# Orient Insurance PJSC
# and its subsidiaries

## UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 31 MARCH 2015 (UNAUDITED)

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 consolidated statement of financial position of Orient Insurance PJSC and its subsidiaries (the "Group") as of 31 March 2015 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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 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

20 April 2015

Dubai, United Arab Emirates

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

| | Notes | *31 March 2015 AED'000 Unaudited* | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000 Unaudited* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property and equipment | | **122,826** | 123,453 | 128,634 |
| Investment securities | 4 | **1,910,454** | 1,484,818 | 1,346,015 |
| Insurance contract assets | 10 | **1,065,321** | 993,317 | 930,405 |
| Insurance receivables | | **426,607** | 322,189 | 350,973 |
| Prepayment and other receivables | | **27,471** | 24,472 | 17,091 |
| Deposits with banks | 5 | **999,685** | 1,128,758 | 1,045,895 |
| Cash and cash equivalents | 6 | **146,158** | 237,576 | 77,898 |
| **TOTAL ASSETS** | | **4,698,522** | 4,314,583 | 3,896,911 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 7 | **500,000** | 500,000 | 500,000 |
| Statutory reserve | 8 | **125,000** | 125,000 | 101,250 |
| Legal reserve | 8 | **200,076** | 200,076 | 175,452 |
| Exceptional loss reserve | 8 | **141,170** | 141,170 | 123,100 |
| General reserve | 8 | **390,159** | 390,159 | 310,603 |
| Retained earnings | | **133,105** | 15,274 | 123,488 |
| Available-for-sale (AFS) reserve | 8 | **1,005,439** | 791,235 | 683,714 |
| Foreign currency translation reserve | 8 | **(43,497)** | (37,766) | (32,816) |
| Proposed dividends | 9 | **-** | 100,000 | - |
| **Equity attributable to equity holders of the parent** | | **2,451,452** | 2,225,148 | 1,984,791 |
| Non-controlling interest | | **39,640** | 40,862 | 37,407 |
| **Total equity** | | **2,491,092** | 2,266,010 | 2,022,198 |
| **Liabilities** | | | | |
| Insurance contract liabilities | 10 | **1,558,654** | 1,467,964 | 1,350,308 |
| Reinsurance payables | | **359,309** | 278,875 | 285,276 |
| Amounts held under reinsurance treaties | | **149,777** | 143,941 | 123,691 |
| Other payables and accruals | | **139,690** | 157,793 | 115,438 |
| **Total liabilities** | | **2,207,430** | 2,048,573 | 1,874,713 |
| **TOTAL EQUITY AND LIABILITIES** | | **4,698,522** | 4,314,583 | 3,896,911 |

President- Orient Group

20 April 2015

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED INCOME STATEMENT
For the three months ended 31 March 2015

| | | *Three months ended 31 March Unaudited* | |
|---|---|---|---|
| | | *2015 AED'000* | *2014 AED'000* |
| **UNDERWRITING INCOME** | | | |
| **Gross premiums** | | | |
| Insurance contracts premium | | **586,403** | 407,421 |
| Movement in provision for unearned premium | | **(110,418)** | (36,075) |
| Insurance premium revenue | | **475,985** | 371,346 |
| Less: **Reinsurers' share of premium** | | | |
| Insurance contracts premium | | **410,004** | 273,038 |
| Movement in provision for unearned premium | | **(81,959)** | (25,450) |
| | | **328,045** | 247,588 |
| Net insurance premium revenue | | **147,940** | 123,758 |
| Commission income | | **49,298** | 46,437 |
| **Total underwriting income** | | **197,238** | 170,195 |
| **UNDERWRITING EXPENSES** | | | |
| Claims paid | | **208,176** | 96,704 |
| Less: re-insurance share | | **(150,248)** | (56,402) |
| Net claims | | **57,928** | 40,302 |
| (Decrease) / Increase in outstanding claims | | **(1,125)** | 15,035 |
| Claims incurred | | **56,803** | 55,337 |
| Commission expenses | | **38,725** | 29,562 |
| General and administration expenses | | **40,625** | 38,648 |
| **Total underwriting expenses** | | **136,153** | 123,547 |
| **NET UNDERWRITING INCOME** | | **61,085** | 46,648 |
| **INVESTMENT INCOME** | | | |
| Interest income | | **11,296** | 10,157 |
| Dividend income | | **49,614** | 54,111 |
| Other income | | **3,736** | 1,099 |
| Fair value loss on investments carried at fair value through profit or loss | | **(434)** | (926) |
| | | **64,212** | 64,441 |
| **PROFIT BEFORE TAXATION** | | **125,297** | 111,089 |
| Income tax expense | | **(4,974)** | (1,590) |
| **PROFIT FOR THE PERIOD** | | **120,323** | 109,499 |
| Attributable to: | | | |
| Equity holders of the parent | | **117,831** | 108,478 |
| Non-controlling interests | | **2,492** | 1,021 |
| | | **120,323** | 109,499 |
| Basic and diluted earnings per share (AED) | | | |
| Attributable to equity holders of the parent | 3 | **23.57** | 21.70 |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 31 March 2015

