Orient Insurance P.J.S.C and its subsidiaries

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2017

Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ORIENT INSURANCE P.J.S.C

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Orient Insurance P.J.S.C and its subsidiaries (the "Group") as of 30 September 2017, which comprise the interim consolidated statement of financial position as of 30 September 2017 and the related interim consolidated statements of profit or loss and other comprehensive income for the three and nine month periods and 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.

For Ernst & Young

Signed by
Anthony O'Sullivan
Partner
Registration No: 687

31 October 2017

Dubai, United Arab Emirates

Orient Insurance P.J.S.C and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	*30 September 2017 AED '000 Unaudited*	*31 December 2016 AED '000 Audited*	*30 September 2016 AED '000 Unaudited*
ASSETS				
Property and equipment		**104,144**	107,491	115,015
Investment in an associate	3	**69,709**	70,000	-
Held to maturity investments	4	**90,159**	65,293	126,512
Available for sale investments	4	**1,279,644**	1,577,029	1,645,882
Investments carried at fair value through profit and loss	4	**11,919**	13,804	16,641
Insurance balances receivable	7	**869,218**	412,626	561,865
Statutory deposits	5	**57,153**	53,969	59,571
Insurance contract assets	6	**2,006,356**	2,581,702	2,678,124
Other receivables and prepayments	8	**104,984**	45,177	73,572
Bank deposits	9	**1,806,955**	1,347,827	1,286,638
Cash and cash equivalents	9	**229,264**	350,465	238,333
TOTAL ASSETS		**6,629,505**	6,625,383	6,802,153
EQUITY AND LIABILITIES				
Equity				
Share capital		**500,000**	500,000	500,000
Statutory reserve		**125,000**	125,000	125,000
Legal reserve		**250,000**	250,000	226,596
Exceptional loss reserve		**177,763**	177,763	159,680
General reserve		**658,664**	658,664	509,845
Retained earnings		**325,920**	26,291	266,124
Available-for-sale (AFS) reserve		**469,115**	782,907	857,301
Foreign currency translation reserve		**(84,863)**	(85,814)	(57,816)
Proposed dividends		**-**	100,000	-
Equity attributable to equity holders of the parent		**2,421,599**	2,534,811	2,586,730
Non-controlling interests		**27,629**	21,942	38,990
Total Equity		**2,449,228**	2,556,753	2,625,720
Liabilities				
Retirement benefit obligation		**20,324**	17,533	17,565
Reinsurance and other payables	13	**1,170,409**	769,471	772,659
		1,190,733	787,004	790,224
INSURANCE CONTRACT LIABILITIES				
Outstanding claims	6	**882,466**	1,921,525	1,907,878
Premium collected in advance	6	**86,370**	93,054	94,188
Unearned premium and unexpired risk reserve	6	**1,375,847**	870,872	1,042,981
Claims incurred but not reported reserve	6	**421,236**	227,543	201,867
Allocated loss adjustment expense reserve	6	**17,016**	16,254	11,840
Unallocated loss adjustment expense reserve	6	**7,543**	6,288	6,289
Mathematical reserve	6	**156,728**	120,154	99,348
Unit-linked funds' reserve	6	**42,338**	25,936	21,818
Total insurance contract liabilities		**2,989,544**	3,281,626	3,386,209
Total liabilities		**4,180,277**	4,068,630	4,176,433
TOTAL EQUITY AND LIABILITIES		**6,629,505**	6,625,383	6,802,153

President - Orient Group
31 October 2017

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

Orient Insurance P.J.S.C and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three and nine months ended 30 September 2017

