Arab Insurance Group (B.S.C.)

Consolidated interim condensed financial statements for the nine months ended 30 September 2013

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

The Board of Directors
Arab Insurance Group (B.S.C.)
Manama
Kingdom of Bahrain

Date: 13 November 2013

Introduction

We have reviewed the accompanying 30 September 2013 condensed consolidated interim financial information of Arab Insurance Group (B.S.C.) ("the Company") and its subsidiaries (together the Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2013;
- the condensed consolidated income statements for the three month and nine month periods ended 30 September 2013;
- the condensed consolidated statements of comprehensive income for the three month and nine month periods ended 30 September 2013;
- the condensed consolidated statement of changes in equity for the nine month period ended 30 September 2013;
- the condensed consolidated statement of cash flows for the nine month period ended 30 September 2013; and
- notes to the condensed consolidated interim financial information.

The board of directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

KPMG Fakhro, a Bahrain partnership registered with Ministry of Commerce and Industry (MOIC), Kingdom of Bahrain and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

(In thousands of U.S. Dollars)

	Note	30 September 2013 (reviewed)	31 December 2012 (restated)	30 September 2012 (restated)
ASSETS				
Cash and bank balances		**316,620**	348,354	343,132
Investments	4	**331,782**	316,128	319,551
Accrued income	5	**141,877**	101,560	152,344
Insurance receivables		**125,027**	97,385	103,001
Insurance deposits		**43,997**	45,592	46,621
Deferred policy acquisition costs		**38,596**	27,992	38,483
Reinsurers' share of technical provisions	6	**61,269**	59,292	81,794
Other assets	7	**40,766**	23,688	21,502
Property and equipment	8	**27,372**	27,675	27,848
		1,127,306	1,047,666	1,134,276
LIABILITIES				
Technical provisions	9	**744,381**	671,454	755,863
Insurance payables		**51,875**	31,043	36,131
Borrowings		**-**	20,000	20,000
Other liabilities	10	**44,257**	43,702	49,376
		840,513	766,199	861,370
EQUITY				
Attributable to shareholders of Parent Company				
Share capital		**220,000**	220,000	220,000
Treasury stock		**(14,793)**	(14,793)	(14,793)
Reserves		**36,938**	41,977	40,365
Retained earnings /(accumulated deficit)		**968**	(11,955)	(19,086)
		243,113	235,229	226,486
Non-controlling interests		**43,680**	46,238	46,420
		286,793	281,467	272,906
		1,127,306	1,047,666	1,134,276

These consolidated interim condensed financial statements were approved by the Board of Directors on 13 November 2013 and signed by:

Khalid A. Al Bustani	Khalid J. Bin Kalban	Yassir Albaharna
Chairman	Vice Chairman	Chief Executive Officer

The accompanying notes 1 to 22 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

(In thousands of U.S. Dollars)

	Note		For the three months ended 30 September 2013 (reviewed)	For the three months ended 30 September 2012 (restated)	For the financial year-to-date 30 September 2013 (reviewed)	For the financial year-to-date 30 September 2012 (restated)	For the year ended 31 December 2012 (restated)
Gross premiums written			**34,634**	37,349	**258,887**	260,903	276,517
Net earned premiums			**48,443**	62,767	**166,608**	183,253	254,718
Claims and related expenses			**(32,115)**	(37,114)	**(108,704)**	(117,329)	(153,353)
Policy acquisition costs			**(11,933)**	(20,381)	**(43,220)**	(51,450)	(70,808)
Investment income attributable to insurance funds	12		**2,908**	4,058	**8,213**	8,903	11,963
Operating expenses	13		**(5,466)**	(7,514)	**(16,859)**	(17,136)	(22,972)
Underwriting result	11		**1,837**	1,816	**6,038**	6,241	19,548
Investment income attributable to shareholders' funds	12		**2,621**	3,328	**6,697**	7,355	9,631
Operating expenses non underwriting activities	13		**(1,582)**	(803)	**(5,000)**	(3,632)	(5,438)
Borrowing cost			**-**	(93)	**(63)**	(315)	(407)
Other income	14		**2,233**	2,006	**3,792**	(69)	(750)
Other expenses and provisions	15		**203**	(851)	**(1,019)**	(1,503)	(5,953)
Profit for the period			**5,312**	5,403	**10,445**	8,077	16,631
Attributable to:							
Non-controlling interests			**(2,149)**	(332)	**(2,188)**	(875)	(922)
Shareholders of Parent Company			**7,461**	5,735	**12,633**	8,952	17,553
			5,312	5,403	**10,445**	8,077	16,631
Earnings per share attributable to shareholders (basic and diluted)	16	US$	**0.04**	0.03	**0.06**	0.05	0.09

