

**Orient Insurance PJSC
and its subsidiaries**

Condensed consolidated interim financial
information

for the three-month period ended 31 March 2018

Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim financial information
for the three month period ended 31 March 2018

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Independent auditors' report on review of condensed consolidated interim financial information

To the Shareholders of Orient Insurance P.J.S.C.

Introduction

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial information of Orient Insurance P.J.S.C. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2018;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2018; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated 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 and consequently 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 31 March 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other Matter

The condensed consolidated interim financial information for the three-month period ended 31 March 2017 and the consolidated financial statements for the year ended 31 December 2017 were reviewed and audited respectively by another auditor who expressed an unmodified conclusion on the condensed consolidated interim financial information for the three-month period ended 31 March 2017 on 3 May 2017 and an unmodified opinion on the financial statements for the year ended 31 December 2017 on 11 February 2018.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No.: 48
Dubai, United Arab Emirates
Date: **06 MAY 2018**

Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim statement of financial position

as at

		(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000
Assets			
Property and equipment		101,640	102,472
Investment in an associate	6	67,399	68,317
Held to maturity investments	7	118,745	105,618
Available for sale investments	7	1,238,840	1,261,946
Investments carried at fair value through profit and loss	7	67,601	60,104
Insurance balances receivable	10	999,185	696,462
Statutory deposits	8	58,261	53,296
Insurance contract assets	9	2,501,437	2,081,265
Other receivables and prepayments	11	114,345	56,381
Bank deposits	12	1,919,939	1,929,254
Cash and cash equivalents	12	301,519	251,844
Total assets		7,488,911	6,666,959
Equity and Liabilities			
Equity			
Share capital	13	500,000	500,000
Statutory reserve	14	125,000	125,000
Legal reserve	14	250,000	250,000
Exceptional loss reserve	14	201,927	201,927
General reserve	14	884,500	884,500
Available for sale investments reserve	14	469,326	494,020
Foreign currency translation reserve	14	(86,634)	(86,151)
Retained earnings		181,796	30,570
Proposed dividends	15	-	100,000
Equity attributable to equity holders of the parent		2,525,915	2,499,866
Non-controlling interests		29,514	27,014
Total Equity		2,555,429	2,526,880
Liabilities			
Insurance contract liabilities	9	3,608,528	3,113,502
Retirement benefit obligation		21,438	20,248
Reinsurance and other payables	16	1,203,516	1,006,329
Dividend payable	15	100,000	-
Total liabilities		4,933,482	4,140,079
Total liabilities and equity		7,488,911	6,666,959

The condensed consolidated interim financial information of the Group was authorised for issue and approved by the Board of Directors on 6 May 2018 and signed on their behalf by:



President - Orient Group

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 and 2.

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial information.

Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim statement of profit or loss
for the period ended 31 March

	Notes	(Un-audited) For the three month period ended	
		31 March 2018 AED '000	31 March 2017 AED '000
Gross written premium		1,199,017	952,345
Reinsurance share of ceded premiums		(840,713)	(605,833)
Net premium written		358,304	346,512
Net movement in provision for unearned premiums, mathematical reserve and unit-linked funds reserve		(90,628)	(144,435)
Net premium earned		267,676	202,077
Commission income		75,773	75,312
Commission expense		(71,387)	(71,745)
Gross underwriting income		272,062	205,644
Gross claims paid		542,052	1,365,490
Reinsurance share of claims paid		(401,238)	(1,247,627)
Net claims paid		140,814	117,863
Increase / (decrease) in provision for outstanding claims		46,947	(1,112,575)
(Increase) / decrease in reinsurance share of outstanding claims		(55,719)	1,064,613
(Decrease) / increase in incurred but not reported claims reserves		(4,040)	7,436
Increase in loss adjustment expense reserve		54	2,448
Net claims incurred		128,056	79,785
Net underwriting income		144,006	125,859
Income from investments	18	74,215	74,192
Other income		3,228	3,821
Share of loss from associate	6	(918)	(263)
Total income		220,531	203,609
General and administrative expenses		(64,429)	(52,622)
Profit before tax		156,102	150,987
Income tax expenses net of deferred taxes	17	(2,513)	(965)
Profit after tax		153,589	150,022
Attributable to:			
Equity holders of the Parent company		151,226	147,398
Non-controlling interests		2,363	2,624
Total profit for the period		153,589	150,022
Basic and diluted earnings per share attributable to equity holders of the parent (AED)	21	30.25	29.48