		Three months ended 30 September Unaudited		*Nine months ended 30 September Unaudited*	
	Notes	***2017 AED '000***	*2016 AED '000*	***2017 AED '000***	*2016 AED '000*
Gross premiums written		**745,954**	604,823	**2,914,717**	2,085,385
Reinsurance share of ceded premiums		**(480,904)**	(396,420)	**(1,967,710)**	(1,446,132)
Net premium written		**265,050**	208,403	**947,007**	639,253
Net transfer to unearned premium reserve/ mathematical reserve		**7,796**	(13,749)	**(221,155)**	(86,937)
Net premium earned		**272,846**	194,654	**725,852**	552,316
Commission income		**55,049**	51,295	**199,905**	148,677
Commission expense		**(63,378)**	(59,122)	**(204,803)**	(151,006)
Gross underwriting income		**264,517**	186,827	**720,954**	549,987
Gross claims paid		**390,735**	375,237	**2,349,454**	1,056,669
Reinsurance share of claims paid		**(304,922)**	(292,037)	**(2,040,847)**	(810,095)
Net claims paid		**85,813**	83,200	**308,607**	246,574
Increase/(decrease) in provisions for outstanding claims		**51,307**	30,741	**(1,041,698)**	728,906
(Decrease)/increase in reinsurance share of outstanding claims		**(36,128)**	(20,344)	**1,028,965**	(711,293)
Increase in incurred but not reported claims reserves		**54,543**	5,310	**72,638**	6,497
Increase in loss adjustment expense reserve		**470**	353	**1,347**	7,140
Net claims incurred		**156,005**	99,260	**369,859**	277,824
Net underwriting income		**108,512**	87,567	**351,095**	272,163
Income from investments	20	**26,310**	21,468	**118,041**	115,757
Other income		**1,872**	2,363	**5,445**	9,384
Share of loss from associate		**(291)**	-	**(991)**	-
Total income		**136,403**	111,398	**473,590**	397,304
General and administrative expenses		**(55,831)**	(48,145)	**(166,962)**	(133,999)
Profit before tax		**80,572**	63,253	**306,628**	263,305
Income tax (credit) expenses net of deferred taxes	14	**207**	(573)	**(1,596)**	(1,220)
Profit after tax		**80,779**	62,680	**305,032**	262,085
Attributable to :					
Equity holders of parent		**78,560**	59,659	**299,629**	252,006
Non-controlling interests		**2,219**	3,021	**5,403**	10,079
Total profit for the period		**80,779**	62,680	**305,032**	262,085
Basic and diluted earnings per share (AED) attributable to equity holders of the parent"	19	**15.71**	11.93	**59.93**	50.40

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2017

	Three months ended 30 September Unaudited		*Nine months ended 30 September Unaudited*	
	2017 AED '000	*2016 AED '000*	***2017 AED '000***	*2016 AED '000*
Profit after tax	**80,779**	62,680	**305,032**	262,085
Other comprehensive income *Other comprehensive income to be reclassified to profit and loss in subsequent periods:*				
Net unrealised (loss) from investments through other comprehensive income	**(78,746)**	(24,626)	**(313,792)**	(197,786)
Exchange difference on translation of foreign operations	**991**	(12,647)	**1,744**	(22,376)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**3,024**	25,407	**(7,016)**	41,923
Attributable to:				
Shareholders of the parent company	**306**	29,747	**(13,212)**	43,342
Non-controlling interests	**2,718**	(4,340)	**6,196**	(1,419)
	3,024	25,407	**(7,016)**	41,923

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2017

	Notes	*Nine months ended* *30 September 2017* *AED '000* *Unaudited*	*30 September 2016* *AED '000* *Unaudited*
OPERATING ACTIVITIES			
Profit before tax for the period		**306,628**	263,305
Adjustments for:			
Depreciation		**5,517**	6,383
Gain on sale of office equipment and vehicles		**1**	21
Interest income	20	**(69,891)**	(62,524)
Dividend income	20	**(50,035)**	(50,146)
Share of associate's results		**991**	-
Unrealised loss/(gain) on investments at fair value through profit or loss		**1,885**	(3,087)
		195,096	153,952
Working capital changes:			
Increase in insurance receivables		**(456,592)**	(114,728)
Decrease / (increase) in insurance contract assets		**575,346**	(859,348)
Increase in other receivables and prepayments		**(56,412)**	(34,572)
(Decrease)/increase in other insurance contract liabilities		**(292,082)**	950,037
Increase in reinsurance and other payables		**397,292**	106,415
Increase in retirement benefit obligation		**2,791**	1,836
Income tax paid	14	**(1,345)**	(3,541)
Net cash from operating activities		**364,094**	200,051
INVESTING ACTIVITIES			
Purchase of property and equipment		**(2,168)**	(2,822)
Proceeds from sale of property and equipment		**-**	83
Interest income		**69,891**	62,524
Dividend income		**50,035**	50,146
Deposits with banks		**(462,312)**	(63,937)
Movement in investment in associate		**(700)**	-
Purchase of held to maturity investments		**(59,970)**	(40,094)
Purchase of available-for-sale investments		**(44,678)**	(27,265)
Sale of held to maturity investments		**38,459**	43,707
Sale of available-for-sale investments		**29,986**	19,551
Foreign exchange differences		**(5,073)**	-
Net cash (used in)/from investing activities		**(386,530)**	41,893
FINANCING ACTIVITIES			
Dividend paid		**(100,000)**	(100,000)
Dividend paid to non - controlling interest		**(509)**	(606)
Net cash used in financing activities		**(100,509)**	(100,606)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(122,945)**	141,338
Cash and cash equivalents as at the beginning of the period		**350,465**	119,371
Movement in foreign currency translation reserve		**1,744**	(22,376)
CASH AND CASH EQUIVALENTS AT THE PERIOD ENDED 30 SEPTEMBER 2017		**229,264**	238,333

