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

## UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**30 June 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 June 2017, which comprise the interim consolidated statement of financial position as of 30 June 2017 and the related interim consolidated statements of profit or loss and other comprehensive income for the three and six month periods and statements of cash flows and changes in equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

*Scope of Review*

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

*Conclusion*

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

For Ernst & Young

Signed by
Anthony O'Sullivan
Partner
Registration No: 687

3 August 2017

Dubai, United Arab Emirates

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

| | Notes | *30 June 2017 AED '000 Unaudited* | *31 December 2016 AED '000 Audited* | *30 June 2016 AED '000 Unaudited* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property and equipment | | 105,518 | 107,491 | 116,530 |
| Investments in an associate | 3 | 70,000 | 70,000 | - |
| Held to maturity investments | 4 | 63,995 | 65,293 | 130,546 |
| Available for sale investments | 4 | 1,351,761 | 1,577,029 | 1,665,101 |
| Investments carried at fair value through profit and loss | 4 | 11,919 | 13,804 | 16,390 |
| Insurance balances receivable | 7 | 1,026,861 | 412,626 | 570,691 |
| Statutory deposits | 5 | 71,541 | 53,969 | 61,655 |
| Insurance contract assets | 6 | 1,973,873 | 2,581,702 | 2,707,481 |
| Other receivables and prepayments | 8 | 83,397 | 45,177 | 66,658 |
| Bank deposits | 9 | 1,675,090 | 1,347,827 | 1,289,320 |
| Cash and cash equivalents | 9 | 189,219 | 350,465 | 126,557 |
| **TOTAL ASSETS** | | 6,623,174 | 6,625,383 | 6,750,929 |
| **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 | | 247,360 | 26,291 | 206,465 |
| Available-for-sale (AFS) reserve | | 547,861 | 782,907 | 881,927 |
| Foreign currency translation reserve | | (85,355) | (85,814) | (52,530) |
| Proposed dividends | | - | 100,000 | - |
| **Equity attributable to equity holders of the parent** | | 2,421,293 | 2,534,811 | 2,556,983 |
| Non-controlling interests | | 24,911 | 21,942 | 43,330 |
| **Total equity** | | 2,446,204 | 2,556,753 | 2,600,313 |
| **Other liabilities** | | | | |
| Retirement benefit obligation | | 19,458 | 17,533 | 16,820 |
| Reinsurance and other payables | 13 | 1,262,844 | 769,471 | 732,033 |
| | | 1,282,302 | 787,004 | 748,853 |
| **Insurance contract liabilities** | | | | |
| Outstanding claims | 6 | 829,459 | 1,921,525 | 1,886,529 |
| Premium collected in advance | 6 | 88,497 | 93,054 | 104,113 |
| Unearned premium and unexpired risk reserve | 6 | 1,493,228 | 870,872 | 1,089,792 |
| Incurred but not reported reserve | 6 | 261,173 | 227,543 | 196,947 |
| Allocated loss adjustment expense reserve | 6 | 16,585 | 16,254 | 12,196 |
| Unallocated loss adjustment expense reserve | 6 | 7,316 | 6,288 | 6,289 |
| Mathematical reserve | 6 | 161,754 | 120,154 | 87,103 |
| Unit-linked funds' reserve | 6 | 36,656 | 25,936 | 18,794 |
| **Total insurance contract liabilities** | | 2,894,668 | 3,281,626 | 3,401,763 |
| **Total liabilities** | | 4,176,970 | 4,068,630 | 4,150,616 |
| **TOTAL EQUITY AND LIABILITIES** | | 6,623,174 | 6,625,383 | 6,750,929 |

President - Orient Group
3 August 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 six months ended 30 June 2017

