# Orient Insurance PJSC
# and its subsidiaries

## UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**30 JUNE 2016 (UNAUDITED)**

EY
Building a better working world

Ernst & Young
P.O. Box 9267
28th Floor, Al Saqr Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates

Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com/mena

# 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 financial statements of Orient Insurance PJSC and its subsidiaries (the "Group") as of 30 June 2016, which comprise the interim consolidated statement of financial position as of 30 June 2016 and the related interim consolidated statements of profit or loss and other comprehensive income for the three and six month periods and statements of cash flows and changes in equity for the six 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

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

28 July 2016

Dubai, United Arab Emirates

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

| | Notes | *30 June 2016 AED'000 Unaudited* | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000 Unaudited* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property and equipment | | **116,530** | 118,680 | 121,179 |
| Investment securities | 4 | **1,812,037** | 1,979,633 | 2,012,015 |
| Insurance contract assets | 10 | **2,621,999** | 1,734,252 | 1,045,151 |
| Insurance receivables | | **570,691** | 447,137 | 503,668 |
| Prepayment and other receivables | | **66,658** | 36,287 | 39,149 |
| Deposits with banks | 5 | **1,350,975** | 1,282,272 | 1,020,878 |
| Cash and cash equivalents | 6 | **126,557** | 119,371 | 178,668 |
| **TOTAL ASSETS** | | **6,665,447** | 5,717,632 | 4,920,708 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 7 | **500,000** | 500,000 | 500,000 |
| Statutory reserve | 8 | **125,000** | 125,000 | 125,000 |
| Legal reserve | 8 | **226,596** | 226,596 | 200,076 |
| Exceptional loss reserve | 8 | **159,680** | 159,680 | 141,170 |
| General reserve | 8 | **509,845** | 509,845 | 390,159 |
| Retained earnings | | **206,465** | 14,118 | 198,959 |
| Available-for-sale (AFS) reserve | 8 | **881,927** | 1,055,087 | 1,100,373 |
| Foreign currency translation reserve | 8 | **(52,530)** | (46,938) | (44,207) |
| Proposed dividends | 9 | **-** | 100,000 | - |
| **Equity attributable to equity holders of the parent** | | **2,556,983** | 2,643,388 | 2,611,530 |
| Non-controlling interest | | **43,330** | 41,015 | 40,636 |
| **Total equity** | | **2,600,313** | 2,684,403 | 2,652,166 |
| **Liabilities** | | | | |
| Insurance contract liabilities | 10 | **3,297,650** | 2,332,384 | 1,577,104 |
| Reinsurance payables | | **379,914** | 337,359 | 393,868 |
| Amounts held under reinsurance treaties | | **177,409** | 164,315 | 148,467 |
| Other payables and accruals | | **210,161** | 199,171 | 149,103 |
| **Total liabilities** | | **4,065,134** | 3,033,229 | 2,268,542 |
| **TOTAL EQUITY AND LIABILITIES** | | **6,665,447** | 5,717,632 | 4,920,708 |

