

**OMAN INSURANCE COMPANY P.S.C.
AND SUBSIDIARIES**

**Review report and interim financial information
for the three months period ended 31 March 2016**

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARIES

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Oman Insurance Company P.S.C.
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Oman Insurance Company P.S.C. (the “Company”) and its Subsidiaries (together referred to as the “Group”) as at 31 March 2016 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on this interim financial information 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 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 interim financial information is not prepared, in all material respects in accordance with International Accounting Standards 34, “*Interim Financial Reporting*”.

Deloitte & Touche (M.E.)



Samir Madbak
Registration No. 386
4 May 2016

Condensed consolidated statement of financial position
At 31 March 2016

	Notes	31 March 2016 (unaudited) AED'000	31 December 2015 (audited) AED'000
ASSETS			
Property and equipment		30,327	32,720
Intangible assets		71,606	73,023
Investment properties		513,725	513,725
Goodwill		18,621	18,150
Deferred tax assets		15,643	16,769
Financial investments	5	1,694,751	1,738,188
Statutory deposits		23,538	23,538
Reinsurance contract assets	6	2,220,252	1,791,699
Deferred acquisition costs		133,713	117,887
Insurance receivables		1,636,197	1,328,605
Prepayments and other receivables		133,657	116,972
Bank balances and cash		360,603	392,038
Total assets		6,852,633	6,163,314
EQUITY AND LIABILITIES			
Equity			
Share capital	7	461,872	461,872
Reserves	8	1,456,956	1,456,956
Cumulative changes in fair value of securities		(375,851)	(387,941)
Foreign currency translation reserve		(22,516)	(24,158)
Retained earnings		332,746	376,362
Equity attributable to the Owners of the Company		1,853,207	1,883,091
Non-controlling interests		30,808	31,777
Total equity		1,884,015	1,914,868
Liabilities			
Insurance contract liabilities	6	3,870,888	3,385,753
End of service benefits		30,430	30,192
Bank borrowings	9	-	33,489
Deferred commission income		114,450	93,532
Re-insurance deposits retained		77,603	74,885
Insurance payables		800,263	549,083
Other payables		74,984	81,512
Total liabilities		4,968,618	4,248,446
Total equity and liabilities		6,852,633	6,163,314

.....
Abdul Aziz Abdulla Al Ghurair
Chairman

.....
Christos Adamantiadis
Chief Executive Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated income statement (unaudited)
for the three months period ended 31 March 2016

	Three months period ended 31 March	
	2016	2015
	AED'000	AED'000
Gross insurance premium	1,155,627	1,044,795
Less: Insurance premium ceded to reinsurers	(742,344)	(614,451)
Net retained premium	413,283	430,344
Net change in unearned premium	(77,655)	(70,759)
Net earned insurance premium	335,628	359,585
Gross claims settled	(479,749)	(510,046)
Insurance claims recovered from reinsurers	220,686	261,391
Net claims settled	(259,063)	(248,655)
Net change in outstanding claims and additional reserves	2,854	(11,340)
Net claims incurred	(256,209)	(259,995)
Reinsurance commission income	86,439	73,174
Commission expenses	(89,463)	(84,913)
Other income relating to underwriting activities	11,900	12,268
Net commission and other income	8,876	529
General and administrative expenses relating to underwriting activities	(73,330)	(67,249)
Net underwriting profit	14,965	32,870

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated income statement (unaudited)
for the three months period ended 31 March 2016 (continued)**

	Three months period ended 31 March	
	2016	2015
	AED'000	AED'000
Net underwriting profit	14,965	32,870
Net investment income	20,069	19,827
Finance costs	(334)	(1,781)
Allowance for doubtful debts	(347)	(1,384)
Other expenses – net	(10,331)	(5,642)
Profit before tax	24,022	43,890
Income tax expenses	(1,589)	-
Profit for the period	22,433	43,890
Attributable to:		
Owners of the Company	24,296	44,470
Non-controlling interests	(1,863)	(580)
	22,433	43,890
Basic earnings per share (AED) (Note 10)	0.05	0.10

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of comprehensive income (unaudited)
for the three months period ended 31 March 2016**