| | Notes | *Three months ended 30 June Unaudited* | | *Six months ended 30 June Unaudited* | |
|---|---|---|---|---|---|
| | | *2017 AED '000* | *2016 AED '000* | *2017 AED '000* | *2016 AED '000* |
| Gross premiums written | | 1,176,260 | 734,583 | 2,110,967 | 1,426,279 |
| Inward premiums written | | 40,158 | 18,095 | 57,796 | 54,283 |
| Total gross premiums | | 1,216,418 | 752,678 | 2,168,763 | 1,480,562 |
| Reinsurance share of ceded premiums | | (880,973) | (535,705) | (1,486,806) | (1,049,712) |
| **Net premium written** | | 335,445 | 216,973 | 681,957 | 430,850 |
| Net transfer to unearned premium reserve / mathematical reserve | | (84,516) | (34,245) | (228,951) | (73,188) |
| **Net premium earned** | | 250,929 | 182,728 | 453,006 | 357,662 |
| Commission income | | 69,544 | 47,782 | 144,856 | 97,382 |
| Commission expense | | (69,680) | (47,413) | (141,425) | (91,884) |
| **Gross underwriting income** | | 250,793 | 183,097 | 456,437 | 363,160 |
| Gross claims paid | | 588,755 | 422,133 | 1,938,792 | 663,190 |
| Inward claims paid | | 4,474 | 7,616 | 19,927 | 18,242 |
| Total gross claims paid | | 593,229 | 429,749 | 1,958,719 | 681,432 |
| Reinsurance share of claims paid | | (488,298) | (333,826) | (1,735,925) | (518,058) |
| **Net claims paid** | | 104,931 | 95,923 | 222,794 | 163,374 |
| Increase/(decrease) in provisions for outstanding claims | | 19,570 | 566,380 | (1,093,005) | 698,165 |
| Decrease/(increase) in reinsurance share of outstanding claims | | 480 | (574,858) | 1,065,093 | (690,949) |
| Increase in incurred but not reported claims reserves | | 10,659 | 4,130 | 18,095 | 1,187 |
| (Decrease)/ increase in loss adjustment expense reserve | | (1,571) | (91) | 877 | 6,787 |
| **Net claims incurred** | | 134,069 | 91,484 | 213,854 | 178,564 |
| **Net underwriting income** | | 116,724 | 91,613 | 242,583 | 184,596 |
| Income from investments | 20 | 17,539 | 18,361 | 91,731 | 94,289 |
| Other income | | (248) | 3,902 | 3,573 | 7,021 |
| Share of loss from associate | | (437) | - | (700) | - |
| **Total income** | | 133,578 | 113,876 | 337,187 | 285,906 |
| General and administrative expenses | | (58,509) | (43,060) | (111,131) | (85,854) |
| **Profit before tax** | | 75,069 | 70,816 | 226,056 | 200,052 |
| Income tax net of deferred taxes | 14 | (838) | (782) | (1,803) | (647) |
| **Profit after tax** | | 74,231 | 70,034 | 224,253 | 199,405 |
| Attributable to : | | | | | |
| Equity holders of the parent | | 73,671 | 65,637 | 221,069 | 192,347 |
| Non-controlling interests | | 560 | 4,397 | 3,184 | 7,058 |
| Total profit for the period | | 74,231 | 70,034 | 224,253 | 199,405 |
| Basic and diluted earnings per share (AED) attributable to equity holders of the parent | 19 | 14.73 | 13.13 | 44.21 | 38.47 |

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

# INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

| | Notes | *Three months ended 30 June Unaudited* | | *Six months ended 30 June Unaudited* | |
|---|---|---|---|---|---|
| | | *2017 AED '000* | *2016 AED '000* | *2017 AED '000* | *2016 AED '000* |
| Profit after tax | | **74,231** | 70,034 | **224,253** | 199,405 |
| **Other comprehensive income** | | | | | |
| Other comprehensive income to be reclassified to profit and loss in subsequent periods: | | | | | |
| Net unrealised loss from investments | | **(135,833)** | (148,629) | **(235,046)** | (173,160) |
| Exchange difference on translation of foreign operations | | **459** | (2,357) | **753** | (9,729) |
| **TOTAL COMPREHENSIVE PROFIT/ (LOSS) FOR THE PERIOD** | | **(61,143)** | (80,952) | **(10,040)** | 16,516 |
| Attributable to: | | | | | |
| Shareholders of the parent company | | **(61,642)** | (84,180) | **(13,518)** | 13,595 |
| Non-controlling interests | | **499** | 3,228 | **3,478** | 2,921 |
| | | **(61,143)** | (80,952) | **(10,040)** | 16,516 |

