

**Orient Insurance PJSC
and its subsidiaries**

Condensed consolidated interim financial
information

for the nine-month period ended 30 September 2021

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Condensed consolidated interim financial information

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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 30 September 2021 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 30 September 2021;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2021;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2021; 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 30 September 2021 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates

Date: 7 November 2021

Orient Insurance PJSC and its subsidiaries

Condensed consolidated interim statement of financial position
as at 30 September

		(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000
Assets			
Property and equipment		95,936	94,652
Investment in an associate	6	-	67,635
Held to maturity investments	7	233,703	213,548
Available for sale investments	7	1,588,707	1,239,011
Investments carried at fair value through profit and loss	7	366,321	207,279
Insurance balances receivable	10	1,238,097	1,066,587
Statutory deposits	8	86,286	71,638
Reinsurance contract assets	9	3,129,596	2,680,090
Other receivables and prepayments	11	181,557	59,526
Bank deposits	12	3,170,538	2,811,066
Cash and bank balances	12	407,586	371,687
Total assets		10,498,327	8,882,719
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	279,867	279,867
General reserve	14	1,565,492	1,565,492
Reinsurance risk reserve	14	24,283	13,693
Available for sale investments reserve	14	500,506	457,642
Foreign currency translation reserve	14	(119,452)	(107,527)
Retained earnings		450,374	77,401
Proposed dividends		-	200,000
Equity attributable to equity holders of the Company		3,576,070	3,361,568
Non-controlling interests		105,987	60,346
Total equity		3,682,057	3,421,914
Liabilities			
Insurance contract liabilities	9	4,514,059	3,841,007
Unit linked funds reserve		351,655	194,537
Retirement benefit obligation		28,599	25,494
Lease liabilities		7,575	4,151
Reinsurance and other payables	15	1,604,382	1,395,616
Bank overdraft	12	310,000	-
Total liabilities		6,816,270	5,460,805
Total liabilities and equity		10,498,327	8,882,719

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 7 November 2021 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 22 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 30 September

	Notes	(Un-audited) For the three-month period ended		(Un-audited) For the nine-month period ended	
		30 September 2021 AED '000	30 September 2020 AED '000	30 September 2021 AED '000	30 September 2020 AED '000
		Gross written premium	9	911,024	787,499
Reinsurance share of ceded premiums	9	(569,712)	(524,422)	(2,555,725)	(2,326,757)
Net premium written		341,312	263,077	1,269,576	1,019,742
Net movement in provision for unearned premiums, mathematical premium reserve and unit-linked funds reserve	9	(60)	24,604	(297,006)	(173,869)
Net premium earned		341,252	287,681	972,570	845,873
Commission income		66,963	51,990	246,065	207,656
Commission expense		(84,529)	(69,249)	(261,994)	(227,880)
Gross underwriting income		323,686	270,422	956,641	825,649
Gross claims paid		634,612	606,345	2,047,643	1,606,355
Reinsurance share of claims paid		(441,660)	(443,623)	(1,510,321)	(1,178,801)
Net claims paid		192,952	162,722	537,322	427,554
Increase in provision for outstanding claims		77,775	123,540	23,285	347,174
(Increase) in reinsurance share of outstanding claims		(70,055)	(109,691)	(9,370)	(323,336)
(Decrease) in incurred but not reported claims reserves		(7,574)	(10,544)	(18,856)	(23,810)
(Decrease) / increase in loss adjustment expense reserves		(300)	1,017	1,084	3,311
Net claims incurred		192,798	167,044	533,465	430,893
Net underwriting income		130,888	103,378	423,176	394,756
Income from investments	17	34,416	35,194	164,307	153,067
Other income		1,497	1,346	22,450	4,901
Share of profit from investment in an associate	6	-	897	365	1,350
Total income		166,801	140,815	610,298	554,074
General and administrative expenses		(72,178)	(41,449)	(196,893)	(163,552)
Profit before tax		94,623	99,366	413,405	390,522
Income tax expense net of deferred taxes	16	(4,895)	(3,431)	(13,266)	(12,288)
Profit after tax		89,728	95,935	400,139	378,234
Attributable to:					
Equity holders of the Company		86,869	93,874	383,563	363,594
Non-controlling interests		2,859	2,061	16,576	14,640
Total profit for the period		89,728	95,935	400,139	378,234
Basic and diluted earnings per share attributable to equity holders of the Company (AED / share)	21	17.37	18.77	76.71	72.72