Khalid A. Al Bustani
Chairman

Khalid J. Bin Kalban
Vice Chairman

Yassir Albaharna
Chief Executive Officer

The accompanying notes 1 to 22 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

(In thousands of U.S. Dollars)

	For the three months ended 30 September 2013 (reviewed)	For the three months ended 30 September 2012 (restated)	For the financial year-to-date 30 September 2013 (reviewed)	For the financial year-to-date 30 September 2012 (restated)	For the year ended 31 December 2012 (restated)
Profit for the period	**5,312**	5,403	**10,445**	8,077	16,631
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Changes on remeasurement of available-for-sale investments	**1,457**	(2,991)	**(5,022)**	4,438	3,936
Transfers for recognition of losses/ (gains) on disposal of available for sale investments	**343**	4,230	**(97)**	4,545	5,054
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property	**-**	-	**-**	727	727
Other comprehensive income for the period	**1,800**	1,239	**(5,119)**	9,710	9,717
Total comprehensive income for the period	**7,112**	6,642	**5,326**	17,787	26,348
Attributable to:					
Non-Controlling interests	**(2,071)**	(129)	**(2,558)**	(455)	(637)
Shareholders of Parent Company	**9,183**	6,771	**7,884**	18,242	26,985
	7,112	6,642	**5,326**	17,787	26,348

The accompanying notes 1 to 22 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 1 January 2013 as previously reported	220,000	(14,793)	29,759	5,378	6,840	41,977	(104)	247,080	56,334	303,414
Impact of changes in accounting policies (note 20)	-	-	-	-	-	-	(11,851)	(11,851)	(10,096)	(21,947)
Restated balances as at 1 January 2013	220,000	(14,793)	29,759	5,378	6,840	41,977	(11,955)	235,229	46,238	281,467
Net profit (loss) for the period	-	-	-	-	-	-	12,633	12,633	(2,188)	10,445
Changes on remeasurement of available-for-sale investments	-	-	-	(4,749)	-	(4,749)	-	(4,749)	(273)	(5,022)
Transfers for recognition of gain on disposal of available-for-sale investment	-	-	-	-	-	-	-	-	(97)	(97)
Total comprehensive income for the period	-	-	-	(4,749)	-	(4,749)	12,633	7,884	(2,558)	5,326
Transfer of net depreciation on revalued property	-	-	-		(290)	(290)	290	-	-	-
Balances at 30 September 2013	220,000	(14,793)	29,759	629	6,550	36,938	968	243,113	43,680	286,793

The accompanying notes 1 to 22 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Accumulated deficit	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 1 January 2012 as previously reported	220,000	(14,793)	28,194	(3,327)	6,493	31,360	(14,179)	222,388	58,924	281,312
Impact of changes in accounting policies	-	-	-	-	-	-	(14,144)	(14,144)	(12,049)	(26,193)
Restated balances as at 1 January 2012	220,000	(14,793)	28,194	(3,327)	6,493	31,360	(28,323)	208,244	46,875	255,119
Net profit (loss) for the year	-	-	-	-	-	-	17,553	17,553	(922)	16,631
Changes on remeasurement of available-for-sale investments	-	-	-	3,659	-	3,659	-	3,659	277	3,936
Transfers for recognition of losses on disposal of available-for-sale investment	-	-	-	5,046	-	5,046	-	5,046	8	5,054
Revaluation of property	-	-	-	-	727	727	-	727	-	727
Total comprehensive income for the year	-	-	-	8,705	727	9,432	17,553	26,985	(637)	26,348
Transfer of net depreciation on revalued property	-	-	-	-	(380)	(380)	380	-	-	-
Transfer to non-distributable reserves	-	-	1,565	-	-	1,565	(1,565)	-	-	-
Restated balances at 31 December 2012	220,000	(14,793)	29,759	5,378	6,840	41,977	(11,955)	235,229	46,238	281,467
Restated Parent Company balances at 31 December 2012	220,000	(14,793)	29,620	4,900	6,840	41,360	(11,338)	235,229	-	235,229

