QATAR REINSURANCE COMPANY LIMITED
BERMUDA

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2016

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Deloitte.

Deloitte & Touche - Qatar Branch
Al Ahli Bank Head Office Building
Suhaim Bin Hamad Street
Al Sadd Area
P.O. Box 431
Doha - Qatar

Tel : +974 44341112
Fax : +974 44422131
www.deloitte.com

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Qatar Reinsurance Company Limited
Bermuda

Opinion

We have audited the accompanying consolidated financial statements of Qatar Reinsurance Company Limited (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")* together with the ethical requirements that are relevant to our audit of these consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Doha – Qatar
February 18, 2017

For **Deloitte & Touche**
Qatar Branch

Deloitte + Touche

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	Notes	December 31, 2016 USD ('000)	December 31, 2015 Restated USD ('000)	January 1, 2015 Restated USD ('000)
ASSETS				
Cash and cash equivalents	5	**717,698**	319,699	128,169
Premiums and other receivables	6	**1,073,765**	988,004	305,354
Reinsurance contract assets	7	**1,129,827**	855,141	341,878
Investments	8, 26	**714,595**	721,987	527,111
Property and equipment	9	**2,345**	2,374	1,868
TOTAL ASSETS		**3,638,230**	2,887,205	1,304,380
LIABILITIES AND EQUITY				
LIABILITIES				
Provisions, reinsurance and other payables	10	**146,399**	138,776	79,932
Short term borrowing	20, 26	**384,392**	416,412	240,684
Due to related parties	11	**727,001**	558,979	221,804
Reinsurance contract liabilities	7	**1,608,685**	1,241,290	536,418
TOTAL LIABILITIES		**2,866,477**	2,355,457	1,078,838
EQUITY				
Share capital	12	**1,000**	1,000	200,549
Share Premium	13	**--**	--	2,652
Contributed Surplus	19	**695,368**	495,368	--
Fair value reserve	14	**(10,984)**	(12,943)	(999)
Retained earnings		**86,369**	48,323	23,340
TOTAL EQUITY		**771,753**	531,748	225,542
TOTAL LIABILITIES AND EQUITY		**3,638,230**	2,887,205	1,304,380

These consolidated financial statements were approved by the Board of Directors on 14 February 2017 and signed on their behalf by following signatories;

Sunil Talwar	**Gunther Saacke**
Chairman	**CEO and Board Member**

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2016

	Notes	**December 31, 2016 USD ('000)**	December 31, 2015 USD ('000)
Gross written premiums	15	**1,249,371**	1,156,203
Premiums ceded to reinsurers	15	**(885,810)**	(812,777)
Net premiums		**363,561**	343,426
Movement in net unexpired risk reserve	15	**(12,319)**	(98,390)
Net earned premiums		**351,242**	245,036
Gross claims paid	15	**(450,155)**	(195,716)
Reinsurance recoveries	15	**311,589**	123,304
Movement in net outstanding claims	15	**(117,466)**	(93,219)
Commission income	15	**220,041**	148,389
Commission expense		**(261,222)**	(163,062)
Net underwriting results		**54,029**	64,732
Investment income	16	**36,748**	12,884
Finance costs	16	**(4,057)**	(2,211)
Net investment income	16	**32,691**	10,673
Total income		**86,720**	75,405
Operating and administrative expenses	17	**(47,726)**	(49,483)
Depreciation	9	**(948)**	(939)
Profit for the year		**38,046**	24,983

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016

	December 31, 2016	December 31, 2015
	USD (‘000)	USD (‘000)
Profit for the year	**38,046**	24,983
Other comprehensive income (OCI)		
OCI to be reclassified to profit or loss in subsequent period		
Net changes in fair value of available-for-sale investments	**1,959**	(11,944)
Total comprehensive income for the year	**40,005**	13,039

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

	Share Capital	Share premium	Contributed Surplus	Fair value reserve	Retained earnings	Total equity
	USD ('000)	**USD ('000)**	**USD ('000)**	**USD ('000)**	**USD ('000)**	**USD ('000)**
Balance as at January 1, 2015	200,549	2,652	--	(999)	23,340	225,542
Profit for the year	--	--	--	--	24,983	24,983
Net changes in fair value on available-for-sale investments	--	--	--	(11,944)	--	(11,944)
Total comprehensive income for the year	--	--	--	(11,944)	24,983	13,039
Merger of Antares Re with the Group (Note 24)	--	--	243,717	--	--	243,717
Shares issued during the year	32,967	16,483	--	--	--	49,450
Reduction of share capital (Note 12)	(232,516)	(19,135)	251,651	--	--	--
Balance as at December 31, 2015	1,000	--	495,368	(12,943)	48,323	531,748
Profit for the year	--	--	--	--	38,046	38,046
Net changes in fair value on available-for-sale investments	--	--	--	1,959	--	1,959
Total comprehensive income for the year	--	--	--	1,959	38,046	40,005
Contribution from Parent Company	--	--	200,000	--	--	200,000
Balance as at December 31, 2016	**1,000**	**--**	**695,368**	**(10,984)**	**86,369**	**771,753**

QATAR REINSURANCE COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

	Note	**December 31, 2016**	December 31, 2015 Restated
		USD ('000)	USD ('000)
OPERATING ACTIVITIES			
Profit for the year		**38,046**	24,983
Adjustments for:			
Depreciation of property and equipment		**948**	939
Investment income		**(36,748)**	(10,673)
Provision for employees' end of service benefits		**221**	165
Loss on disposal of property and equipment		**16**	--
		2,483	15,414
Movements in working capital			
Premiums and other receivables		**(85,761)**	(591,420)
Net movement in insurance reserves		**92,709**	191,609
Provisions, insurance and other payables		**7,512**	51,409
Due to related parties		**168,022**	337,186
Cash generated from operations		**184,965**	4,198
Employees' end of service benefits paid		**(110)**	(32)
Finance costs		**4,057**	2,211
Net cash generated from operating activities		**188,912**	6,377
INVESTING ACTIVITIES			
Net cash movements in investments		**9,351**	(80,281)
Purchase of property and equipment		**(935)**	(1,456)
Investment income realised		**36,748**	10,673
Net cash generated from / (used in) investing activities		**45,164**	(71,064)
FINANCING ACTIVITY			
Net movement in short term borrowings		**(32,020)**	175,728
Additional capital contribution		**200,000**	--
Interest paid		**(4,057)**	(2,211)
Proceeds from new shares issued		**--**	49,450
Net cash generated from financing activity		**163,923**	222,967
Increase in cash and cash equivalents		**397,999**	158,280
Add: Cash and cash equivalents from business combinations		**--**	33,250
Cash and cash equivalents at beginning of the year		**319,699**	128,169
Cash and cash equivalents at the end of the year	5	**717,698**	319,699

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Qatar Reinsurance Company Limited (the "Company') is a company engaged in the business of reinsurance and registered under the laws of Bermuda Monetary Authority (BMA) as a Class 4 insurer. The Company was authorized by the Bermuda Monetary Authority on November 24, 2015 under the name of "Qatar Reinsurance Company Limited" and Registration No. 50986.

