Orient Insurance Company (PJSC)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Orient Insurance Company (PJSC) and its subsidiaries (the "Group") as of 30 September 2014 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim condensed consolidated changes in equity and cash flows for the nine-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

28 October 2014
Dubai, United Arab Emirates

Orient Insurance Company (PJSC) and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	*30 September 2014 AED'000 (Unaudited)*	*31 December 2013 AED'000 (Audited)*	*30 September 2013 AED'000 (Unaudited)*
ASSETS				
Property and equipment		**125,070**	123,582	121,853
Investment securities	4	**1,435,617**	1,006,146	880,405
Insurance contract assets	10	**1,010,394**	883,427	884,604
Insurance receivables		**331,971**	291,799	257,837
Prepayment and other receivables		**35,250**	15,054	30,551
Deposits with banks	5	**1,091,643**	1,008,931	991,246
Cash and cash equivalents	6	**185,287**	101,887	82,622
TOTAL ASSETS		**4,215,232**	3,430,826	3,249,118
EQUITY AND LIABILITIES				
Equity				
Share capital	7	**500,000**	405,000	405,000
Statutory reserve	8	**101,250**	101,250	101,250
Legal reserve	8	**175,452**	175,452	152,331
Exceptional loss reserve	8	**123,100**	123,100	107,740
General reserve	8	**310,603**	405,603	293,434
Retained earnings		**229,165**	15,010	219,852
Available-for-sale reserve	8	**748,704**	358,464	238,410
Foreign currency translation reserve	8	**(34,950)**	(32,573)	(29,911)
Proposed dividends	9	**-**	81,000	-
Equity attributable to equity holders of the parent		**2,153,324**	1,632,306	1,488,106
Non-controlling interest		**42,336**	36,806	33,319
Total equity		**2,195,660**	1,669,112	1,521,425
Liabilities				
Insurance contract liabilities	10	**1,453,163**	1,276,391	1,257,302
Reinsurance payables		**288,840**	232,279	256,728
Amounts held under reinsurance treaties		**148,052**	124,771	123,599
Other payables and accruals		**125,865**	126,350	87,940
Payable to policy holders of unit linked products		**3,652**	1,923	2,124
Total liabilities		**2,019,572**	1,761,714	1,727,693
TOTAL EQUITY AND LIABILITIES		**4,215,232**	3,430,826	3,249,118

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 28 October 2014.

President- Orient Group

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ending 30 September 2014 (Unaudited)

	Note	Three months ended 30 September 2014 AED'000	Three months ended 30 September 2013 AED'000	Nine months ended 30 September 2014 AED'000	Nine months ended 30 September 2013 AED'000
UNDERWRITING INCOME					
Gross premiums					
Insurance contracts premium		**415,680**	374,630	**1,356,637**	1,217,381
Movement in provision for unearned premium		**(22,620)**	(12,268)	**(90,327)**	(57,499)
Insurance premium revenue		**393,060**	362,362	**1,266,310**	1,159,882
Less: Reinsurers' share of premium					
Insurance contracts premium		**295,028**	270,804	**953,750**	856,263
Movement in provision for unearned premium		**(12,376)**	(5,468)	**(56,369)**	(29,488)
		282,652	265,336	**897,381**	826,775
Net insurance premium revenue		**110,408**	97,026	**368,929**	333,107
Commission income		**42,732**	36,573	**128,410**	107,005
Total underwriting income		**153,140**	133,599	**497,339**	440,112
UNDERWRITING EXPENSES					
Claims paid		**157,139**	159,501	**402,787**	430,984
Less: re-insurance share		**(107,782)**	(118,106)	**(257,785)**	(296,822)
Net claims		**49,357**	41,395	**145,002**	134,162
Increase in outstanding claims		**3,194**	2,313	**18,099**	16,954
Claims incurred		**52,551**	43,708	**163,101**	151,116
Commission expenses		**29,670**	24,289	**87,153**	71,636
General and administration expenses		**34,966**	27,115	**111,150**	93,133
Total underwriting expenses		**117,187**	95,112	**361,404**	315,885
NET UNDERWRITING INCOME		**35,953**	38,487	**135,935**	124,227
INVESTMENT INCOME					
Interest income		**10,518**	9,483	**30,652**	26,328
Dividend income		**320**	699	**54,882**	54,863
Other income		**2,579**	779	**4,794**	3,324
Fair value gain / (loss) on investments carried at fair value through profit or loss		**610**	919	**(1,938)**	6,188
		14,027	11,880	**88,390**	90,703
PROFIT BEFORE TAXATION		**49,980**	50,367	**224,325**	214,930
Income tax expense	11	**(1,450)**	(2,010)	**(5,763)**	(3,298)
PROFIT FOR THE PERIOD		**48,530**	48,357	**218,562**	211,632
Attributable to:					
Equity holders of the parent		**47,588**	47,373	**214,577**	209,001
Non-controlling interest		**942**	984	**3,985**	2,631
		48,530	48,357	**218,562**	211,632
Basic and diluted earnings per share (AED) attributable to equity holders of the parent	3	**9.52**	9.47	**42.92**	41.80

