

Orient Insurance PJSC
and its subsidiaries
Condensed consolidated interim financial
information
for the three-month period ended 31 March 2020

Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim financial information
for the three month period ended 31 March 2020

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

To the Shareholders of Orient Insurance PJSC

Introduction

We have reviewed the accompanying 31 March 2020 condensed consolidated interim financial information of Orient Insurance PJSC (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 2020;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2020; 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 2020 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

A handwritten signature in blue ink, appearing to read 'E. Pera'.

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: 10 May 2020

Orient Insurance PJSC and its subsidiaries
Condensed consolidated interim statement of financial position
as at

		(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000
Assets			
Property and equipment		103,161	104,797
Investment in an associate	6	64,465	65,478
Held to maturity investments	7	211,690	200,406
Available for sale investments	7	988,863	1,043,438
Investments carried at fair value through profit and loss	7	125,808	144,673
Insurance balances receivable	10	1,343,464	875,793
Statutory deposits	8	54,390	54,495
Reinsurance contract assets	9	2,687,437	2,218,662
Other receivables and prepayments	11	132,615	51,497
Bank deposits	12	2,647,482	2,644,097
Cash and cash equivalents	12	391,973	315,148
Total assets		8,751,348	7,718,484
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	255,336	255,336
General reserve	14	1,421,492	1,421,492
Available for sale investments reserve	14	416,241	469,375
Foreign currency translation reserve	14	(99,261)	(93,713)
Retained earnings		212,125	46,905
Proposed dividends		-	100,000
Equity attributable to equity holders of the Company		3,080,933	3,074,395
Non-controlling interests		55,551	49,981
Total equity		3,136,484	3,124,376
Liabilities			
Insurance contract liabilities	9	3,814,879	3,300,406
Unit linked funds reserve		114,353	132,419
Retirement benefit obligation		26,675	25,853
Reinsurance and other payables	16	1,549,100	1,125,322
Dividend payable	15	100,000	-
Lease liabilities		9,857	10,108
Total liabilities		5,614,864	4,594,108
Total liabilities and equity		8,751,348	7,718,484

To the best of our knowledge, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34. The condensed consolidated interim financial information of the Group was authorised for issue and approved by the Board of Directors on 10 May 2020 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 20 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

		(Un-audited)	
		For the three month	
		period ended	
	Notes	31 March 2020 AED '000	31 March 2019 AED '000
Gross written premium		1,505,604	1,308,739
Reinsurance share of ceded premiums		(1,138,081)	(942,108)
Net premium written		367,523	366,631
Net movement in provision for unearned premiums, mathematical premium reserve and unit-linked funds reserve		(81,774)	(75,219)
Net premium earned		285,749	291,412
Commission income		95,408	86,031
Commission expense		(86,654)	(73,036)
Gross underwriting income		294,503	304,407
Gross claims paid		599,015	585,674
Reinsurance share of claims paid		(448,805)	(417,887)
Net claims paid		150,210	167,787
Increase in provision for outstanding claims		50,513	7,645
Increase in reinsurance share of outstanding claims		(43,885)	(8,477)
Decrease in incurred but not reported claims reserves		(19,246)	(2,617)
Increase / (decrease) in loss adjustment expense reserves		80	(869)
Net claims incurred		137,672	163,469
Net underwriting income		156,831	140,938
Income from investments	18	84,530	91,517
Other income		2,454	1,377
Share of loss from associate	6	(1,013)	(1,673)
Total income		242,802	232,159
General and administrative expenses		(66,678)	(63,738)
Profit before tax		176,124	168,421
Income tax expense net of deferred taxes	17	(5,100)	(2,411)
Profit after tax		171,024	166,010
Attributable to:			
Equity holders of the Company		165,220	162,134
Non-controlling interests		5,804	3,876
Total profit for the period		171,024	166,010
Basic and diluted earnings per share attributable to equity holders of the Company (AED / share)	21	33.04	32.43