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Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim statement of profit or loss and other comprehensive income
for the period ended 31 March

	(Un-audited)	
	For the three month	
	period ended	
	31 March 2018	31 March 2017
	AED '000	AED '000
Profit after tax	153,589	150,022
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</i>		
Net unrealised loss from investments through other comprehensive income	(24,694)	(99,213)
Foreign currency adjustments from translation of foreign operations	(346)	294
Other comprehensive income for the period	(25,040)	(98,919)
Total comprehensive income for the period	128,549	51,103
Attributable to:		
Shareholders of the Parent company	126,049	48,124
Non-controlling interests	2,500	2,979
	128,549	51,103

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Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows

for the period ended 31 March

	Notes	(Un-audited) For the three month period ended	
		31 March 2018 AED '000	31 March 2017 AED '000
Cash flows from operating activities			
Profit before tax for the period		156,102	150,987
Adjustments for:			
Depreciation		1,760	1,844
Interest income	18	(30,750)	(24,445)
Dividend income	18	(44,225)	(50,008)
Share of loss from equity accounted investees	6	918	263
Unrealised loss on investments at fair value through profit or loss	18	760	261
Loss on sale of property and equipment		1	-
Allowance for doubtful debts	10	22,587	20,547
Operating cash flows before movements in working capital		107,153	99,449
Increase in insurance receivables		(325,310)	(440,706)
(Increase) / decrease in insurance contract assets		(420,172)	849,176
Increase in other receivables and prepayments		(59,467)	(62,013)
Increase / (decrease) in other insurance contract liabilities		495,026	(742,373)
Increase in reinsurance and other payables		196,287	390,383
Increase in retirement benefit obligation		1,190	1,859
Income tax paid	17	(110)	(70)
Net cash (used in) / generated from operating activities		(5,403)	95,705
Cash flows from investing activities			
Purchase of property and equipment		(1,046)	(1,450)
Proceeds from disposal of property and equipment		3	-
Interest income	18	30,750	24,445
Dividend income	18	44,225	50,008
Deposits with bank		4,350	(146,568)
Movement in investment in associate		-	(700)
Purchase of investments carried at fair value through profit and loss		(9,555)	(5,551)
Purchase of held to maturity investments		(16,786)	(20,281)
Purchase of available-for-sale investments		(8,048)	(15,280)
Sale of investments carried at fair value through profit and loss		1,298	317
Sale of held to maturity investments		4,353	6,095
Sale of available-for-sale investments		6,302	14,788
Foreign exchange differences		(422)	(1,346)
Net cash generated from / (used in) investing activities		55,424	(95,523)
Net increase in cash and cash equivalents		50,021	182
Cash and cash equivalents at 1 January		251,844	350,465
Movement in foreign currency translation reserve		(346)	294
Cash and cash equivalents at 31 March	12	301,519	350,941

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Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim statement of changes in equity (Un-audited)

for the period ended 31 March

Equity Attributable to equity holders of the parent

	Share capital	Statutory reserve	Legal reserve	Exceptional loss reserve	General reserve	Available-for-sale (AFS) reserve	Foreign currency translation reserve	Retained earnings	Proposed dividend	Total	Non-Controlling interests	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Balance as at 1 January 2018	500,000	125,000	250,000	201,927	884,500	494,020	(86,151)	30,570	100,000	2,499,866	27,014	2,526,880
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	151,226	-	151,226	2,363	153,589
Other comprehensive income / (loss) for the period												
Net unrealised loss from investments through other comprehensive income	-	-	-	-	-	(24,694)	-	-	-	(24,694)	-	(24,694)
Foreign currency adjustments from translation of foreign operations	-	-	-	-	-	-	(483)	-	-	(483)	137	(346)
Total other comprehensive income / (loss)	-	-	-	-	-	(24,694)	(483)	151,226	-	126,049	2,500	128,549
Transactions with owners directly recorded in equity												
Dividend proposed	-	-	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Balance as at 31 March 2018	500,000	125,000	250,000	201,927	884,500	469,326	(86,634)	181,796	-	2,525,915	29,514	2,555,429

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial information.

Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim statement of changes in equity (Un-audited)

for the period ended 31 March

Equity Attributable to equity holders of the parent

	Share capital AED '000	Statutory reserve AED '000	Legal reserve AED '000	Exceptional loss reserve AED '000	General reserve AED '000	Available-for-sale (AFS) reserve AED '000	Foreign currency translation reserve AED '000	Retained earnings AED '000	Proposed dividend AED '000	Total AED '000	Non-Controlling interests AED '000	Total AED '000
Balance as at 1 January 2017	500,000	125,000	250,000	177,763	658,664	782,907	(85,814)	26,291	100,000	2,534,811	21,942	2,556,753
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	147,398	-	147,398	2,624	150,022
Other comprehensive income / (loss) for the period												
Net unrealised loss from investments through other comprehensive income	-	-	-	-	-	(99,213)	-	-	-	(99,213)	-	(99,213)
Foreign currency adjustments from translation of foreign operations	-	-	-	-	-	-	(61)	-	-	(61)	355	294
Total other comprehensive income / (loss)	-	-	-	-	-	(99,213)	(61)	147,398	-	48,124	2,979	51,103
Transactions with owners directly recorded in equity												
Dividend proposed	-	-	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Balance as at 31 March 2017	500,000	125,000	250,000	177,763	658,664	683,694	(85,875)	173,689	-	2,482,935	24,921	2,507,856

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial information.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information

1 Legal status and principal activities

Orient Insurance PJSC (the "Company") was incorporated with limited liability on 22 July 1980 in the Emirate of Dubai by a decree of His Highness The Ruler of Dubai and commenced operations on 1 January 1982. The Company was registered in accordance with the UAE Federal Law No.(9) of 1984, as amended, ("The Insurance Companies Law") on 29 December 1984 with registration No.14. On 2 May 1988 the Company was converted into a public shareholding company in accordance with the requirements of the Insurance Companies Law and has been registered under UAE Federal Law No.(2) of 2015, as amended, relating to commercial companies. The shares of the Company are listed on the Dubai Financial Market. The Company is subject to the regulations of UAE Federal Law No. (6) of 2007, on Establishment of Insurance Authority and organisation of its operations. The registered address of the Company is P.O. Box 27966, Dubai United Arab Emirates.

The Company engages in the business of issuing short term insurance contracts in connection with Property, Engineering, Motor, Marine, Miscellaneous Accidents and Medical (collectively referred to as General Insurance) and Group Life and Individual Life classes (collectively referred to as Life Insurance). The Company also invests its funds in investment securities and deposits with financial institutions.

The condensed consolidated interim financial information incorporate the condensed interim financial information of the Company and its subsidiaries (collectively referred to as "the Group"). Details of the subsidiaries are as follows:

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>	
			<i>2018</i>	<i>2017</i>
Arab Orient Insurance Company	General insurance	Syria	40%	40%
Orient Takaful Insurance Company (S.A.E)	General insurance	Egypt	60%	60%
Orient Insurance Limited	General insurance	Srilanka	100%	100%
Orient Sigorta Anonim Sirketi	General insurance	Turkey	100%	100%

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. The ultimate holding company of the Group is Al Futtaim Private Co. which is based in Dubai, United Arab Emirates.

2 Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

b) Basis of measurement

The condensed consolidated interim financial information has been prepared on the historical cost basis except for the following which are measured at fair value:

- i) available-for-sale investments ("AFS"); and
- ii) financial assets at fair value through profit or loss ("FVTPL").

c) Functional and presentation currency

These condensed consolidated interim financial information are presented in U.A.E. Dirhams ("AED") rounded to nearest thousand, since that is the currency in which the majority of the Group's transactions are denominated.

d) Use of estimates and judgments

The preparation of condensed consolidated interim financial information in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

2 Basis of preparation (continued)

d) Use of estimates and judgments (continued)

In preparing these condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and estimation of key sources of uncertainty were the same as those that applied to the audited annual consolidated financial statements as at and for the year ended 31 December 2017.

3 Summary of significant accounting policies

The accounting policies applied by the Group in preparation of these condensed consolidated interim financial information are consistent with those applied by the Group in its annual audited consolidated financial statements as at and for the year ended 31 December 2017 except for the adoption of new IFRSs which became effective as of 1 January 2018.

The adoption of the new and amended standards and interpretations have been reflected in these condensed consolidated interim financial information as appropriate in terms of disclosures but do not have an impact on the financial position or performance of the Group during the period.

4 Financial risk management

Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2017.