President- Orient Group

28 July 2016

# INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2016

| | Notes | *Three months ended 30 June Unaudited* | | *Six months ended 30 June Unaudited* | |
|---|---|---|---|---|---|
| | | ***2016 AED'000*** | *2015 AED'000* | ***2016 AED'000*** | *2015 AED'000* |
| **UNDERWRITING INCOME** | | | | | |
| **Gross premiums** | | | | | |
| Insurance contracts premium | | **752,678** | 623,535 | **1,480,562** | 1,209,938 |
| Movement in provision for unearned premium | | **(105,212)** | (39,228) | **(127,021)** | (149,646) |
| Insurance premium revenue | | **647,466** | 584,307 | **1,353,541** | 1,060,292 |
| Less: **Reinsurers' share of premium** | | | | | |
| Insurance contracts premium | | **535,705** | 418,687 | **1,049,712** | 828,691 |
| Movement in provision for unearned premium | | **(70,967)** | (7,012) | **(53,833)** | (88,971) |
| | | **464,738** | 411,675 | **995,879** | 739,720 |
| Net insurance premium revenue | | **182,728** | 172,632 | **357,662** | 320,572 |
| Commission income | | **47,782** | 39,865 | **97,382** | 89,163 |
| **Total underwriting income** | | **230,510** | 212,497 | **455,044** | 409,735 |
| **UNDERWRITING EXPENSES** | | | | | |
| Claims paid | | **429,749** | 173,175 | **681,432** | 381,351 |
| Less: re-insurance share | | **(333,826)** | (108,489) | **(518,058)** | (258,737) |
| Net claims | | **95,923** | 64,686 | **163,374** | 122,614 |
| (Decrease) / Increase in outstanding claims | | **(4,439)** | 10,051 | **15,190** | 8,926 |
| Claims incurred | | **91,484** | 74,737 | **178,564** | 131,540 |
| Commission expenses | | **47,413** | 43,264 | **91,884** | 81,989 |
| General and administration expenses | | **43,060** | 41,605 | **85,854** | 82,230 |
| **Total underwriting expenses** | | **181,957** | 159,606 | **356,302** | 295,759 |
| **NET UNDERWRITING INCOME** | | **48,553** | 52,891 | **98,742** | 113,976 |
| **INVESTMENT INCOME** | | | | | |
| Interest income | | **18,358** | 11,178 | **41,811** | 22,474 |
| Dividend income | | **28** | 480 | **49,642** | 50,094 |
| Other income | | **3,902** | 2,164 | **7,021** | 5,900 |
| Fair value (loss) gain on investments carried at fair value through profit or loss | | **(25)** | 1,101 | **2,836** | 667 |
| | | **22,263** | 14,923 | **101,310** | 79,135 |
| **PROFIT BEFORE TAXATION** | | **70,816** | 67,814 | **200,052** | 193,111 |
| Income tax (credit) expense | 11 | **(782)** | 228 | **(647)** | (4,746) |
| **PROFIT FOR THE PERIOD** | | **70,034** | 68,042 | **199,405** | 188,365 |
| Attributable to: | | | | | |
| Owners of the parent | | **65,637** | 65,854 | **192,347** | 183,685 |
| Non-controlling interest | | **4,397** | 2,188 | **7,058** | 4,680 |
| | | **70,034** | 68,042 | **199,405** | 188,365 |
| Basic and diluted earnings per share (AED) | | | | | |
| **Attributable to equity holders of the parent** | 3 | **13.13** | 13.17 | **38.47** | 36.74 |

The attached notes 1 to 16 form part of these interim consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2016

| | *Three months ended 30 June Unaudited* | | *Six months ended 30 June Unaudited* | |
|---|---|---|---|---|
| | ***2016 AED'000*** | *2015 AED'000* | ***2016 AED'000*** | *2015 AED'000* |
| **Profit for the period** | **70,034** | 68,042 | **199,405** | 188,365 |
| **Other comprehensive income:** | | | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax* | | | | |
| Exchange differences on translation of foreign operations | **(2,357)** | (1,116) | **(9,729)** | (10,561) |
| Net unrealised (loss) gain on available-for-sale investments | **(148,629)** | 94,934 | **(173,160)** | 309,138 |
| Total other comprehensive income for the period, net of tax | **(80,952)** | 161,860 | **16,516** | 486,942 |
| Attributable to: | | | | |
| Owner of the parent | **(84,180)** | 160,078 | **13,595** | 486,382 |
| Non-controlling interests | **3,228** | 1,782 | **2,921** | 560 |
| | **(80,952)** | 161,860 | **16,516** | 486,942 |

