) (formerly Arab Orient Insurance Company (PSC)) 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.

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.

During the previous year, the Company changed its name from Arab Orient Insurance Company (PSC) to Orient Insurance Company (PJSC).

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.

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*
* 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%

* The applicability of IFRS 10 resulted in the establishment of 'de facto' control over Arab Orient Insurance Company, Syria which was previously accounted for as an associate. This entity is consolidated in the Group's interim condensed consolidated financial statements retrospectively from the date when the Company obtained control. The effect of IFRS 10 is described in more detailed in Note 12, which includes quantification of the effect on the interim condensed consolidated financial statements.

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 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all 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 2012.

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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

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

New standards, interpretations and amendments adopted by the Group (continued)

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

IAS 1 *Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*
The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 *Clarification of the requirement for comparative information* (Amendment)
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 *Tax effects of distributions to holders of equity instruments* (Amendment)
The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 *Interim financial reporting and segment information for total assets and liabilities* (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the CODM. See Note 9.

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

New standards, interpretations and amendments adopted by the Group (continued)

IAS 19 *Employee Benefits* (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

In case of the Group, the transition to IAS 19R did not have impact on the net defined benefit plan obligations due to the difference in accounting for interest on plan assets or unvested past service costs.

IFRS 7 *Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7*
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:
(a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

The impact of this new standard is fully discussed in note 12.

IFRS 11 *Joint Arrangements* and IAS 28 *Investment in Associates and Joint Ventures*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The application of this new standard did not impact the financial position of the Group. IFRS 11 is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

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

New standards, interpretations and amendments adopted by the Group (continued)
IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in Note 11.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the period of 4,050,000 shares.

No figure for diluted earnings has been presented because the Group has not issued any instrument which would have an impact on earnings per share when exercised.

4 INVESTMENT SECURITIES

	30 September 2013 AED'000	*Audited 31 December 2012 AED'000 (Restated)*	*30 September 2012 AED'000 (Restated)*
Investments carried at fair value through profit or loss			
Managed portfolios – outside UAE	**1,901**	1,825	1,825
	1,901	1,825	1,825
Held for trading – Quoted shares (within UAE)	**13,961**	7,849	7,903
	15,862	9,674	9,728
Held to maturity			
Debt			
Unquoted - outside UAE	**68,586**	60,582	59,367

4 INVESTMENT SECURITIES (continued)

	30 September 2013 AED'000	*Audited 31 December 2012 AED'000 (Restated)*	*30 September 2012 AED'000 (Restated)*
Available for sale investments			
Debt			
Quoted (within UAE)	**9,670**	9,100	9,050
Unquoted - outside UAE	**8,037**	13,442	13,008
	17,707	22,542	22,058
Equity (within UAE)			
Quoted	**739,452**	543,517	536,237
Quoted- Investment held on behalf of policy holders of unit linked products	**2,124**	3,016	2,724
Unquoted	**36,674**	36,122	35,570
	778,250	582,655	574,531
	795,957	605,197	596,589
Total	**880,405**	675,453	665,684

All investment securities are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Investments carried at fair value through value profit or loss
After initial recognition, all investments carried at fair value through profit or loss are remeasured at fair value. All related realised and unrealised gains or losses are recognised in the condensed consolidated income statement.

Held to maturity
Securities which have fixed or determinable payments which are intended to be held to maturity are carried at amortised cost using effective interest rate method, less provision for impairment in value.

Available for sale investments
After initial recognition, securities which are classified as "available-for-sale" are remeasured at fair value. Unrealised gains or losses are recognised in the condensed consolidated statement of comprehensive income until the security is derecognised or until the security is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in the condensed consolidated statement of comprehensive income is included in the condensed consolidated statement of income for the period.

In the case of unquoted investments in shares where fair value cannot reliably be measured, such investments are carried at cost less provision for impairment.

5 DEPOSITS WITH BANKS

Deposits with banks include the following:

		30 September 2013 AED'000	Audited 31 December 2012 AED'000 (Restated)	30 September 2012 AED'000 (Restated)
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	**16,303**	17,746	17,746
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478	478
d)	Amounts under lien with Insurance Authority Syria	**678**	1,296	1,701
e)	Fixed term deposits	**963,787**	815,025	788,070
		991,246	844,545	817,995

6 SHARE CAPITAL

	30 September 2013 AED'000	Audited 31 December 2012 AED'000	30 September 2012 AED'000
Issued and fully paid- shares of AED 100 each	**405,000**	405,000	405,000

7 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 month period to 30 September 2013, 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 month period to 30 September 2013, 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 month period to 30 September 2013, as this will be based on the results for the year.

7 RESERVES (continued)

- **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.

- **AVAILABLE-FOR-SALE (AFS) 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.

8 INSURANCE CONTRACT ASSETS AND LIABILITIES

	30 September 2013 AED'000	*Audited (Restated) 31 December 2012 AED'000*	*Unaudited (Restated) 30 September 2012 AED'000*
Insurance contract liabilities			
Unearned premium reserve	**666,272**	618,988	610,133
Outstanding claims	**591,030**	596,017	512,051
	1,257,302	1,215,005	1,122,184
Reinsurance assets			
Unearned premium reserve	**465,428**	439,307	437,626
Outstanding claims	**419,176**	420,159	348,889
	884,604	859,466	786,515

9 SEGMENTAL INFORMATION

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.