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

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | Notes | Six months ended 30 June 2017 AED '000 Unaudited | 30 June 2016 AED '000 Unaudited |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before tax for the period | | **226,056** | 200,052 |
| Adjustments for: | | | |
| Depreciation | | **3,710** | 4,235 |
| Gain on sale of office equipment and vehicles | 20 | **1** | 23 |
| Interest income | 20 | **(43,608)** | (41,811) |
| Dividend income | | **(50,008)** | (49,642) |
| Share of associate's results | | **700** | - |
| Unrealised (gain) / loss on investments at fair value through profit or loss | | **1,885** | (2,836) |
| | | **138,736** | 110,021 |
| Working capital changes: | | | |
| Increase in insurance receivables | | **(614,235)** | (123,554) |
| (Increase) / decrease in insurance contract assets | | **607,829** | (888,705) |
| Increase in other receivables and prepayments | | **(35,498)** | (27,605) |
| (Decrease)/increase in other insurance contract liabilities | | **(386,958)** | 965,591 |
| Increase in reinsurance and other payables | | **490,105** | 66,427 |
| Increase in retirement benefit obligation | | **1,925** | 1,091 |
| Income tax paid | 14 | **(1,257)** | (3,659) |
| **Net cash from operating activities** | | **200,647** | 99,607 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | | **(1,731)** | (2,190) |
| Proceeds from sale of property and equipment | | **-** | 82 |
| Interest income | | **43,608** | 41,811 |
| Dividend income | | **50,008** | 49,642 |
| Deposits with banks | | **(344,835)** | (68,703) |
| Movement in investment in associate | | **(700)** | - |
| Purchase of held to maturity investments | | **(24,196)** | (15,806) |
| Purchase of available-for-sale investments | | **(37,212)** | (13,303) |
| Sale of held to maturity investments | | **26,736** | 15,385 |
| Sale of available-for-sale investments | | **27,314** | 10,996 |
| Foreign exchange differences | | **(1,129)** | - |
| **Net cash from/(used in) investing activities** | | **(262,137)** | 17,914 |
| **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** | | **(161,999)** | 16,915 |
| Cash and cash equivalents as at the beginning of the period | | **350,465** | 119,371 |
| Movement in foreign currency translation reserve | | **753** | (9,729) |
| **CASH AND CASH EQUIVALENTS AT THE PERIOD ENDED 30 JUNE 2017** | | **189,219** | 126,557 |

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

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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 | 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 | - | - | - | - | - | 221,069 | - | - | - | 221,069 | 3,184 | 224,253 |
| Other comprehensive income/ expense for the period | - | - | - | - | - | - | (235,046) | 459 | - | (234,587) | 294 | (234,293) |
| Total comprehensive income / (loss) | - | - | - | - | - | 221,069 | (235,046) | 459 | - | (13,518) | 3,478 | (10,040) |
| Dividend paid | - | - | - | - | - | - | - | - | (100,000) | (100,000) | (509) | (100,509) |
| **At 30 June 2017 (Unaudited)** | **500,000** | **125,000** | **250,000** | **177,763** | **658,664** | **247,360** | **547,861** | **(85,355)** | **-** | **2,421,293** | **24,911** | **2,446,204** |

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

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

The attached notes 1 to 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* | *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 six months ended 30 June 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 six months ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

## 3 INVESTMENTS IN AN ASSOCIATE

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 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 | **(700)** | - | - |
| As at 30 June | **70,000** | 70,000 | - |

## 4 INVESTMENT SECURITIES

| | *30 June 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** | **-** | **1,057,114** | **1,069,033** |
| Within UAE (Not listed) | **-** | **-** | **271,240** | **271,240** |
| Outside UAE (Not listed) | **-** | **-** | **12,754** | **12,754** |
| Total equity securities | **11,919** | **-** | **1,341,108** | **1,353,027** |
| Total other invested assets | **-** | **63,995** | **10,653** | **74,648** |
| Total | **11,919** | **63,995** | **1,351,761** | **1,427,675** |

| | *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 June 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) | 14,221 | - | 1,391,180 | 1,405,401 |
| Within UAE (Not listed) | - | - | 256,465 | 256,465 |
| Outside UAE (Not listed) | 2,169 | - | 6,480 | 8,649 |
| Total equity Securities | 16,390 | - | 1,654,125 | 1,670,515 |
| Total other invested assets | - | 130,546 | 10,976 | 141,522 |
| Total | 16,390 | 130,546 | 1,665,101 | 1,812,037 |