| | *Three months ended 31 March Unaudited* | |
|---|---|---|
| | ***2015 AED'000*** | *2014 AED'000* |
| **Profit for the period** | **120,323** | 109,499 |
| **Other comprehensive income** | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | |
| Exchange differences on translation of foreign operations | **(9,445)** | (663) |
| Net unrealised gains on available-for-sale investments | **214,204** | 325,250 |
| Total comprehensive income for the period | **325,082** | 434,086 |
| Attributable to: | | |
| Equity holders of the parent | **326,304** | 433,485 |
| Non-controlling interests | **(1,222)** | 601 |
| | **325,082** | 434,086 |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended 31 March 2015

| | Notes | *Three months ended 31 March Unaudited* | |
|---|---|---|---|
| | | ***2015 AED'000*** | *2014 AED'000* |
| **OPERATING ACTIVITIES** | | | |
| Profit before tax for the period | | **125,297** | 111,089 |
| Adjustments for: | | | |
| Depreciation | | **1,976** | 2,129 |
| Gain on sale of property and equipment | | **-** | (3) |
| Interest income | | **(11,296)** | (10,157) |
| Dividend income | | **(49,614)** | (54,111) |
| Unrealised loss /(gain) on investments at fair value through profit or loss | | **434** | 926 |
| Operating profit before changes in operating assets and liabilities | | **66,797** | 49,873 |
| Insurance receivables | | **(104,418)** | (59,174) |
| Insurance contract assets | | **(72,004)** | (46,978) |
| Prepayments and other receivables | | **(2,999)** | (2,037) |
| Insurance contract liabilities | | **90,690** | 71,994 |
| Reinsurance payables | | **80,434** | 52,997 |
| Amounts held under reinsurance treaties | | **5,836** | (1,080) |
| Other payables and accruals | | **(23,077)** | (12,502) |
| Net cash from operating activities | | **41,259** | 53,093 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | | **(1,354)** | (7,199) |
| Proceeds from sale of property and equipment | | **5** | 21 |
| Interest income | | **11,296** | 10,157 |
| Deposits with banks | | **129,073** | (36,964) |
| Dividends received | | **49,614** | 54,111 |
| Purchase of held to maturity investments | | **(6,316)** | (11,193) |
| Purchase of available-for-sale investments | | **(207,893)** | (4,499) |
| Sale of available-for-sale investments | | **2,343** | 147 |
| Net cash used in investing activities | | **(23,232)** | 4,581 |
| **FINANCING ACTIVITIES** | | | |
| Dividends paid | | **(100,000)** | (81,000) |
| Net cash (used in) from financing activities | | **(100,000)** | (81,000) |
| **DECREASE IN CASH AND CASH EQUIVALENTS** | | **(81,973)** | (23,326) |
| Cash and cash equivalents at 1 January | | **237,576** | 101,887 |
| Movement in foreign currency translation reserve | | **(9,445)** | (663) |
| **CASH AND CASH EQUIVALENTS AT 31 MARCH** | 6 | **146,158** | 77,898 |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