The accompanying notes 1 to 22 are an integral part of these consolidated financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Accumulated deficit	Attributable to shareholders of parent company	Non-controlling interests	Total Equity (restated)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 1 January 2012 as previously reported	220,000	(14,793)	28,194	(3,327)	6,493	31,360	(14,179)	222,388	58,924	281,312
Impact of changes in accounting policies	-	-	-	-	-	-	(14,144)	(14,144)	(12,049)	(26,193)
Restated balances as at 1 January 2012	220,000	(14,793)	28,194	(3,327)	6,493	31,360	(28,323)	208,244	46,875	255,119
Net profit (loss) for the period	-	-	-	-	-	-	8,952	8,952	(875)	8,077
Changes on remeasurement of available-for-sale investments	-	-	-	4,053	-	4,053	-	4,053	385	4,438
Transfers for recognition of losses on disposal of available-for-sale investment	-	-	-	4,509		4,509	1	4,510	35	4,545
Revaluation of Property	-	-	-	-	727	727	-	727	-	727
Total comprehensive income for the period	-	-	-	8,562	727	9,289	8,953	18,242	(455)	17,787
Transfer of net depreciation on revalued property	-	-	-	-	(284)	(284)	284	-	-	-
Restated balances at 30 September 2012	220,000	(14,793)	28,194	5,235	6,936	40,365	(19,086)	226,486	46,420	272,906

The accompanying notes 1 to 22 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)
CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 September 2013 (reviewed)	For the financial year-to-date 30 September 2012 (restated)	For the year ended 31 December 2012 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Premiums received		**202,195**	211,954	297,709
Reinsurance premiums paid		**(14,064)**	(23,013)	(40,547)
Claims and acquisition costs paid		**(179,830)**	(198,803)	(276,517)
Reinsurance receipts in respect of claims		**15,848**	25,241	36,583
Investment income		**1,214**	2,436	307
Interest received		**2,747**	3,521	5,304
Dividend received		**811**	871	1,138
Operating expenses paid		**(20,322)**	(23,323)	(25,102)
Other income/expenses, net		**(2,099)**	(3,508)	(2,330)
Insurance deposits received, net		**1,622**	5,045	6,075
Purchase of trading investments		**(39,701)**	(55,213)	(64,122)
Sale of trading investments		**37,144**	88,441	94,591
Net cash provided by operating activities	17	**5,565**	33,649	33,089
CASH FLOWS FROM INVESTING ACTIVITIES:				
Maturity/sale of investments		**94,803**	146,251	193,214
Purchase of investments		**(107,590)**	(182,889)	(222,068)
Term deposit with bank		**1,748**	16,435	(9,251)
Interest received		**3,300**	2,904	6,024
Dividend received		**-**	18	24
Investment income		**2,600**	6,141	6,395
Collateralised cash deposits (paid) received, net		**(8,930)**	829	(3,814)
Purchase of property and equipment		**(532)**	(123)	(150)
Purchase of intangible assets		**(365)**	(410)	(422)
Net cash used in investing activities		**(14,966)**	(10,844)	(30,048)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings		**(20,000)**	(20,000)	(20,000)
Interest on borrowings		**(371)**	-	(633)
Dividend paid		**(31)**	(2,482)	(2,501)
Net cash used in financing activities		**(20,402)**	(22,482)	(23,134)
Net (decrease) increase in cash and cash equivalents		**(29,803)**	323	(20,093)
Effect of exchange rate on cash and cash equivalents		**(183)**	(53)	(101)
Cash and cash equivalents, beginning of period		**232,196**	252,390	252,390
Cash and cash equivalents, end of period		**202,210**	252,660	232,196
Term deposit with bank		**114,410**	90,472	116,158
Cash and bank balances, end of period		**316,620**	343,132	348,354

The accompanying notes 1 to 22 are an integral part of these consolidated interim condensed financial statements.