## 5 STATUTORY DEPOSITS

| | ***30 June 2017 AED '000 (Unaudited)*** | *31 Dec 2016 AED '000* | *30 June 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 | 22,283 |
| 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 | 424 |
| e) Amounts under lien with Egyptian Financial Supervisory Authority | **34,445** | 17,486 | 22,374 |
| f) Amounts under lien with Turkey | **7,318** | 6,943 | 5,367 |
| g) Amounts under lien with Central Bank of Bahrain | **729** | 729 | 729 |
| Total | **71,541** | 53,969 | 61,655 |

## 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 | **2,168,763** | 1,480,562 | **1,486,806** | 1,049,712 | **681,957** | 430,850 |
| Movement in provision for unearned premiums mathematical reserve | **(672,552)** | (127,021) | **(443,601)** | (53,833) | **(228,951)** | (73,188) |
| Insurance premium revenue | **1,496,211** | 1,353,541 | **1,043,205** | 995,879 | **453,006** | 357,662 |

| | *Gross* | | | *Reinsurers' share* | | | *Net* | | |
|---|---|---|---|---|---|---|---|---|---|
| | ***30 June 2017 AED '000 (Unaudited)*** | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* | ***30 June 2017 AED '000 (Unaudited)*** | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* | ***30 June 2017 AED '000 (Unaudited)*** | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
| Unearned premium reserve | **1,493,228** | 870,872 | 1,089,792 | **1,005,900** | 563,786 | 744,839 | **487,328** | 307,086 | 344,953 |
| Advance premium | **88,497** | 93,054 | 104,113 | **75,232** | 78,528 | 85,482 | **13,265** | 14,526 | 18,631 |
| Mathematical reserve | **161,754** | 120,154 | 87,103 | **30,005** | 28,102 | 26,542 | **131,749** | 92,052 | 60,561 |
| Unit linked funds reserve | **36,656** | 25,936 | 18,794 | - | - | - | **36,656** | 25,936 | 18,794 |
| | **1,780,135** | 1,110,016 | 1,299,802 | **1,111,137** | 670,416 | 856,863 | **668,998** | 439,600 | 442,939 |
| Outstanding claims | **829,459** | 1,921,525 | 1,886,529 | **658,451** | 1,723,018 | 1,684,788 | **171,008** | 198,507 | 201,741 |
| Incurred but not reported reserve | **261,173** | 227,543 | 196,947 | **189,827** | 174,292 | 155,666 | **71,346** | 53,251 | 41,281 |
| Allocated loss adjustment expense reserve | **16,585** | 16,254 | 12,196 | **14,458** | 13,976 | 10,164 | **2,127** | 2,278 | 2,032 |
| Unallocated loss adjustment expense reserve | **7,316** | 6,288 | 6,289 | - | - | - | **7,316** | 6,288 | 6,289 |
| | **1,114,533** | 2,171,610 | 2,101,961 | **862,736** | 1,911,286 | 1,850,618 | **251,797** | 260,324 | 251,343 |
| | **2,894,668** | 3,281,626 | 3,401,763 | **1,973,873** | 2,581,702 | 2,707,481 | **920,795** | 699,924 | 694,282 |

## 7 INSURANCE BALANCES RECEIVABLE

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
|---|---|---|---|
| Inside UAE: | | | |
| Due from policyholders | **791,279** | 310,797 | 462,844 |
| Due from insurance / reinsurance companies | **42,369** | 21,880 | 21,543 |
| **Total** | **833,648** | 332,677 | 484,387 |
| Outside UAE: | | | |
| Due from policyholders | **83,387** | 51,050 | 64,320 |
| Due from insurance / reinsurance companies | **127,934** | 46,087 | 40,118 |
| **Total** | **211,321** | 97,137 | 104,438 |
| **Total insurance receivable** | **1,044,969** | 429,814 | 588,825 |
| Less: Allowance for doubtful debts | **(18,108)** | (17,188) | (18,134) |
| **Total Insurance Receivable (Net)** | **1,026,861** | 412,626 | 570,691 |

## 8 OTHER RECEIVABLES AND PREPAYMENTS

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
|---|---|---|---|
| Receivable from employees | **1,349** | 1,001 | 877 |
| Refundable deposits | **4,936** | 2,956 | 3,179 |
| Prepayments | **21,309** | 17,976 | 18,650 |
| Others | **55,803** | 23,244 | 43,952 |
| Total | **83,397** | 45,177 | 66,658 |