	Three months period ended 31 March	
	2016	2015
	AED'000	AED'000
Profit for the period	<u>22,433</u>	<u>43,890</u>
Other comprehensive loss:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net fair value loss on revaluation of investments designated at FVTOCI	(9,635)	(13,262)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange gain/(loss) on translating foreign operations	<u>2,536</u>	<u>(16,236)</u>
Total other comprehensive loss for the period	<u>(7,099)</u>	<u>(29,498)</u>
Total comprehensive income for the period	<u><u>15,334</u></u>	<u><u>14,392</u></u>
Attributable to:		
Owners of the Company	16,303	18,867
Non-controlling interests	(969)	(4,475)
	<u><u>15,334</u></u>	<u><u>14,392</u></u>

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of changes in equity
for the three months period ended 31 March 2016**

	Share capital AED '000	Reserves AED '000	Cumulative changes in fair value of securities AED '000	Foreign currency translation reserve AED '000	Retained earnings AED '000	Equity attributable to the Owners of the Company AED '000	Non- controlling interests AED '000	Total AED '000
Balance at 31 December 2014 - (audited)	461,872	1,433,692	(299,922)	(3,904)	376,127	1,967,865	35,752	2,003,617
Profit for the period	-	-	-	-	44,470	44,470	(580)	43,890
Other comprehensive loss for the period	-	-	(13,262)	(12,341)	-	(25,603)	(3,895)	(29,498)
Total comprehensive income for the period	-	-	(13,262)	(12,341)	44,470	18,867	(4,475)	14,392
Cash dividends (Note 18)	-	-	-	-	(46,187)	(46,187)	-	(46,187)
Transfer to contingency reserve	-	27	-	-	(27)	-	-	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	21,751	-	(21,751)	-	-	-
Balance at 31 March 2015 (unaudited)	461,872	1,433,719	(291,433)	(16,245)	352,632	1,940,545	31,277	1,971,822
Balance at 31 December 2015 (audited)	461,872	1,456,956	(387,941)	(24,158)	376,362	1,883,091	31,777	1,914,868
Profit for the period	-	-	-	-	24,296	24,296	(1,863)	22,433
Other comprehensive loss for the period	-	-	(9,635)	1,642	-	(7,993)	894	(7,099)
Total comprehensive income for the period	-	-	(9,635)	1,642	24,296	16,303	(969)	15,334
Cash dividends (Note 18)	-	-	-	-	(46,187)	(46,187)	-	(46,187)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	21,725	-	(21,725)	-	-	-
Balance at 31 March 2016 (unaudited)	461,872	1,456,956	(375,851)	(22,516)	332,746	1,853,207	30,808	1,884,015

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)
for the three months period ended 31 March 2016**

	Three months period ended 31 March	
	2016	2015
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	24,022	43,890
Adjustments for:		
Depreciation of property and equipment	4,416	3,808
Unrealised losses/(gains) on financial investments at FVTPL	6,233	(10,259)
Provision for end of service benefits	1,386	2,959
Allowance for doubtful debts	347	1,384
Dividends income from financial investments at FVTPL and FVTOCI	(10,929)	(10,464)
Interest income from financial assets	(13,211)	(9,412)
Realised losses on sale of financial investments at amortised cost	162	351
Foreign currency exchange loss on investments at amortised cost	-	3,772
Finance costs	334	1,781
Other investment expenses	4,347	3,739
Rental income from investment properties	(2,187)	(969)
Unrealised loss/(gain) on fair valuation of derivatives	1,639	(582)
Operating cash flows before changes in operating assets and liabilities	16,559	29,998
Increase in reinsurance contract assets	(428,553)	(165,416)
Increase in insurance and other receivables	(318,903)	(92,587)
Increase in deferred acquisition costs	(15,826)	(10,225)
Increase in insurance contract liabilities	507,030	205,933
Increase in insurance and other payables	243,666	56,942
Increase in reinsurance deposits retained	2,718	61
Increase in deferred commission income	20,918	12,592
Net cash generated from operations	27,609	37,298
End of service benefits paid	(1,148)	(2,375)
Finance costs paid	(334)	(1,781)
Net cash generated from operating activities	26,127	33,142

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Condensed consolidated statement of cash flows (unaudited)
for the three months period ended 31 March 2016 (continued)**