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the period ending 30 September 2014 (Unaudited)

	Three months ended 30 September		*Nine months ended 30 September*	
	2014	*2013*	***2014***	*2013*
	AED'000	*AED'000*	***AED'000***	*AED'000*
Profit for the period	**48,530**	48,357	**218,562**	211,632
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	**(1,045)**	(10,971)	**(3,532)**	(29,989)
Net unrealised gain on available-for-sale investments	**85,800**	33,217	**390,240**	196,443
Total comprehensive income for the period	**133,285**	70,603	**605,270**	378,086
Attributable to:				
Equity holders of the parent	**132,030**	69,619	**602,440**	375,455
Non-controlling interests	**1,255**	984	**2,830**	2,631
	133,285	70,603	**605,270**	378,086

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2014 (Unaudited)

	Notes	Nine months ended 30 September 2014 AED'000	Nine months ended 30 September 2013 AED'000
OPERATING ACTIVITIES			
Profit before tax for the period		**224,325**	214,930
Adjustments for:			
Depreciation		**6,194**	5,087
Gain on sale of property and equipment		**(37)**	(18)
Interest income		**(30,652)**	(26,328)
Dividend income		**(54,882)**	(54,863)
Unrealised loss / (gain) on investments at fair value through profit or loss		**1,938**	(6,188)
Operating profit before changes in operating assets and liabilities		**146,886**	132,620
Insurance receivables		**(40,172)**	(14,534)
Insurance contract assets		**(126,967)**	(25,138)
Prepayments and other receivables		**(20,196)**	7,845
Insurance contract liabilities		**176,772**	42,297
Reinsurance payables		**56,561**	54,176
Amount held under insurance treaties		**23,281**	5,960
Other payables and accruals		**(5,443)**	(10,700)
Payable to policyholders of unit linked products		**1,729**	(892)
Cash flow from operating activities		**212,451**	191,634
Less: Income tax paid		**(805)**	(2,282)
Net cash from operating activities		**211,646**	189,352
INVESTING ACTIVITIES			
Purchase of property and equipment		**(7,726)**	(1,124)
Proceeds from sale of property and equipment		**81**	141
Interest income		**30,652**	26,328
Dividends received		**54,882**	54,863
Deposits with banks		**(82,712)**	(146,701)
Purchase of available-for-sale investments		**(7,239)**	(743)
Purchase of held to maturity investments		**(34,498)**	(8,004)
Sale of available-for-sale investments		**568**	6,426
Net cash used in investing activities		**(45,992)**	(68,814)
FINANCING ACTIVITIES			
Dividends paid		**(81,000)**	(81,000)
Share capital issued to non controlling interest		**4,661**	-
Statutory payment to employees		**(704)**	-
Dividend paid to non-controlling interest		**(1,679)**	-
Net cash used in financing activities		**(78,722)**	(81,000)
INCREASE IN CASH AND CASH EQUIVALENTS		**86,932**	39,538
Cash and cash equivalents at 1 January		**101,887**	73,073
Movement in foreign currency translation reserve		**(3,532)**	(29,989)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	6	**185,287**	82,622