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 22 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 and other comprehensive income
for the period ended 30 September

	(Un-audited)		(Un-audited)	
	For the three-month period ended		For the nine-month period ended	
	30 September 2021 AED '000	30 September 2020 AED '000	30 September 2021 AED '000	30 September 2020 AED '000
Profit after tax	89,728	95,935	400,139	378,234
Other comprehensive income				
<i>Other comprehensive income to be reclassified to profit and loss in subsequent periods:</i>				
Net unrealised gain / (loss) from available for sale investments	7,871	22,736	42,864	(52,333)
Foreign currency adjustments from translation of foreign operations	(1,589)	(3,514)	(14,140)	(21,508)
Other comprehensive income / (loss) for the period	6,282	19,222	28,724	(73,841)
Total comprehensive income for the period	96,010	115,157	428,863	304,393
Attributable to:				
Equity holders of the Company	93,255	111,989	414,502	294,617
Non-controlling interests	2,755	3,168	14,361	9,776
	96,010	115,157	428,863	304,393

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 cash flows
for the period ended 30 September

		(Un-audited)	
		For the nine-month	
		period ended	
Notes	30 September 2021	30 September 2020	
	AED '000	AED '000	
Cash flows from operating activities			
	413,405	390,522	
Profit before tax for the period			
Adjustments for:			
Depreciation	6,739	6,087	
Interest income	17 (112,837)	(101,222)	
Dividend income	17 (49,546)	(51,860)	
Share of profit from equity accounted investee	6 (365)	(1,350)	
Unrealised (gain) / loss on investments at fair value through profit or loss	17 (1,924)	619	
Realised gain on sale of investment	-	(604)	
Interest expense	-	215	
Loss on on sale of property and equipment	-	5	
Amortisation of investment	404	-	
Finance cost on lease liabilities	84	-	
Gain on bargain purchase	20(iii) (17,836)	-	
Allowance for doubtful debts	351	(1,375)	
	238,475	241,037	
Operating cash flows before movements in working capital			
Increase in insurance receivables	(30,118)	(280,140)	
Increase in reinsurance contract assets	(201,513)	(558,890)	
Increase in other receivables and prepayments	(38,767)	(16,447)	
Increase in other insurance contract liabilities	362,172	666,065	
Increase in unit linked funds reserve	157,118	21,689	
Increase in reinsurance and other payables	25,303	238,372	
Increase in retirement benefit obligation	1,875	2,314	
	514,545	314,000	
Cash generated from operating activities			
Income tax paid	16 (6,217)	(572)	
	508,328	313,428	
Cash flows from investing activities			
Purchase of property and equipment	(2,258)	(1,682)	
Proceeds from sale of property and equipment	119	12	
Interest received	37,152	27,182	
Dividend received	49,546	51,860	
Deposits with bank	(129,675)	(210,529)	
Acquisition of subsidiary - net of cash acquired	(38,919)	-	
Net purchase of investments carried at fair value through profit and loss	(157,117)	(21,689)	
Purchase of held to maturity investments	(73,610)	(75,512)	
Purchase of available-for-sale investments	(388,697)	(19,363)	
Sale of held to maturity investments	53,831	62,048	
Sale of available-for-sale investments	80,212	18,576	
Foreign exchange differences	1,618	(2,060)	
	(567,798)	(171,157)	
Net cash used in investing activities			
Cash flows from financing activities			
Dividend paid	(200,000)	(100,000)	
Payment of lease liabilities	(491)	(1,271)	
	(200,491)	(101,271)	
Net cash used in financing activities			
Net (decrease) / increase in cash and cash equivalents	(259,961)	41,000	
Cash and cash equivalents at 1 January	371,687	315,148	
Movement in foreign currency translation reserve	(14,140)	(21,508)	
	97,586	334,640	
Cash and cash equivalents at 30 September	12		