The Company was originally incorporated in Qatar Financial Centre Doha, Qatar (QFC) with the name and registration number of "Qatar Reinsurance Company LLC" and No. 00117 respectively and conducted its business under legal supervision of Qatar Financial Centre Regulatory Authority (QFCRA). With effect from December 2, 2015, the Company changed its legal domicile from QFC Qatar to Bermuda, by means of continuance under Bermuda companies law, after obtaining the regulatory approval from QFCRA.

The address of Company's registered office is Clarendon house, 2 Church Street, Hamilton HM11, Bermuda.

The consolidated financial statements incorporate the financial information of the Company and its subsidiary (the "Group") all of which having December 31st as financial year end.

The Company is fully owned by a single shareholder - QIC Capital LLC, Doha, Qatar. The ultimate parent company of the Group is Qatar Insurance Company S.A.Q Doha, Qatar. The Company operates from Bermuda and has branches in Switzerland, United Arab Emirates, Singapore and representative office in United Kingdom.

Subsidiary
The Company holds 100% share capital of Qatar Reinsurance Services LLC, Doha Qatar. The subsidiary is a limited liability company registered with QFC, Qatar and primarily engaged in providing management services to the Group. The incorporation date of the subsidiary is October 13, 2015.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In the current financial year, the Group has adopted certain new and revised standards and interpretations, which is mainly:

IAS 14	IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS.

The revised standard issued by IASB and IFRIC interpretations which are effective from the accounting period commencing January 1, 2016, had no significant effect on the financial statements of the Group for the year ended December 31, 2016.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

The following IASB Standards and IFRIC interpretations issued but, are not mandatory for the year ended December 31, 2016, have not yet been adopted by the Group:

- **IFRS 9 - "Financial Instruments"** was issued to replace IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Temporary exemption: For the company with insurance contracts as per IFRS 4 and meeting the criterion for engaging in predominantly insurance activities ("Predominance criterion"), the amendment in 2016 provided the option to continue current IFRS accounting and to defer the application of IFRS 9 until the earlier application of new insurance standards or periods beginning on or after January 1, 2021(the "sunset clause"). The amendment also provides the company with insurance contracts within scope of IFRS 4 with an option to apply IFRS 9 in full nut to make an adjustment to profit or loss to remove the impact of IFRS 9 ("overlay approach"). The assessment on Predominance criterion are expected to be made at the reporting entity level and at the annual reporting date immediately preceding April 1, 2016 (e.g. December 31, 2015). Thereafter it should not be reassessed, unless there is a significant change in the entity's activities that would trigger mandatory assessment. As per the initial assessment made by the Group, IFRS 9 Financial Instruments will be applicable for annual periods beginning on or after January 1, 2018;

- **IFRS 15 Revenue from Contracts with Customer -** IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

- Certain consequential amendments to IFRS 7 "Financial Instrument disclosures" and IAS 39 (Revised) due to application of IFRS 9, detailed above.

- **Annual improvement – 2012-2014 cycle -** *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures , IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting*

The Group is currently in the process of evaluating the potential effect of these amendments in the presentation of the financial statements.

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended December 31, 2016 have not been applied in preparing these financial statements. The Group does not expect the proposed amendments which will become mandatory for the financial statements for the year 2017 or thereafter, to have a significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets and held for trade financial instruments that are measured at fair value. These consolidated financial statements are presented in United States Dollars (USD) and rounded to the nearest thousand (USD '000), unless otherwise indicated.

a) Consolidation, translation and financial instruments

i) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company directly or indirectly as at December 31st of each year.

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiary companies are prepared for the same reporting period as the Company, using consistent accounting policies.

Control is achieved when the Company directly or indirectly (i) has power over the subsidiary, (ii) has exposure or rights to variable returns from its involvement with the subsidiary and (iii) has the ability to use its power to effect those returns.

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

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.

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from company shareholders' equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Subsidiaries (continued)

When the Group ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held in equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed as at date of acquisition. If the net of the acquisition date amounts of identifiable asset acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), the excess is recognized immediately in the consolidated statement of income as a bargain purchase gain.

Common control transactions
Business combinations involving the transfer of business and net assets in a transaction under common control, are accounted for at the carrying values of the underlying net assets of the transferred business. There are no bargain gain or goodwill on transfer of assets recognized by the Group on common control transactions.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

i) Basis of consolidation (continued)

Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

ii) Foreign currency

Foreign operations

The individual financial statements of the Group entities are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each subsidiary are expressed in the presentation currency of the Company.

The assets and liabilities of foreign operations are translated to United States Dollars using exchange rates prevailing at the reporting date. Income and expenses are also translated to United States Dollars at the exchange rates prevailing at the reporting date, which do not significantly vary from the average exchange rates for the year. Foreign currency translation reserve is not shown separately under equity due to insignificance of the amount.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

Foreign currency transactions

Foreign currency transactions are recorded in the respective functional currencies of Group entities at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currencies at the rate of exchange prevailing at the yearend. The resultant exchange differences are included in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

iii) Financial instruments

Financial instruments represent the Group's financial assets and liabilities. Financial assets include cash and cash equivalents, insurance and other receivables and investments. Financial liabilities include short term borrowings and other payables.

Financial asset or liability is initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of income.

Recognition

The Group initially recognizes cash and cash equivalents, insurance and other receivables, short term borrowings and other payables at the date that they originate. All other financial assets and liabilities are initially recognized at the trade date or settlement date when the Group becomes a party to the contractual provisions of the instrument.

De-recognition

The Group derecognizes a financial asset when the contractual rights to receive cash flows from that asset expire or it transfers the right to receive the contractual cash flow of that asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Measurement

The measurement of financial assets and liabilities is disclosed under accounting policy for respective financial assets and liabilities.

Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length transaction at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the profit or loss as they arise.

Fair values of marketable investments are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair values of the Group's other financial assets and financial liabilities are not materially different from their carrying values.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Consolidation, translation and financial instruments (continued)

iii) Financial instruments (continued)

Impairment of financial asset
At each reporting date, the Group assesses whether there is objective evidence that any financial asset is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a customer or insurer or reinsurer, indications that the customer or insurer or reinsurer will enter bankruptcy or the disappearance of an active market for a security. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment loss on assets are recognised in the consolidated statement of income and reflected as an allowance against receivables or investments.

b) Reinsurance operations

i) Premiums and other receivables

Premiums and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of the receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income. After initial measurement, premiums and other receivables are measured at amortised cost as deemed appropriate.