	Three months period ended 31 March	
	2016	2015
	AED'000	AED'000
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	(27,313)	(30,579)
Proceeds from sale of financial investments at FVTOCI	33,721	47,054
Purchases of financial investments at FVTPL	(26,233)	(20,960)
Proceeds from sale of financial investments at FVTPL	42,872	30,981
Decrease in unit linked liabilities	(21,895)	(170)
Proceeds from sale of financial investments at amortised cost	31,612	14,064
Purchase of financial investments at amortised cost	(27,978)	(49,861)
Dividends income from financial investments at FVTPL and FVTOCI	5,959	10,464
Interest income from financial assets	13,246	10,584
Rental income from investment properties	2,127	969
Other investment expenses	(5,000)	(3,739)
Purchase of property and equipment	(611)	(6,392)
Decrease/(increase) in term deposits maturing after 3 months	26,400	(41,200)
Net cash generated from/(used in) investing activities	46,907	(38,785)
Cash flows from financing activities		
(Decrease)/increase in bank borrowings	(33,489)	33,489
Dividends paid	(46,187)	-
Cash (used in)/generated from financing activities	(79,676)	33,489
Net (decrease)/increase in cash and cash equivalents	(6,642)	27,846
Cash and cash equivalents at the beginning of the period	181,320	341,721
Effects of exchange rate changes on the balances of cash held in foreign currency	1,607	(6,450)
Cash and cash equivalents at the end of the period (note 11)	176,285	363,117

The accompanying notes form an integral part of these condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016**

1. General information

Oman Insurance Company P.S.C., (the “Company”) which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai, is a public shareholding company and is registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of Its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) incorporated in the Emirate of Dubai. The Company’s registered head office is at P.O. Box 5209, Dubai, United Arab Emirates. The Group comprises Oman Insurance Company P.S.C and its subsidiaries (Note 3.3). The Company’s ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The licensed activities of the Group are issuing short term and long term insurance contracts and trading securities. The insurance contracts are issued in connection with property, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked products.

The Company also operates in Sultanate of Oman, State of Qatar and Republic of Turkey.

2. Application of new and revised International Financial Reporting Standards (“IFRSs”)

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts.
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants.
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i> In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 <i>Leases</i> : IFRS 16 specifies will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17,	1 January 2019
Amendments to IAS 12 <i>Income taxes</i> seeks to clarify the requirements on recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, to address diversity in practice.	1 January 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> , which are intended to clarify the standard to improve information provided to users of financial statements about an entity's financing activities.	1 January 2017
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2017 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, "Interim Financial Reporting" and also comply with the applicable requirements of the laws in the U.A.E.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated and all values are rounded to the nearest thousand (AED '000) except when otherwise indicated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The Group presents its condensed consolidated statement of financial position broadly in order of liquidity.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2015. In addition, results for the three months period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

3.2 Significant accounting policies

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2015.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to investment properties, property and equipment and financial assets have been disclosed in these condensed consolidated financial statements (Notes 3.4 to 3.6).

3.3 Basis of consolidation

The condensed consolidated financial statements of Oman Insurance P.S.C. and Subsidiaries (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its Subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the condensed consolidated income statement and condensed consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Details of the Company's subsidiaries at 31 March 2016 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of legal ownership interest	Proportion of voting power held	Principal activity
Equator Insurance Services L.L.C**	Dubai - U.A.E.	99.97%	100%	Insurance agency.
Dubai Group Sigorta A.S	Istanbul – Turkey	51%	51%	Issuing short-term and long-term insurance contracts.
Support Management Services Company Limited**	Irbil - Iraq.	99%	100%	Third party administration.
ITACO Bahrain Co W.L.L***	Manama – Kingdom of Bahrain	60%	60%	Brokerage and call center services
Synergize Services FZ L.L.C*	Dubai - UAE.	100%	100%	Management information technology and transaction processing.

* Synergize Services FZ L.L.C was incorporated on 24 January 2014 in Dubai Outsource Zone, UAE and is engaged in the business of providing management information technology and transaction processing services.

** The Company holds the remaining equity in Equator Insurance Agency L.L.C and Support Management Services Company Limited, beneficially through nominee arrangements.