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 22 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 30 September

Equity Attributable to equity holders of the Company

	Share capital	Statutory reserve	Legal reserve	Exceptional loss reserve	General reserve	Reinsurance risk 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	AED '000
Balance as at 1 January 2021	500,000	125,000	250,000	279,867	1,565,492	13,693	457,642	(107,527)	77,401	200,000	3,361,568	60,346	3,421,914
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	383,563	-	383,563	16,576	400,139
Other comprehensive income for the period													
Net unrealised gain from available for sale investments	-	-	-	-	-	-	42,864	-	-	-	42,864	-	42,864
Foreign currency adjustments from translation of foreign operations	-	-	-	-	-	-	-	(11,925)	-	-	(11,925)	(2,215)	(14,140)
Total other comprehensive income / (loss)	-	-	-	-	-	-	42,864	(11,925)	383,563	-	414,502	14,361	428,863
Transactions with owners directly recorded in equity													
Transfer to reserves	-	-	-	-	-	10,590	-	-	(10,590)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Change in ownership interests													
Acquisition of subsidiary (note 20)	-	-	-	-	-	-	-	-	-	-	-	31,280	31,280
Balance as at 30 September 2021	500,000	125,000	250,000	279,867	1,565,492	24,283	500,506	(119,452)	450,374	-	3,576,070	105,987	3,682,057

The notes on pages 9 to 22 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) (continued)
for the period ended 30 September

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	'000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	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	-	-	-	-	-	-	-	363,594	-	363,594	14,640	378,234
Other comprehensive loss for the period												
Net unrealised loss from available for sale investments	-	-	-	-	-	(52,333)	-	-	-	(52,333)	-	(52,333)
Foreign currency adjustments from translation of foreign operations	-	-	-	-	-	-	(16,644)	-	-	(16,644)	(4,864)	(21,508)
Total other comprehensive (loss) / income	-	-	-	-	-	(52,333)	(16,644)	363,594	-	294,617	9,776	304,393
Transactions with owners directly recorded in equity												
Dividend paid	-	-	-	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
Balance as at 30 September 2020	500,000	125,000	250,000	255,336	1,421,492	417,042	(110,357)	410,499	-	3,269,012	59,757	3,328,769

The notes on pages 9 to 22 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>2021</i>	<i>2020</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%
Orient UNB Takaful P.J.S.C. (note 20)	General insurance	UAE	84%	35%

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.

Arab Orient Insurance Company

Although the Company owns 40% of Arab Orient Insurance Company, the Company maintains control over the entity as it has power over the investee, exposure or rights to its variable returns and the power to affect the investor's returns due to additional share holding by the ultimate holding company. Accordingly, management has determined that the Group controls the entity.

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 2020, 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").

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

2 Basis of preparation (continued)

c) Functional and presentation currency

These condensed consolidated interim financial information are presented in U.A.E. Dirhams ("AED") rounded to the 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.

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 2020.

e) Impact of COVID-19

On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain the spread of the virus.

This note outlines the steps taken by the Group to estimate the impact of COVID-19 and the judgements applied by management in assessing the values of assets and liabilities as at 30 September 2021.

Insurance risk

In its underwriting segment, the Group is primarily exposed to medical and business interruption policies. The Health Authority in Dubai has 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 period and has generally witnessed renewals and new business across major lines of businesses.

Credit risk

The Group has robust governance in place to ensure the appropriateness of provision against doubtful insurance balance receivables and the resultant estimates are being reviewed continuously by the management.

Liquidity risk management

In response to the COVID-19 outbreak, the Group continues to monitor and respond to all liquidity requirements that are presented. The Group continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Group in the current extreme stress. As at the reporting date the liquidity position of the Group remains strong and is well placed to absorb and manage the impacts of this disruption.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

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 2020.

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 2020.

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

On 16 March 2021, the Group's equity interest in its associate, Orient UNB Takaful PJSC ("Orient UNB"), increased from 35% to 84% and accordingly Orient UNB became a subsidiary from that date (see note 20). Orient UNB is a public shareholding company registered and incorporated in UAE. Orient UNB commenced its commercial operations in 2017. The principal activity of Orient UNB 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. It also invests its funds in deposits.