5 Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not materially impacted by any form of seasonality. These condensed consolidated interim financial information were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the period. However, the results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

6 Investments in an associate

The investment in an associate represents a 35% (2017: 35%) interest in Orient UNB Takaful PJSC, a public shareholding company registered and incorporated in UAE. The associate commenced its commercial operations in 2017. The principal activity of the associate is issuance of short term takaful contracts in connection with accidents and liabilities insurance, fire insurance, transportation risk insurance, other type of insurance and health insurance. The associate also invests its funds in deposits.

Following is the movement in investment in associate:

	(Un-audited)	(Audited)
	31 March	31 December
	2018	2017
	AED'000	AED'000
Balance as at 1 January	68,317	70,000
Additional contribution during the period / year	-	700
Group's share of net loss for the period / year	(918)	(2,102)
Group's share of preincorporation expenses	-	(281)
	<u>67,399</u>	<u>68,317</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

7 Investment securities

At 31 March 2018 (Un-audited)	Held for trading AED'000	Held to maturity AED'000	Available for sale AED'000	Total AED'000
Equity Securities				
Within UAE (Listed)	10,618	-	996,092	1,006,710
Within UAE (Not Listed)	35,073	-	231,975	267,048
Outside UAE (Not Listed)	21,910	-	3	21,913
Total equity Securities	67,601	-	1,228,070	1,295,671
Total other invested assets	-	118,745	10,770	129,515
Total	67,601	118,745	1,238,840	1,425,186
At 31 December 2017 (Audited)	Held for trading AED'000	Held to maturity AED'000	Available for sale AED'000	Total AED'000
Equity Securities				
Within UAE (Listed)	11,378	-	1,020,774	1,032,152
Within UAE (Not Listed)	29,952	-	229,828	259,780
Outside UAE (Not Listed)	18,774	-	3	18,777
Total equity Securities	60,104	-	1,250,605	1,310,709
Total other invested assets	-	105,618	11,341	116,959
Total	60,104	105,618	1,261,946	1,427,668

8 Statutory deposits

	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 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
b) Amounts under lien with Capital Market Authority, Sultanate of Oman	24,715	18,801
c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	494	494
d) Amounts under lien with Insurance Authority Syria	178	178
e) Amounts under lien with Egyptian Financial Supervisory Authority	11,105	13,953
f) Amounts under lien with Turkish Treasury	11,040	9,141
g) Amounts under lien with Central Bank of Bahrain	729	729
	58,261	53,296

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

9 Insurance contract liabilities and reinsurance contract assets

Three-month period ended 31 March (un-audited)

	Gross written premium		Reinsurance share of ceded premiums		Net premium written	
	2018 AED '000	2017 AED '000	2018 AED '000	2017 AED '000	2018 AED '000	2017 AED '000
Gross premiums	1,199,017	952,345	(840,713)	(605,833)	358,304	346,512
Movement in provision for unearned premiums, mathematical reserve and unit-linked funds reserve	(456,634)	(361,868)	366,006	217,433	(90,628)	(144,435)
Net premium earned	742,383	590,477	(474,707)	(388,400)	267,676	202,077

	Gross		Reinsurers' share		Net	
	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000
Unearned premium reserve	1,786,572	1,354,310	(1,299,743)	(934,199)	486,829	420,111
Mathematical premium	189,379	176,567	(16,213)	(17,109)	173,166	159,458
Unit linked funds' reserve	56,983	48,725	-	-	56,983	48,725
	2,032,934	1,579,602	(1,315,956)	(951,308)	716,978	628,294
Outstanding claims	1,052,459	1,013,459	(840,602)	(791,758)	211,857	221,701
Incurred but not reported reserve	497,288	494,916	(334,529)	(328,117)	162,759	166,799
Allocated loss adjustment expense reserve	12,922	12,600	(10,350)	(10,082)	2,572	2,518
Unallocated loss adjustment expense reserve	12,925	12,925	-	-	12,925	12,925
	1,575,594	1,533,900	(1,185,481)	(1,129,957)	390,113	403,943
	3,608,528	3,113,502	(2,501,437)	(2,081,265)	1,107,091	1,032,237