| | *Attributable to shareholders of the parent* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Share capital AED'000* | *Statutory reserve AED'000* | *Legal reserve AED'000* | *Exceptional loss reserve AED'000* | *General reserve AED'000* | *Retained earnings AED'000* | *Available-for-sale (AFS) reserve AED'000* | *Foreign currency translation reserve AED'000* | *Proposed dividend AED'000* | *Total AED'000* | *Non-controlling interests AED'000* | *Total AED'000* |
| As at 1 January 2015 | 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 | - | - | - | - | - | 117,831 | - | - | - | 117,831 | 2,492 | 120,323 |
| Other comprehensive income | - | - | - | - | - | - | 214,204 | (5,731) | - | 208,473 | (3,714) | 204,759 |
| Total comprehensive income | - | - | - | - | - | 117,831 | 214,204 | (5,731) | - | 326,304 | (1,222) | 325,082 |
| Dividend paid | - | - | - | - | - | - | - | - | (100,000) | (100,000) | - | (100,000) |
| **At 31 March 2015** | **500,000** | **125,000** | **200,076** | **141,170** | **390,159** | **133,105** | **1,005,439** | **(43,497)** | **-** | **2,451,452** | **39,640** | **2,491,092** |

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2015

| | *Attributable to shareholders of the parent* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Share capital AED'000 (note 7)* | *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 (note 9)* | *Total AED'000* | *Non-controlling interests AED'000* | *Total AED'000* |
| 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 | - | - | - | - | - | 108,478 | - | - | - | 108,478 | 1,021 | 109,499 |
| Other comprehensive income | - | - | - | - | - | - | 325,250 | (243) | - | 325,007 | (420) | 324,587 |
| Total comprehensive income | - | - | - | - | - | 108,478 | 325,250 | (243) | - | 433,485 | 601 | 434,086 |
| Issue of share capital | 95,000 | - | - | - | (95,000) | - | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | - | - | - | - | (81,000) | (81,000) | - | (81,000) |
| At 31 March 2014 | 500,000 | 101,250 | 175,452 | 123,100 | 310,603 | 123,488 | 683,714 | (32,816) | - | 1,984,791 | 37,407 | 2,022,198 |

The attached notes 1 to 15 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. 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 Group.

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

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

| *Subsidiary* | *Principal activity* | *Country of incorporation* | *Ownership* |
|---|---|---|---|
| Arab Orient Insurance Company | General insurance | Syria | 40% |
| Orient Takaful Company (S.A.E.) | General insurance | Egypt | 60% |
| Orient Insurance Limited | General insurance | Sri Lanka | 100% |
| Orient Sigorta Anomin Sirketi | General insurance | Turkey | 100% |

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

**Basis of preparation**
The interim condensed consolidated financial statements for the three months ended 31 March 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 2014.

**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 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

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

***Amendments to IAS 19 Defined Benefit Plans: Employee Contributions***
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

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

**Annual Improvements 2010-2012 Cycle**
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

*IFRS 2 Share-based Payment*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

These amendments are not relevant to the Group and thus do not impact the Group's accounting policies.

*IFRS 3 Business Combinations*
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

*IFRS 8 Operating Segments*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12 and thus this amendment does not impact the Group's accounting policy.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

*IAS 24 Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

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

**Annual Improvements 2010-2012 Cycle:**
*IFRS 3 Business Combinations*
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

Orient Insurance PJSC has no joint arrangements, and thus this amendment is not relevant for the Group and its subsidiaries.

*IFRS 13 Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). This amendment does not impact the accounting policy of the Group.

*IAS 40 Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment is not relevant for the Group as it does not have any investment properties. Thus, this amendment does not impact the accounting policy of the Group.

