Orient Insurance PJSC
And its subsidiaries

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2016 (UNAUDITED)

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 September 2016, which comprise the interim consolidated statement of financial position as of 30 September 2016 and the related interim consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the related statements of cash flows and changes in equity 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

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

26 October 2016

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2016

	Notes	**30 September 2016 AED'000 (Unaudited)**	*31 December 2015 AED'000 (Audited)*	*30 September 2015 AED'000 (Unaudited)*
ASSETS				
Property and equipment		**115,015**	118,680	119,458
Investment securities	4	**1,789,035**	1,979,633	2,007,151
Insurance contract assets	10	**2,599,033**	1,734,252	1,077,294
Insurance receivables		**561,865**	447,137	424,399
Prepayment and other receivables		**73,572**	36,287	45,319
Deposits with banks	5	**1,346,209**	1,282,272	1,123,053
Cash and cash equivalents	6	**238,333**	119,371	211,229
TOTAL ASSETS		**6,723,062**	5,717,632	5,007,903
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		**266,124**	14,118	247,605
Available-for-sale reserve	8	**857,301**	1,055,087	1,085,310
Foreign currency translation reserve	8	**(57,816)**	(46,938)	(47,397)
Proposed dividends	9	**-**	100,000	-
Equity attributable to equity holders of the parent		**2,586,730**	2,643,388	2,641,923
Non-controlling interest		**38,990**	41,015	41,326
Total equity		**2,625,720**	2,684,403	2,683,249
Liabilities				
Insurance contract liabilities	10	**3,292,021**	2,332,384	1,634,087
Reinsurance payables		**406,480**	337,359	365,780
Amounts held under reinsurance treaties		**176,721**	164,315	152,232
Other payables and accruals		**222,120**	199,171	172,555
Total liabilities		**4,097,342**	3,033,229	2,324,654
TOTAL EQUITY AND LIABILITIES		**6,723,062**	5,717,632	5,007,903

The interim condensed consolidated financial statements were approved by the Board of Directors on 26 October 2016 and signed on its behalf by:

President- Orient Group
26 October 2016

Orient Insurance PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For nine months ended 30 September 2016

	Notes	Three months ended 30 September *Unaudited* *2016* *AED'000*	 *Unaudited* *2015* *AED'000*	Nine months ended 30 September *Unaudited* *2016* *AED'000*	 *Unaudited* *2015* *AED'000*
UNDERWRITING INCOME					
Gross premiums					
Insurance contracts premium		**604,823**	527,891	**2,085,385**	1,737,829
Movement in provision for unearned premiums		**27,053**	(73,634)	**(99,968)**	(223,280)
Insurance premium revenue		**631,876**	454,257	**1,985,417**	1,514,549
Less: Reinsurers' share of premium					
Insurance contracts premium		**396,420**	366,834	**1,446,132**	1,195,525
Movement in provision for unearned premium		**40,802**	(50,626)	**(13,031)**	(139,597)
		437,222	316,208	**1,433,101**	1,055,928
Net insurance premium revenue		**194,654**	138,049	**552,316**	458,621
Commission income		**51,295**	41,293	**148,677**	130,456
Total underwriting income		**245,949**	179,342	**700,993**	589,077
UNDERWRITING EXPENSES					
Claims paid		**375,237**	177,190	**1,056,669**	558,541
Less: re-insurers' share		**(292,037)**	(113,520)	**(810,095)**	(372,257)
Net claims		**83,200**	63,670	**246,574**	186,284
Increase in net outstanding claims		**16,060**	5,474	**31,250**	14,400
Claims incurred		**99,260**	69,144	**277,824**	200,684
Commission expenses		**59,122**	38,065	**151,006**	120,054
General and administration expenses		**48,145**	42,091	**133,999**	124,321
Total underwriting expenses		**206,527**	149,300	**562,829**	445,059
NET UNDERWRITING INCOME		**39,422**	30,042	**138,164**	144,018
INVESTMENT INCOME					
Interest income		**20,713**	19,204	**62,524**	41,678
Dividend income		**504**	63	**50,146**	50,157
Other income		**2,363**	1,745	**9,384**	7,645
Fair value (loss) gain on investments carried at fair value through profit or loss		**251**	(584)	**3,087**	83
		23,831	20,428	**125,141**	99,563
PROFIT BEFORE TAXATION		**63,253**	50,470	**263,305**	243,581
Income tax expense	11	**(573)**	(257)	**(1,220)**	(5,003)
PROFIT FOR THE PERIOD		**62,680**	50,213	**262,085**	238,578
Attributable to:					
Equity holders of the parent		**59,659**	48,646	**252,006**	232,331
Non-controlling interest		**3,021**	1,567	**10,079**	6,247
		62,680	50,213	**262,085**	238,578
Basic and diluted earnings per share (AED)					
Attributable to equity holders of the parent	3	**11.93**	9.73	**50.40**	46.47

