Orient Insurance Company (PJSC)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2014 (UNAUDITED)

Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ORIENT INSURANCE COMPANY (PJSC)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Orient Insurance Company (PJSC) and its subsidiaries (the "Group") as of 31 March 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Ernst & Young
Signed by:
Anthony O'Sullivan
Partner
Registration No. 687

8 May 2014

Dubai, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at

	Notes	*Unaudited 31 March 2014 AED'000*	*Audited 31 December 2013 AED'000*	*Unaudited 31 March 2013 AED'000*
ASSETS				
Property and equipment		**128,634**	123,582	124,458
Investment securities	4	**1,346,015**	1,006,146	759,316
Insurance contract assets	8	**930,405**	883,427	840,100
Insurance receivables		**350,973**	291,799	316,101
Prepayment and other receivables		**17,091**	15,054	33,128
Deposits with banks	5	**1,045,895**	1,008,931	874,309
Cash and cash equivalents		**77,898**	101,887	45,448
TOTAL ASSETS		**3,896,911**	3,430,826	2,992,860
EQUITY AND LIABILITIES				
Equity				
Share capital	6	**500,000**	405,000	405,000
Statutory reserve	7	**101,250**	101,250	101,250
Legal reserve	7	**175,452**	175,452	152,331
Exceptional loss reserve	7	**123,100**	123,100	107,740
General reserve	7	**310,603**	405,603	293,434
Retained earnings		**123,488**	15,010	117,729
Available-for-sale (AFS) reserve	7	**683,714**	358,464	127,280
Foreign currency translation reserve	7	**(32,816)**	(32,573)	(16,506)
Proposed dividends		**-**	81,000	-
Equity attributable to equity holders of the parent		**1,984,791**	1,632,306	1,288,258
Non-controlling interest		**37,407**	36,806	48,385
Total equity		**2,022,198**	1,669,112	1,336,643
Liabilities				
Insurance contract liabilities	8	**1,348,342**	1,276,391	1,215,815
Reinsurance payables		**285,276**	232,279	208,659
Amounts held under insurance treaties		**123,691**	124,771	121,558
Other payables and accruals		**115,438**	126,350	107,463
Payable to policy holders of unit linked products		**1,966**	1,923	2,722
Total liabilities		**1,874,713**	1,761,714	1,656,217
TOTAL EQUITY AND LIABILITIES		**3,896,911**	3,430,826	2,992,860

President- Orient Group

8 May 2014

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March

		Three months ended 31 March (Unaudited)	
		2014 AED'000	*2013 AED'000*
UNDERWRITING INCOME			
Gross premiums			
Insurance contracts premium		**407,421**	371,282
Movement in provision for unearned premium		**(36,075)**	(29,338)
Insurance premium revenue		**371,346**	341,944
Less: **Reinsurers' share of premium**			
Insurance contracts premium		**273,038**	242,545
Movement in provision for unearned premium		**(25,450)**	(18,444)
		247,588	224,101
Net insurance premium revenue		**123,758**	117,843
Commission income		**46,437**	35,104
Total underwriting income		**170,195**	152,947
UNDERWRITING EXPENSES			
Claims paid		**96,704**	142,939
Less: re-insurance share		**(56,402)**	(99,027)
Net claims		**40,302**	43,912
Increase in outstanding claims		**15,035**	10,103
Claims incurred		**55,337**	54,015
Commission expenses		**29,562**	24,118
General and administration expenses		**38,648**	30,852
Total underwriting expenses		**123,547**	108,985
NET UNDERWRITING INCOME		**46,648**	43,962
INVESTMENT INCOME			
Interest income		**10,157**	8,400
Dividend income		**54,111**	54,164
Other income		**1,099**	1,307
Fair value (loss)/gain on investments carried at fair value through profit or loss		**(926)**	2,627
		64,441	66,498
PROFIT BEFORE TAXATION		**111,089**	110,460
Income tax expense		**(1,590)**	(1,921)
PROFIT FOR THE PERIOD		**109,499**	108,539
Attributable to:			
Owners of the parent		**108,478**	106,878
Non-controlling interests		**1,021**	1,661
		109,499	108,539
Basic and diluted earnings per share (AED)			
Attributable to equity holders of the parent	3	**24.78**	24.42

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

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

	Three months ended 31 March (Unaudited)	
	2014	*2013*
	AED'000	*AED'000*
Profit for the period	**109,499**	108,539
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(663)**	(548)
Net unrealised gains on available-for-sale investments	**325,250**	85,313
Total comprehensive income for the period	**434,086**	193,304
Attributable to:		
Owner of the parent	**433,485**	191,845
Non-controlling interests	**601**	1,459
	434,086	193,304