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	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 2017 (Audited)	500,000	125,000	250,000	177,763	658,664	26,291	782,907	(85,814)	100,000	2,534,811	21,942	2,556,753
Profit for the period	-	-	-	-	-	299,629	-	-	-	299,629	5,403	305,032
Other comprehensive income/ (expense) for the year	-	-	-	-	-	-	(313,792)	951	-	(312,841)	793	(312,048)
Total comprehensive income	-	-	-	-	-	299,629	(313,792)	951	-	(13,212)	6,196	(7,016)
Dividend paid	-	-	-	-	-	-	-	-	(100,000)	(100,000)	(509)	(100,509)
At 30 September 2017 (Unaudited)	500,000	125,000	250,000	177,763	658,664	325,920	469,115	(84,863)	-	2,421,599	27,629	2,449,228

The attached notes 1 to 21 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	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/ (expense) for the year	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	(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 21 form part of these interim condensed consolidated financial statements.

1 ACTIVITIES

Orient Insurance P.J.S.C (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 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 2017*	*Ownership 2016*
Arab Orient Insurance Company	General insurance	Syria	40%	40%
Orient Takaful Company (S.A.E)	General insurance	Egypt	60%	60%
Orient Insurance Limited	General insurance	Srilanka	100%	100%
Orient Sigorta Anomin Sirketi	General insurance	Turkey	100%	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 2017 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 2016.

Changes in accounting estimates
The accounting policies are consistent with those 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 2016.

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.

These interim 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 2016. In addition, results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

3 INVESTMENT IN AN ASSOCIATE

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Share at cost	**70,000**	70,000	-
The Group's share of post-acquisition reserves:			
As at 1 January	**70,000**	-	-
Share premium	**700**	-	-
Share of results for the period	**(991)**	-	-
As at 30 September	**69,709**	70,000	-

4 INVESTMENT SECURITIES

	30 September 2017 (Unaudited)			
	Held for trading AED'000	***Held to maturity AED'000***	***Available for sale AED'000***	***Total AED'000***
Equity Securities				
Within UAE (Listed)	**11,919**	-	**978,367**	**990,286**
Within UAE (Not Listed)	-	-	**275,224**	**275,224**
Outside UAE (Not Listed)	-	-	**14,451**	**14,451**
Total equity Securities	**11,919**	-	**1,268,042**	**1,279,961**
Total other invested assets	-	**90,159**	**11,602**	**101,761**
Total	**11,919**	**90,159**	**1,279,644**	**1,381,722**

	31 December 2016			
	Held for trading AED'000	*Held to maturity AED'000*	*Available for sale AED'000*	*Total AED'000*
Equity Securities				
Within UAE (Listed)	13,804	-	1,292,159	1,305,963
Within UAE (Not listed)	-	-	260,809	260,809
Outside UAE (Not listed)	-	-	9,273	9,273
Total equity securities	13,804	-	1,562,241	1,576,045
Total other invested assets	-	65,293	14,788	80,081
Total	13,804	65,293	1,577,029	1,656,126

4 INVESTMENT SECURITIES (continued)

	30 September 2016 (Unaudited)			
	Held for trading AED'000	*Held to maturity AED'000*	*Available for sale AED'000*	*Total AED'000*
Equity Securities				
Within UAE (Listed)	14,472	-	1,366,553	1,381,025
Within UAE (Not Listed)	-	-	258,419	258,419
Outside UAE (Not Listed)	2,169	-	7,545	9,714
Total equity Securities	16,641	-	1,632,517	1,649,158
Total other invested assets	-	126,512	13,365	139,877
Total	16,641	126,512	1,645,882	1,789,035

5 STATUTORY DEPOSITS

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
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	**18,393**	18,155	18,155
c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478	478
d) Amounts under lien with Insurance Authority Syria	**178**	178	178
e) Amounts under lien with Egyptian Financial Supervisory Authority	**18,220**	17,486	22,421
f) Amounts under lien with Turkish Treasury, Turkey	**9,155**	6,943	7,610
g) Amounts under lien with Central Bank of Bahrain	**729**	729	729
Total	**57,153**	53,969	59,571