Premiums receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3 (a) (iii), have been met.

ii) Reinsurance contract assets

The Company cedes insurance risk in the normal course of business as part of its businesses model. Reinsurance assets represent balances recoverable from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

iii) Reinsurance and other payables

Reinsurance and other payables are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, reinsurance and other payables are measured at amortised cost, as deemed appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Reinsurance operations (continued)

iv) Gross written premiums

Gross written premiums are recognized when written and include an estimate for written premiums receivable at period end. Gross written premiums comprise the total premiums receivable for the whole period of cover provided by reinsurance contracts entered into during the accounting period. Gross written premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Premium on reinsurance contracts are recognized as revenue (earned premiums) proportionally over the period of risk coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date are reported as the unearned premium reserve.

v) Premiums ceded to reinsurers

Reinsurance premiums comprise the total premiums payable for the reinsurance cover provided by retrocession contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period in respect of retrocession contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date.

vi) Reinsurance contract liabilities

Reinsurance contract liabilities include the outstanding claims provision and the provision for unearned premium. Reinsurance contract liabilities are recognised when contracts are entered into and premiums are charged.

Provision for outstanding claims

Provision for outstanding claims is recognized at the date the claims are known and covers the liability for losses and loss adjustment expenses based on loss reports from independent loss adjusters and management’s best estimate.

Claims provision also includes liability for claims incurred but not reported as at the reporting date. The liability is calculated at the reporting date using a range of historic trends, empirical data and standard actuarial claim projection techniques. The current assumptions may include a margin for adverse deviations. The liability is not discounted for the time value of money.

Unexpired risks reserve

The provision for unearned premiums represents that portion of premiums received or receivable, after deduction of the reinsurance share, which relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the nature and type of reinsurance contract written by the Company.

Reinsurance contract liabilities are derecognised when the contract expires, discharged or cancelled by any party to the insurance contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed in accordance with IFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Reinsurance operations (continued)

vii) Gross claims paid
Gross claims paid include all claims paid during the year and the related external claims handling costs that are directly related to the processing and settlement of claims.

viii) Commission earned and paid
Commissions earned and paid are recognized at the time the policies are underwritten or deferred and amortised over the same period over which the corresponding premiums are recognised in accordance with the earning pattern of the underlying reinsurance contract.

c) Investment activities

The Group classifies its investments into financial assets at fair value through profit or loss and available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

i) Non-derivative financial instruments
All investments are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the investment.

Financial assets at fair value through profit or loss (Held for trading)
Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. These investments are carried at fair value (marked to market) with any gain or loss arising from the change in fair value included in the profit or loss in the year in which it arises.

Available for sale – Quoted
Subsequent to initial recognition, investments which are classified “available for sale - quoted” are re-measured at fair value. The unrealised gains and losses on re-measurement to fair value are recognized in other comprehensive income and accumulated under the heading of fair value reserve until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the year.

Available for sale – Unquoted shares and private equity
The fair value of these investments cannot be reliably measured due to the nature of their cash flows, these investments are therefore carried at cost less any provision for impairment.

ii) Fair value reserve
This represents the unrealised gain or loss of the year-end fair valuation of available for sale investments. In the event of a sale or impairment, the cumulative gains or losses recognised under the investments fair value reserve are included in the consolidated statement of income for the year.

iii) Investment income

Interest income
Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment activities (continued)

iii) Investment income (continued)

Dividend income
Dividend income is recognised when the right to receive the dividends is established or when received.

d) General

i) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position. The cash equivalents are readily convertible to cash.

ii) Property and equipment
Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Ongoing repairs and maintenance are charged to the consolidated statement of income during the financial period they are incurred.

The assets' residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated statement of income as an expense.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

iii) Depreciation
Depreciation is provided on a straight line basis on all property and equipment and investment properties, other than freehold land which is determined to have an indefinite life. The rates of depreciation are based upon the following estimated useful lives:

Buildings	-	15 to 20 years
Furniture & fixtures	-	2 to 5 years
Motor vehicles	-	3 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate at each financial year end.

iv) Impairment of non-financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that an asset or group of assets is impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. Impairment losses are recognized in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) General (continued)

v) Provisions

The Group recognizes provisions in the consolidated financial statements when the Group has a legal or constructive obligation (as a result of a past event) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is created by charging the consolidated statement of income for any obligations as per the calculated value of these obligations and the expectation of their realisation at the reporting date.

vi) Employees' end of service benefits

Provision is made for amounts payable in respect of employees' end of service benefits based on contractual obligations or respective local labour laws of the group entities, whichever is higher, and is calculated using the employee's salary and period of service at the reporting date.

vii) Taxation

Previously, the company was subject to tax at zero percent as per QFC tax regulations applicable in Qatar. In Bermuda, there is no tax on reinsurance activities based on the tax assurance certificate issued in favour of the Company by Ministry of Finance.

viii) Share capital

The Company has issued ordinary shares that are classified as equity instruments. Incremental external
costs that are directly attributable to the issue of these shares are recognised in equity.

ix) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Classification of investments

Quoted securities are classified either held for trading or as available for sale. The Company invests substantially in quoted securities either locally or overseas and management has primarily decided to account for them for their potential long term growth rather than the short term profit basis. Consequently, such investments are recognized as available for sale rather than at fair value through profit or loss.

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (continued)

Classification of investments (continued)
Financial assets are classified as fair value through profit or loss where the assets are either held for trading or designated as at fair value through profit or loss. The Company invests in mutual and managed funds for trading purpose.

Impairment of financial assets
The Company determines whether available for sale financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires considerable judgment by the management. In making this judgment and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Claims made under insurance contract
Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and management estimations for the claims incurred but not reported. The method for making such estimates and for establishing the resulting liability is continually reviewed. Any difference between the actual claims and the provisions made are included in the statement of income in the year of settlement. As of December 31, 2016, the net estimate for unpaid claims amounted to USD 287,036 thousand (2015: USD 194,233 thousand).

For certain line of businesses (non-life), in order to estimate the liabilities, the expected loss ratios are calculated for all underlying insurance contracts. The amounts estimated as the difference between the current estimated losses and the reported loses are set aside as the incurred but not reported reserve for the losses that have been incurred but which are not yet known or have still to be reported.

Impairment of insurance and other receivables
An estimate of the collectible amount of insurance and other receivables is made when collection of the full amount is no longer probable. This determination of whether these insurance and other receivables are impaired entails the Group evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out as at reporting date and feedback received from their legal department. The difference between the estimated collectible amount and the book amount is recognized as an expense in the statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognized in the statement of income at the time of collection.