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2016

| | Note | *Six months ended 30 June Unaudited* 2016 AED'000 | 2015 AED'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before tax for the period | | **200,052** | 193,111 |
| Adjustments for: | | | |
| Depreciation | | **4,235** | 4,096 |
| Loss/(gain) on sale of property and equipment | | **23** | (3) |
| Interest income | | **(41,811)** | (22,474) |
| Dividend income | | **(49,642)** | (50,094) |
| Unrealised gain on investments at fair value through profit or loss | | **(2,836)** | (667) |
| Operating profit before changes in operating assets and liabilities | | **110,021** | 123,969 |
| Insurance receivables | | **(123,554)** | (181,479) |
| Insurance contract assets | | **(887,747)** | (50,247) |
| Prepayments and other receivables | | **(27,605)** | (16,264) |
| Insurance contract liabilities | | **965,266** | 106,922 |
| Reinsurance payables | | **42,555** | 114,993 |
| Amounts held under reinsurance treaties | | **13,094** | 4,526 |
| Other payables and accruals | | **7,577** | (11,218) |
| Net cash from operating activities | | **99,607** | 91,202 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | | **(2,190)** | (1,827) |
| Proceeds from sale of property and equipment | | **82** | 8 |
| Interest income | | **41,811** | 22,474 |
| Deposits with banks | | **(68,703)** | 107,880 |
| Dividends received | | **49,642** | 50,094 |
| Purchase of held to maturity investments | | **(15,806)** | (13,236) |
| Purchase of available-for-sale investments | | **(13,303)** | (210,521) |
| Sale of held to maturity investments | | **15,385** | - |
| Sale of available-for-sale investments | | **10,996** | 6,365 |
| Net cash from (used in) investing activities | | **17,914** | (38,763) |
| **FINANCING ACTIVITIES** | | | |
| Dividends paid | | **(100,000)** | (100,000) |
| Dividends paid to non –controlling interest | | **(606)** | (786) |
| Net cash used in financing activities | | **(100,606)** | (100,786) |
| **INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **16,915** | (48,347) |
| Cash and cash equivalents at 1 January | | **119,371** | 237,576 |
| Movement in foreign currency translation reserve | | **(9,729)** | (10,561) |
| **CASH AND CASH EQUIVALENTS AT 30 JUNE** | 6 | **126,557** | 178,668 |

The attached notes 1 to 16 form part of these interim consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2016

| | *Attributable to shareholders 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 2016 (Audited) | 500,000 | 125,000 | 226,596 | 159,680 | 509,845 | 14,118 | 1,055,087 | (46,938) | 100,000 | 2,643,388 | 41,015 | 2,684,403 |
| Profit for the period | - | - | - | - | - | 192,347 | - | - | - | 192,347 | 7,058 | 199,405 |
| Other comprehensive income | - | - | - | - | - | - | (173,160) | (5,592) | - | (178,752) | (4,137) | (182,889) |
| Total comprehensive income | - | - | - | - | - | 192,347 | (173,160) | (5,592) | - | 13,595 | 2,921 | 16,516 |
| Dividend paid (note 9) | - | - | - | - | - | - | - | - | (100,000) | (100,000) | (606) | (100,606) |
| **At 30 June 2016 (Unaudited)** | **500,000** | **125,000** | **226,596** | **159,680** | **509,845** | **206,465** | **881,927** | **(52,530)** | **-** | **2,556,983** | **43,330** | **2,600,313** |

The attached notes 1 to 16 form part of these interim consolidated financial statements.

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2016

| | *Attributable to shareholders 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 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 | - | - | - | - | - | 183,685 | - | - | - | 183,685 | 4,680 | 188,365 |
| Other comprehensive income | - | - | - | - | - | - | 309,138 | (6,441) | - | 302,697 | (4,120) | 298,577 |
| Total comprehensive income | - | - | - | - | - | 183,685 | 309,138 | (6,441) | - | 486,382 | 560 | 486,942 |
| Dividend paid (note 9) | - | - | - | - | - | - | - | - | (100,000) | (100,000) | (786) | (100,786) |
| At 30 June 2015 (Unaudited) | 500,000 | 125,000 | 200,076 | 141,170 | 390,159 | 198,959 | 1,100,373 | (44,207) | - | 2,611,530 | 40,636 | 2,652,166 |

The attached notes 1 to 16 form part of these interim consolidated financial statements.