9 SEGMENTAL INFORMATION (continued)

Operating segment information is presented below:

	Nine months ended 30 September					
	General insurance		*Life insurance*		*Total*	
	2013 AED'000	*2012 AED'000*	***2013 AED'000***	*2012 AED'000*	***2013 AED'000***	*2012 AED'000*
Total underwriting income	**406,335**	375,369	**33,777**	28,860	**440,112**	404,229
Net underwriting income	**111,141**	107,560	**9,788**	6,474	**120,929**	114,034
Total investment income					**90,703**	71,559
Profit for the period					**211,632**	185,593

	General insurance AED'000	*Life insurance AED'000*	*Investment AED'000*	*Total AED'000*
Segment assets				
30 September 2013	**1,262,148**	**115,319**	**1,871,651**	**3,249,118**
31 December 2012	1,243,555	96,622	1,519,998	2,860,175
Segment liabilities				
30 September 2013	**1,616,517**	**111,176**		**1,727,693**
31 December 2012	1,544,233	91,603	-	1,635,836

10 CONTINGENT LIABILITIES

	30 September 2013 AED'000	*Audited 31 December 2012 AED'000*	*Unaudited 30 September 2012 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**1,578**	15,528	3,162

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

Capital commitment			
Commitment for investments	**25,463**	25,463	24,908
Uncalled capital of subsidiary company	**15,747**	17,351	17,877
	41,210	42,814	42,785

11 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) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	***Level 2***	***Level 3***	***Total fair value***
	AED'000	***AED'000***	***AED'000***	***AED'000***
30 September 2013				
Financial assets held-for-trading:				
Equity securities	**13,961**	-	-	**13,961**
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	**1,901**	**1,901**
Available-for-sale financial assets:				
Equity securities	**741,576**	-	-	**741,576**
Debt securities	**9,670**	-	-	**9,670**
	751,246	-	-	**751,246**
	765,207	-	**1,901**	**767,108**

	Level 1	*Level 2*	*Level 3*	*Total fair value*
	AED'000	*AED'000*	*AED'000*	*AED'000*
30 September 2012				
Financial assets held-for-trading:				
Equity securities	7,903	-	-	7,903
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	1,825	1,825
Available-for-sale financial assets:				
Equity securities	538,961	-	-	538,961
Debt securities	9,050	-	-	9,050
	548,011	-	-	548,011
	555,914	-	1,825	557,739

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

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 2013

	At 1 January 2013 AED'000	***Total gain or loss recorded in profit and loss AED'000***	***Purchase AED'000***	***Sales AED'000***	***Total gain or loss recorded in equity AED'000***	***Transfer from level 1 AED'000***	***At 30 September 2013 AED'000***
Financial assets designated at fair value through profit or loss							
Equity securities	**1,825**	**76**	**-**	**-**	**-**	**-**	**1,901**
Total	**1,825**	**76**	**-**	**-**	**-**	**-**	**1,901**

30 September 2012

	At 1 January 2012 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*Purchase AED'000*	*Sales AED'000*	*Total gain or loss recorded in equity AED'000*	*Transfer from level 1 AED'000*	*At 30 September 2012 AED'000*
Financial assets designated at fair value through profit or loss							
Equity securities	1,932	(107)	-	-	-	-	1,825
Total	1,932	(107)	-	-	-	-	1,825

12 APPLICABILITY OF IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*

Based on the requirements of IFRS 10, the group is deemed to have de facto control of Arab Orient Insurance Company, Syria – 40% subsidiary. This subsidiary was not previously required to be consolidated under IAS 27; it was instead equity accounted under IAS 28. The group has consolidated Arab Orient Insurance Company, Syria retrospectively, as required by the provisions of IFRS 10. The table below illustrates the resulting financial effects:

Impact on the statement of financial position

	Audited 31 December 2012 AED'000 Increase/ (decrease)	*Unaudited 30 September 2012 AED'000 Increase/ (decrease)*
Assets:		
Property and equipment	3,621	3,701
Investment in associated company	(29,847)	(38,500)
Investment securities	72	72
Insurance contract assets	8,115	6,694
Insurance receivables	5,152	3,687
Prepayments and other receivables	29,509	10,567
Deposits with banks	73,807	99,308
Cash and cash equivalents	3,575	7,395
Total	**94,004**	**92,924**
Equity:		
General Reserve	(6,547)	(6,999)
Retained earnings	9,741	8,616
Foreign currency translation reserve	(8,517)	(9,432)
Non controlling interests	31,930	35,090
	26,607	**27,275**
Liabilities:		
Insurance contract liabilities	56,336	51,614
Reinsurance payables	1,533	2,410
Amounts held under reinsurance treaties	5,469	1,774
Other payables and accruals	4,059	9,851
	67,397	**65,649**
Total	**94,004**	**92,924**

12 ADOPTION OF IFRS 10- *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements* (continued)

Impact on the income statement

	Audited Year ended 31 December 2012 AED'000 Increase/ (decrease)	*Unaudited Nine months ended 30 September 2012 AED'000 Increase/ (decrease)*
Underwriting income	24,787	22,320
Underwriting expenses	25,508	22,331
Investment income	8,934	8,306
Share of associates results	(2,161)	(1,704)
Profit for the period	**6,052**	**6,591**

Impact on the statement of cash flows

	Audited Year ended 31 December 2012 AED'000 Increase/ (decrease)	*Unaudited Nine months ended 30 September 2012 AED'000 Increase/ (decrease)*
Cash flows from operating activities	(29,877)	(7,343)
Cash flow from investing activities	64,036	39,528
Cash flow from financing activities	(15,733)	(10,068)