As of December 31, 2016 the net carrying values of insurance receivable and reinsurance receivables amounted to USD 586,546 thousand (2015: USD 770,677 thousand) and provision for impairment on insurance receivable and reinsurance receivable amounted to USD 355 thousand (2015: USD 355 thousand).

4. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Liability adequacy test
At each reporting, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of income.

5. CASH AND CASH EQUIVALENTS

	2016	2015
	USD ('000)	USD ('000)
Cash in hand and bank balances	**65,195**	27,035
Time deposits (with original maturity of less than 3 months)	**652,503**	292,664
	717,698	319,699

The average interest rate on time deposits is 2.27% (2015: 1.77%) per annum.

6. PREMIUMS AND OTHER RECEIVABLES

	2016	2015
	USD ('000)	USD ('000)
Premiums receivables		
Due from insurance companies	**586,901**	771,032
Provision for bad and doubtful receivables	**(355)**	(355)
	586,546	770,677
Other receivables		
Deferred commission	**144,112**	144,018
Deposit premium/Funds withheld	**334,695**	68,413
Accrued income	**6,972**	3,953
Prepayments	**676**	473
Local debtors	**185**	132
Advances against indemnity	**67**	38
Others receivables	**512**	300
	487,219	217,327
	1,073,765	988,004

7. REINSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	2016	2015
	USD (‘000)	USD (‘000)
Gross reinsurance contract liabilities		
Claims reported unsettled	**485,174**	181,559
Claims incurred but not reported	**477,130**	423,567
Unearned premiums	**646,381**	636,164
	1,608,685	1,241,290
Retrocedants share of reinsurance contract liabilities		
Claims reported unsettled	**338,859**	118,966
Claims incurred but not reported	**336,409**	291,927
Unearned premiums	**454,559**	444,248
	1,129,827	855,141
Net reinsurance contract liabilities		
Claims reported unsettled	**146,315**	62,593
Claims incurred but not reported	**140,721**	131,640
Unearned premiums	**191,822**	191,916
	478,858	386,149

Movements in claims provision during the year are as follows:

	2016			**2015**		
	Reinsurance contract liabilities	**Retrocedant’s share**	**Net**	Reinsurance contract liabilities	Retrocedant’s share	Net
	USD (‘000)	**USD (‘000)**	**USD (‘000)**	USD (‘000)	USD (‘000)	USD (‘000)
As at January 1,	**605,126**	**410,893**	**194,233**	246,338	145,324	101,014
Claims incurred during the year	**807,333**	**575,964**	**231,369**	554,504	388,873	165,631
Claims paid during the year	**(450,155)**	**(311,589)**	**(138,566)**	(195,716)	(123,304)	(72,412)
As at December 31,	**962,304**	**675,268**	**287,036**	605,126	410,893	194,233

Movements in provision **for unearned premium during the year are as follows:**

	2016			2015		
	Reinsurance contract liabilities	**Retrocedant’s share**	**Net**	Reinsurance contract liabilities	Retrocedant’s share	Net
	USD (‘000)	**USD (‘000)**	**USD (‘000)**	USD (‘000)	USD (‘000)	USD (‘000)
As at January 1,	**636,164**	**444,248**	**191,916**	290,080	196,554	93,526
Premiums written during the year	**1,249,371**	**885,810**	**363,561**	1,156,203	812,777	343,426
Premiums earned during the year	**(1,239,154)**	**(875,499)**	**(363,655)**	(810,119)	(565,083)	(245,036)
As at December 31,	**646,381**	**454,559**	**191,822**	636,164	444,248	191,916

8. INVESTMENTS

	December 31, 2016	December 31, 2015 Restated
	USD ('000)	USD ('000)
Held for trading investments		
Managed funds	**11,293**	12,753
Available-for-sale investments		
Qatari public shareholding companies	**38,165**	63,017
Quoted shares - International	**11,276**	11,862
Bonds	**653,861**	634,355
Total available for sale investments – net	**703,302**	709,234
Total	**714,595**	721,987

9. PROPERTY AND EQUIPMENT

	Furniture and fixtures	**Motor vehicle**	**Total**
	USD ('000)	**USD ('000)**	**USD ('000)**
Cost			
At January 1, 2015	3,237	267	3,504
Additions during the year	1,456	--	1,456
Disposals during the year	--	(21)	(21)
At December 31, 2015	4,693	246	4,939
Additions during the year	935	--	935
Disposals during the year	--	(191)	(191)
At December 31, 2016	**5,628**	**55**	**5,683**
Accumulated depreciation			
At January 1, 2015	1,517	119	1,636
Charge during the year	852	87	939
Disposals during the year	--	(10)	(10)
At December 31, 2015	2,369	196	2,565
Charge during the year	914	34	948
Disposals during the year	--	(175)	(175)
At December 31, 2016	**3,283**	**55**	**3,338**
Net Book Value:			
At December 31, 2016	**2,345**	**-**	**2,345**
At December 31, 2015	2,324	50	2,374

10. PROVISIONS, REINSURANCE AND OTHER PAYABLES

	2016	2015
	USD (‘000)	USD (‘000)
Deferred commission	**100,869**	100,396
Due to reinsurance companies	**33,442**	23,762
Accrued expenses	**8,176**	11,780
Other payables:		
Employees’ end of service benefits (Note 10.1)	**537**	635
Board of directors remuneration payable	**29**	--
Local creditors	**2,336**	2,203
Other credit balances	**1,010**	--
	146,399	138,776

10.1 EMPLOYEES’ END OF SERVICE BENEFITS

	2016	2015
	USD (‘000)	USD (‘000)
Balance at the beginning of the year	**635**	502
Charge for the year	**221**	165
Adjusted during the year	**(209)**	--
Payment made during the year	**(110)**	(32)
Balance at the end of year	**537**	635

11. DUE TO RELATED PARTIES

This represents balance due to Qatar Insurance Company S.A.Q (the “ultimate parent company”) and its subsidiaries for transactions which occurred during the year. Pricing policies, terms and payment for these transactions are approved by the Parent Company’s management. The transactions with related parties are disclosed in Note 21.

12. SHARE CAPITAL

The authorized share capital of the Parent Company is 1,200,000 ordinary shares of USD 1.00 each (2015: 1,200,000 shares of QR 1 each).

The issued and fully paid in cash share capital is 1,000,000 ordinary shares of USD 1.00 (2015: 1,000,000 ordinary shares of QR 1 each).