6 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	Gross		Reinsurers' share		Net	
	2017 AED '000 (Unaudited)	*2016 AED '000 (Audited)*	**2017 AED '000 (Unaudited)**	*2016 AED '000 (Audited)*	**2017 AED '000 (Unaudited)**	*2016 AED '000 (Audited)*
Gross premiums	**2,914,717**	2,085,385	**1,967,710**	1,446,132	**947,007**	639,253
Movement in provision for unearned premiums mathematical reserve	**(555,275)**	(99,968)	**(334,120)**	(13,031)	**(221,155)**	(86,937)
Insurance premium revenue	**2,359,442**	1,985,417	**1,633,590**	1,433,101	**725,852**	552,316

	Gross			Reinsurers' share			Net		
	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*	**30 September 2017 AED '000 (Unaudited)**	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*	**30 September 2017 AED '000 (Unaudited)**	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Unearned premium reserve	**1,375,847**	870,872	1,042,981	**912,723**	563,786	702,741	**463,124**	307,086	340,240
Advance premium	**86,370**	93,054	94,188	**73,640**	78,528	79,091	**12,730**	14,526	15,097
Mathematical premium	**156,728**	120,154	99,348	**14,196**	28,102	27,186	**142,532**	92,052	72,162
Unit linked funds reserve	**42,338**	25,936	21,818	**-**	-	-	**42,338**	25,936	21,818
	1,661,283	1,110,016	1,258,335	**1,000,559**	670,416	809,018	**660,724**	439,600	449,317
Outstanding claims	**882,466**	1,921,525	1,907,878	**695,804**	1,723,018	1,704,375	**186,662**	198,507	203,503
Incurred but not reported reserve	**421,236**	227,543	201,867	**295,347**	174,292	155,276	**125,889**	53,251	46,591
Allocated loss adjustment expense reserve	**17,016**	16,254	11,840	**14,646**	13,976	9,455	**2,370**	2,278	2,385
Unallocated loss adjustment expense reserve	**7,543**	6,288	6,289	**-**	-	-	**7,543**	6,288	6,289
	1,328,261	2,171,610	2,127,874	**1,005,797**	1,911,286	1,869,106	**322,464**	260,324	258,768
	2,989,544	3,281,626	3,386,209	**2,006,356**	2,581,702	2,678,124	**983,188**	699,924	708,085

7 INSURANCE BALANCES RECEIVABLE

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Inside UAE:			
Due from policyholders	**690,473**	310,797	460,237
Due from insurance / reinsurance companies	**43,436**	21,880	22,868
Total	**733,909**	332,677	483,105
Outside UAE:			
Due from policyholders	**82,838**	51,050	38,355
Due from insurance / reinsurance companies	**71,604**	46,087	59,032
Total	**154,442**	97,137	97,387
Total insurance receivable	**888,351**	429,814	580,492
Less: Allowance for doubtful debts	**(19,133)**	(17,188)	(18,627)
Total Insurance Receivable (Net)	**869,218**	412,626	561,865

8 OTHER RECEIVABLES AND PREPAYMENTS

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Receivable from employees	**1,842**	1,001	801
Refundable deposits	**4,963**	2,956	3,454
Prepayments	**29,321**	17,976	16,619
Others	**68,858**	23,244	52,698
Total	**104,984**	45,177	73,572

9 CASH AND CASH EQUIVALANTS

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Bank balances and cash	**188,785**	232,732	165,868
Deposits with Banks maturing within three months	**40,479**	117,733	72,465
Cash and cash equivalents	**229,264**	350,465	238,333
Term deposits	**1,806,955**	1,347,827	1,286,638
Total	**2,036,219**	1,698,292	1,524,971
Banks in UAE	**1,817,145**	1,531,839	1,348,877
Banks outside UAE	**219,074**	166,453	176,094
Cash and deposits	**2,036,219**	1,698,292	1,524,971

10 SHARE CAPITAL

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Issued and fully paid 5,000,000 - shares of AED 100 each	**500,000**	500,000	500,000

11 PROPOSED DIVIDENDS

Dividends of AED 20 per share (totaling to AED 100 million) relating to the year 2016 were declared upon approval of the shareholders at the Annual General Meeting and paid during the period (2016: AED 100 million).