## 3 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 31 March Unaudited*** | |
|---|---|---|
| | ***2015 AED'000*** | *2014 AED'000* |
| Profit after tax for the year | **120,323** | 109,499 |
| Less: Attributable to minority interest | **(2,492)** | (1,021) |
| Profit attributable to shareholders | **117,831** | 108,478 |
| Weighted average number of shares outstanding during the year ('000) | **5,000** | 5,000 |
| Earnings per share (AED) | **23.57** | 21.70 |

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* | | |
|---|---|---|---|---|---|---|
| | ***31 March 2015 AED'000*** | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* | ***31 March 2015 AED'000*** | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
| Investment securities | | | | | | |
| At fair value through profit or loss (Note 4.1) | **2,131** | 2,136 | 1,978 | **2,131** | 2,136 | 1,978 |
| Held for trading (Note 4.2) | **11,041** | 11,470 | 14,108 | **11,041** | 11,470 | 14,108 |
| Available for sale (Note 4.3) | **1,778,824** | 1,359,070 | 1,245,334 | **1,778,824** | 1,359,070 | 1,245,334 |
| Held to maturity (Note 4.4) | **118,458** | 112,142 | 84,595 | **118,458** | 112,142 | 84,595 |
| | **1,910,454** | 1,484,818 | 1,346,015 | **1,910,454** | 1,484,818 | 1,346,015 |

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

| | ***31 March 2015 AED'000*** | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| Managed portfolios – (outside UAE) | **2,131** | 2,136 | 1,978 |
| | **2,131** | 2,136 | 1,978 |

## 4.2 INVESTMENT SECURITIES HELD FOR TRADING

| | ***31 March 2015 AED'000*** | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| Shares – quoted (within UAE) | **11,041** | 11,470 | 14,108 |
| | **11,041** | 11,470 | 14,108 |

### 4.3 INVESTMENT SECURITIES AVAILABLE FOR SALE

| | *31 March 2015 AED'000* | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| *Equity* | | | |
| Quoted (within UAE) | **1,515,023** | 1,292,408 | 1,184,824 |
| Quoted – Investment held on behalf of policy holders of unit linked products (within UAE) | **9,909** | 6,588 | 1,966 |
| Unquoted (within UAE) | **233,390** | 42,028 | 40,925 |
| | **1,758,322** | 1,341,024 | 1,227,715 |
| *Debt* | | | |
| Quoted (within UAE) | **9,865** | 9,625 | 9,695 |
| Unquoted (outside UAE) | **10,637** | 8,421 | 7,924 |
| | **20,502** | 18,046 | 17,619 |
| | **1,778,824** | 1,359,070 | 1,245,334 |

Unquoted equity 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.

### 4.4 INVESTMENT SECURITIES HELD TO MATURITY

| | *31 March 2015 AED'000* | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| ***Amortised cost*** | | | |
| Debt – unquoted (outside UAE) | **118,458** | 112,142 | 84,595 |
| | **118,458** | 112,142 | 84,595 |

Debt securities amounting to AED 118,458 thousand (2014: AED 112,142 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 (2014: 11.17% per annum). The maturity profile of these debt instruments is shown below:

| | *31 March 2015* | | |
|---|---|---|---|
| | ***Less than 5 years AED'000*** | ***More than 5 years AED'000*** | ***Total AED'000*** |
| Debt – unquoted (outside UAE) | **118,458** | - | **118,458** |

### 4.4 INVESTMENT SECURITIES HELD TO MATURITY (continued)

| | *31 December 2014 Audited* | | |
|---|---|---|---|
| | *Less than 5 years AED'000* | *More than 5 years AED'000* | *Total AED'000* |
| Debt – unquoted (outside UAE) | 112,142 | - | 112,142 |
| | 112,142 | - | 112,142 |

| | *31 March 2014* | | |
|---|---|---|---|
| | *Less than 5 years AED'000* | *More than 5 years AED'000* | *Total AED'000* |
| Debt – unquoted (outside UAE) | 84,595 | - | 84,595 |
| | 84,595 | - | 84,595 |