The movement in the share capital of the Company is as follows:

Authorised share capital		No. of shares	Par value	Total in QR ('000)	Total in USD ('000)
73,000,000 shares of QR 10 each	As at January 1, 2014	55,491,290	QR 10	554,913	152,449
--	Issuance of rights shares	17,508,710	QR 10	175,087	48,100
73,000,000 shares of QR 10 each	As at December 31, 2014	73,000,000	QR 10	730,000	200,549
--	Issuance of rights shares (i)	12,000,000	QR 10	120,000	32,967
85,000,000 shares of QR 10 each	Share capital before change of legal domicile	85,000,000	QR 10	850,000	233,516
--	Less: Reduction in share capital (ii)	--	--	--	(148,516)
500,000,000 shares of USD 1 each	Share capital on change of legal domicile (ii)	85,000,000	USD 1	--	85,000
(498,800,000) shares of USD 1 each	Less: Reduction in share capital (iii)	(84,000,000)	USD 1	--	(84,000)
1,200,000 shares of USD 1 each	As at December 31, 2015	1,000,000	USD 1	--	1,000
1,200,000 shares of USD 1 each	**As at December 31, 2016**	**1,000,000**	**USD 1**	**--**	**1,000**

(i) During 2015, the Company issued 12,000,000 shares at a price of QR 15 (including share premium of QR 5 per share) totaling to QR 180,000 thousand (USD 49,450 thousand) to the existing shareholders as at March 31, 2015, which was fully subscribed and paid by the shareholders. The share capital increase of QR 120,000 thousand (USD 32,967 thousand) and contribution towards share premium of QR 60,000 thousand (USD 16,483 thousand) was recognized in the consolidated statement of changes in equity; after obtaining the QFC's regulatory approval to increase the authorised share capital to 85,000,000 equity shares of QR 10 each.

(ii) Pursuant to change of legal domicile to Bermuda in the year 2015, the Company modified its authorised capital to 500,000,000 equity shares of USD 1 each. Immediately after the change in legal jurisdiction, the paid up share capital of the Company stood at 85,000,000 shares of USD 1 each. Additional paid up capital amounting to USD 148,516 (thousand) was cancelled and transferred to "Contributed Surplus" account in the consolidated statement of changes in equity.

(iii) On December 31, 2015, the authorised share capital of the Company reduced from 500,000,000 equity shares of USD 1 each to 1,200,000 equity shares of USD 1 each. On the same date, the issued and paid up share capital of the Company reduced to 1,000,000 equity shares of USD 1 each. Additional paid up capital cancelled amounting to USD 84,000 thousand is transferred to "Contributed Surplus" account in the consolidated statement of changes in equity.

12. SHARE CAPITAL (CONTINUED)

(iv) On November 28, 2016, the shareholder of the Company contributed additional capital of USD 200,000,000 into the Company

13. SHARE PREMIUM

The share premium reflects the amount received in excess of the par value of the shares issued. In 2015, the amount is fully transferred to "Contributed Surplus" account in the consolidated statement of changes in equity.

14. FAIR VALUE RESERVE

The fair value reserve arose from the revaluation of available for sale investments as per the accounting policies detailed in Note 3.

15. SEGMENT INFORMATION

a) Segment information

For management reporting purposes, the Company is organized into two business segments – Marine Aviation and Fire and General. These segments are the basis on which the Group reports its operating segment information. No operating segments have been aggregated in arriving at the reportable segment of the Group.

Segment statement of income for the year ended December 31, 2016

	Marine and Aviation	Property and Casualty	Total Underwriting	Investments	Un-allocated (Expenses)/ Income	Total	*The Group's – Dubai Branch Performance included in Total**
Gross written premiums	94,709	1,154,662	1,249,371	--	--	1,249,371	54,709
Premiums ceded to reinsurers	(72,501)	(813,309)	(885,810)	--	--	(885,810)	(40,606)
Net premiums	22,208	341,353	363,561	--	--	363,561	*14,103*
Movement in net unexpired premium reserve	(4,839)	(7,480)	(12,319)	--	--	(12,319)	*(7079)*
Net earned premiums	17,369	333,873	351,242	--	--	351,242	*7,024*
Gross claims paid	(15,176)	(434,979)	(450,155)	--	--	(450,155)	*(1,875)*
Reinsurance recoveries	9,592	301,997	311,589	--	--	311,589	*1,551*
Movement in net outstanding claims	(8,487)	(108,979)	(117,466)	--	--	(117,466)	*(5,305)*
Commission income	10,938	209,103	220,041	--	--	220,041	*6,658*
Commission expense	(11,859)	(249,363)	(261,222)	--	--	(261,222)	*(6,080)*
Net underwriting results	2,377	51,652	54,029	--	--	54,029	*1,973*
Investment income			--	36,293	455	36,748	--
Finance costs			--	(4,057)	--	(4,057)	--
Net investment income			--	32,236	455	32,691	--
Total income			54,029	32,236	455	86,720	*1,973*
Operating and administrative expenses			--	--	(47,726)	(47,726)	*(3660)*
Depreciation			--	--	(948)	(948)	*(21)*
Segment results			54,029	32,236	(48,219)	38,046	*(1,708)*

15. SEGMENT INFORMATION (CONTINUED)

a) Segment information (continued)

Segment statement of income for the period ended December 31, 2015

	Marine and Aviation	Property and Casualty	Total Underwriting	Investments	Un-allocated (Expenses)/ Income	Total	The Group's – Dubai Branch Performance included in Total*
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Gross written premiums	39,974	1,116,229	1,156,203	--	--	1,156,203	1,076
Premiums ceded to reinsurers	(28,403)	(784,374)	(812,777)	--	--	(812,777)	(660)
Net premiums	11,571	331,855	343,426	--	--	343,426	416
Movement in net unexpired premium reserve	(381)	(98,009)	(98,390)	--	--	(98,390)	(407)
Net earned premiums	11,190	233,846	245,036	--	--	245,036	9
Gross claims paid	(15,560)	(180,156)	(195,716)	--	--	(195,716)	--
Reinsurance recoveries	9,579	113,725	123,304	--	--	123,304	--
Movement in net outstanding claims	(4,160)	(89,059)	(93,219)	--	--	(93,219)	(5)
Commission income	5,462	142,927	148,389	--	--	148,389	54
Commission expense	(5,372)	(157,690)	(163,062)	--	--	(163,062)	(5)
Net underwriting results	1,139	63,593	64,732	--	--	64,732	53
Investment income			--	12,610	274	12,884	--
Finance costs			--	(2,211)	--	(2,211)	
Net investment income			--	10,399	274	10,673	--
Total income			64,732	10,399	274	75,405	
Operating and administrative expenses			--	--	(49,483)	(49,483)	(169)
Depreciation			--	--	(939)	(939)	
Segment results			64,732	10,399	(50,148)	24,983	(116)

Assets and liabilities of the Group are commonly used across the operating segments.