Following is the movement in investment in associate:

	(Un-audited)	(Audited)
	30 September	31 December
	2021	2020
	AED'000	AED'000
Balance as at 1 January	67,635	65,478
Group's share of net profit for the period / year	365	2,157
Transferred to investment in subsidiaries (note 20 (iii))	(68,000)	-
	<u>-</u>	<u>67,635</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

7 Investment securities

At 30 September 2021 (Un-audited)	Held to maturity AED '000	Available for sale AED '000	Fair value through profit and loss AED '000	Total AED '000
Quoted equity securities in UAE	-	994,728	14,666	1,009,394
Quoted debt security in UAE	-	578,428	-	578,428
Unquoted equity securities in UAE (note 7 (i))	-	-	-	-
Unquoted equity securities outside UAE	-	1	-	1
Quoted equity securities in UAE held on behalf of policyholders' unit linked products	-	-	102,767	102,767
Quoted equity securities outside UAE held on behalf of policyholders' unit linked products	-	-	248,888	248,888
Total equity securities	-	1,573,157	366,321	1,939,478
Total other invested assets	233,703	15,550	-	249,253
Total	233,703	1,588,707	366,321	2,188,731

At 31 December 2020 (Audited)	Held to maturity AED '000	Available for sale AED '000	Fair value through profit and loss AED '000	Total AED '000
Quoted equity securities in UAE	-	978,871	12,742	991,613
Quoted debt security in UAE	-	209,057	-	209,057
Unquoted equity securities in UAE	-	35,236	-	35,236
Unquoted equity securities outside UAE	-	1	-	1
Quoted equity securities in UAE held on behalf of policyholders' unit linked products	-	-	78,020	78,020
Quoted equity securities outside UAE held on behalf of policyholders' unit linked products	-	-	116,517	116,517
Total equity securities	-	1,223,165	207,279	1,430,444
Total other invested assets	213,548	15,846	-	229,394
Total	213,548	1,239,011	207,279	1,659,838

7 (i) During the period, the Group entered into an agreement with Al Futtaim Private Company LLC ("Ultimate Holding Company") to sell of its investment in Mena Real Estate Development Fund for a price agreed at AED 61.4 million. The Group has received a payment of AED 24.2 million. The balance of AED 37.2 million is outstanding as at 30 September 2021.

8 Statutory deposits

	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 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	26,000	10,000
b) Amounts under lien with Capital Market Authority, Sultanate of Oman	38,219	38,219
c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	478	478
d) Amounts under lien with Insurance Authority Syria	37	73
e) Amounts under lien with Egyptian Financial Supervisory Authority	6,512	10,853
f) Amounts under lien with Turkish Treasury	14,238	11,239
g) Amounts under lien with Central Bank of Bahrain	802	776
	86,286	71,638

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

9 Insurance contract liabilities and reinsurance contract assets

Nine-month period ended 30 September (un-audited)

	Gross		Reinsurers' share		Net	
	2021 AED '000	2020 AED '000	2021 AED '000	2020 AED '000	2021 AED '000	2020 AED '000
Gross premiums	3,825,301	3,346,499	(2,555,725)	(2,326,757)	1,269,576	1,019,742
Movement in provision for unearned premiums, mathematical reserve and unit-linked funds reserve	(473,334)	(317,935)	176,328	144,066	(297,006)	(173,869)
Net premium earned	<u>3,351,967</u>	<u>3,028,564</u>	<u>(2,379,397)</u>	<u>(2,182,691)</u>	<u>972,570</u>	<u>845,873</u>
	Gross		Reinsurers' share		Net	
	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000
Unearned premium reserve	2,018,031	1,588,985	(1,441,665)	(1,144,308)	576,366	444,677
Mathematical premium reserve	390,295	310,380	(17,440)	(17,766)	372,855	292,614
	<u>2,408,326</u>	<u>1,899,365</u>	<u>(1,459,105)</u>	<u>(1,162,074)</u>	<u>949,221</u>	<u>737,291</u>
Outstanding claims	1,388,576	1,245,792	(1,146,842)	(1,033,445)	241,734	212,347
Incurred but not reported reserve	682,035	665,397	(504,889)	(469,396)	177,146	196,001
Allocated loss adjustment expense reserve	23,199	18,727	(18,760)	(15,175)	4,439	3,552
Unallocated loss adjustment expense reserve	11,923	11,726	-	-	11,923	11,726
	<u>2,105,733</u>	<u>1,941,642</u>	<u>(1,670,491)</u>	<u>(1,518,016)</u>	<u>435,242</u>	<u>423,626</u>
	<u>4,514,059</u>	<u>3,841,007</u>	<u>(3,129,596)</u>	<u>(2,680,090)</u>	<u>1,384,463</u>	<u>1,160,917</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