### 5 DEPOSITS WITH BANKS

Deposits with banks include the following:

| | ***31 March 2015 AED'000*** | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| *Statutory deposits:* | | | |
| a) Statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No.6 of 2007 | **10,000** | 10,000 | 10,000 |
| b) Amounts under lien with Capital Market Authority, Sultanate of Oman towards license of Muscat branch | **21,939** | 21,939 | 16,303 |
| c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC) | **478** | 478 | 478 |
| d) Amounts under lien with Insurance Authority Syria | **434** | 513 | 635 |
| e) Amounts under lien with Egyptian Financial Supervisory Authority | **35,185** | 36,277 | 18,613 |
| f) Amounts under lien with Turkish Treasury, Turkey | **9,599** | 10,264 | 10,303 |
| | **77,635** | 79,471 | 56,332 |
| *Other deposits:* | | | |
| Fixed term deposits maturing after three months | **922,050** | 1,049,287 | 989,563 |
| | **999,685** | 1,128,758 | 1,045,895 |

Interest on bank deposits are ranging from 0.8% to 11.4% (31 December 2014: 0.8% to 11.4%) per annum.

## 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:

| | *31 March 2015 AED'000* | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| Bank balances and cash | **27,222** | 100,541 | 77,898 |
| Deposits with banks maturing within three months | **118,936** | 137,035 | - |
| | **146,158** | 237,576 | 77,898 |

## 7 SHARE CAPITAL

| | *31 March 2015 AED'000* | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| *Issued and fully paid* (5,000,000 shares of AED 100 each) | **500,000** | 500,000 | 500,000 |

The shareholders approved an increase in the share capital of AED 95 million by the capitalisation of general reserve in the extraordinary 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 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 three month period to 31 March 2015, 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 three month period to 31 March 2015, 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 three month period to 31 March 2015, 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.

## 8 RESERVES (continued)

**Nature and purpose of reserves (continued)**

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

This reserve records fair value changes on available-for-sale financial assets.

- **FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

## 9 PROPOSED DIVIDENDS

Dividends of AED 20 per share (totalling to AED 100 million) relating to the year 2014 were declared upon approval of the shareholders at the Annual General Meeting and paid during the period.

## 10 INSURANCE CONTRACT ASSETS AND LIABILITIES

| | *31 March 2015 AED'000* | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| **Insurance contract liabilities** | | | |
| Unearned premium reserve | **906,428** | 807,348 | 729,445 |
| Payable to policy holders of unit linked products | **9,909** | 6,588 | 1,966 |
| Deferred acquisition cost | **(3,234)** | (2,218) | (567) |
| Outstanding claims | **645,551** | 656,246 | 619,464 |
| | **1,558,654** | 1,467,964 | 1,350,308 |
| **Reinsurance assets** | | | |
| Unearned premium reserve | **631,764** | 554,205 | 510,942 |
| Deferred acquisition cost | **(2,731)** | (1,587) | (290) |
| Outstanding claims | **436,288** | 440,699 | 419,753 |
| | **1,065,321** | 993,317 | 930,405 |

## 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:

| | *Three months ended 31 March Unaudited* | |
|---|---|---|
| | *2015 AED'000* | *2014 AED'000* |
| Current income tax expense | **4,974** | 1,590 |

## 11 INCOME TAXES (continued)

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

| | *31 March 2015 AED'000* | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| Provision as at 1 January | **2,427** | 1,840 | 1,840 |
| Provided during the period | **4,974** | 5,798 | 1,590 |
| Taxes paid during the period | **-** | (5,074) | - |
| Exchange differences | **(337)** | (137) | (15) |
| Balance as at the end of the period | **7,064** | 2,427 | 3,415 |

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

## 12 OPERATING SEGMENTS

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

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

Transactions between operating segments are conducted at estimated market rates on an arm's length basis.

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

| | *Three months ended 31 March* | | | | | |
|---|---|---|---|---|---|---|
| | *General insurance* | | *Life insurance* | | *Total* | |
| | *2015 AED'000* | *2014 AED'000* | *2015 AED'000* | *2014 AED'000* | *2015 AED'000* | *2014 AED'000* |
| Total underwriting income | **172,355** | 147,358 | **24,883** | 22,837 | **197,238** | 170,195 |
| Net underwriting income | **54,240** | 34,784 | **6,845** | 11,864 | **61,085** | 46,648 |
| Total investment income | | | | | **64,212** | 64,441 |
| Less:- Income Tax | | | | | **(4,974)** | (1,590) |
| Profit for the period | | | | | **120,323** | 109,499 |