16. NET INVESTMENT INCOME

	2016	2015
	USD ('000)	USD ('000)
Interest income	**37,975**	22,283
Dividends	**3,855**	1,873
Advisory fee	**(2,606)**	(1,704)
Gain / (loss) on sale of available for sale financial assets	**2,449**	(1,528)
Impairment losses on investments	**--**	(8,155)
Other gains / (losses)	**(4,925)**	115
	36,748	12,884
Less: Finance costs	**(4,057)**	(2,211)
Net Investment income	**32,691**	10,673

17. OPERATING AND ADMINISTRATIVE EXPENSES

	2016	2015
	USD ('000)	USD ('000)
Employees related costs	**33,484**	30,986
Rental expenses	**3,411**	2,796
Maintenance & IT expenses	**3,180**	2,845
Professional fees	**1,812**	1,277
Travel expenses	**2,993**	1,120
Board of directors' remuneration (Note 18)	**326**	824
Miscellaneous expenses	**2,520**	9,635
	47,726	49,483

18. BOARD OF DIRECTORS' REMUNERATION

In accordance with the Articles of Association of the Parent Company, the Board of Directors' remuneration for the year 2016 has been proposed at USD 326 thousand (2015: USD 824 thousand).

19. CONTRIBUTED SURPLUS

The Contributed Surplus recognised in the consolidated statement of changes in equity is distributable to the shareholders as a dividend in the normal course of business, subject to certain restrictions and provisions in this respect in Bermuda Companies Act 1981. The Contributed Surplus as at yearend comprises of the following:

	2016	2015
	USD (‘000)	USD (‘000)
(i) On cancellation of shares after change in legal domicile	**251,651**	251,651
(ii) On merger of Antares Re business as on December 31, 2015	**243,717**	243,717
(iii)Contribution from Parent Company during the year	**200,000**	--
	695,368	495,368

20. SHORT TERM BORROWINGS

	2016	2015
	(USD ‘000)	(USD ‘000)
Borrowings against fixed income securities	**384,392**	416,412

As of December 31, 2016 and 2015, interest expense related to this short term borrowing amounted to USD 4,057 thousand and USD 2,211 thousand, respectively.

21. RELATED PARTIES

a) Transaction with related parties

These represent transaction with related parties. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions and directors of the Group and companies of which they are key management personnel. Pricing policies and terms of these transactions are approved by the Group’s management and are negotiated under normal commercial terms.

Significant related party transactions were:

	2016	2015
	USD (‘000)	USD (‘000)
Reinsurance premium to QIC	**839,149**	790,240
Reinsurance recoveries	**310,204**	115,740
Commission from QIC	**213,508**	186,839

21. RELATED PARTIES (CONTINUED)

b) Compensation of key management personnel

	2016	2015
	USD('000)	USD('000) (Restated)
Salaries and other short term benefits	**1,981**	1,562
Employees' end of service benefits	**154**	195
Total	**2,135**	1,757

Outstanding related party balances at reporting date are unsecured and interest free. Also, the Board of Directors' remuneration proposed for the year ended December 31, 2016 is detailed in Note 18.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group in the normal course of its business derives its revenue mainly from assuming and managing insurance and investments risks for profit. The Group is mainly exposed to the following risks;

- Insurance risk,
- Credit risk,
- Liquidity risk,
- Market risk and
- Operational and systems risk

The Group has designed, established and maintains a robust and effective risk framework that is used in the implementation of the strategic objectives and business plan. The framework provides a basis for understanding the risks the Group is exposed to and its ability to identity, assess, control and mitigate them.

a) Governance framework

Risk appetite is set by the Board and takes into account responsibilities to the shareholder, policyholders and other stakeholders. Management are authorized to operate within defined appetite, subject to various authorities and controls.

(b) Capital management framework

The Group is subject to both internal and regulator imposed capital requirements. During the period, the Group has complied with internal capital requirements and those mandated by applicable regulators. The external capital requirements are those prescribed by the Bermuda Monetary Authority notably the Enhanced Capital Requirement; and those required in relation to our branches in Dubai and Singapore. The Group has not applied for any variations to the standard method of calculation in any jurisdiction.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Risk Management framework

An overall risk management framework is deployed by the Group which considers risk and controls in the context of overall risk appetite. This considers the frequency and severity of identified risks along with qualitative factors and determines the residual risk exposure. For the main financial risk areas (insurance, market, credit) additional quantitate techniques are used to manage exposures against the specific risk appetite.

(d) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual compensation paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy and guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Group principally issues general insurance contracts which mainly constitute marine and aviation, and property and casualty lines of business.

The concentration of insurance risk exposure is mitigated by careful selection and implementation of the underwriting strategy of the Group, Underwriting limits are in place to enforce risk selection criteria and an exposure management framework limits exposure to peak peril zones within the context of defined risk appetite.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

The Group, in the normal course of business, in order to minimise financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under quota share arrangements, treaty, facultative and excess-of-loss reinsurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group has in place strict claim review policies to assess all new and ongoing claims. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

Key assumptions
The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimated. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities
The general insurance claims provisions are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, net profit and equity.

	Change in assumptions	**Impact on liabilities**	**Impact on net profit**	**Impact on equity**
		USD ('000)	**USD ('000)**	**USD ('000)**
December 31, 2016				
Incurred claim cost	10%	**25,603**	**(25,603)**	**--**
Incurred claim cost	-10%	**(25,603)**	**25,603**	**--**
December 31, 2015				
Incurred claim cost	10%	16,563	(16,563)	--
Incurred claim cost	-10%	(16,563)	16,563	--

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

Claims development table

The Group maintains reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position.

With the exception of the proportional and non-proportional reinsurance business, an accident-year basis is considered to be most appropriate for the business written by the Group. Given the nature of reinsurance claims and the difficulties in identifying an accident year for each reported claim, these claims are reported separately and aggregated by reporting year (reporting year basis) – that is, with reference to the year in which the Group was notified of the claims. This presentation is different from the basis used for the claims development tables for the other insurance claims and entities of the Group, where the reference is to the actual date of the event that caused the claim (accident-year basis).

Accident year	2013	2014	2015	2016	Total
At end of accident year	139,608	241,753	517,004	882,718	
One year later	135,449	277,443	440,937	--	
Two years later	137,259	279,991	--	--	
Three years later	132,383	--	--	--	
Four years later	--	--	--	--	
Five years later	--	--	--	--	
Current estimate of cumulative claims incurred	**132,383**	**279,991**	**440,937**	**882,718**	**1,736,029**
Cumulative payments to date	(91,247)	(151,779)	(247,835)	(282,864)	(773,725)
Total net outstanding claims provision	**41,136**	**128,212**	**193,102**	**599,854**	**962,304**
Current estimate of surplus/(deficiency)	7,225	(38,238)	76,067		
% Surplus/ (deficiency) of initial gross reserve	5%	-16%	15%		

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group has been established and policies and procedures are in place to mitigate the Group's exposure to credit risk:

- Compliance with the receivable management policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

- For all classes of financial assets held by the Group, other than those relating to reinsurance contracts, the maximum credit risk exposure to the Group is the carrying value as disclosed in the consolidated financial statements at the reporting date.