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

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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 2020	31 March 2019
	AED '000	AED '000
Profit after tax	171,024	166,010
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</i>		
Net unrealised loss from available for sale investments	(53,134)	(24,803)
Foreign currency adjustments from translation of foreign operations	(5,782)	2,241
Other comprehensive loss for the period	(58,916)	(22,562)
Total comprehensive income for the period	112,108	143,448
Attributable to:		
Equity holders of the Company	106,538	138,568
Non-controlling interests	5,570	4,880
	112,108	143,448

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Orient Insurance PJSC and its subsidiaries
Condensed consolidated interim statement of cash flows
for the period ended 31 March

		(Un-audited)	
		For the three month	
		period ended	
Notes	31 March 2020	31 March 2019	
	AED '000	AED '000	
Cash flows from operating activities			
	176,124	168,421	
Profit before tax for the period			
Adjustments for:			
Depreciation	2,250	1,534	
Interest income	18 (33,671)	(39,706)	
Dividend income	18 (51,658)	(51,285)	
Share of loss from equity accounted investees	6 1,013	1,673	
Unrealised loss / (gain) on investments at fair value through profit or loss	18 799	(526)	
Gain on sale of property and equipment	(13)	(13)	
Interest expense	16	-	
Allowance for doubtful debts	(997)	2,222	
Operating cash flows before movements in working capital	93,863	82,320	
Increase in insurance receivables	(466,674)	(252,891)	
Increase in reinsurance contract assets	(468,775)	(330,661)	
Increase in other receivables and prepayments	(81,163)	(19,711)	
Increase in other insurance contract liabilities	514,473	390,694	
(Decrease) / increase in unit linked funds reserve	(18,066)	17,458	
Increase in reinsurance and other payables	419,546	150,423	
Increase in retirement benefit obligation	822	438	
Income tax paid	17 (823)	(927)	
Net cash (used in) / generated from operating activities	(6,797)	37,143	
Cash flows from investing activities			
Purchase of property and equipment	(1,048)	(556)	
Proceeds from sale of property and equipment	13	13	
Interest income	18 33,671	39,706	
Dividend income	18 51,658	51,285	
Deposits with bank	(3,280)	(4,138)	
Net sale / (purchase) of investments carried at fair value through profit and loss	18,066	(17,458)	
Purchase of held to maturity investments	(27,283)	(17,325)	
Purchase of available-for-sale investments	(2,234)	(5,711)	
Sale of held to maturity investments	19,971	8,695	
Sale of available-for-sale investments	3,118	5,342	
Foreign exchange differences	(2,856)	(5,601)	
Net cash generated from investing activities	89,796	54,252	
Cash flows from financing activities			
Dividend paid	-	(100,000)	
Payment of lease liabilities	(392)	-	
Net cash used in financing activities	(392)	(100,000)	
Net increase / (decrease) in cash and cash equivalents	82,607	(8,605)	
Cash and cash equivalents at 1 January	315,148	234,277	
Movement in foreign currency translation reserve	(5,782)	2,241	
Cash and cash equivalents at 31 March	391,973	227,913	

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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 Company

	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) investments 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 2020	500,000	125,000	250,000	255,336	1,421,492	469,375	(93,713)	46,905	100,000	3,074,395	49,981	3,124,376
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	165,220	-	165,220	5,804	171,024
Other comprehensive loss for the period												
Net unrealised loss from available for sale investments	-	-	-	-	-	(53,134)	-	-	-	(53,134)	-	(53,134)
Foreign currency adjustments from translation of foreign operations	-	-	-	-	-	-	(5,548)	-	-	(5,548)	(234)	(5,782)
Total other comprehensive (loss) / income	-	-	-	-	-	(53,134)	(5,548)	165,220	-	106,538	5,570	112,108
Transactions with owners directly recorded in equity												
Dividend payable	-	-	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Balance as at 31 March 2020	500,000	125,000	250,000	255,336	1,421,492	416,241	(99,261)	212,125	-	3,080,933	55,551	3,136,484