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

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the nine months ended 30 September 2016

	Three months ended 30 September		*Nine months ended 30 September*	
	Unaudited	*Unaudited*	***Unaudited***	*Unaudited*
	2016	*2015*	***2016***	*2015*
	AED'000	*AED'000*	***AED'000***	*AED'000*
Profit for the period	**62,680**	50,213	**262,085**	238,578
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	**(12,647)**	(4,067)	**(22,376)**	(14,628)
Net unrealised (loss) gain on available-for-sale investments	**(24,626)**	(15,063)	**(197,786)**	294,075
Total comprehensive income for the period	**25,407**	31,083	**41,923**	518,025
Attributable to:				
Equity holders of the parent	**29,747**	30,393	**43,342**	516,775
Non-controlling interests	**(4,340)**	690	**(1,419)**	1,250
	25,407	31,083	**41,923**	518,025

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2016

	Note	*Nine months ended 30 September Unaudited* 2016 AED'000	2015 AED'000
OPERATING ACTIVITIES			
Profit before tax for the period		**263,305**	243,581
Adjustments for:			
Depreciation		**6,383**	6,200
Gain on sale of property and equipment		**21**	(2)
Interest income		**(62,524)**	(41,678)
Dividend income		**(50,146)**	(50,157)
Unrealised loss on investments at fair value through profit or loss		**(3,087)**	(83)
Operating profit before changes in operating assets and liabilities		**153,952**	157,861
Insurance receivables		**(114,728)**	(102,210)
Insurance contract assets		**(864,781)**	(82,390)
Prepayments and other receivables		**(34,572)**	(22,434)
Insurance contract liabilities		**959,637**	163,905
Reinsurance payables		**69,121**	86,905
Amount held under insurance treaties		**12,406**	8,291
Other payables and accruals		**19,016**	11,977
Net cash from operating activities		**200,051**	221,905
INVESTING ACTIVITIES			
Purchase of property and equipment		**(2,822)**	(2,211)
Proceeds from sale of property and equipment		**83**	8
Interest income		**62,524**	41,678
Dividends received		**50,146**	50,157
Deposits with banks		**(63,937)**	5,705
Purchase of available-for-sale investments		**(27,265)**	(220,634)
Purchase of held to maturity investments		**(40,094)**	(14,463)
Sale of available-for-sale investments		**19,551**	6,922
Sale of held to maturity investments		**43,707**	-
Net cash from/(used in) investing activities		**41,893**	(132,838)
FINANCING ACTIVITIES			
Dividend paid		**(100,000)**	(100,000)
Dividend paid to non-controlling interests		**(606)**	(786)
Net cash used in financing activities		**(100,606)**	(100,786)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**141,338**	(11,719)
Cash and cash equivalents at 1 January		**119,371**	237,576
Movement in foreign currency translation reserve		**(22,376)**	(14,628)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	6	**238,333**	211,229

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016 (Unaudited)

	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*
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	-	-	-	-	-	252,006	-	-	-	252,006	10,079	262,085
Other comprehensive income	-	-	-	-	-	-	(197,786)	(10,878)	-	(208,664)	(11,498)	(220,162)
Total comprehensive income	-	-	-	-	-	252,006	(197,786)	(10,878)	-	43,342	(1,419)	41,923
Dividend paid (note 9)	-	-	-	-	-	-	-	-	(100,000)	(100,000)	(606)	(100,606)
At 30 September 2016 (Unaudited)	**500,000**	**125,000**	**226,596**	**159,680**	**509,845**	**266,124**	**857,301**	**(57,816)**	**-**	**2,586,730**	**38,990**	**2,625,720**

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 2015 (Unaudited)

	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*
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)	(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 16 form part of these interim condensed 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 issue 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 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. The Company has branches in Sultanate of Oman and Bahrain.