- Reinsurance is placed with reinsurers approved by the management. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

To minimize its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Age analysis of financial assets as at the yearend is as follows:

December 31, 2016

	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)	USD ('000)
Cash and cash equivalents	438,792	278,906	--	--	--	717,698
Premiums and other receivables	866,784	7,474	3,111	3,097	40,960	921,426
	1,305,576	286,380	3,111	3,097	40,960	1,639,124

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

December 31, 2015

	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	Above 120 days	Total
	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)	USD (‘000)
Cash and cash equivalents	150,357	84,084	85,258	--	--	319,699
Premiums and other receivables	729,213	8,866	429	6,398	94,316	839,222
	879,570	92,950	85,687	6,398	94,316	1,158,921

Impaired financial assets

At December 31, 2015 there are impaired insurance and other receivables of USD 355 thousand (2014: USD 355 thousand). For assets to be classified as “past–due and impaired” contractual payments must be in arrears for more than 90 days. No collateral is held as security for any past due or impaired assets.

The Group records all impairment allowances for loans and receivables in a separate impairment allowance account. A reconciliation of the allowance for impairment losses for loans and receivables is as follows:

	2016	2015
	USD (‘000)	USD (‘000)
At January 1,	**355**	355
Charged during the year	**--**	--
At December 31, (Note 6)	**355**	355

(f) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. At an overall level, the Group’s defined risk appetite is such that we maintain sufficient liquidity to pay two 1 in 250 year events in any year. We also manage our average duration of assets to be no longer than our average duration of liabilities.

At an operational level liquidity requirements are monitored on a daily/weekly/monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles
The table below summarizes the maturity profile of the financial assets and financial liabilities of the Group based on remaining undiscounted contractual obligations, including interest payable and receivable. For insurance contracts liabilities and reinsurance contract assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognized insurance liabilities. Unearned premiums and the reinsurer’s share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2016				
Financial assets : Non derivatives				
Available-for-sale investments -				
Debt securities	**266,834**	**44,893**	**342,134**	**653,861**
Qatari Public shareholding companies	**38,165**	**--**	**--**	**38,165**
Quoted shares - International	**11,276**	**--**	**--**	**11,276**
Held for trading investments -				
Managed Funds	**11,293**	**--**	**--**	**11,293**
Premiums and other receivables	**198,579**	**721,889**	**958**	**921,426**
Reinsurance contract assets	**45,242**	**555,746**	**74,280**	**675,268**
Cash and cash equivalents	**717,698**	**--**	**--**	**717,698**
	1,289,087	**1,322,528**	**417,372**	**3,028,987**

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2016				
Financial liabilities : Non derivatives				
Reinsurance and other payables	**45,530**	**--**	**--**	**45,530**
Short term borrowings	**384,392**	**--**	**--**	**384,392**
Due to related parties	**124,989**	**601,157**	**855**	**727,001**
Reinsurance contract liabilities	**245,388**	**627,422**	**89,494**	**962,304**
	800,299	**1,228,579**	**90,349**	**2,119,227**

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(f) Liquidity risk (continued)

Maturity profiles (continued)

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2015				
Financial assets : Non derivatives				
Available-for-sale investments -				
Debt securities	70,053	315,510	248,792	634,355
Qatari Public shareholding companies	63,017	--	--	63,017
Quoted shares - International	11,862	--	--	11,862
Held for trading investments -				
Managed Funds	12,753	--	--	12,753
Premiums and other receivables	678,083	131,448	29,691	839,222
Reinsurance contract assets	131,269	207,423	72,201	410,893
Cash and cash equivalents	319,699	--	--	319,699
	1,286,736	654,381	350,684	2,291,801

	Up to a year	1 to 5 years	Over 5 years	Total
	USD ('000)	USD ('000)	USD ('000)	USD ('000)
December 31, 2015				
Financial liabilities : Non derivatives				
Reinsurance and other payables	26,751	--	--	26,751
Short term borrowings	416,412	--	--	416,412
Due to related parties	446,182	92,013	20,784	558,979
Reinsurance contract liabilities	193,321	305,473	106,332	605,126
	1,082,666	397,486	127,116	1,607,268

(g) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in equity and bond markets. In addition, The Group actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

i) Currency risk (continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at reporting date by categorizing assets and liabilities by major currencies.

December 31, 2016

	QR USD ('000)	**EURO USD ('000)**	**GBP USD ('000)**	**Others* USD ('000)**	**Total USD ('000)**
Cash and cash equivalents	**654,070**	**6,830**	**1,365**	**55,433**	**717,698**
Premiums and other receivables	**130**	**69,531**	**560,262**	**443,842**	**1,073,765**
Investments	**38,165**	**--**	**--**	**676,430**	**714,595**
Total Assets	**692,365**	**76,361**	**561,627**	**1,175,705**	**2,506,058**
Provisions, reinsurance and other payables	**676**	**12,649**	**45,084**	**87,990**	**146,399**
Short term borrowings	**--**	**--**	**--**	**384,392**	**384,392**
Total Liabilities	**676**	**12,649**	**45,084**	**472,382**	**530,791**

December 31, 2015

	QR USD ('000)	EURO USD ('000)	GBP USD ('000)	Others* USD ('000)	Total USD ('000)
Cash and cash equivalents	292,554	1,532	5,609	20,004	319,699
Premiums and other receivables	--	90,963	470,527	426,514	988,004
Investments	63,017	--	305	658,665	721,987
Total Assets	355,571	92,495	476,441	1,105,183	2,029,690
Provisions, reinsurance and other payables	--	15,059	46,451	77,266	138,776
Short term borrowings	--	--	--	416,412	416,412
Total Liabilities	--	15,059	46,451	493,678	555,188

*Others mainly represents exposure in reporting currency-United States Dollars.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

i) Currency risk (continued)

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities including insurance contract claim liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

		Impact on profit or loss	
	Changes in variables	**December 31, 2016**	December 31, 2015
Currency		**USD (‘000)**	USD (‘000)
Euro	+10%	**2,709**	5,479
GBP	+10%	**17,666**	20,689
		20,375	26,168
Euro	-10%	**(2,709)**	(5,479)
GBP	-10%	**(17,666)**	(20,689)
		(20,375)	(26,168)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

ii) Interest rate risk

Interest rate risk is the risk that the value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates.