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014 (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 2014	405,000	101,250	175,452	123,100	405,603	15,010	358,464	(32,573)	81,000	1,632,306	36,806	1,669,112
Profit for the period	-	-	-	-	-	214,577	-	-	-	214,577	3,985	218,562
Other comprehensive income	-	-	-	-	-	-	390,240	(2,377)	-	387,863	(1,155)	386,708
Total comprehensive income	-	-	-	-	-	214,577	390,240	(2,377)	-	602,440	2,830	605,270
Issue of share capital	95,000	-	-	-	(95,000)	-	-	-	-	-	-	-
Increase in share capital	-	-	-	-	-	-	-	-	-	-	4,661	4,661
Statutory payment to employees	-	-	-	-	-	(422)	-	-	-	(422)	(282)	(704)
Dividend paid	-	-	-	-	-	-	-	-	(81,000)	(81,000)	(1,679)	(82,679)
At 30 September 2014	**500,000**	**101,250**	**175,452**	**123,100**	**310,603**	**229,165**	**748,704**	**(34,950)**	**-**	**2,153,324**	**42,336**	**2,195,660**

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the nine months ended 30 September 2014 (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 2013	405,000	101,250	152,331	107,740	293,434	10,851	41,967	(16,160)	81,000	1,177,413	46,926	1,224,339
Profit for the period	-	-	-	-	-	209,001	-	-	-	209,001	2,631	211,632
Other comprehensive income	-	-	-	-	-	-	196,443	(13,751)	-	182,692	(16,238)	166,454
Total comprehensive income	-	-	-	-	-	209,001	196,443	(13,751)	-	391,693	(13,607)	378,086
Dividend paid	-	-	-	-	-	-	-	-	(81,000)	(81,000)	-	(81,000)
At 30 September 2013	405,000	101,250	152,331	107,740	293,434	219,852	238,410	(29,911)	-	1,488,106	33,319	1,521,425

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

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

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

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

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

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 2014 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 2013.

Basis of consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2014.

Subsidiary companies are those companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over their operations. The subsidiary is fully consolidated from the date of formation, being the date on which the Group obtained control and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions, are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

New standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

As required by IAS 34, the nature and the effect of these changes are disclosed below. Several new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies
IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold. The adoption of IFRIC 21 did not have any impact on the interim consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has not been issues but is not yet effective.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the period of 5,000,000 shares (30 September 2013: 4,050,000 shares)

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

4 INVESTMENT SECURITIES

	Carrying value		*Fair value*	
	30 September 2014 AED'000	*31 December 2013 AED'000 (Audited)*	***30 September 2014 AED'000***	*31 December 2013 AED'000 (Audited)*
Investment securities				
At fair value through profit or loss (Note 4.1)	**2,070**	1,902	**2,070**	1,902
Held for trading (Note 4.2)	**13,004**	15,110	**13,004**	15,110
Available for sale (Note 4.3)	**1,312,643**	915,732	**1,312,643**	915,732
Held to maturity (Note 4.4)	**107,900**	73,402	**107,900**	73,402
	1,435,617	1,006,146	**1,435,617**	1,006,146

4.1 INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2014 AED'000	*31 December 2013 AED'000 (Audited)*
Managed portfolios – (outside UAE)	**2,070**	1,902
	2,070	1,902