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 nine months ended 30 September 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 12,297 thousand and unearned premium reserve at 30 September 2016 is higher by AED 12,297 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 disclosures and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015. In addition, results for the nine months ended 30 September 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 September Unaudited		*Nine months ended 30 September Unaudited*	
	2016 AED'000	*2015 AED'000*	***2016 AED'000***	*2015 AED'000*
Profit after tax for the period	**62,680**	50,213	**262,085**	238,578
Less: Attributable to minority interest	**(3,021)**	(1,567)	**(10,079)**	(6,247)
Profit attributable to shareholders	**59,659**	48,646	**252,006**	232,331
Weighted average number of shares outstanding during the period ('000)	**5,000**	5,000	**5,000**	5,000
Earnings per share (AED)	**11.93**	9.73	**50.40**	46.47

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 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*	***30 September 2016 AED'000 Unaudited***	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Investment securities						
At fair value through profit or loss (Note 4.1)	**2,169**	2,148	2,171	**2,169**	2,148	2,171
Held for trading (Note 4.2)	**14,472**	11,406	11,518	**14,472**	11,406	11,518
Available for sale (Note 4.3)	**1,645,882**	1,835,954	1,866,857	**1,645,882**	1,835,954	1,866,857
Held to maturity (Note 4.4)	**126,512**	130,125	126,605	**126,512**	130,125	126,605
	1,789,035	1,979,633	2,007,151	**1,789,035**	1,979,633	2,007,151

4 INVESTMENT SECURITIES (continued)

4.1 INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Managed portfolios – (outside UAE)	**2,169**	2,148	2,171

4.2 INVESTMENT SECURITIES HELD FOR TRADING

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Shares – quoted (within UAE)	**14,472**	11,406	11,518

4.3 INVESTMENT SECURITIES AVAILABLE FOR SALE

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Equity			
Quoted (within UAE)	**1,366,553**	1,564,720	1,594,947
Quoted – Investment held on behalf of policy holders of unit linked products (within UAE)	**21,818**	14,055	12,602
Unquoted (within UAE)	**244,143**	238,695	238,695
	1,632,514	1,817,470	1,846,244
Debt			
Quoted (within UAE)	**-**	9,800	9,800
Unquoted (outside UAE)	**13,368**	8,684	10,813
	13,368	18,484	20,613
	1,645,882	1,835,954	1,866,857

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 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Amortised cost			
Debt – unquoted (outside UAE)	**126,512**	130,125	126,605

Debt securities amounting to AED 126,512 thousand (2015: AED 130,125 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 (2015: 11.7% per annum). The maturity profile of these debt instruments is shown below:

	30 September 2016 Unaudited		
	Less than 5 years AED'000	***5 years and above AED'000***	***Total AED'000***
Debt – unquoted (outside UAE)	**105,831**	**20,681**	**126,512**

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

	30 September 2015 Unaudited		
	Less than 5 years AED'000	*5 years and above AED'000*	*Total AED'000*
Debt – unquoted (outside UAE)	103,154	23,451	126,605

5 DEPOSITS WITH BANKS

Deposits with banks include the following:

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
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	**18,155**	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 of Syria	**178**	418	417
e) Amounts under lien with Egyptian Financial Supervisory Authority	**22,421**	30,762	29,889
f) Amounts under lien with Turkish Treasury, Turkey	**7,610**	5,037	5,464
g) Amounts under lien with Central bank of Bahrain	**729**	729	-
	59,571	69,707	68,521
Other deposits:			
g) Fixed term deposits maturing after three months	**1,286,638**	1,212,565	1,054,532
	1,346,209	1,282,272	1,123,053

Interest on bank deposits are ranging from 1% to 14% (31 December 2015: 0.80% to 12.80%) per annum.