10 Insurance balances receivable

	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000
Inside UAE:		
Due from policyholders	777,186	779,922
Due from insurance / reinsurance companies	67,635	82,965
	<u>844,821</u>	<u>862,887</u>
Outside UAE:		
Due from policyholders	300,087	93,206
Due from insurance / reinsurance companies	140,851	157,805
	<u>440,938</u>	<u>251,011</u>
Total insurance balances receivable	1,285,759	1,113,898
Less: Allowance for doubtful debts	(47,662)	(47,311)
	<u>1,238,097</u>	<u>1,066,587</u>

11 Other receivables and prepayments

	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000
Receivable from employees	1,239	4,339
Refundable deposits	7,410	6,902
Prepayments	22,976	22,279
Deferred tax asset	2,067	5,277
Accrued interest	86,234	4,936
Others	61,631	15,793
	<u>181,557</u>	<u>59,526</u>

12 Cash and bank balances

	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000
Bank balances and cash	345,528	263,134
Deposits with banks maturing within three months	62,058	108,553
Cash and bank balances in the statement of financial position	<u>407,586</u>	<u>371,687</u>
Less: Bank overdraft availed	(310,000)	-
Cash and cash equivalents in the statement of cash flow	<u>97,586</u>	<u>371,687</u>
Bank deposits maturing after three months	3,170,538	2,811,066
	<u>3,268,124</u>	<u>3,182,753</u>
Cash and bank balances:		
Inside UAE:	2,602,320	2,855,627
Outside UAE:	665,804	327,126
	<u>3,268,124</u>	<u>3,182,753</u>

Bank balances include AED 5,318 thousand (31 December 2020: AED 5,329 thousand) under lien against the bank guarantees.

During the period, the Group availed bank overdraft facilities amounting to AED 459,000 thousand which is secured against bank fixed deposits amounting to AED 483,000 thousand. The overdraft facility carries an interest of 2.5% per annum.

Interest on deposit with banks at fixed rates range from 0.03% - 19.10% (31 December 2020: 0.04% - 18.25%) per annum.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

13 Share capital

	(Un-audited)	(Audited)
	30 September	31 December
	2021	2020
	AED '000	AED '000
Issued and fully paid 5,000,000 shares of AED 100 each (2020: 5,000,000 shares of AED 100 each)	500,000	500,000

14 Reserves

Nature and purpose of reserves

- Statutory reserve

In accordance with the Company's Articles of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 25% of its paid up capital. Accordingly no transfer to statutory reserve has been made during the period. 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 nine month period to 30 September 2021, 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.

- Reinsurance risk reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Group has created a reinsurance risk reserve amounting to AED 24.3 million, being 0.5% of the total reinsurance contribution ceded by the Group in all classes of business. The Group shall accumulate such provision year on year and not dispose of the provision without the written approval of the Director General of the UAE Insurance Authority (currently Central Bank).