The Group invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Group’s interest risk policy requires managing interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

ii) Interest rate risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

		December 31, 2016		December 31, 2015	
Currency	**Changes in variables**	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(USD '000)	**(USD '000)**	(USD '000)	(USD '000)
Qatari Riyals	+50 basis points	**1,341**	**(10,789)**	91	(4,752)
Qatari Riyals	-50 basis points	**(1,341)**	**10,789**	(91)	4,752

The Group's interest rate risk based on contractual arrangements is as follows:

December 31, 2016

	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total**	**Effective interest rate (%)**
	(USD '000)	**(USD '000)**	**(USD '000)**	**(USD '000)**	
Cash and cash equivalents	**717,698**	**--**	**--**	**717,698**	**2.27%**
Investments	**266,834**	**44,893**	**342,134**	**653,861**	**3.90%**
	984,532	**44,893**	**342,134**	**1,371,559**	
Short term borrowings	**384,392**	**--**	**--**	**--**	

December 31, 2015

	Up to 1 year	1 to 5 years	Over 5 years	Total	Effective interest rate (%)
	(USD'000)	(USD '000)	(USD '000)	(USD '000)	
Cash and cash equivalents	319,699	--	--	319,699	1.77%
Investments	70,053	315,510	248,792	634,355	4.92%
	389,752	315,510	248,792	954,054	
Short term borrowings	416,412	--	--	--	

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(g) Market risk (continued)

iii) ***Price risk (continued)***

Price risk is the risk that the fair value of or income from a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business. The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market and careful and planned use of derivative financial instruments. The Group has no significant concentration of price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and equity.

		December 31, 2016		December 31, 2015	
	Changes in variables	**Impact on profit or loss**	**Impact on equity**	Impact on profit or loss	Impact on equity
		(USD '000)	**(USD '000)**	(USD '000)	(USD '000)
Qatar Market	+10%	**--**	**3,817**	--	6,302
International Markets	+10%	**1,129**	**1,128**	1,275	1,186
Qatar Market	-10%	**--**	**(3,817)**	--	(6,302)
International Markets	-10%	**(1,129)**	**(1,128)**	(1,275)	(1,186)

The method used for deriving sensitivity information and significant variables did not change from the previous period.

(h) Operational and systems risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks.

The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Capital management

Objectives are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Company fully complied with the externally imposed capital requirements during the reported financial year and no changes were made to its capital base, objectives, policies and processes from the previous year.

(j) Classifications and fair values

The following table compares the fair values of the financial instruments to their carrying values:

	December 31, 2016		December 31, 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	USD ('000)	**USD ('000)**	USD ('000)	USD ('000)
Cash and cash equivalents	**717,698**	**717,698**	319,699	319,699
Loans and receivables:				
Premiums and other receivables	**921,426**	**921,426**	839,222	839,222
Reinsurance contract assets	**675,268**	**675,268**	410,893	410,893
Investments:				
Held for trading	**11,293**	**11,293**	12,753	12,753
Available for sale investments	**703,302**	**703,302**	709,234	709,234
	3,028,987	**3,028,987**	2,291,801	2,291,801
Reinsurance and other payables	**45,530**	**45,530**	26,751	26,751
Short term borrowings	**384,392**	**384,392**	416,412	416,412
Due to related parties	**727,001**	**727,001**	558,979	558,979
Insurance contract liabilities	**962,304**	**962,304**	605,126	605,126
	2,119,227	**2,119,227**	1,607,268	1,607,268

23. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

23. DETERMINATION OF FAIR VALUE AND FAIR VALUES HIERARCHY (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**
	USD ('000)	**USD ('000)**	**USD ('000)**	**USD ('000)**
December 31, 2016				
Held for trading	**--**	**11,293**	**--**	**11,293**
Available for sale	**703,302**	**--**	**--**	**703,302**
	703,302	**11,293**	**--**	**714,595**
December 31, 2015				
Held for trading	--	12,753	--	12,753
Available for sale	709,234	--	--	709,234
	709,234	12,753	--	721,987

24. BUSINESS COMBINATION UNDER COMMON CONTROL

With effect from December 31, 2015, the Company merged the business with Antares Reinsurance Limited (a Bermudan company with registration number of EC 40716), a fully owned subsidiary of Antares Holding Limited UK. Antares Holding Limited UK, in turn, owned by Qatar Insurance Company SAQ, the ultimate Parent Company of the Group. The regulatory approval of this merger was granted on January 25, 2016 with an effective date of merger on December 31, 2015. The transaction is considered as transaction under "common control" as the control of the Company and Antares Reinsurance Limited vested with Qatar Insurance Company SAQ. Accordingly, there is no goodwill or gain on bargain purchase recognised by the Group.
The book value of the identifiable assets and liabilities of Antares Reinsurance Limited as at the date of merger were the following:

	As at December 31, 2015
	USD ('000)
Assets	
Cash and cash equivalents	33,250
Insurance and other receivables	91,230
Investments	126,539
Total assets	251,019
Liability	
Provisions, reinsurance and other payables	7,302
Total liability	7,302
Book value of net assets merged with the Parent Company	243,717

Net book value of assets transferred to the Parent Company is recognised as "Contributed Surplus" account in the equity. The net cash inflow to the Group out of this merger transaction is USD 33,250 thousand.

25. COMPARATIVE FIGURES AND RESTATEMENT OF PRIOR YEARS' FINANCIAL INFORMATION

The financial statements for the year ended December 31, 2015 have been restated and the impact is set out below. Apart from the restatement, certain comparative figures have been reclassified to conform to current year presentation and have no impact on the previously reported profit or equity position of the Group.

Investments and Short Term Borrowings

As part of the Group's margin trading strategy, the Group uses borrowings to finance its fixed income securities. The Group previously followed an accounting policy whereby borrowings were offset against the total fixed income investments in the presentation of its financial statements.

In 2016, the Group has adapted certain clarifications issued by IASB on IAS 32 Financial Instruments: Presentation whereby it presented fixed income investments and borrowings on a gross basis on the face of the statement of financial position and due to the principle of consistency, comparability and requirements of IAS 8, the prior year's figures have been restated. The aforementioned restatement does not have any financial impact on the Group's net income, earnings per share, retained earnings, total equity, and OCI for the period or the Group's operating, investing and financing cash flows.

The above matters (i) has been reclassified by restating each of the affected financial statements line items for the prior period as follows:

	As at December 31, 2015 (USD'000)		
	As reported previously	Adjustment	Restated
Statement of financial position items:			
Investments (i)	305,575	416,412	721,987
Short term borrowings (i)	--	416,412	416,412