*** ITACO Bahrain Co W.L.L was acquired by the Group on 16 September 2015.

3.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3. Summary of significant accounting policies (continued)

3.4 Investment properties (continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3.5 Property and equipment

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Furniture and equipments	3 - 5
Motor vehicles	5

3.6 Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.1 Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

3.6.2 Financial assets at amortised cost and the effective interest method

Debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see 3.6.8 below), with interest income recognised on an effective yield basis in investment income.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

3.6.3 Cash and cash equivalents

Cash and cash equivalents, which include cash on hand and deposits held with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.4 Insurance receivables, other receivables and statutory deposits

Insurance receivables, other receivables and statutory deposits are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.6.5 Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.6.6 Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see above).

Investment linked components of insurance contracts are classified as at FVTPL. Any gains or losses arising on remeasurement of these assets and equivalent movements in reserves attributable to policyholders are offset within the same line in the condensed consolidated income statement.

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.6 Financial assets at fair value through profit or loss (FVTPL) (continued)

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue.

3.6.7 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in profit or loss.

3.6.8 Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

3.6.8 Impairment of financial assets (continued)

For certain categories of financial asset, such as insurance receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.6.9 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

4. Critical accounting judgements and key sources of estimation of uncertainty

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5. Financial investments

The Group's financial investments at the end of reporting period are detailed below.

	31 March 2016 (unaudited) AED '000	31 December 2015 (audited) AED '000
At fair value through profit or loss	287,163	308,955
At fair value through other comprehensive income	449,488	466,611
Measured at amortised cost	958,100	962,622
	1,694,751	1,738,188

Financial investments measured at amortised cost include quoted bonds'. These bonds carry interest at coupon rates of 3% to 9% per annum. The Group holds these investments with the objective of receiving the contractual cash flows over the instruments life. The fair value of these bonds at 31 March 2016 is AED 954,470 thousand (31 December 2015: AED 953,278 thousand).

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

5. Financial investments (continued)

The movements in investments are as follows:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total AED'000
At 31 December 2014 (audited)	368,112	504,596	922,981	1,795,689
Purchases	134,367	181,729	148,576	464,672
Disposals	(176,123)	(110,480)	(95,664)	(382,267)
Amortisation	-	-	(8,154)	(8,154)
Foreign currency exchange differences	-	-	(5,117)	(5,117)
Changes in fair value	(17,401)	(109,234)	-	(126,635)
At 31 December 2015 (audited)	308,955	466,611	962,622	1,738,188
Purchases	27,313	26,233	27,978	81,524
Disposals	(42,872)	(33,721)	(31,774)	(108,367)
Amortisation	-	-	(726)	(726)
Changes in fair value	(6,233)	(9,635)	-	(15,868)
At 31 March 2016 (unaudited)	287,163	449,488	958,100	1,694,751

5.1 Reclassification of financial investments measured at FVTPL

On 28 March 2013, management revisited the Group's business model for managing the financial investments and changed its business model for managing investments in debt instruments. Accordingly, the Group reclassified AED 352,391 thousand from FVTPL to amortised cost from 1 April 2013. The business model has been changed from realizing the fair value by disposing of the investment to hold the asset until its maturity so as to collect the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

These bonds carry effective interests at the rates of 2% to 9% per annum at the date of reclassification. The interest income recognized on these investments for the reporting period ended 31 March 2016 is AED 1,346 thousand (31 March 2015: AED 1,843 thousand).

The fair value loss recognised in profit or loss during the reporting period would have been increased by AED 386 thousand (31 March 2015: AED 4,298 thousand) if these financial assets had not been reclassified.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

6. Insurance contract liabilities and reinsurance contract assets

	31 March 2016 (unaudited) AED '000	31 December 2015 (audited) AED '000
Insurance contract liabilities		
- Outstanding claims	1,483,847	1,363,849
- Additional reserve	406,105	361,649
- Life assurance fund	231,794	232,466
- Unearned premiums	1,479,970	1,136,722
- Unit linked liabilities	269,172	291,067
	<u>3,870,888</u>	<u>3,385,753</u>
 Recoverable from reinsurers		
- Outstanding claims	1,078,596	952,646
- Additional reserve	257,541	216,183
- Unearned premiums	884,115	622,870
	<u>2,220,252</u>	<u>1,791,699</u>
 Insurance contract liabilities – net		
- Outstanding claims	405,251	411,203
- Additional reserve	148,564	145,466
- Life assurance fund	231,794	232,466
- Unearned premiums	595,855	513,852
- Unit linked liabilities	269,172	291,067
	<u>1,650,636</u>	<u>1,594,054</u>