The notes on pages 9 to 20 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 Company

	Share capital	Statutory reserve	Legal reserve	Exceptional loss reserve	General reserve	Available- for-sale (AFS) investments 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 2019	500,000	125,000	250,000	230,888	1,146,938	468,689	(95,236)	32,590	100,000	2,758,869	33,796	2,792,665
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	162,134	-	162,134	3,876	166,010
Other comprehensive (loss) / income for the period												
Net unrealised loss from available for sale investments	-	-	-	-	-	(24,803)	-	-	-	(24,803)	-	(24,803)
Foreign currency adjustments from translation of foreign operations	-	-	-	-	-	-	1,237	-	-	1,237	1,004	2,241
Total other comprehensive (loss) / income	-	-	-	-	-	(24,803)	1,237	162,134	-	138,568	4,880	143,448
Transactions with owners directly recorded in equity												
Dividend paid	-	-	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Balance as at 31 March 2019	500,000	125,000	250,000	230,888	1,146,938	443,886	(93,999)	194,724	-	2,797,437	38,676	2,836,113

The notes on pages 9 to 20 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>2020</i>	<i>2019</i>
Arab Orient Insurance Company	General and life 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 Anomin 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 control 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 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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 judgements, 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.

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)

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.

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 2019.

e) Impact of COVID-19

The economic repercussions from the global outbreak of COVID-19 have significantly and adversely affected businesses worldwide. As at 31 March 2020, the net unrealised losses on available for sale investments and financial assets measured at fair value through profit and loss are not significant. The losses in investments are consistent with the worldwide trend. There is insufficient information available to assess the direction of this trend for the future.

Insurance risk

In its underwriting segment, the Group is primarily exposed to medical and business interruption policies. The Health Authorities in Dubai and Abu Dhabi have instructed all insurers to accept medical claims related to COVID-19 irrespective of cover terms and conditions. The Group anticipates that the impact of medical claims would be immaterial due to low rate of hospitalisation and deferral of elective medical procedures required.

With regards to Business Interruption (BI) policies, the Group has in place pandemic and infectious disease policy exclusions as well. The Group has evaluated all business interruption policies in force for which the Group may have to incur claim payouts. As a result of initial examination of the policies, the Group has determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Group and specific policy exclusions. Furthermore, the Group has been able to retain major customers during the three-month period ended 31 March 2020 and has generally witnessed renewals and new business across major lines of businesses.

Credit risk

As at 31 March 2020, there is insufficient information available in the market to assess the monetary impact of non recoverability of insurance and reinsurance receivables and reduction in future premiums. Accordingly, the Group will assess the impact as soon as sufficient and reliable information is available.

The Group's reinsurance is placed with reinsurers approved by the reinsurance committee, which are generally international reputed companies with high credit ratings. As of 31 March 2020, no reinsurer has expressly disassociated with the Group nor has any reinsurer communicated its non-willingness to accept COVID-19 related claims.

Business continuity plan

The Group has remained fully operational throughout the period and has put in place effective business continuity and remote working plans enabled by the right technologies and systems to ensure uninterrupted services to customers and the operations. The outbreak has not caused any delays in policies issuance and claims settlements. The Group will continue to monitor the reverberations of COVID-19, if any, on its customers and operations and will take further action as needed.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

2 Basis of preparation (continued)

e) Impact of COVID-19 (continued)

Business continuity plan (Continued)

The steps taken by the Group to estimate the impact of COVID-19 and the judgments applied by management in assessing the values of assets and liabilities as at 31 March 2020 includes both quantitative and qualitative criteria such as risk profiling and actuarial analysis. Such analysis has enabled the Group to timely and accurately identify its exposure although these are subject to significant judgment due to the rapidly changing dynamics of COVID-19.