## 1 CORPORATE INFORMATION

Orient Insurance PJSC (the "Company") is a Public Shareholding Company and is registered under the Federal Law No. 2 of 2015 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 Private Company which is based in Dubai, United Arab Emirates and has a significant influence 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.

| *Subsidiary* | *Principal activity* | *Country of incorporation* | *Ownership* |
|---|---|---|---|
| Arab Orient Insurance Company | General insurance | Syria | 40% |
| Orient Takaful Company (S.A.E.) | 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 six months ended 30 June 2016 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 2015.

**Changes in accounting estimates**

The accounting policies are consistent with those used in the previous year. The accounting estimates used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2015 except for a change in the basis of calculation of the unearned premium reserve as noted below.

As per Federal Law No.6 of 2007, relating to Establishment of Insurance Authority and regulation of Insurance operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to the insurance companies between one to three years from the publication of financial regulation in Public Gazette from 29 January 2015 to align the operations to the covenants of the regulations therein.

*Unearned premium reserve*

Until 31 December 2015, the reserves were calculated at 50% of annual premiums earned net of reinsurance for life and medical and 40% of annual premiums earned net of reinsurance for general business.

With effect from 1 January 2016, to comply with the new regulations introduced by the Insurance Authority of United Arab Emirates, the unearned premium reserve for all the classes of insurance is calculated on a time proportion basis, except for Marine cargo class of business which is calculated at 25%.

As a result of the change, profit for the period is lower by AED 26,307 thousand and unearned premium reserve at 30 June 2016 is higher by AED 26,307 thousand.

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

**New standards, interpretations and amendments**
The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim consolidated financial statements. Annual Improvements 2012-2014 cycle which became effective from 1 January 2016 also did not have an impact on the financial position or performance of the Group during the period.

These condensed consolidated financial statements do not include all disclosure and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015. In addition, results for the six months ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

## 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:

| | ***Three months ended 30 June Unaudited*** | | ***Six months ended 30 June Unaudited*** | |
|---|---|---|---|---|
| | ***2016 AED'000*** | *2015 AED'000* | ***2016 AED'000*** | *2015 AED'000* |
| Profit after tax for the period | **70,034** | 68,042 | **199,405** | 188,365 |
| Less: Attributable to minority interest | **(4,397)** | (2,188) | **(7,058)** | (4,680) |
| Profit attributable to shareholders | **65,637** | 65,854 | **192,347** | 183,685 |
| Weighted average number of shares outstanding during the period ('000) | **5,000** | 5,000 | **5,000** | 5,000 |
| Earnings per share (AED) | **13.13** | 13.17 | **38.47** | 36.74 |

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.

## 4 INVESTMENT SECURITIES

| | ***Carrying value*** | | | ***Fair value*** | | |
|---|---|---|---|---|---|---|
| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
| Investment securities | | | | | | |
| At fair value through profit or loss (Note 4.1) | **2,169** | 2,148 | 2,136 | **2,169** | 2,148 | 2,136 |
| Held for trading (Note 4.2) | **14,221** | 11,406 | 12,137 | **14,221** | 11,406 | 12,137 |
| Available for sale (Note 4.3) | **1,665,101** | 1,835,954 | 1,872,364 | **1,665,101** | 1,835,954 | 1,872,364 |
| Held to maturity (Note 4.4) | **130,546** | 130,125 | 125,378 | **130,546** | 130,125 | 125,378 |
| | **1,812,037** | 1,979,633 | 2,012,015 | **1,812,037** | 1,979,633 | 2,012,015 |

## 4 INVESTMENT SECURITIES (continued)

### 4.1 INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| Managed portfolios – (outside UAE) | **2,169** | 2,148 | 2,136 |

### 4.2 INVESTMENT SECURITIES HELD FOR TRADING

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| Shares – quoted (within UAE) | **14,221** | 11,406 | 12,137 |