7. Share capital

	31 March 2016 (unaudited) AED '000	31 December 2015 (audited) AED '000
Authorised, issued and fully paid 461,872,125 shares of AED 1 each (31 December 2015: 461,872,125 shares of AED 1 each)	<u>461,872</u>	<u>461,872</u>

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

8. Reserves

	Statutory reserve AED '000	Strategic reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Total AED '000
Balance at 31 December 2014 (audited)	230,936	303,750	892,772	6,234	1,433,692
Transfer from retained earnings	-	-	-	27	27
Balance at 31 March 2015 (unaudited)	230,936	303,750	892,772	6,261	1,433,719
Balance at 31 December 2015 (audited)	230,936	303,750	913,327	8,943	1,456,956
Balance at 31 March 2016 (unaudited)	230,936	303,750	913,327	8,943	1,456,956

9. Bank borrowings

	31 March 2016 (unaudited) AED '000	31 December 2015 (audited) AED '000
Short term loan	-	33,489

Short term loan was secured by assignment of certain bank deposits in favour of the lending institution. The term loan carried a fixed interest rate of 1.05% per annum.

10. Basic earnings per share

	Three months period ended 31 March 2016 (unaudited)	2015 (unaudited)
Profit for the period attributable to the Owners of the Company (AED '000)	24,296	44,470
Number of shares	461,872,125	461,872,125
Basic earnings per share (AED)	0.05	0.10

Basic earnings per share are calculated by dividing the profit for the period attributable to Owners of the Company by the number of shares outstanding at the end of the reporting period.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

11. Cash and cash equivalents

	Three months period ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
	AED '000	AED '000
Deposits with banks maturing within 3 months	95,767	198,666
Current accounts and cash	80,518	164,451
	176,285	363,117

12. Related party transactions

Related parties include the Group's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

- 12.1 At the end of the reporting period, amounts due from/to related parties are included in the following accounts:

	31 March 2016	31 December 2015
	(unaudited)	(audited)
	AED '000	AED '000
Cash and bank balances	54,723	75,665
Statutory deposits	10,000	10,000
Net insurance receivable	57,137	39,394
Net insurance payable	2,730	6,467

- 12.2 During the period, the Group entered into the following transactions with related parties:

	Three months period ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
	AED '000	AED '000
Premiums	28,655	39,572
Claims	17,937	11,361
Interest income	145	73
Rental expense	1,187	1,088

Premiums are charged to related parties at rates agreed with management.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

12. Related party transactions (continued)

12.3 Compensation of key management personnel

	Three months period ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
	AED '000	AED '000
Directors' fees	2,250	2,200
Salaries and benefits	618	1,368
End of service benefits	-	25
Total compensation paid to the key management Personnel	<u>2,868</u>	<u>3,593</u>

13 Contingent liabilities

At 31 March 2016, the Group had contingent liabilities in respect of bank guarantees and other matters arising in the ordinary course of business amounting to AED 83 million (31 December 2015: AED 66 million).

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Group's consolidated financial performance or consolidated financial position.

14. Commitments

	31 March 2016	31 December 2015
	(unaudited)	(audited)
	AED '000	AED '000
14.1 Purchase commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	12,346	11,956
Capital commitments towards acquisitions of property and equipment and intangible assets	<u>4,655</u>	<u>5,284</u>

14.2. Operating lease commitments

At the end of the reporting period, minimum lease commitments under non-cancellable operating lease agreements are as follows:

	31 March 2016	31 December 2015
	(unaudited)	(audited)
	AED '000	AED '000
Within one year	9,211	8,647
Second to fifth year	<u>6,525</u>	<u>7,649</u>

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Notes to the condensed consolidated financial statements for the three months period ended 31 March 2016 (continued)

15. Locations of assets

As required by Securities and Commodities Authority notification dated 12 October 2008, the locations of assets are disclosed below:

	31 March 2016 (unaudited)			31 December 2015 (audited)		
	In U.A.E. AED '000	In other countries AED '000	Total AED '000	In U.A.E. AED '000	In other countries AED '000	Total AED '000
Property and equipment	26,760	3,567	30,327	28,848	3,872	32,720
Investment properties	513,725	-	513,725	513,725	-	513,725
Financial investments at FVTOCI	254,068	195,420	449,488	256,047	210,564	466,611
Financial investments at FVTPL	2,944	284,219	287,163	2,614	306,341	308,955
Financial investments at amortised cost	509,595	448,505	958,100	504,025	458,597	962,622
Bank balances and cash	85,569	275,034	360,603	156,471	235,567	392,038
	<u>1,392,661</u>	<u>1,206,745</u>	<u>2,599,406</u>	<u>1,461,730</u>	<u>1,214,941</u>	<u>2,676,671</u>

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

16. Segment information

For management purposes, the Group is organised into three business segments, general insurance, life insurance including medical and investments. The general insurance segment comprises property, motor, general accident, aviation and marine risks. The life insurance segment includes individual life (participating and non-participating), medical, group life and personal accident as well as investment linked products. Investment comprises investments (financial and non financial), deposits with banks and cash management for the Group's own accounts.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision Maker.

Segmental information is presented below:

16.1 Segment premium and results by operating segments

	Three months period ended 31 March (unaudited)					
	General insurance		Life assurance and Medical		Total	
	2016 AED '000	2015 AED '000	2016 AED '000	2015 AED '000	2016 AED '000	2015 AED '000
Gross insurance premium	507,443	466,747	648,184	578,048	1,155,627	1,044,795
Net underwriting profit	16,637	34,880	(1,672)	(2,010)	14,965	32,870
Net investment income					20,069	19,827
Finance costs					(334)	(1,781)
Allowance for doubtful debts					(347)	(1,384)
Other expenses – net					(10,331)	(5,642)
Profit before tax					24,022	43,890
Income tax					(1,589)	-
Profit for the period					22,433	43,890
Attributable to:						
Owners of the Company					24,296	44,470
Non-controlling interests					(1,863)	(580)
Profit for the period					22,433	43,890

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

16. Segment information (continued)

16.2 Segment results by geographical distribution

Three months period ended 31 March (unaudited)						
	GCC		Turkey		Total	
	2016 AED '000	2015 AED '000	2016 AED '000	2015 AED '000	2016 AED '000	2015 AED '000
Gross insurance premium	1,093,148	976,590	62,479	68,205	1,155,627	1,044,795
Net underwriting profit	14,209	32,435	756	435	14,965	32,870
Net investment income	18,958	18,461	1,111	1,366	20,069	19,827
Finance costs	(334)	(1,781)	-	-	(334)	(1,781)
Allowance for doubtful debts	-	-	(347)	(1,384)	(347)	(1,384)
Other expenses – net	(6,491)	(4,039)	(3,840)	(1,603)	(10,331)	(5,642)
Profit/(loss) before tax	26,342	45,076	(2,320)	(1,186)	24,022	43,890
Income tax	-	-	(1,589)	-	(1,589)	-
Profit/(loss) for the period	26,342	45,076	(3,909)	(1,186)	22,433	43,890
Attributable to:						
Owners of the Company	26,292	45,076	(1,996)	(606)	24,296	44,470
Non-controlling interests	50	-	(1,913)	(580)	(1,863)	(580)
Profit/(loss) for the period	26,342	45,076	(3,909)	(1,186)	22,433	43,890

16.3 Segment assets and liabilities by operating segments

31 March 2016 (unaudited)			
	General insurance AED '000	Life assurance and medical AED '000	Investment AED '000
Segment assets	1,996,988	2,647,169	2,208,476
Segment liabilities	3,130,229	1,838,389	-
Capital expenditure	611	-	-
Depreciation	2,429	1,987	-
Total			
			6,852,633
			4,968,618
			611
			4,416

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

16. Segment information (continued)

16.3 Segment assets and liabilities by operating segments (continued)

	31 December 2015 (audited)			
	General insurance AED '000	Life assurance and medical AED '000	Investment AED '000	Total AED '000
Segment assets	1,681,902	2,229,499	2,251,913	6,163,314
Segment liabilities	2,676,521	1,571,925	-	4,248,446
Capital expenditure	44,095	-	-	44,095
Depreciation	8,732	7,144	-	15,876