## 9 CASH AND CASH EQUIVALANTS

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
|---|---|---|---|
| Bank balances and cash | **130,810** | 232,732 | 88,096 |
| Deposits with Banks maturing within three months | **58,409** | 117,733 | 38,461 |
| Cash and cash equivalents | **189,219** | 350,465 | 126,557 |
| Term deposits | **1,675,090** | 1,347,827 | 1,289,320 |
| Total | **1,864,309** | 1,698,292 | 1,415,877 |
| Banks in UAE | **1,664,218** | 1,531,839 | 1,222,412 |
| Banks outside UAE | **200,091** | 166,453 | 193,465 |
| Cash and deposits | **1,864,309** | 1,698,292 | 1,415,877 |

## 10 SHARE CAPITAL

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 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 six month period to 30 June 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 six month period to 30 June 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 six month period to 30 June 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

This item consists of the following:

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
|---|---|---|---|
| Payables – Inside UAE | **324,048** | 244,998 | 194,512 |
| Payables – Outside UAE | **938,796** | 524,473 | 537,521 |
| Total | **1,262,844** | 769,471 | 732,033 |
| **Inside UAE:** | | | |
| Insurance / reinsurance Companies payable | **75,901** | 63,691 | 59,959 |
| Payable to agents/ brokers | **33,091** | 20,465 | 16,065 |
| Payable to employees | **12,312** | 19,444 | 13,571 |
| Other payables | **202,744** | 141,398 | 104,917 |
| Total | **324,048** | 244,998 | 194,512 |
| **Outside UAE:** | | | |
| Insurance / reinsurance Companies payable | **821,883** | 491,359 | 497,434 |
| Payable to agents/ brokers | **4,660** | 2,495 | 4,332 |
| Payable to employees | **2,285** | 1,542 | 8,192 |
| Other payables | **109,968** | 29,077 | 27,563 |
| Total | **938,796** | 524,473 | 537,521 |

## 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 recognized in the interim consolidated statement of comprehensive income is as follows:

| | *30 June 2017 AED '000 (Unaudited)* | *30 June 2016 AED '000 (Unaudited)* |
|---|---|---|
| Current income tax expense | **4,525** | 3,413 |
| Deferred taxes | **(2,722)** | (2,766) |
| Total | **1,803** | 647 |

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
|---|---|---|---|
| As at 1 January | **1,724** | 5,111 | 5,111 |
| Provisions during the period | **4,525** | 4,657 | 3,413 |
| Payments | **(1,257)** | (6,593) | (3,659) |
| Exchange differences | **12** | (1,451) | (453) |
| Balance as at the end of the period | **5,004** | 1,724 | 4,412 |

## 15 SEGMENT INFORMATION

### 15.1 SEGMENTAL INCOME, EXPENSES AND RESULTS

| | *General insurance* | | *Life insurance* | | *Total (Unaudited)* | |
|---|---|---|---|---|---|---|
| | ***30 June 2017 AED '000 (Unaudited)*** | *30 June 2016 AED '000 (Unaudited)* | ***30 June 2017 AED '000 (Unaudited)*** | *30 June 2016 AED '000 (Unaudited)* | ***30 June 2017 AED '000 (Unaudited)*** | *30 June 2016 AED '000 (Unaudited)* |
| Total premiums written | **1,974,945** | 1,335,826 | **193,818** | 144,736 | **2,168,763** | 1,480,562 |
| Gross underwriting income | **417,046** | 324,783 | **39,391** | 38,377 | **456,437** | 363,160 |
| Net underwriting income | **219,930** | 153,837 | **22,653** | 30,759 | **242,583** | 184,596 |
| General and administration expenses | **(94,135)** | (69,299) | **(16,996)** | (16,555) | **(111,131)** | (85,854) |
| Net technical profit | **125,795** | 84,538 | **5,657** | 14,204 | **131,452** | 98,742 |
| Investment and other income | **92,917** | 99,948 | **1,687** | 1,362 | **94,604** | 101,310 |
| Profit before tax | **218,712** | 184,486 | **7,344** | 15,566 | **226,056** | 200,052 |
| Income tax expense net of deferred taxes | | | | | **(1,803)** | (647) |
| Profit after tax | | | | | **224,253** | 199,405 |