## 12 OPERATING SEGMENTS (continued)

| | General Insurance | | Life Insurance | | Investments | | Total | |
|---|---|---|---|---|---|---|---|---|
| | ***31 March 2015 AED'000*** | *31 December 2014 AED'000* | ***31 March 2015 AED'000*** | *31 December 2014 AED'000* | ***31 March 2015 AED'000*** | *31 December 2014 AED'000* | ***31 March 2015 AED'000*** | *31 December 2014 AED'000* |
| Segment assets | **1,612,175** | 1,533,066 | **176,208** | 167,941 | **2,910,139** | 2,613,576 | **4,698,522** | 4,314,583 |
| Segment liabilities | **2,036,222** | 1,885,632 | **171,208** | 162,941 | - | - | **2,207,430** | 2,048,573 |

## 13 CONTINGENT LIABILITIES

| | ***31 March 2015 AED'000*** | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| *Guarantees* | | | |
| Bank guarantees other than those relating to claims for which provisions are held | **19,407** | 19,550 | 7,856 |

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

| | ***31 March 2015 AED'000*** | *31 December 2014 AED'000 Audited* | *31 March 2014 AED'000* |
|---|---|---|---|
| *Capital commitment* | | | |
| Commitment for investments | **21,771** | 21,771 | 21,762 |
| Uncalled capital of subsidiary company | - | - | 11,070 |
| | **21,771** | 21,771 | 32,832 |

## 14 FAIR VALUE OF FINANCIAL INSTRUMENTS

**A. Determination of fair value and fair value hierarchy**
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

## 14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

| | *Level 1* | *Level 2* | *Level 3* | *Total fair value* |
|---|---|---|---|---|
| *31 March 2015* | *AED'000* | *AED'000* | *AED'000* | *AED'000* |
| **Financial assets held-for-trading:** | | | | |
| Equity securities | **11,041** | - | - | **11,041** |
| **Financial assets designated at fair value through profit or loss:** | | | | |
| Equity securities | - | - | **2,131** | **2,131** |
| **Available-for-sale financial assets:** | | | | |
| Equity securities | **1,524,932** | - | - | **1,524,932** |
| Debt securities | **9,865** | - | - | **9,865** |
| | **1,545,838** | - | **2,131** | **1,547,969** |

| | *Level 1* | *Level 2* | *Level 3* | *Total fair value* |
|---|---|---|---|---|
| *31 December 2014* | *AED'000* | *AED'000* | *AED'000* | *AED'000* |
| Financial assets held-for-trading: | | | | |
| Equity securities | 11,470 | - | - | 11,470 |
| Financial assets designated at fair value through profit or loss: | | | | |
| Equity securities | - | - | 2,136 | 2,136 |
| Available-for-sale financial assets: | | | | |
| Equity securities | 1,298,996 | - | - | 1,298,996 |
| Debt securities | 9,625 | - | - | 9,625 |
| | 1,320,091 | - | 2,136 | 1,322,227 |

**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.

## 14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

**Financial instruments recorded at fair value (continued)**
Non market observable inputs means that fair values are determined in whole part or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data.

**Movements in level 3 financial instruments measured at fair value**
The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

*31 March 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 March 2015 AED'000* |
|---|---|---|---|---|---|---|---|
| **Financial assets designated at fair value through profit or loss** | | | | | | | |
| **Equity securities** | **2,136** | **(5)** | **-** | **-** | **-** | **-** | **2,131** |
| **Total** | **2,136** | **(5)** | **-** | **-** | **-** | **-** | **2,131** |

*31 December 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 31 December 2014 AED'000* |
|---|---|---|---|---|---|---|---|
| Financial assets designated at fair value through profit or loss | | | | | | | |
| Equity securities | 1,902 | 234 | - | - | - | - | 2,136 |
| Total | 1,902 | 234 | - | - | - | - | 2,136 |

## 15 SEASONALITY OF RESULTS

Dividend income amounting to AED 49,614 thousand for three months ended 31 March 2015 and AED 54,111 thousand for three months ended 31 March 2014 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 31 March 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 2015.