4.2 INVESTMENT SECURITIES HELD FOR TRADING

	30 September 2014 AED'000	*31 December 2013 AED'000 (Audited)*
Shares – quoted (within UAE)	**13,004**	15,110
	13,004	15,110

4.3 INVESTMENT SECURITIES AVAILABLE FOR SALE

	30 September 2014 AED'000	*31 December 2013 AED'000 (Audited)*
Equity		
Quoted (within UAE)	**1,249,746**	859,464
Quoted – Investment held on behalf of policy holders of unit linked products (within UAE)	**3,652**	1,923
Unquoted (within UAE)	**41,476**	37,226
	1,294,874	898,613
Debt		
Quoted (within UAE)	**9,600**	9,698
Unquoted (outside UAE)	**8,169**	7,421
	17,769	17,119
	1,312,643	915,732

4 INVESTMENT SECURITIES (continued)

4.4 INVESTMENT SECURITIES HELD TO MATURITY

	30 September 2014 AED'000	*31 December 2013 AED'000 (Audited)*
Amortised cost		
Debt – unquoted (outside UAE)	**107,900**	73,402
	107,900	73,402

Debt securities amounting to AED 107,900 thousand (2013: AED 73,402 thousand) include investments under lien to comply with insurance regulatory requirements in Egypt. The investments carry interest at an effective rate of 11.17% per annum. The maturity profile of these debt instruments is shown below:

	30 September 2014		
	Less than 5 years AED'000	***More than 5 years AED'000***	***Total AED'000***
Debt – unquoted (outside UAE)	**107,900**	**-**	**107,900**

	31 December 2013 (Audited)		
	Less than 5 years AED'000	*More than 5 years AED'000*	*Total AED'000*
Debt – unquoted (outside UAE)	73,402	-	73,402
	73,402	-	73,402

5 DEPOSITS WITH BANKS

Deposits with banks include the following:

		30 September 2014 AED'000	*(Audited) 31 December 2013 AED'000*	*30 September 2013 AED'000*
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	**16,303**	17,746	17,746
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478	478
d)	Amounts under lien with Insurance Authority Syria	**613**	650	678
e)	Amounts under lien with Egyptian Financial Supervisory Authority	**36,968**	18,664	18,002
f)	Amounts under lien with Turkish Treasury, Turkey	**10,516**	10,274	-
g)	Fixed term deposits maturing after three months	**1,016,765**	951,119	944,342
		1,091,643	1,008,931	991,246

6 CASH AND CASH EQUIVALENTS

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

	30 September 2014 AED'000	*(Audited) 31 December 2013 AED'000*	*30 September 2013 AED'000*
Bank balances and cash	**100,394**	58,287	67,622
Deposits with banks maturing within three months	**84,893**	43,600	15,000
	185,287	101,887	82,622

7 SHARE CAPITAL

	30 September 2014 AED'000	*(Audited) 31 December 2013 AED'000*	*30 September 2013 AED'000*
Issued and fully paid 5,000,000 shares (2013: 4,050,000 shares) of AED 100 each	**500,000**	405,000	405,000

The shareholders approved an increase in the share capital of AED 95 million by the capitalisation of general reserve in the extraordinary general meeting held on 27 February 2014. The legal formalities in respect of the increase in the share capital were completed during the period.

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 month period 30 September 2014, 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 30 September 2014, 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 30 September 2014, as this will be based on the results for the year.

8 RESERVES (continued)

NATURE AND PURPOSE OF RESERVES (continued)

- **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors and its 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 AED 81 million) relating to the year 2013 were declared upon approval of the shareholders at the Annual General Meeting and paid during the period.