16.4 Geographical information of segment assets and liabilities

	31 March 2016 (unaudited)		
	GCC AED '000	Turkey AED '000	Total AED '000
Segment assets	6,360,329	492,304	6,852,633
Segment liabilities	4,549,069	419,549	4,968,618
Capital expenditure	611	-	611
Depreciation	4,149	267	4,416

	31 December 2015 (audited)		
	GCC AED '000	Turkey AED '000	Total AED '000
Segment assets	5,717,034	446,280	6,163,314
Segment liabilities	3,866,577	381,869	4,248,446
Capital expenditure	42,095	-	42,095
Depreciation	15,471	405	15,876

17. Fair value measurements

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

17. Fair value measurements (continued)

17.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in note 5 of these condensed consolidated financial statements.

17.2 Fair value of financial and non-financial items carried at fair value

17.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2015.

17.2.2 Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	31 March 2016 (unaudited) AED'000	Fair value as at 31 December 2015 (audited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity investments – FVTOCI	317,085	333,081	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted equity investments – FVTOCI	132,403	133,530	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted debt instruments – FVTPL	16,780	16,890	Level 1	Quoted bid prices in an active market.	None.	NA
Unit linked investments – FVTPL	270,383	292,065	Level 3	Net assets values of the funds	Net assets value	Higher the net assets value, higher the fair value.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2016 (continued)**

17. Fair value measurements (continued)

17.2 Fair value of financial and non-financial items carried at fair value (continued)

17.2.2 Fair value of the Group's financial assets that are measured at fair value on recurring basis (continued)

Financial assets	31 March 2016 (unaudited) AED'000	Fair value as at 31 December 2015 (audited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted debt instruments – amortized costs	938,868	938,056	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted debt instruments – amortized costs	15,602	15,222	Level 3	Net assets values of the funds.	Net assets value	Higher the net assets value, higher the fair value.

17.2.3 Reconciliation of level 3 fair value measurements

17.2.3.1 Reconciliation of unit linked investments – at fair value through profit or loss, movements in level 3 financial assets measured at fair values:

	2016 AED'000 Unaudited	2015 AED '000 Audited
Balance at the beginning of the period/year	292,065	350,819
Additions during the period/year	27,313	134,367
Disposals during the period/year	(42,872)	(176,123)
Fair value changes	(6,123)	(16,998)
Balance at the end of the period/year	270,383	292,065

17.2.3.2 Reconciliation of unquoted equity instruments – at fair value through other comprehensive income, movements in level 3 financial assets measured at fair values:

	2016 AED '000 Unaudited	2015 AED '000 Audited
Balance at beginning of the period/year	133,530	130,391
Additions during the period/year	55	37,349
Disposals during the period/year	(525)	(21,397)
Losses recognised in other comprehensive income	(657)	(12,813)
Balance at the end of the period/year	132,403	133,530

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18. Dividends

At the Annual General Meeting held on 15 March 2016, the shareholders approved a cash dividend distribution of 10% amounting to AED 46,187 thousand (AED 10 fils per share) for 2015. A cash dividend of 10% amounting to AED 46,187 thousand (AED 10 fils per share) was declared in the Annual General Meeting held on 22 February 2015 for the year 2014.

19. Seasonality of results

Net investment income includes dividends income of AED 10,929 thousand for the three months period ended 31 March 2016 (31 March 2015: AED 10,464 thousand), which is of a seasonal nature.

20. Comparative information

The following amounts in the condensed consolidated income statement for the three months period ended 31 March 2015 have been reclassified to conform to the current year presentation.

	As previously reported for the three months period ended 31 March 2015 (unaudited) AED '000	Reclassifications (unaudited) AED '000	As reclassified for the three months period ended 31 March 2015 (unaudited) AED '000
General and administrative expenses relating to underwriting activities	(69,106)	1,857	(67,249)
Other expenses - net	(3,785)	(1,857)	(5,642)

There was no impact on the reported profit for the three months period ended 31 March 2015 due to the above reclassifications.

21. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 4 May 2016.