ARAB INSURANCE GROUP (B.S.C.)

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2013

1. INCORPORATION AND PRINCIPAL ACTIVITY

Arab Insurance Group (B.S.C.) (the "Company", "Parent Company") is an international insurance company registered as a Bahraini Shareholding Company having its registered office at Arig House, Manama, Kingdom of Bahrain. The Parent Company and its subsidiaries (the "Group") are involved in provision of general (non-life) and life reinsurance and related service activities.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated interim financial statements of the Group has been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting) which allows the interim financial information to be prepared in condensed form. The interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

The Group's financial statements are presented in U.S. Dollars, which is its functional currency as its share capital and a significant proportion of its business, assets and liabilities are denominated in that currency.

The accounting policies and methods of computation are consistent with the most recent consolidated financial statements of the Group at 31 December 2012 that were prepared in accordance with International Financial Reporting Standards (IFRS) except as described below. Comparative figures have been reclassified, where necessary, to conform to the current period's presentation.

The Group has adopted all new and revised IFRS and interpretations applicable for accounting periods beginning on or after 1 January 2013, including IAS 1 - Presentation of items of other comprehensive income; IAS 19 Employee benefits; IAS 28 - Investment in associates and Joint Ventures; IFRS 7 - Financial instruments disclosures; IFRS 10 Consolidated financial statement; IFRS 11- Joint arrangements; IFRS 12 Disclosure of interests in other entities; IFRS 13 Fair value measurement.

IFRS 10 introduces a new control model that is applicable to all investees; it requires the consolidation of an investee if the Group controls the investee on the basis of:

i) power over the investee
ii) exposure to variable returns from the investee
iii) the ability to use its power to affect the amount of returns

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its subsidiaries as at 1 January 2013. As a consequence, the Group has changed its control conclusion in respect of the subsidiary, Takaful Re Limited's participants' (policyholders) funds. Management has concluded that Takaful Re Limited has control over the participants' funds and as a result the participants' fund accounts have been consolidated retrospectively. Previously Takaful Re Limited's participants' fund accounts were not being consolidated into the Group financial statements.

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. The Group has re-evaluated its involvement in its only joint venture and has assessed that it is in the nature of a joint venture to be recognised by applying the equity method and is regarded as individually immaterial and there is no significant impact on the recognised assets, liabilities and comprehensive income of the Group.

The effect of adopting IFRS10 and IFRS 11 has been disclosed in note 20.

3. SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, the Group registers approximately 67% of its gross premiums during the first quarter of every year. Gross premiums written over the remainder of the financial year are almost evenly spread out. This seasonality does not however, have any material impact on the Group's underwriting result as the premiums are taken to income over the terms of the related contracts or policies.

4. INVESTMENTS

	US$ '000		
	30 September 2013	31 December 2012	30 September 2012
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	**54,910**	45,476	41,327
	54,910	45,476	41,327
Designated at fair value on initial recognition			
Debt Securities			
- Other investment grade	**24,434**	23,851	22,997
- Other	**12,284**	8,449	9,070
	36,718	32,300	32,067
Held-to-maturity			
Debt securities			
- Supra-Nationals and OECD country governments	**22,968**	36,975	35,986
- Other investment grade	**20,029**	26,045	26,055
- Non OECD country government	**2,655**	2,655	2,656
- Others	**8,843**	-	-
	54,495	65,675	64,697
Available-for-sale			
Debt securities			
- Supra-nationals and OECD country governments	**26,910**	21,995	22,019
- Other investment grade	**91,916**	73,104	80,118
- Non-OECD country governments	**2,567**	6,803	5,495
- Other	**40,889**	44,584	46,262
Common stock of listed companies	**-**	813	735
Common stock of unlisted companies	**6,904**	6,808	6,997
Other	**16,332**	18,164	19,407
	185,518	172,271	181,033
Investment in joint venture	**122**	127	148
Investment in associate	**19**	279	279
	331,782	316,128	319,551

Debt securities amounting to US$ 65 million (31 December 2012: US$ 66.3 million; 30 September 2012: US$ 67.4 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees.