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information

10 Insurance balances receivable

	(Un-audited)	(Audited)
	31 March	31 December
	2018	2017
	AED '000	AED '000
Inside U.A.E.:		
Due from policyholders	810,142	513,661
Due from insurance / reinsurance companies	27,071	32,167
	837,213	545,828
Outside U.A.E.:		
Due from policyholders	87,604	67,359
Due from insurance / reinsurance companies	96,955	103,822
	184,559	171,181
Total Insurance Receivable	1,021,772	717,009
Less: Allowance for doubtful debts	(22,587)	(20,547)
	999,185	696,462

11 Other receivables and prepayments

	(Un-audited)	(Audited)
	31 March	31 December
	2018	2017
	AED '000	AED '000
Receivable from employees	1,843	2,063
Refundable deposits	5,048	5,129
Prepayments	20,077	21,191
Others	87,377	27,998
	114,345	56,381

12 Cash and cash equivalents

	(Un-audited)	(Audited)
	31 March	31 December
	2018	2017
	AED '000	AED '000
Bank balances and cash	199,606	198,076
Deposits with banks maturing within three months	101,913	53,768
Cash and cash equivalents	301,519	251,844
Bank deposits	1,919,939	1,929,254
	2,221,458	2,181,098
Cash and cash equivalents:		
Inside U.A.E.:	1,994,020	1,942,411
Outside U.A.E.:	227,438	238,687
	2,221,458	2,181,098

Bank balances include AED 1.5 million (31 December 2017: AED 8.2 million) under lien against the bank guarantees.

Interest on deposit with banks at fixed rates range from 0.03% -16.25% (31 December 2017: 0.03% - 16.25%) per annum.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information

13 Share capital

	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000
Issued and fully paid 5,000,000 shares of AED 100 each (2017: 5,000,000 shares of AED 100 each)	<u>500,000</u>	<u>500,000</u>

14 Reserves

Nature and purpose of reserves

- Statutory reserve

In accordance with the UAE Commercial Companies Law no. (2) of 2015 ("the Law") and the Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Group may resolve to discontinue such transfers when the reserve totals 25% of the paid up share capital. The Company has resolved not to increase the statutory reserve above an amount equal to 25% of its paid up capital. 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 which occurred in 2016. The reserve is not available for distribution except in the circumstances stipulated by the law.

- Exceptional Loss Reserve

For UAE operations, 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 Company 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 2018, as this will be based on the results for the year.

For Oman operations, an amount equal to 10% of the outstanding claims (Non-life) for the year and 1% of gross premiums for life assurance is transferred to a contingency loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years for Oman branch.

- 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) investments 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.

15 Dividend payable

Dividends of AED 20 per share (totaling to AED 100 million) relating to the year 2017 were declared upon approval of the shareholders at the Annual General Meeting held on 4 March 2018.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information

16 Reinsurance and other payables

	(Un-audited)	(Audited)
	31 March	31 December
	2018	2017
	AED '000	AED '000
Payables – Inside UAE	408,248	324,923
Payables – Outside UAE	795,268	681,406
	<u>1,203,516</u>	<u>1,006,329</u>
Inside UAE:		
Insurance and reinsurance companies payable	96,427	43,996
Payable to agents and brokers	32,948	31,759
Payable to employees	20,075	22,164
Other payables	258,798	227,004
	<u>408,248</u>	<u>324,923</u>
Outside UAE:		
Insurance / reinsurance companies payable	740,009	626,791
Payable to agents and brokers	5,625	4,170
Payable to employees	1,382	2,054
Other payables	48,252	48,391
	<u>795,268</u>	<u>681,406</u>

17 Income taxes

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected annual earnings. The Group entities operate in the Sultanate of Oman, Egypt, Syria, Turkey and Sri Lanka and are subject to income tax in these countries.

The component of income tax recognised in the interim consolidated statement of profit or loss is as follows:

	(Un-audited)	(Un-audited)
	31 March	31 March 2017
	2018	2017
	AED '000	AED '000
Current income tax expense	1,010	2,797
Deferred taxes	1,503	(1,832)
Total	<u>2,513</u>	<u>965</u>
	(Un-audited)	(Audited)
	31 March	31 December
	2018	2017
	AED '000	AED '000
As at 1 January	311	1,724
Provisions during the period	1,010	4,202
Less: payments	(110)	(5,626)
Exchange differences	1	11
Balance as at the end of the period	<u>1,212</u>	<u>311</u>

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Notes to the condensed consolidated interim financial information

18 Income from investments

	(Un-audited) 31 March 2018 AED '000	(Un-audited) 31 March 2017 AED '000
Interest income	30,750	24,445
Dividend income	44,225	50,008
Fair value loss on investments carried at fair value	(760)	(261)
	<u>74,215</u>	<u>74,192</u>