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March

	Three months ended 31 March (Unaudited)	
	2014 AED'000	*2013 AED'000*
OPERATING ACTIVITIES		
Profit before tax for the period	**111,089**	110,460
Adjustments for:		
Depreciation	**2,129**	1,685
Gain on sale of property and equipment	**(3)**	(6)
Interest income	**(10,157)**	(8,400)
Dividend income	**(54,111)**	(54,164)
Unrealised loss (gain) on investments at fair value through profit or loss	**926**	(2,627)
Operating profit before changes in operating assets and liabilities	**49,873**	46,948
Insurance receivables	**(59,174)**	(72,798)
Insurance contract assets	**(46,978)**	19,366
Prepayments and other receivables	**(2,037)**	5,268
Insurance contract liabilities	**71,951**	810
Reinsurance payables	**52,997**	6,107
Amount held under insurance treaties	**(1,080)**	3,919
Other payables and accruals	**(12,502)**	7,918
Payable to policyholders of unit link products	**43**	(294)
Net cash from operating activities	**53,093**	17,244
INVESTING ACTIVITIES		
Purchase of property and equipment	**(7,199)**	(315)
Proceeds from sale of property and equipment	**21**	117
Interest income	**10,157**	8,400
Deposits with banks	**(36,964)**	(29,764)
Purchase of held to maturity investments	**(11,193)**	(602)
Purchase of available-for-sale investments	**(4,499)**	(15)
Sale of available-for-sale investments	**147**	4,694
Net cash used in investing activities	**(49,530)**	(17,485)
FINANCING ACTIVITIES		
Dividends received	**54,111**	54,164
Dividends paid	**(81,000)**	(81,000)
Net cash used in financing activities	**(26,889)**	(26,836)
DECREASE IN CASH AND CASH EQUIVALENTS	**(23,326)**	(27,077)
Cash and cash equivalents at 1 January	**101,887**	73,073
Movement in foreign currency translation reserve	**(663)**	(548)
CASH AND CASH EQUIVALENTS AT 31 MARCH	**77,898**	45,448

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

	Attributable to shareholders of the parent											
	Share capital AED'000 (note 6)	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Available-for-sale (AFS) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total*
As at 1 January 2014	405,000	101,250	175,452	123,100	405,603	15,010	358,464	(32,573)	81,000	1,632,306	36,806	1,669,112
Profit for the period	-	-	-	-	-	108,478	-	-	-	108,478	1,021	109,499
Other comprehensive income	-	-	-	-	-	-	325,250	(243)	-	325,007	(420)	324,587
Total comprehensive income	-	-	-	-	-	108,478	325,250	(243)	-	433,485	601	434,086
Issue of share capital	95,000	-	-	-	(95,000)	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(81,000)	(81,000)	-	(81,000)
At 31 March 2014	**500,000**	**101,250**	**175,452**	**123,100**	**310,603**	**123,488**	**683,714**	**(32,816)**	**-**	**1,984,791**	**37,407**	**2,022,198**

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

	Attributable to shareholders of the parent											
	Share capital AED'000	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Available-for-sale (AFS) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total*
As at 1 January 2013	405,000	101,250	152,331	107,740	293,434	10,851	41,967	(16,160)	81,000	1,177,413	46,926	1,224,339
Profit for the period	-	-	-	-	-	106,878	-	-	-	106,878	1,661	108,539
Other comprehensive income	-	-	-	-	-	-	85,313	(346)	-	84,967	(202)	84,765
Total comprehensive income	-	-	-	-	-	106,878	85,313	(346)	-	191,845	1,459	193,304
Dividend paid	-	-	-	-	-	-	-	-	(81,000)	(81,000)	-	(81,000)
At 31 March 2013	405,000	101,250	152,331	107,740	293,434	117,729	127,280	(16,506)	-	1,288,258	48,385	1,336,643

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

Orient Insurance Company (PJSC)(the "Company") is a Public Shareholding Company and is registered under the Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the UAE and also registered in accordance with the UAE Federal Law No. 6 of 2007, as amended ("The Insurance Companies Law"). The Company mainly issues short term insurance contracts in connection with property, motor, marine, fire and engineering, general accident risks and medical (collectively known as general insurance) and group life and individual life classes (collectively referred as life insurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 27966, Dubai, United Arab Emirates. The holding company of the Group is Al Futtaim Development Services Company which is based in Dubai, United Arab Emirates and has a significant influence over the Group.