3 Significant accounting policies

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2019.

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 2019.

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 Investment in an associate

The investment in an associate represents a 35% (2019: 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
	2020	2019
	AED'000	AED'000
Balance as at 1 January	65,478	65,089
Group's share of net (loss) / profit for the period / year	(1,013)	389
Investment in associate	<u>64,465</u>	<u>65,478</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

7 Investment securities

At 31 March 2020 (Un-audited)	Held to maturity AED '000	Available for sale AED '000	Fair value through profit and loss AED '000	Total AED '000
Equity Securities				
Quoted equity securities in U.A.E.	-	942,080	11,455	953,535
Unquoted equity securities in U.A.E.	-	34,519	-	34,519
Unquoted equity securities outside U.A.E.	-	3	-	3
Quoted equity securities in U.A.E. held on behalf of policyholders' unit linked products	-	-	56,257	56,257
Quoted equity securities outside U.A.E. held on behalf of policyholders' unit linked products	-	-	58,096	58,096
Total equity securities	-	976,602	125,808	1,102,410
Total other invested assets	211,690	12,261	-	223,951
Total	211,690	988,863	125,808	1,326,361

At 31 December 2019 (Audited)	Held to maturity AED '000	Available for sale AED '000	Fair value through profit and loss AED '000	Total AED '000
Equity Securities				
Quoted equity securities in U.A.E.	-	995,214	12,254	1,007,468
Unquoted equity securities in U.A.E.	-	34,519	-	34,519
Unquoted equity securities outside U.A.E.	-	4	-	4
Quoted equity securities in U.A.E. held on behalf of policyholders' unit linked products	-	-	66,391	66,391
Quoted equity securities outside U.A.E. held on behalf of policyholders' unit linked products	-	-	66,028	66,028
Total equity securities	-	1,029,737	144,673	1,174,410
Total other invested assets	200,406	13,701	-	214,107
Total	200,406	1,043,438	144,673	1,388,517

8 Statutory deposits

	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 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	27,657	27,657
c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	478	478
d) Amounts under lien with Insurance Authority Syria	178	209
e) Amounts under lien with Egyptian Financial Supervisory Authority	4,214	4,199
f) Amounts under lien with Turkish Treasury	11,087	11,202
g) Amounts under lien with Central Bank of Bahrain	776	750
	54,390	54,495

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	
	2020 AED '000	2019 AED '000	2020 AED '000	2019 AED '000	2020 AED '000	2019 AED '000
Gross premiums	1,505,604	1,308,739	(1,138,081)	(942,108)	367,523	366,631
Movement in provision for unearned premiums, mathematical reserve and unit-linked funds reserve	(495,438)	(401,740)	413,664	326,521	(81,774)	(75,219)
Net premium earned	1,010,166	906,999	(724,417)	(615,587)	285,749	291,412

	Gross		Reinsurers' share		Net	
	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000
Unearned premium reserve	2,005,422	1,540,528	(1,524,063)	(1,110,881)	481,359	429,647
Mathematical premium reserve	286,001	272,536	(26,986)	(27,000)	259,015	245,536
	2,291,423	1,813,064	(1,551,049)	(1,137,881)	740,374	675,183
Outstanding claims	939,811	908,866	(751,777)	(720,504)	188,034	188,362
Incurred but not reported reserve	559,094	555,437	(372,178)	(349,275)	186,916	206,162
Allocated loss adjustment expense reserve	15,316	13,774	(12,433)	(11,002)	2,883	2,772
Unallocated loss adjustment expense reserve	9,235	9,265	-	-	9,235	9,265
	1,523,456	1,487,342	(1,136,388)	(1,080,781)	387,068	406,561
	3,814,879	3,300,406	(2,687,437)	(2,218,662)	1,127,442	1,081,744