12 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 nine month period to 30 September 2017, 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 2017, 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 2017, 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.

13 REINSURANCE AND OTHER PAYABLES

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Payables – Inside UAE	**296,952**	244,998	230,935
Payables – Outside UAE	**873,457**	524,473	541,724
Total	**1,170,409**	769,471	772,659
Inside UAE:			
Insurance / reinsurance companies payable	**55,611**	63,691	74,172
Payable to agents/ brokers	**27,795**	20,465	20,147
Payable to employees	**16,717**	19,444	17,213
Other payables	**196,829**	141,398	119,403
Total	**296,952**	244,998	230,935
Outside UAE:			
Insurance / reinsurance Companies payable	**815,442**	491,359	509,032
Payable to agents/ brokers	**4,537**	2,495	2,765
Payable to employees	**1,661**	1,542	6,429
Other payables	**51,817**	29,077	23,498
Total	**873,457**	524,473	541,724

14 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 comprehensive income is as follows:

	30 September 2017 AED '000 (Unaudited)	*30 September 2016 AED '000 (Unaudited)*
Current income tax expense	**4,991**	3,933
Deferred taxes	**(3,395)**	(2,713)
Total	**1,596**	1,220

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
As at 1 January	**1,724**	5,111	5,111
Provisions during the period	**4,991**	4,657	3,933
Payments	**(1,345)**	(6,593)	(3,541)
Exchange differences	**125**	(1,451)	(697)
Balance as at the end of the period	**5,495**	1,724	4,806

15 SEGMENT INFORMATION

15.1 SEGMENTAL INCOME, EXPENSES AND RESULTS

	General insurance		*Life insurance*		*Total (Unaudited)*	
	30 September 2017 (Unaudited)	*30 September 2016 (Unaudited)*	***30 September 2017 (Unaudited)***	*30 September 2016 (Unaudited)*	***30 September 2017 (Unaudited)***	*30 September 2016 (Unaudited)*
Total premiums written	**2,629,402**	1,865,523	**285,315**	219,862	**2,914,717**	2,085,385
Gross underwriting income	**658,484**	493,555	**62,470**	56,432	**720,954**	549,987
Net underwriting income	**312,453**	230,929	**38,642**	41,234	**351,095**	272,163
General and administration expenses	**(139,480)**	(108,786)	**(27,482)**	(25,213)	**(166,962)**	(133,999)
Net technical profit	**172,973**	122,143	**11,160**	16,021	**184,133**	138,164
Investment and other income	**119,545**	123,028	**2,950**	2,113	**122,495**	125,141
Profit before tax	**292,518**	245,171	**14,110**	18,134	**306,628**	263,305
Income tax expense net of deferred taxes					**(1,596)**	(1,220)
Profit after tax					**305,032**	262,085

15 SEGMENT INFORMTION (continued)

15.2 SEGMENT ASSETS & LIABILITIES

	General insurance			*Life insurance*			*Investments*			*Total*		
	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*	***30 September 2017 AED '000 (Unaudited)***	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*	***30 September 2017 AED '000 (Unaudited)***	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*	***30 September 2017 AED '000 (Unaudited)***	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Segment assets	**2,975,909**	3,258,690	3,489,979	**338,057**	238,771	236,501	**3,315,539**	3,127,922	3,075,673	**6,629,505**	6,625,383	6,802,153
Segment liabilities	**3,717,115**	3,738,195	3,861,085	**463,162**	330,435	315,348	-	-	-	**4,180,277**	4,068,630	4,176,433

16 CONTINGENT LIABILITIES

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Guarantees			
Bank guarantees other than those relating to claims for which provision are held	**5,937**	16,470	9,038

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

	30 September 2017 AED '000 (Unaudited)	*31 December 2016 AED '000*	*30 September 2016 AED '000 (Unaudited)*
Commitment for investments	**7,866**	11,057	11,057

17 FAIR VALUE MEASUREMENT

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:

30 September 2017 (Unaudited)	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total fair value AED'000***
Financial assets held-for-trading:				
Equity securities	**11,919**	**-**	**-**	**11,919**
Financial assets designated at fair value through profit or loss:				
Equity securities	**-**	**-**	**-**	**-**
Available-for-sale financial assets:				
Banking sector	**973,670**	**-**	**200,000**	**1,173,670**
Other sectors	**16,299**	**-**	**47,337**	**63,636**
	989,969	**-**	**247,337**	**1,237,306**
Equity securities				
Investments held on behalf of policy holders of unit linked products	**42,338**	**-**	**-**	**42,338**
	1,032,307	**-**	**247,337**	**1,279,644**