5. ACCRUED INCOME

	US$ '000		
	30 September 2013	31 December 2012	30 September 2012
Accrued insurance premiums	**139,780**	98,488	149,666
Accrued interest	**2,097**	3,072	2,678
	141,877	101,560	152,344

6. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000		
	30 September 2013	**31 December 2012**	30 September 2012
General insurance business			
- Claims outstanding	**46,570**	42,036	49,204
- Unreported claims	**8,864**	13,021	10,787
- Deferred retrocession premium reserve	**5,238**	3,644	21,148
	60,672	58,701	81,139
Life insurance business			
- Claims outstanding	**597**	591	655
	597	591	655
	61,269	59,292	81,794

7. OTHER ASSETS

	US$ '000		
	30 September 2013	**31 December 2012**	30 September 2012
Intangible assets :			
- Computer software	**11,309**	10,944	10,935
	11,309	10,944	10,935
Less: Accumulated amortisation	**(10,075)**	(9,796)	(9,702)
Net intangible assets	**1,234**	1,148	1,233
Other assets:			
- Collateralised cash deposits	**25,437**	16,506	11,863
- Prepayments and other receivables	**14,095**	6,034	8,406
	39,532	22,540	20,269
	40,766	23,688	21,502

8. PROPERTY AND EQUIPMENT

	US$ '000		
	30 September 2013	31 December 2012	30 September 2012
Land	**1,340**	1,340	1,340
Building	**26,396**	7,221	7,221
Work in progress	**185**	19,058	19,058
Information systems, furniture, equipment and other	**14,030**	13,941	14,013
	41,951	41,560	41,632
Less: accumulated depreciation	**(14,579)**	(13,885)	(13,784)
	27,372	27,675	27,848

Land and Building comprises the head office property owned and occupied by the Company since 1984. The property was revalued in March 2012 by independent external valuers. Building also includes office premises of the subsidiary Takaful Re Limited in Dubai, U.A.E; US$ 19.1 million. This property, earlier carried as work in progress, was handed over by the developer in the current period and is expected to be brought into use by end of the year after furnishing.

9. TECHNICAL PROVISIONS

Technical provisions comprise:

	US$ '000		
	30 September 2013	31 December 2012	30 September 2012
General insurance business			
Claims outstanding	**319,364**	301,039	295,679
Unreported losses	**160,289**	174,235	186,113
Unearned premiums	**177,607**	109,740	175,439
	657,260	585,014	657,231
Life insurance business			
Claims outstanding	**17,176**	15,141	16,283
Unreported losses	**59,678**	65,333	70,882
Unearned premiums	**10,267**	5,966	11,467
	87,121	86,440	98,632
	744,381	671,454	755,863

10. OTHER LIABILITIES

	US$ '000		
	30 September 2013	31 December 2012	30 September 2012
Post-employment benefits	**14,056**	12,484	13,146
Reinsurance premiums accrued	**8,619**	8,619	14,983
Dividends payable	**2,118**	1,971	1,822
Accrued expenses	**4,665**	6,238	5,773
Employee share scheme	**2,998**	2,480	1,463
Other	**11,801**	11,910	12,189
	44,257	43,702	49,376

11. SEGMENT INFORMATION - Analysis of revenue by primary business segment

The Group's reinsurance business consists of two main business segments, Non-life and Life. Non-life business primarily consists of Property, Engineering, Marine, Accident, Whole account & other classes. Life business mainly involves short term group life policies and long term life policies. Life portfolio does not contain investment linked policies.