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

10 Insurance balances receivable

	(Un-audited)	(Audited)
	31 March	31 December
	2020	2019
	AED '000	AED '000
Inside U.A.E.:		
Due from policyholders	1,036,665	638,925
Due from insurance / reinsurance companies	72,627	76,341
	<u>1,109,292</u>	<u>715,266</u>
Outside U.A.E.:		
Due from policyholders	125,757	75,532
Due from insurance / reinsurance companies	151,569	129,146
	<u>277,326</u>	<u>204,678</u>
Total Insurance Receivable	1,386,618	919,944
Less: Allowance for doubtful debts	(43,154)	(44,151)
	<u>1,343,464</u>	<u>875,793</u>

11 Other receivables and prepayments

	(Un-audited)	(Audited)
	31 March	31 December
	2020	2019
	AED '000	AED '000
Receivable from employees	843	440
Refundable deposits	6,656	6,788
Prepayments	23,898	18,314
Deferred tax asset	7,363	8,311
Others	93,855	17,644
	<u>132,615</u>	<u>51,497</u>

12 Cash and cash equivalents

	(Un-audited)	(Audited)
	31 March	31 December
	2020	2019
	AED '000	AED '000
Bank balances and cash	272,976	191,635
Deposits with banks maturing within three months	118,997	123,513
Cash and cash equivalents	391,973	315,148
Term deposits	2,647,482	2,644,097
	<u>3,039,455</u>	<u>2,959,245</u>
Cash and cash equivalents:		
Inside U.A.E.:	2,733,277	2,653,706
Outside U.A.E.:	306,178	305,539
	<u>3,039,455</u>	<u>2,959,245</u>

Bank balances include AED 2,964 thousand (31 December 2019: AED 600 thousand) under lien against the bank guarantees.

Interest on deposit with banks at fixed rates range from 0.05% -11.59% (31 December 2019: 0.05% - 24.00%) per annum.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

13 Share capital

	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000
Issued and fully paid 5,000,000 shares of AED 100 each (2018: 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 Company's Articles of Association, 10% of the profit for the year should be transferred to statutory reserve. The Company 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 Federal Law no. (2) of 2015 ("the 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 2020, 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 the 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 AED 100 million) relating to the year 2019 were declared upon approval of the shareholders at the Annual General Meeting held on 5 March 2020.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

16 Reinsurance and other payables

	(Un-audited)	(Audited)
	31 March	31 December
	2020	2019
	AED '000	AED '000
Payables – Inside UAE	528,180	377,407
Payables – Outside UAE	1,020,920	747,915
	<u>1,549,100</u>	<u>1,125,322</u>
Inside UAE:		
Insurance and reinsurance companies payable	157,820	132,503
Payable to agents and brokers	23,693	28,304
Payable to employees	31,725	27,587
Other payables	314,942	189,013
	<u>528,180</u>	<u>377,407</u>
Outside UAE:		
Insurance / reinsurance companies payable	831,091	565,510
Payable to agents and brokers	445	19,442
Payable to employees	1,174	1,202
Other payables	188,210	161,761
	<u>1,020,920</u>	<u>747,915</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 condensed consolidated interim statement of profit or loss is as follows:

	(Un-audited)	(Un-audited)
	31 March	31 March
	2020	2019
	AED '000	AED '000
Current income tax expense	5,055	2,269
Deferred taxes	45	142
Total	<u>5,100</u>	<u>2,411</u>
	(Un-audited)	(Audited)
	31 March	31 December
	2020	2019
	AED '000	AED '000
As at 1 January	3,862	4,578
Provisions during the period	5,055	8,399
Less: payments	(823)	(9,509)
Exchange differences	87	394
Balance as at the end of the period / year	<u>8,181</u>	<u>3,862</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

18 Income from investments

	(Un-audited) 31 March 2020 AED '000	(Un-audited) 31 March 2019 AED '000
Interest income	33,671	39,706
Dividend income	51,658	51,285
Fair value (loss) / gain on investments carried at fair value through profit or loss	(799)	526
	<u>84,530</u>	<u>91,517</u>