6 CASH AND CASH EQUIVALENTS

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

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Bank balances and cash	**165,868**	88,871	137,210
Deposits with banks maturing within three months	**72,465**	30,500	74,019
	238,333	119,371	211,229

7 SHARE CAPITAL

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Issued and fully paid 5,000,000 shares	**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 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 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 nine months period to 30 September 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 nine months period to 30 September 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 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 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 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Insurance contract liabilities			
Unearned premium reserve	**1,142,329**	1,064,346	1,007,975
Payable to policy holders of unit linked products	**21,818**	14,055	12,602
Outstanding claims	**2,127,874**	1,253,983	613,510
	3,292,021	2,332,384	1,634,087
Reinsurance assets			
Unearned premium reserve	**729,927**	721,876	685,871
Outstanding claims	**1,869,106**	1,012,376	391,423
	2,599,033	1,734,252	1,077,294

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, Bahrain, 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:

	Nine months ended 30 September (unaudited)	
	2016 AED'000	*2015 AED'000*
Current income tax expense	**3,933**	5,003
Deferred taxes	**(2,713)**	-
	1,220	5,003

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

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Provision as at 1 January	**5,111**	2,427	2,427
Provided during the period	**3,933**	6,603	5,003
Taxes paid during the period	**(3,541)**	(3,571)	(499)
Exchange differences	**(697)**	(348)	(433)
Balance as at the end of the period	**4,806**	5,111	6,498

11 INCOME TAXES (continued)

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

	30 September 2016 AED'000	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000*
Losses available for offsetting against future taxable income	**2,713**	-	-
Balance as at the end of the period	**2,713**	-	-

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.

Operating segment information for the period is presented below:

	Nine months ended 30 September					
	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	**602,177**	522,542	**98,816**	66,535	**700,993**	589,077
Net underwriting income	**122,143**	136,031	**16,021**	7,987	**138,164**	144,018
Total investment income					**125,141**	99,563
Less: income tax					**(1,220)**	(5,003)
Profit for the period					**262,085**	238,578

	General Insurance		*Life Insurance*		*Investments*		*Total*	
	30 September 2016 AED'000	*31 December 2015 AED'000*	***30 September 2016 AED'000***	*31 December 2015 AED'000*	***30 September 2016 AED'000***	*31 December 2015 AED'000*	***30 September 2016 AED'000***	*31 December 2015 AED'000*
Segment assets	**3,249,236**	2,244,033	**338,582**	211,694	**3,135,244**	3,261,905	**6,723,062**	5,717,632
Segment liabilities	**3,781,994**	2,826,694	**315,348**	206,535	-	-	**4,097,342**	3,033,229

13 CONTINGENT LIABILITIES

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**9,038**	15,894	7,823

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

	30 September 2016 AED'000 Unaudited	*31 December 2015 AED'000 Audited*	*30 September 2015 AED'000 Unaudited*
Capital commitment			
Commitment for investments	**11,057**	16,505	16,505

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.

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 2016				
Financial assets held-for-trading:				
Equity securities	**14,472**	-	-	**14,472**
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	**2,169**	**2,169**
Available-for-sale financial assets:				
Banking sector	**1,362,642**	-	-	**1,362,642**
Other sectors	**3,911**	-	-	**3,911**
Equity securities				
Investments held on behalf of policy holders of unit linked products	**21,818**	-	-	**21,818**
	1,402,843	-	**2,169**	**1,405,012**

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	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 sector	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

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.

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 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 September 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 50,146 thousand for nine months ended 30 September 2016 and AED 50,157 thousand for nine months ended 30 September 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 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 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 September 2015		
	As previously reviewed AED'000	*Reclassification AED'000*	*As reclassified AED'000*
Insurance contract assets (note c)	1,074,452	2,842	1,077,294
Prepayment and other receivables (note c)	48,161	(2,842)	45,319
Insurance contract liabilities (note d)	1,629,701	4,386	1,634,087
Other payables and accruals (note d)	176,941	(4,386)	172,555

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.