### 4.3 INVESTMENT SECURITIES AVAILABLE FOR SALE

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| *Equity* | | | |
| Quoted (within UAE) | **1,391,180** | 1,564,720 | 1,609,981 |
| Quoted – Investment held on behalf of policy holders of unit linked products (within UAE) | **18,794** | 14,055 | 9,480 |
| Unquoted (within UAE) | **244,143** | 238,695 | 233,390 |
| | **1,654,117** | 1,817,470 | 1,852,851 |
| *Debt* | | | |
| Quoted (within UAE) | **-** | 9,800 | 9,825 |
| Unquoted (outside UAE) | **10,984** | 8,684 | 9,688 |
| | **10,984** | 18,484 | 19,513 |
| | **1,665,101** | 1,835,954 | 1,872,364 |

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.

## 4 INVESTMENT SECURITIES (continued)

### 4.4 INVESTMENT SECURITIES HELD TO MATURITY

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| ***Amortised cost*** | | | |
| Debt – unquoted (outside UAE) | **130,546** | 130,125 | 125,378 |

Debt securities amounting to AED 130,546 thousand (2015: AED 130,125 thousand) include investments under lien to comply with insurance regulatory requirements in Egypt. The investments carry interest at an effective rate of 12.40% per annum (2015: 11.17% per annum). The maturity profile of these debt instruments is shown below:

| | ***30 June 2016*** | | |
|---|---|---|---|
| | ***Less than 5 years AED'000*** | ***More than 5 years AED'000*** | ***Total AED'000*** |
| Debt – unquoted (outside UAE) | **109,865** | **20,681** | **130,546** |

| | *31 December 2015 (Audited)* | | |
|---|---|---|---|
| | *Less than 5 years AED'000* | *More than 5 years AED'000* | *Total AED'000* |
| Debt – unquoted (outside UAE) | 106,671 | 23,454 | 130,125 |

| | *30 June 2015* | | |
|---|---|---|---|
| | *Less than 5 years AED'000* | *More than 5 years AED'000* | *Total AED'000* |
| Debt – unquoted (outside UAE) | 101,310 | 24,068 | 125,378 |

## 5 DEPOSITS WITH BANKS

Deposits with banks include the following:

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| *Statutory deposits:* | | | |
| 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 | **22,283** | 22,283 | 22,273 |
| c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC) | **478** | 478 | 478 |
| d) Amounts under lien with Insurance Authority Syria | **424** | 418 | 422 |
| e) Amounts under lien with Egyptian Financial Supervisory Authority | **22,374** | 30,762 | 35,214 |
| f) Amounts under lien with Turkish Treasury, Turkey | **5,367** | 5,037 | 9,493 |
| g) Amounts under lien with Central Bank of Bahrain | **729** | 729 | - |
| | **61,655** | 69,707 | 77,880 |
| *Other deposits:* | | | |
| Fixed term deposits maturing after three months | **1,289,320** | 1,212,565 | 942,998 |
| | **1,350,975** | 1,282,272 | 1,020,878 |

Interest on bank deposits are ranging from 1% to 12.8% (31 December 2015: 0.8% to 12.8%) per annum.

## 6 CASH AND CASH EQUIVALENTS

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

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| Bank balances and cash | **88,096** | 88,871 | 109,776 |
| Deposits with banks maturing within three months | **38,461** | 30,500 | 68,892 |
| | **126,557** | 119,371 | 178,668 |

## 7 SHARE CAPITAL

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| *Issued and fully paid* (5,000,000 shares of AED 100 each) | **500,000** | 500,000 | 500,000 |

## 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 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 six month period to 30 June 2016, 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 six month period to 30 June 2016, 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 six month period to 30 June 2016, 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. 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.

## 9 PROPOSED DIVIDENDS

Dividends of AED 20 per share (totalling to AED 100 million) relating to the year 2015 were declared upon approval of the shareholders at the Annual General Meeting and paid during the period (2015: AED 100 million).