17 FAIR VALUE MEASUREMENT (continued)

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

31 December 2016	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total fair value AED'000*
Financial assets held-for-trading:				
Equity securities	13,804	-	-	13,804
Financial assets designated at fair value through profit or loss:				
Equity securities	-	-		-
Available-for-sale financial assets:				
Banking sector	1,288,316	-	200,000	1,488,316
Other sectors	18,631	-	44,146	62,777
	1,306,947	-	244,146	1,551,093
Equity securities:				
Investments held on behalf of policy holders of unit linked products	25,936	-	-	25,936
	1,332,883	-	244,146	1,577,029

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.

17 FAIR VALUE MEASUREMENT (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 2017 (Unaudited)

	At 1 January 2017 AED '000	***Total gain or loss recorded in profit or loss AED '000***	***Purchase AED '000***	***Sales AED '000***	***Total gain or loss recorded equity AED '000***	***At 30 September 2017 AED '000***
Available-for-sale financial assets:						
Banking sector	**200,000**	-	-	-	-	**200,000**
Other sectors	**44,146**	-	**3,191**	-	-	**47,337**
Total	**244,146**	-	**3,191**	-	-	**247,337**

31 December 2016

	At 1 January 2016 AED '000	*Total gain or loss recorded in profit or loss AED '000*	*Purchase AED '000*	*Sales AED '000*	*Total gain or loss recorded equity AED '000*	*At 31 December 2016 AED '000*
Available-for-sale financial assets:						
Banking sector	200,000	-	-	-	-	200,000
Other sectors	38,698	-	5,448	-	-	44,146
Total	238,698	-	5,448	-	-	244,146
Financial assets designated at fair value through profit or loss						
Equity Securities	2,148	8	-	2,156	-	-
Total	2,148	8	-	2,156	-	-

18 SEASONALITY OF RESULTS

Dividend income amounting to AED 50,035 thousand for nine months ended 30 September 2017 and AED 50,146 thousand for nine months ended 30 September 2016 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 2017 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 2017.

19 BASIC AND DILUTED EARNINGS PER SHARE

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

	Three months ended 30 September 2017 AED '000 (Unaudited)	*Three months ended 30 September 2016 AED '000 (Unaudited)*	***Nine months ended 30 September 2017 AED '000 (Unaudited)***	*Nine months ended 30 September 2016 AED '000 (Unaudited)*
Profit after tax for the year	**80,779**	62,680	**305,032**	262,085
Less: Attributable to minority interest	**(2,219)**	(3,021)	**(5,403)**	(10,079)
Profit attributable to shareholders	**78,560**	59,659	**299,629**	252,006
Weighted average number of shares outstanding during the year ('000)	**5,000**	5,000	**5,000**	5,000
Earnings per share (AED)	**15.71**	11.93	**59.93**	50.40

20 INCOME FROM INVESTMENTS

	Three months ended 30 September 2017 AED '000 (Unaudited)	*Three months ended 30 September 2016 AED '000 (Unaudited)*	***Nine months ended 30 September 2017 AED '000 (Unaudited)***	*Nine months ended 30 September 2016 AED '000 (Unaudited)*
Interest income	**26,283**	20,713	**69,891**	62,524
Dividend income	**27**	504	**50,035**	50,146
Fair value (loss)/gain on investments carried at fair value through profit or loss	-	251	**(1,885)**	3,087
Income from investments	**26,310**	21,468	**118,041**	115,757

21 RECLASSIFICATIONS

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

	30 September 2016		
	As previously reviewed AED '000	*Reclassification AED '000*	*As reclassified AED '000*
Insurance contract assets (a)	2,599,033	79,091	2,678,124
Insurance contract liabilities (b)	3,292,021	94,188	3,386,209
Retirement benefit obligations (c)	-	17,565	17,565
Reinsurance balances & other payables and accruals (a,b &c)	805,321	(32,662)	772,659

a. Reinsurance share of premium collected in advance of AED 79,091 thousand is classified and presented in insurance contract assets from reinsurance and other payable.
b. Net premium collected in advance of AED 15,097 thousand is classified and presented in insurance contract liabilities from reinsurance and other payables.
c. Retirement benefit obligations of AED 17,565 thousand has been reclassified from reinsurance and other payables and separately disclosed in the consolidated statement of financial position.