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

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

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*
Arab Orient Insurance Company	General insurance	Syria	40%
Arab Orient Takaful Company	General insurance	Egypt	60%
Orient Insurance Limited	General insurance	Sri Lanka	100%
Orient Sigorta Anomin Sirketi	General insurance	Turkey	100%

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

Basis of preparation
The interim condensed consolidated financial statements for the three months ended 31 March 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

New standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

As required by IAS 34, the nature and the effect of these changes are disclosed below. Several new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

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

New standards, interpretations and amendments adopted by the Group (continued)

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold. The adoption of IFRIC 21 did not have any impact on the interim consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has not been issues but is not yet effective.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit attributable to the shareholders by the weighted average number of shares outstanding during the period of 5,000,000 shares (31 March 2013: 4,050,000 shares)

No figure for diluted earnings has been presented because the Group has not issued any instrument which would have an impact on earnings per share when exercised.

4 INVESTMENT SECURITIES

	31 March 2014 AED'000	*Audited 31 December 2013 AED'000*	*31 March 2013 AED'000*
Investments carried at fair value through profit or loss			
Managed portfolios – outside UAE	**1,978**	1,902	1,852
Held for trading – Quoted shares (within UAE)	**14,108**	15,110	10,449
	16,086	17,012	12,301

4 INVESTMENT SECURITIES (continued)

	31 March 2014 AED'000	*Audited 31 December 2013 AED'000*	*31 March 2013 AED'000*
Held to maturity			
Debt			
Unquoted - outside UAE	**84,595**	73,402	61,184
Available for sale investments			
Debt			
Quoted (within UAE)	**9,695**	9,698	9,550
Unquoted - outside UAE	**7,924**	7,421	9,057
	17,619	17,119	18,607
Equity (within UAE)			
Quoted	**1,184,824**	859,464	628,380
Quoted – Investment held on behalf of policy holders of unit linked products	**1,966**	1,923	2,722
Unquoted	**40,925**	37,226	36,122
	1,227,715	898,613	667,224
	1,245,334	915,732	685,831
Total	**1,346,015**	1,006,146	759,316

All investment securities are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Investments carried at fair value through value profit or loss
After initial recognition, all investments carried at fair value through profit or loss are remeasured at fair value. All related realised and unrealised gains or losses are recognised in the condensed consolidated income statement.

Held to maturity
Securities which have fixed or determinable payments which are intended to be held to maturity are carried at amortised cost using effective interest rate method, less provision for impairment in value.

Available for sale investments
After initial recognition, securities which are classified as "available-for-sale" are remeasured at fair value. Unrealised gains or losses are recognised in the condensed consolidated statement of comprehensive income until the security is derecognised or until the security is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in the condensed consolidated statement of comprehensive income is included in the condensed consolidated statement of income for the period.

In the case of unquoted investments in shares where fair value cannot reliably be measured, such investments are carried at cost less provision for impairment.

5 DEPOSITS WITH BANKS

Deposits with banks include the following:

		31 March 2014 AED'000	*Audited 31 December 2013 AED'000*	*31 March 2013 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	10,000
b)	Amounts under lien with Capital Market Authority, Sultanate of Oman towards license of Muscat branch	**16,303**	17,746	17,746
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478	478
d)	Amounts under lien with Insurance Authority Syria	**635**	650	1,304
e)	Amounts under lien with Egyptian Financial Supervisory Authority	**18,613**	18,664	19,741
f)	Amounts under lien with Turkish Treasury, Turkey	**10,303**	10,274	-
e)	Fixed term deposits maturing after three months	**989,563**	951,119	825,040
		1,045,895	1,008,931	874,309

6 SHARE CAPITAL

	31 March 2014 AED'000	*Audited 31 December 2013 AED'000*	*31 March 2013 AED'000*
Issued and fully paid (500,000 shares of AED 100 each)	**500,000**	405,000	405,000

The shareholders approved an increase in the share capital of AED 95 million by the capitalisation of general reserve in the extraordinary general meeting held on 27 February 2014. The legal formalities in respect of the increase in the share capital were completed during the period.

7 RESERVES

Nature and purpose of reserves

- **STATUTORY RESERVE**

In accordance with the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the statutory reserve is equal to 25% of paid up capital. No transfer has been made during the three month period to 31 March 2014, as this will be based on the results for the year. The reserve can be used for any purpose to be decided by the shareholders upon the recommendation of the Board of Directors.

7 RESERVES (continued)

Nature and purpose of reserves (continued)

- **LEGAL RESERVE**

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the legal reserve. The Group may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. No transfer has been made during the three month period to 31 March 2014, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

- **EXCEPTIONAL LOSS RESERVE**

An amount equal to 10% of the net underwriting income for the year is to be transferred to an exceptional loss reserve to ensure that the Group has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years. No transfer has been made during the three month period to 31 March 2014, as this will be based on the results for the year.