	US$ '000								
	Period ended 30 September 2013								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	71,002	31,702	18,771	18,550	64,170	33,842	20,301	549	258,887
Outward reinsurance premiums	(4,560)	(1,721)	217	(154)	(11,725)	(363)	(840)	6	(19,140)
Change in unearned premiums - gross	(9,747)	(4,566)	(3,241)	(4,613)	(35,446)	(15,980)	(3,772)	(523)	(77,888)
Change in unearned premiums - reinsurance	175	28	(59)	(4)	4,880	(262)	(9)	-	4,749
Net earned premiums	56,870	25,443	15,688	13,779	21,879	17,237	15,680	32	166,608
Investment income attributable to insurance funds	2,395	1,127	861	85	218	1,831	650	1,046	8,213
	59,265	26,570	16,549	13,864	22,097	19,068	16,330	1,078	174,821
COSTS AND EXPENSES :									
Gross claims paid	(46,344)	(14,946)	(12,686)	(6,466)	(12,312)	(19,596)	(10,972)	(3,983)	(127,305)
Claims recovered from reinsurers	8,511	754	172	588	2,984	472	155	-	13,636
Change in provision for outstanding claims - gross	(6,207)	(1,000)	(542)	(243)	(916)	141	(1,063)	(979)	(10,809)
Change in provision for outstanding claims - reinsurance	31	(532)	277	101	430	(198)	15	-	124
Change in provision for unreported losses - gross	55	3,529	4,814	(389)	1,108	6,399	466	5,090	21,072
Change in provision for unreported losses - reinsurance	(1,765)	658	(192)	(256)	(3,541)	(424)	101	(3)	(5,422)
Claims and related expenses	(45,719)	(11,537)	(8,157)	(6,665)	(12,247)	(13,206)	(11,298)	125	(108,704)
Policy acquisition costs	(22,083)	(10,498)	(5,544)	(6,079)	(8,716)	(1,188)	(1,383)	260	(55,231)
Policy acquisition costs recovered from reinsurers	407	264	(39)	609	-	65	310	-	1,616
Change in deferred policy acquisition costs - gross	5,061	1,730	922	1,528	913	271	85	(16)	10,494
Change in deferred policy acquisition costs - reinsurance	(118)	(25)	21	(5)	-	22	6	-	(99)
Policy acquisition costs	(16,733)	(8,529)	(4,640)	(3,947)	(7,803)	(830)	(982)	244	(43,220)
Operating expenses	(6,132)	(2,601)	(1,758)	(913)	(389)	(2,443)	(2,163)	(460)	(16,859)
Underwriting result	(9,319)	3,903	1,994	2,339	1,658	2,589	1,887	987	6,038

11. SEGMENT INFORMATION - Analysis of revenue by primary business segment (Contd.)

	US$ '000								
	Period ended 31 December 2012								
	Non-life						Life		Total (restated)
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	78,056	36,943	25,780	18,242	53,790	37,836	20,204	5,666	276,517
Outward reinsurance premiums	(7,258)	(1,965)	(1,030)	(484)	(13,347)	(868)	(2,189)	(11)	(27,152)
Change in unearned premiums - gross	4,807	2,259	2,915	(6)	(9,873)	3,230	1,382	(270)	4,444
Change in unearned premiums - reinsurance	(945)	23	(8)	(351)	2,024	147	19	-	909
Net earned premiums	74,660	37,260	27,657	17,401	32,594	40,345	19,416	5,385	254,718
Investment income attributable to insurance funds	2,713	1,345	727	1,893	480	2,180	986	1,639	11,963
	77,373	38,605	28,384	19,294	33,074	42,525	20,402	7,024	266,681
COSTS AND EXPENSES :									
Gross claims paid	(79,433)	(20,727)	(18,103)	(12,483)	(13,563)	(35,846)	(17,901)	(10,269)	(208,325)
Claims recovered from reinsurers	25,620	828	526	2,020	3,200	210	226	-	32,630
Change in provision for outstanding claims - gross	930	1,091	1,820	(1,139)	(9,262)	6,620	1,739	2,002	3,801
Change in provision for outstanding claims - reinsurance	(9,431)	(462)	(953)	(262)	4,403	(2,385)	(20)	(1)	(9,111)
Change in provision for unreported losses - gross	11,931	1,065	163	5,264	(10,521)	9,256	2,817	4,021	23,996
Change in provision for unreported losses - reinsurance	(329)	1,367	10	1,126	4,561	(3,184)	112	(7)	3,656
Claims and related expenses	(50,712)	(16,838)	(16,537)	(5,474)	(21,182)	(25,329)	(13,027)	(4,254)	(153,353)
Policy acquisition costs	(19,439)	(12,188)	(9,329)	(5,520)	(11,570)	(6,009)	(3,136)	225	(66,966)
Policy acquisition costs recovered from reinsurers	141	344	388	132	-	65	594	-	1,664
Change in deferred policy acquisition costs - gross	(1,778)	(693)	(878)	(188)	(2,894)	678	100	57	(5,596)
Change in deferred policy acquisition costs - reinsurance	30	(1)	-	87	-	(21)	(5)	-	90
Policy acquisition costs	(21,046)	(12,538)	(9,819)	(5,489)	(14,464)	(5,287)	(2,447)	282	(70,808)
Operating expenses	(8,185)	(3,309)	(2,554)	(1,711)	(659)	(3,693)	(1,819)	(1,042)	(22,972)
Underwriting result	(2,570)	5,920	(526)	6,620	(3,231)	8,216	3,109	2,010	19,548