## 10 INSURANCE CONTRACT ASSETS AND LIABILITIES

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| **Insurance contract liabilities** | | | |
| Unearned premium reserve | **1,176,895** | 1,064,346 | 942,257 |
| Payable to policy holders of unit linked products | **18,794** | 14,055 | 9,480 |
| Outstanding claims | **2,101,961** | 1,253,983 | 625,367 |
| | **3,297,650** | 2,332,384 | 1,577,104 |
| **Reinsurance assets** | | | |
| Unearned premium reserve | **771,381** | 721,876 | 638,326 |
| Outstanding claims | **1,850,618** | 1,012,376 | 406,825 |
| | **2,621,999** | 1,734,252 | 1,045,151 |

## 11 INCOME TAXES

The Group calculates the period income tax expense 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 consolidated statement of profit or loss is as follows:

| | *Six months ended 30 June Unaudited* | |
|---|---|---|
| | ***2016 AED'000*** | *2015 AED'000* |
| Current income tax expense | **3,413** | 4,746 |
| Deferred taxes | **(2,766)** | - |
| | **647** | 4,746 |

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

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| Provision as at 1 January | **5,111** | 2,427 | 2,427 |
| Provided during the period | **3,413** | 6,603 | 4,746 |
| Taxes paid during the period | **(3,659)** | (3,571) | (499) |
| Exchange differences | **(453)** | (348) | (315) |
| Balance as at the end of the period | **4,412** | 5,111 | 6,359 |

## 11 INCOME TAXES (continued)

Movements in the deferred tax assets recognised in the consolidated statement of financial position are as follows:

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| Losses available for offsetting against future taxable income | **2,766** | - | - |
| Balance as at the end of the period | **2,766** | - | - |

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.

## 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.

The operating segment information for the Group for the period is presented below:

| | ***Six months ended 30 June*** | | | | | |
|---|---|---|---|---|---|---|
| | *General insurance* | | *Life insurance* | | *Total* | |
| | ***2016 AED'000*** | *2015 AED'000* | ***2016 AED'000*** | *2015 AED'000* | ***2016 AED'000*** | *2015 AED'000* |
| Total underwriting income | **390,196** | 361,674 | **64,848** | 48,061 | **455,044** | 409,735 |
| Net underwriting income | **84,538** | 105,301 | **14,204** | 8,675 | **98,742** | 113,976 |
| Total investment income | | | | | **101,310** | 79,135 |
| Less: Income tax | | | | | **(647)** | (4,746) |
| Profit for the period | | | | | **199,405** | 188,365 |

## 12 OPERATING SEGMENTS (continued)

| | *General Insurance* | | *Life Insurance* | | *Investments* | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000* | ***30 June 2016 AED'000*** | *31 December 2015 AED'000* | ***30 June 2016 AED'000*** | *31 December 2015 AED'000* | ***30 June 2016 AED'000*** | *31 December 2015 AED'000* |
| Segment assets | **3,210,168** | 2,244,033 | **292,267** | 211,694 | **3,163,012** | 3,261,905 | **6,665,447** | 5,717,632 |
| Segment liabilities | **3,791,866** | 2,826,694 | **273,268** | 206,535 | - | - | **4,065,134** | 3,033,229 |

## 13 CONTINGENT LIABILITIES

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| *Guarantees* | | | |
| Bank guarantees other than those relating to claims for which provisions are held | **5,494** | 15,894 | 4,075 |

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

| | ***30 June 2016 AED'000*** | *31 December 2015 AED'000 Audited* | *30 June 2015 AED'000* |
|---|---|---|---|
| *Capital commitment* | | | |
| Commitment for investments | **11,057** | 16,505 | 21,771 |
| | **11,057** | 16,505 | 21,771 |

## 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.

**14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**A. Determination of fair value and fair value hierarchy (continued)**