19 Commitments and contingent liabilities

	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000
a) Commitments		
Commitment for investments	<u>5,719</u>	<u>7,866</u>
b) Contingent liabilities		
Bank guarantees	<u>8,913</u>	<u>16,888</u>

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

20 Fair value of financial instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

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20 Fair value of financial instruments (continued)

31 March 2018 (Un-audited)

<u>Financial assets</u>	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
<u>Financial assets held-for-trading:</u>				
Equity securities	10,618	-	-	10,618
Investments held on behalf of policy holders of unit linked products	56,983	-	-	56,983
	<u>67,601</u>	<u>-</u>	<u>-</u>	<u>67,601</u>
<u>Available-for-sale financial assets:</u>				
Banking Sector	991,013	-	200,000	1,191,013
Other Sector	15,849	-	31,978	47,827
	<u>1,006,862</u>	<u>-</u>	<u>231,978</u>	<u>1,238,840</u>

31 December 2017 (Audited)

<u>Financial assets</u>	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
<u>Financial assets held-for-trading:</u>				
Equity securities	11,378	-	-	11,378
Investments held on behalf of policy holders of unit linked products	48,726	-	-	48,726
	<u>60,104</u>	<u>-</u>	<u>-</u>	<u>60,104</u>
<u>Available-for-sale financial assets:</u>				
Banking Sector	1,015,788	-	200,000	1,215,788
Other Sector	16,327	-	29,831	46,158
	<u>1,032,115</u>	<u>-</u>	<u>229,831</u>	<u>1,261,946</u>

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 2018 (Reviewed)

	At 1 January 2018 AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded equity AED '000	At 31 March 2018 AED '000
<u>Available-for-sale financial assets:</u>					
Banking sector	200,000	-	-	-	200,000
Other sectors	29,831	2,147	-	-	31,978
Total	<u>229,831</u>	<u>2,147</u>	<u>-</u>	<u>-</u>	<u>231,978</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information

20 Fair value of financial instruments (continued)

31 December 2017 (Audited)

	At 1 January 2017 AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded in equity AED '000	At 31 December 2017 AED '000
<u>Available-for-sale financial assets:</u>					
Banking sector	200,000	-	-	-	200,000
Other sectors	44,146	3,191	-	(17,506)	29,831
Total	244,146	3,191	-	(17,506)	229,831

21 Basic and diluted earnings per share attributable to equity holders of the parent

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

	(Un-audited) 31 March 2018 AED '000	(Un-audited) 31 March 2017 AED '000
Profit after tax for the period	153,589	150,022
Less : Attributable to non-controlling interests	(2,363)	(2,624)
Profit attributable to shareholders	151,226	147,398
Weighted average number of shares outstanding	5,000	5,000
Earnings per share (AED)	30.25	29.48

22 Segment information

	General insurance		Life insurance		Total	
	(Un-audited) 31 March 2018 AED '000	(Un-audited) 31 March 2017 AED '000	(Un-audited) 31 March 2018 AED '000	(Un-audited) 31 March 2017 AED '000	(Un-audited) 31 March 2018 AED '000	(Un-audited) 31 March 2017 AED '000
Total premiums written	1,076,976	851,283	122,041	101,062	1,199,017	952,345
Gross underwriting income	244,261	182,320	27,801	23,324	272,062	205,644
Net underwriting income	125,566	111,635	18,440	14,224	144,006	125,859
General and administration expenses	(54,038)	(44,185)	(10,391)	(8,437)	(64,429)	(52,622)
Net technical profit	71,528	67,450	8,049	5,787	79,577	73,237
Investment and other income					76,525	77,750
Profit before tax					156,102	150,987
Income tax expense net of deferred taxes					(2,513)	(965)
Profit after tax					153,589	150,022

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22 Segment information (continued)

	General insurance		Life insurance		Investments		Total	
	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000	(Un-audited) 31 March 2018 AED '000	(Audited) 31 December 2017 AED '000
Segment assets	3,646,812	2,871,087	371,314	317,337	3,470,785	3,478,535	7,488,911	6,666,959
Segment liabilities	4,371,456	3,618,612	562,026	521,467	-	-	4,933,482	4,140,079

23 Comparative figures

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed consolidated interim financial information.