11. SEGMENT INFORMATION - Analysis of revenue by primary business segment (Contd.)

	US$ '000								
	Period ended 30 September 2012								
	Non-life						Life		Total (restated)
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	74,272	33,312	23,167	16,508	55,566	30,902	21,889	5,287	260,903
Outward reinsurance premiums	(7,032)	(1,443)	(706)	(413)	(15,550)	(700)	(2,013)	(44)	(27,901)
Change in unearned premiums - gross	(11,711)	(4,961)	(3,676)	(3,948)	(20,677)	(3,267)	(3,302)	(1,085)	(52,627)
Change in unearned premiums - reinsurance	(701)	114	102	(269)	3,300	254	78	-	2,878
Net earned premiums	54,828	27,022	18,887	11,878	22,639	27,189	16,652	4,158	183,253
Investment income attributable to insurance funds	1,762	988	611	1,387	422	1,824	877	1,032	8,903
	56,590	28,010	19,498	13,265	23,061	29,013	17,529	5,190	192,156
COSTS AND EXPENSES :									
Gross claims paid	(61,149)	(16,771)	(13,076)	(9,764)	(8,190)	(23,992)	(12,297)	(9,041)	(154,280)
Claims recovered from reinsurers	20,482	678	334	1,644	2,029	(152)	226	-	25,241
Change in provision for outstanding claims - gross	5,059	2,879	4,321	213	(7,966)	4,662	71	2,501	11,740
Change in provision for outstanding claims - reinsurance	(9,039)	(563)	(1,048)	(117)	4,010	(982)	(16)	(1)	(7,756)
Change in provision for unreported losses - gross	5,652	(901)	(288)	1,728	(7,713)	5,143	22	1,230	4,873
Change in provision for unreported losses - reinsurance	(650)	607	(21)	1,340	4,089	(2,653)	147	(6)	2,853
Claims and related expenses	(39,645)	(14,071)	(9,778)	(4,956)	(13,741)	(17,974)	(11,847)	(5,317)	(117,329)
Policy acquisition costs	(18,146)	(11,263)	(8,343)	(4,992)	(10,657)	(5,762)	(3,077)	321	(61,919)
Policy acquisition costs recovered from reinsurers	99	267	288	104	-	66	719	-	1,543
Change in deferred policy acquisition costs – gross	3,248	1,816	1,213	1,156	469	954	259	4	9,119
Change in deferred policy acquisition costs - reinsurance	(59)	(43)	(40)	66	-	(38)	(79)	-	(193)
Policy acquisition costs	(14,858)	(9,223)	(6,882)	(3,666)	(10,188)	(4,780)	(2,178)	325	(51,450)
Operating expenses	(5,944)	(2,453)	(1,935)	(1,279)	(387)	(2,838)	(1,419)	(881)	(17,136)
Underwriting result	(3,857)	2,263	903	3,364	(1,255)	3,421	2,085	(683)	6,241