- 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.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

15 Reinsurance and other payables

	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000
Payables – Inside UAE	645,679	414,969
Payables – Outside UAE	958,703	980,647
	<u>1,604,382</u>	<u>1,395,616</u>
Inside UAE:		
Insurance and reinsurance companies payable	186,369	127,264
Payable to agents and brokers	48,696	31,428
Payable to employees	26,792	31,090
Other payables	383,822	225,187
	<u>645,679</u>	<u>414,969</u>
Outside UAE:		
Insurance / reinsurance companies payable	725,562	762,129
Payable to agents and brokers	290	8,702
Payable to employees	2,835	4,977
Other payables	230,016	204,839
	<u>958,703</u>	<u>980,647</u>

16 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) For the three-month period ended		(Un-audited) For the nine-month period ended	
	30 September 2021 AED '000	30 September 2020 AED '000	30 September 2021 AED '000	30 September 2020 AED '000
Current income tax expense	3,510	3,451	10,414	12,299
Deferred taxes	1,385	(20)	2,852	(11)
Total	<u>4,895</u>	<u>3,431</u>	<u>13,266</u>	<u>12,288</u>
			(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000
As at 1 January			14,741	3,862
Provisions during the period / year			10,414	11,525
Less: payments			(6,217)	(729)
Exchange differences			(62)	83
Balance as at the end of the period / year			<u>18,876</u>	<u>14,741</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

17 Income from investments

	(Un-audited) For the three-month period ended		(Un-audited) For the nine-month period ended	
	30 September 2021 AED '000	30 September 2020 AED '000	30 September 2021 AED '000	30 September 2020 AED '000
Interest income	35,012	34,085	112,837	101,222
Dividend income	-	174	49,546	51,860
Fair value (loss) / gain on investments carried at fair value through profit or loss	(596)	604	1,924	(619)
Realised gain on sale of investments	-	331	-	604
	34,416	35,194	164,307	153,067

18 Commitments and contingent liabilities

	(Un-audited) 30 September 2021 AED '000	(Audited) 31 December 2020 AED '000
a) Commitments		
Commitment for investments	2,407	2,407

b) Contingent liabilities

At 30 September 2021, guarantees, other than those relating to claims for which provisions are held, amounting to AED 46,894 thousand (31 December 2020: AED 76,230 thousand) had been issued on behalf of the Group by its banker in the ordinary course of business.

19 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)

19 Fair value of financial instruments (continued)

30 September 2021 (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	14,666	-	-	14,666
Investments held on behalf of policy holders of unit linked products	351,655	-	-	351,655
	<u>366,321</u>	<u>-</u>	<u>-</u>	<u>366,321</u>
<u>Available-for-sale financial assets:</u>				
Banking sector	991,014	578,428	-	1,569,442
Other sector	19,264	-	1	19,265
	<u>1,010,278</u>	<u>578,428</u>	<u>1</u>	<u>1,588,707</u>

31 December 2020 (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	12,742	-	-	12,742
Investments held on behalf of policy holders of unit linked products	194,537	-	-	194,537
	<u>207,279</u>	<u>-</u>	<u>-</u>	<u>207,279</u>
<u>Available-for-sale financial assets:</u>				
Banking Sector	976,147	209,057	-	1,185,204
Other Sector	18,570	-	35,237	53,807
	<u>994,717</u>	<u>209,057</u>	<u>35,237</u>	<u>1,239,011</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:

30 September 2021 (Un-audited)

	At 1 January 2021 AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded in equity AED '000	At 30 September 2021 AED '000
<u>Available-for-sale financial assets:</u>					
Other sectors	35,237	-	(61,424)	26,188	1
Total	<u>35,237</u>	<u>-</u>	<u>(61,424)</u>	<u>26,188</u>	<u>1</u>

31 December 2020 (Audited)

	At 1 January 2020 AED '000	Purchase AED '000	Sales AED '000	Total gain or loss recorded in equity AED '000	At 31 December 2020 AED '000
<u>Available-for-sale financial assets:</u>					
Other sectors	34,522	2,826	(1,147)	(964)	35,237
Total	<u>34,522</u>	<u>2,826</u>	<u>(1,147)</u>	<u>(964)</u>	<u>35,237</u>

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

20 Acquisition of subsidiary

On 16 March 2021, the Group acquired an additional 49% of the shares and voting interests in Orient UNB Takaful PJSC ("Orient UNB"). As a result, the Group's equity interest in Orient UNB increased from 35% to 84%, obtaining control of Orient UNB.