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 June 2016*** | | | | |
| **Financial assets held-for-trading:** | | | | |
| Equity securities | **14,221** | - | - | **14,221** |
| **Financial assets designated at fair value through profit or loss:** | | | | |
| Equity securities | - | - | **2,169** | **2,169** |
| **Available-for-sale financial assets:** | | | | |
| Equity securities | | | | |
| Banking Sector | **1,387,418** | - | - | **1,387,418** |
| Other Sector | **3,762** | - | - | **3,762** |
| *Equity securities* | | | | |
| Investments held on behalf of policy holders of unit linked products | **18,794** | - | - | **18,794** |
| | **1,424,195** | - | **2,169** | **1,426,364** |

| | *Level 1* | *Level 2* | *Level 3* | *Total fair value* |
|---|---|---|---|---|
| | *AED'000* | *AED'000* | *AED'000* | *AED'000* |
| *31 December 2015* | | | | |
| Financial assets held-for-trading: | | | | |
| *Equity securities* | 11,406 | - | - | 11,406 |
| Financial assets designated at fair value through profit or loss | | | | |
| *Equity securities* | - | - | 2,148 | 2,148 |
| Available-for-sale financial assets: | | | | |
| Banking sector | 1,560,845 | - | - | 1,560,845 |
| Other sectors | 3,875 | - | - | 3,875 |
| *Equity securities* | | | | |
| Investments held on behalf of policy holders of unit linked products | 14,055 | - | - | 14,055 |
| *Debt securities* | 9,800 | - | - | 9,800 |
| | 1,599,981 | - | 2,148 | 1,602,129 |

## 14 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 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 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 June 2016***

| | ***At 1 January 2016 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 June 2016 AED'000*** |
|---|---|---|---|---|---|---|---|
| **Financial assets designated at fair value through profit or loss** | | | | | | | |
| **Equity securities** | **2,148** | **21** | - | - | - | - | **2,169** |
| **Total** | **2,148** | **21** | - | - | - | - | **2,169** |

*31 December 2015*

| | *At 1 January 2015 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 31 December 2015 AED'000* |
|---|---|---|---|---|---|---|---|
| Financial assets designated at fair value through profit or loss | | | | | | | |
| Equity securities | 2,136 | 12 | - | - | - | - | 2,148 |
| Total | 2,136 | 12 | - | - | - | - | 2,148 |

## 15 SEASONALITY OF RESULTS

Dividend income amounting to AED 49,642 thousand for six months ended 30 June 2016 and AED 50,094 thousand for six months ended 30 June 2015 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 June 2016 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 2016.

## 16 RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current presentation. The following table summarises the effect of prior period reclassifications on the interim consolidated financial statements:

*Interim Consolidated Statement of Financial Position*

| | *31 December 2015* | | |
|---|---|---|---|
| | *As previously reviewed AED'000* | *Reclassification AED'000* | *As reclassified AED'000* |
| Insurance contract assets (note a) | 1,738,427 | (4,175) | 1,734,252 |
| Prepayment and other receivables (note a) | 32,112 | 4,175 | 36,287 |
| Insurance contract liabilities (note b) | 2,334,640 | (2,256) | 2,332,384 |
| Other payables and accruals (note b) | 196,915 | 2,256 | 199,171 |

a. Deferred acquisition costs are reclassified and presented under prepayment and other receivables in the interim consolidated statement of financial position.

b. Reinsurance share of deferred acquisition costs are reclassified and presented under other payables and accruals in the interim consolidated statement of financial position.

| | *30 June 2015* | | |
|---|---|---|---|
| | *As previously reviewed AED'000* | *Reclassification AED'000* | *As reclassified AED'000* |
| Insurance contract assets (note c) | 1,042,122 | 3,029 | 1,045,151 |
| Prepayment and other receivables (note c) | 42,178 | (3,029) | 39,149 |
| Insurance contract liabilities (note d) | 1,573,102 | 4,002 | 1,577,104 |
| Other payables and accruals (note d) | 153,105 | (4,002) | 149,103 |

c. Deferred acquisition costs are reclassified and presented under prepayment and other receivables in the interim consolidated statement of financial position.

d. Reinsurance share of deferred acquisition costs are reclassified and presented under other payables and accruals in the interim consolidated statement of financial position.