10 INSURANCE CONTRACT ASSETS AND LIABILITIES

	30 September 2014 AED'000	*(Audited) 31 December 2013 AED'000*	*30 September 2013 AED'000*
Insurance contract liabilities			
Unearned premium reserve	**782,948**	693,670	666,778
Deferred acquisition cost	**(858)**	(509)	(506)
Outstanding claims	**671,073**	583,230	591,030
	1,453,163	1,276,391	1,257,302
Reinsurance assets			
Unearned premium reserve	**541,578**	485,614	465,665
Deferred acquisition cost	**(525)**	(193)	(237)
Outstanding claims	**469,341**	398,006	419,176
	1,010,394	883,427	884,604

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 condensed consolidated statement of income is as follows:

	Nine months ended 30 September	
	2014 AED'000	*2013 AED'000*
Current income tax expense	**5,763**	3,298

12 SEGMENT INFORMATION

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

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

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*	
	2014 AED'000	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*
Total underwriting income	**445,805**	406,335	**51,534**	33,777	**497,339**	440,112
Net underwriting income	**119,835**	111,141	**16,100**	13,086	**135,935**	124,227
Total investment income					**88,390**	90,703
Less: income tax					**(5,763)**	(3,298)
Profit for the period					**218,562**	211,632

	General insurance AED'000	*Life insurance* AED'000	*Investment* AED'000	*Total* AED'000
Segment assets				
30 September 2014	**1,569,186**	**118,786**	**2,527,260**	**4,215,232**
31 December 2013	1,308,176	107,573	2,015,077	3,430,826
Segment liabilities				
30 September 2014	**1,905,786**	**113,786**	**-**	**2,019,572**
31 December 2013	1,659,141	102,573	-	1,761,714

13 CONTINGENT LIABILITIES

	30 September 2014 AED'000	*(Audited) 31 December 2013 AED'000*	*30 September 2013 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**7,823**	9,681	1,578

13 CONTINGENT LIABILITIES (continued)

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

	30 September 2014 AED'000	*(Audited) 31 December 2013 AED'000*	*30 September 2013 AED'000*
Capital commitment			
Commitment for investments	**21,752**	25,463	25,463
Uncalled capital of subsidiary company	**-**	11,101	15,747
	21,752	36,564	41,210

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) prices in active markets for identical assets or liabilities;

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

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

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

	Level 1	***Level 2***	***Level 3***	***Total fair value***
	AED'000	***AED'000***	***AED'000***	***AED'000***
30 September 2014				
Financial assets held-for-trading:				
Equity securities	**13,004**	**-**	**-**	**13,004**
Financial assets designated at fair value through profit or loss				
Equity securities	**-**	**-**	**2,070**	**2,070**
Held-to-maturity financial assets:				
Debt securities	**-**	**107,900**	**-**	**107,900**
Available-for-sale financial assets:				
Equity securities	**1,253,398**	**41,476**	**-**	**1,294,874**
Debt securities	**9,600**	**8,169**	**-**	**17,769**
	1,262,998	**49,645**	**-**	**1,312,643**
	1,276,002	**157,545**	**2,070**	**1,453,617**

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Level 1	*Level 2*	*Level 3*	*Total fair value*
	AED'000	*AED'000*	*AED'000*	*AED'000*
31 December 2013				
Financial assets held-for-trading:				
Equity securities	15,110	-	-	15,110
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	1,902	1,902
Held-to-maturity financial assets:				
Debt securities	-	73,402	-	73,402
Available-for-sale financial assets:				
Equity securities	861,387	37,226	-	898,613
Debt securities	9,698	7,421	-	17,119
	871,085	44,647	-	915,732
	886,195	118,049	1,902	1,006,146

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 2014

	At 1 January 2014 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 2014 AED'000***
Financial assets designated at fair value through profit or loss							
Equity securities	**1,902**	**168**	**-**	**-**	**-**	**-**	**2,070**

31 December 2013

	At 1 January 2013 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*Purchase AED'000*	*Sales AED'000*	*Total gain or loss recorded in equity AED'000*	*Transfer from level 1 AED'000*	*At 31 December 2013 AED'000*
Financial assets designated at fair value through profit or loss							
Equity securities	1,825	77	-	-	-	-	1,902