From the date of acquisition, Orient UNB contributed gross written premium of AED 241,998 thousand and profit after tax of AED 10,709 thousand to the Group's results. If the acquisition had occurred on 1 January 2021, management estimates that consolidated gross written premium would have been AED 3,895 million, and consolidated profit after tax for the period would have been AED 401 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2021.

i Purchase consideration

The purchase consideration (also referred to as "purchase price") of the acquisition has been allocated to the assets acquired and liabilities assumed using their preliminary fair values at the acquisition date. The computation of the purchase consideration and its allocation to the net assets of Orient UNB – based on their respective fair values as of 16 March 2021 is presented below. The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed.

Against the acquisition of additional equity share, the Group has transferred cash consideration amounting to AED 77,170 thousand.

ii Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	(Un-audited) AED '000
Property and equipment	4,940
Insurance balances receivable	141,743
Statutory deposits	6,000
Reinsurance contract assets	247,993
Other receivables and prepayments	8,064
Bank deposits	241,080
Cash and cash equivalents	38,251
Insurance contract liabilities	(310,880)
Retirement benefit obligation	(1,195)
Lease liabilities	(3,395)
Reinsurance and other payables	(178,315)
	<u>194,286</u>

Insurance balance receivable comprises gross contractual amounts due of AED 143,043 thousand, of which AED 1,300 thousand was expected to be uncollected at the date of acquisition.

The Group is in the process of undertaking comprehensive purchase price allocation which is expected to complete within twelve months from the date of business combinations. This may result in different values being attributed to the assets, liabilities and contingent liabilities acquired, and hence, change in the accounting for the acquisition.

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

20 Acquisition of subsidiary (continued)

iii Bargain purchase

Bargain purchase arising from the acquisition has been recognised as follows:

	(Un-audited) AED '000
Fair value of identifiable net assets	194,286
Fair value of pre-existing interest in Orient UNB	(68,000)
Fair value of consideration transferred	(77,170)
NCl, based on their proportionate interest in the recognised amounts of the assets and liabilities of Orient UNB	(31,280)
	17,836

The gain on bargain purchase of AED 17,836 thousand has been included in 'other income' in the condensed consolidated interim statement of profit or loss.

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

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) For the three-month period ended		(Un-audited) For the nine-month period ended	
	30 September 2021 AED '000	30 September 2020 AED '000	30 September 2021 AED '000	30 September 2020 AED '000
Profit after tax for the period	89,728	95,935	400,139	378,234
Less : Attributable to non-controlling interests	(2,859)	(2,061)	(16,576)	(14,640)
Profit attributable to shareholders	86,869	93,874	383,563	363,594
Weighted average number of shares outstanding during the period ('000)	5,000	5,000	5,000	5,000
Earnings per share (AED)	17.37	18.77	76.71	72.72

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

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

22 Segment information

Identification of reportable segments

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

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

Transactions between operating segments are conducted at estimated market rates. Operating segment information is presented below:

	General insurance		Life insurance		Total	
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
	30 September	30 September	30 September	30 September	30 September	30 September
	2021	2020	2021	2020	2021	2020
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Total premiums written	3,343,756	3,025,221	481,545	321,278	3,825,301	3,346,499
Gross underwriting income	854,194	762,647	102,447	63,002	956,641	825,649
Net underwriting income	362,658	371,239	60,518	23,517	423,176	394,756
General and administration expenses	(167,022)	(134,456)	(29,871)	(29,096)	(196,893)	(163,552)
Net technical profit	195,636	236,783	30,647	(5,579)	226,283	231,204
Investment and other income					187,122	159,318
Profit before tax					413,405	390,522
Income tax expense net of deferred taxes					(13,266)	(12,288)
Profit after tax					400,139	378,234

Orient Insurance PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information (continued)

22 Segment information (continued)

Details of segment assets and liabilities as at 30 September 2021 is presented below:

	General insurance		Life insurance		Investments		Total	
	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
	30 September	31 December	30 September	31 December	30 September	31 December	30 September	31 December
	2021	2020	2021	2020	2021	2020	2021	2020
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Segment assets	4,586,813	3,888,381	465,959	384,161	5,445,555	4,610,177	10,498,327	8,882,719
Segment liabilities	5,641,345	4,594,258	1,174,925	866,547	-	-	6,816,270	5,460,805