## 15 SEGMENT INFORMTION (continued)

### 15.2 SEGMENT ASSETS & LIABILITIES

| | *General insurance* | | | *Life insurance* | | | *Investments* | | | *Total* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ***30 June 2017 AED '000 (Unaudited)*** | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* | ***30 June 2017 AED '000 (Unaudited)*** | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* | ***30 June 2017 AED '000 (Unaudited)*** | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* | ***30 June 2017 AED '000 (Unaudited)*** | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
| Segment assets | **3,089,829** | 3,258,690 | 3,394,468 | **289,039** | 238,771 | 193,449 | **3,244,306** | 3,127,922 | 3,163,012 | **6,623,174** | 6,625,383 | 6,750,929 |
| Segment liabilities | **3,761,742** | 3,738,195 | 3,877,348 | **415,228** | 330,435 | 273,268 | - | - | - | **4,176,970** | 4,068,630 | 4,150,616 |

## 16 CONTINGENT LIABILITIES

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
|---|---|---|---|
| Guarantees | | | |
| Bank guarantees other than those relating to claims for which provision are held | **6,636** | 16,470 | 5,494 |

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

| | *30 June 2017 AED '000 (Unaudited)* | *31 December 2016 AED '000* | *30 June 2016 AED '000 (Unaudited)* |
|---|---|---|---|
| Capital commitment | **7,866** | 11,057 | 11,057 |
| 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 June 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 | **1,052,951** | - | **200,000** | **1,252,951** |
| Other sector | 14,817 | - | 47,337 | 62,154 |
| | **1,067,768** | - | **247,337** | **1,315,105** |
| Equity securities: | | | | |
| Investments held on behalf of policy holders of unit linked products | **36,656** | - | - | **36,656** |
| | **1,104,424** | - | **247,337** | **1,351,761** |

## 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 Sector | 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 June 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 June 2017 AED '000* |
|---|---|---|---|---|---|---|
| Financial assets designated at fair value through profit or loss | | | | | | |
| Equity Securities | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |

*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* |
|---|---|---|---|---|---|---|
| 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 50,008 thousand for six months ended 30 June 2017 and AED 49,642 thousand for six months ended 30 June 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 June 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:

| | *30 June 2017 AED '000 Unaudited* | *30 June 2016 AED '000 Unaudited* |
|---|---|---|
| Profit after tax for the period | **224,253** | 199,405 |
| Less: Attributable to minority interest | **(3,184)** | (7,058) |
| Profit attributable to shareholders | **221,069** | 192,347 |
| Weighted average number of shares outstanding during the period ('000) | **5,000** | 5,000 |
| Earnings per share (AED) | **44.21** | 38.47 |

## 20 INCOME FROM INVESTMENTS

| | ***Three months ended 30 June 2017 AED '000 (Unaudited)*** | *Three months ended 30 June 2016 AED '000 (Unaudited)* | ***Six months ended 30 June 2017 AED '000 (Unaudited)*** | *Six months ended 30 June 2016 AED '000 (Unaudited)* |
|---|---|---|---|---|
| Interest income | **19,163** | 18,358 | **43,608** | 41,811 |
| Dividend income | **-** | 28 | **50,008** | 49,642 |
| Fair value loss on investments carried at fair value through profit or loss | **(1,624)** | (25) | **(1,885)** | 2,836 |
| | **17,539** | 18,361 | **91,731** | 94,289 |

## 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 June 2016* | | |
|---|---|---|---|
| | *As previously reviewed AED '000* | *Reclassification AED '000* | *As reclassified AED '000* |
| Insurance contract assets (a) | 2,621,999 | 85,482 | 2,707,481 |
| Insurance contract liabilities (b) | 3,297,650 | 104,113 | 3,401,763 |
| Retirement benefit obligations (c ) | - | 16,820 | 16,820 |
| Reinsurance balances & other payables and accruals (a, b & c) | 767,484 | (35,451) | 732,033 |

a. Reinsurance share of premium collected in advance of AED 85,482 thousand is classified and presented in insurance contract assets from reinsurance and other payable.
b. Net premium collected in advance of AED 18,631 thousand is classified and presented in insurance contract liabilities from reinsurance and other payables.
c. Retirement benefit obligations of AED 16,820 thousand has been reclassified from reinsurance and other payables and separately disclosed in the consolidated statement of financial position.