- **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

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

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

- **FOREIGN CURRENCY TRANSLATION RESERVE**

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

8 INSURANCE CONTRACT ASSETS AND LIABILITIES

	31 March 2014 AED'000	*Audited 31 December 2013 AED'000*	*31 March 2013 AED'000*
Insurance contract liabilities			
Unearned premium reserve	**729,445**	693,670	648,033
Deferred acquisition cost	**(567)**	(509)	(623)
Outstanding claims	**619,464**	583,230	568,405
	1,348,342	1,276,391	1,215,815
Reinsurance assets			
Unearned premium reserve	**510,942**	485,614	457,540
Deferred acquisition cost	**(290)**	(193)	(182)
Outstanding claims	**419,753**	398,006	382,742
	930,405	883,427	840,100

9 INCOME TAXES

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

The component of income tax recognised in the interim condensed consolidated statement of income is as follows:

	Three months ended 31 March (Unaudited)	
	2014 AED'000	*2013 AED'000*
Current income tax expense	**1,590**	**1,921**

10 OPERATING SEGMENTS

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

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

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

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

	Three months ended 31 March					
	General insurance		*Life insurance*		*Total*	
	2014 AED'000	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*
Total underwriting income	**147,358**	139,534	**22,837**	13,413	**170,195**	152,947
Net underwriting income	**34,784**	39,239	**11,864**	4,723	**46,648**	43,962
Total investment income					**64,441**	66,498
Less:- Income Tax					**(1,590)**	(1,921)
Profit for the period					**109,499**	108,539

10 OPERATING SEGMENTS (continued)

	General Insurance		*Life Insurance*		*Investments*		*Total*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Segment assets	**1,395,658**	1,246,153	**109,343**	113,082	**2,391,910**	1,633,625	**3,896,911**	2,992,860
Segment liabilities	**1,770,372**	1,552,847	**104,341**	103,370	-	-	**1,874,713**	1,656,217

11 CONTINGENT LIABILITIES

	31 March 2014 AED'000	*Audited 31 December 2013 AED'000*	*31 March 2013 AED'000*
Guarantees			
Bank guarantees other than those relating to claims for which provisions are held	**7,856**	**9,681**	5,964

Bank guarantees have been issued in the normal course of business.
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Capital commitment			
Commitment for investments	**21,762**	**25,463**	24,338
Uncalled capital of subsidiary company	**11,070**	**11,101**	16,334
	32,832	**36,564**	40,672

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	Level 1	***Level 2***	***Level 3***	***Total fair value***
	AED'000	***AED'000***	***AED'000***	***AED'000***
31 March 2014				
Financial assets held-for-trading:				
Equity securities	**14,108**	**-**	**-**	**14,108**
Financial assets designated at fair value through profit or loss				
Equity securities	**-**	**-**	**1,978**	**1,978**
Held-to-maturity financial assets:				
Debt securities	**-**	**84,595**	**-**	**84,595**
Available-for-sale financial assets:				
Equity securities	**1,186,790**	**40,925**	**-**	**1,227,715**
Debt securities	**9,695**	**7,924**	**-**	**17,619**
	1,196,485	**48,849**	**-**	**1,245,334**

	Level 1	*Level 2*	*Level 3*	*Total fair value*
	AED'000	*AED'000*	*AED'000*	*AED'000*
31 March 2013				
Financial assets held-for-trading:				
Equity securities	10,449	-	-	10,449
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	1,852	1,852
Held-to-maturity financial assets:				
Debt securities	-	73,402	-	73,402
Available-for-sale financial assets:				
Equity securities	631,102	36,122	-	667,224
Debt securities	9,550	9,057	-	18,607
	640,652	45,179	-	685,831

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Financial instruments recorded at fair value
Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

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

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

31 March 2014

	At 1 January 2014 AED'000	***Total gain or loss recorded in profit and loss AED'000***	***Purchase AED'000***	***Sales AED'000***	***Total gain or loss recorded in equity AED'000***	***Transfer from level 1 AED'000***	***At 31 March 2014 AED'000***
Financial assets designated at fair value through profit or loss							
Equity securities	**1,902**	**76**	**-**	**-**	**-**	**-**	**1,978**
Total	**1,902**	**76**	**-**	**-**	**-**	**-**	**1,978**

31 March 2013

	At 1 January 2013 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*Purchase AED'000*	*Sales AED'000*	*Total gain or loss recorded in equity AED'000*	*Transfer from level 1 AED'000*	*At 31 March 2013 AED'000*
Financial assets designated at fair value through profit or loss							
Equity securities	1,825	27	-	-	-	-	1,852
Total	1,825	27	-	-	-	-	1,852