19 Commitments and contingent liabilities

	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000
a) Commitments		
Commitment for investments	<u>4,090</u>	<u>4,090</u>

b) Contingent liabilities

At 31 March 2020, guarantees, other than those relating to claims for which provisions are held, amounting to AED 37,821 thousand (2019: AED 50,644 thousand) had been issued on behalf of the Group by its banker in the ordinary 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:

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

20 Fair value of financial instruments (continued)

31 March 2020 (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	11,455	-	-	11,455
Investments held on behalf of policy holders of unit linked products	114,353	-	-	114,353
	<u>125,808</u>	<u>-</u>	<u>-</u>	<u>125,808</u>
<u>Available-for-sale financial assets:</u>				
Banking sector	938,984	-	-	938,984
Other sector	15,357	-	34,522	49,879
	<u>954,341</u>	<u>-</u>	<u>34,522</u>	<u>988,863</u>

31 December 2019 (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	12,254	-	-	12,254
Investments held on behalf of policy holders of unit linked products	132,419	-	-	132,419
	<u>144,673</u>	<u>-</u>	<u>-</u>	<u>144,673</u>
<u>Available-for-sale financial assets:</u>				
Banking Sector	991,013	-	-	991,013
Other Sector	17,903	-	34,522	52,425
	<u>1,008,916</u>	<u>-</u>	<u>34,522</u>	<u>1,043,438</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 2020 (Un-audited)

	At 1 January 2020 AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded equity AED '000	At 31 March 2020 AED '000
<u>Available-for-sale financial assets:</u>					
Other sectors	34,522	-	-	-	34,522
Total	<u>34,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,522</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

20 Fair value of financial instruments (continued)

31 December 2019 (Audited)

	At 1 January 2019 AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded in equity AED '000	At 31 December 2019 AED '000
<u>Available-for-sale financial assets:</u>					
Banking sector	200,000	-	(200,000)	-	-
Other sectors	31,978	1,625	-	919	34,522
Total	231,978	1,625	(200,000)	919	34,522

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 2020 AED '000	(Un-audited) 31 March 2019 AED '000
Profit after tax for the period	171,024	166,010
Less : Attributable to non-controlling interests	(5,804)	(3,876)
Profit attributable to shareholders	165,220	162,134
Weighted average number of shares outstanding during the period ('000)	5,000	5,000
Earnings per share (AED)	33.04	32.43

There is no dilution effect to the basic earnings per share.

22 Segment information

	General insurance		Life insurance		Total	
	(Un-audited) 31 March 2020 AED '000	(Un-audited) 31 March 2019 AED '000	(Un-audited) 31 March 2020 AED '000	(Un-audited) 31 March 2019 AED '000	(Un-audited) 31 March 2020 AED '000	(Un-audited) 31 March 2019 AED '000
Total premiums written	1,392,762	1,195,615	112,842	113,124	1,505,604	1,308,739
Gross underwriting income	263,120	276,953	31,383	27,454	294,503	304,407
Net underwriting income	141,062	122,734	15,769	18,204	156,831	140,938
General and administration expenses	(56,509)	(52,084)	(10,169)	(11,654)	(66,678)	(63,738)
Net technical profit	84,553	70,650	5,600	6,550	90,153	77,200
Investment and other income					85,971	91,221
Profit before tax					176,124	168,421
Income tax expense net of deferred taxes					(5,100)	(2,411)
Profit after tax					171,024	166,010

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

22 Segment information (continued)

	General insurance		Life insurance		Investments		Total	
	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000	(Un-audited) 31 March 2020 AED '000	(Audited) 31 December 2019 AED '000
Segment assets	4,262,829	3,218,545	395,821	347,352	4,092,698	4,152,587	8,751,348	7,718,484
Segment liabilities	4,911,768	3,913,048	703,096	681,060	-	-	5,614,864	4,594,108