12. INVESTMENT INCOME

	US$ '000				
	Financial year-to-date 30 September 2013			Financial year-to-date 30 September 2012	Year ended 31 December 2012
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	**511**	**268**	**779**	799	879
- Others	**3,773**	**3,357**	**7,130**	8,787	10,786
Dividends	**583**	**486**	**1,069**	1,064	1,161
Realised gains					
- Trading investments	**1,307**	**1,164**	**2,471**	1,066	1,271
- Investment designated at fair value through profit or loss	**44**	**27**	**71**	553	775
- Available-for-sale	**747**	**758**	**1,505**	2,253	4,885
Gain (loss) on remeasurement of investments at fair value through profit & loss					
- Trading investments	**2,097**	**1,540**	**3,637**	3,126	4,396
- Investments designated at fair value through profit or loss	**(288)**	**(174)**	**(462)**	179	32
Impairment loss					
- available-for-sale	**(215)**	**(495)**	**(710)**	(696)	(1,502)
Other	**(346)**	**(234)**	**(580)**	(873)	(1,089)
	8,213	**6,697**	**14,910**	16,258	21,594

13. OPERATING EXPENSES

	US$ '000				
	Financial year-to-date 30 September 2013			Financial year-to-date 30 September 2012	Year ended 31 December 2012
	Underwriting	Non-Underwriting	Total		
Salaries and benefits	**12,471**	**3,434**	**15,905**	14,582	20,127
General and administration	**4,388**	**1,566**	**5,954**	6,186	8,283
	16,859	**5,000**	**21,859**	20,768	28,410

14. OTHER INCOME

	US$ '000		
	Financial year-to-date 30 September 2013	Financial year-to-date 30 September 2012	Year ended 31 December 2012
Foreign exchange gain (loss)	**1,223**	(2,441)	(4,641)
Software sales and related services	**996**	1,412	2,176
Third party administration services	**1,360**	931	1,338
Other	**213**	29	377
	3,792	(69)	(750)

15. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 30 September 2013	Financial year-to-date 30 September 2012	Year ended 31 December 2012
Provision for doubtful receivable & deposits	**-**	4	4,177
Other	**1,019**	1,499	1,776
	1,019	1,503	5,953

16. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic and diluted earnings per share has been computed as follows:

		US$ '000		
		Financial year-to-date 30 September 2013	Financial year-to-date 30 September 2012	Year ended 31 December 2012
Weighted average number of shares outstanding	'000	**198,032**	198,032	198,032
Net profit	US$'000	**12,633**	8,952	17,553
Earnings per share	US$	**0.06**	0.05	0.09

17. RECONCILIATION OF NET RESULT TO CASH FLOWS FROM OPERATING ACTIVITIES

	US$ '000		
	Financial year-to-date 30 September 2013	Financial year-to-date 30 September 2012	Year ended 31 December 2012
Profit for the period	**10,445**	8,077	16,631
Increase(decrease) in insurance funds	**61,941**	3,773	(14,669)
Change in insurance receivable/ payable, net	**(6,810)**	(10,233)	708
Change in accrued insurance premium	**(40,317)**	14,584	15,115
Change in other assets/liabilities, net	**(19,694)**	17,448	15,304
Net cash provided by operating activities	**5,565**	33,649	33,089

18. FAIR VALUE DISCLOSURE

The following table presents the fair values of the Group's financial instruments:

	US$ '000						
	30 September 2013						
	Book Value						Fair value
	At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and cash equivalents	-	316,620	-	-	-	316,620	316,620
Investments	91,628	-	54,495	185,518	-	331,641	332,901
Accrued income	-	414	140,486	977	-	141,877	141,877
Insurance receivables	-	125,027	-	-	-	125,027	125,027
Insurance deposits	-	43,997	-	-	-	43,997	43,997
Other assets	-	39,532	-	-	-	39,532	39,532
LIABILITIES							
Insurance payables	-	-	-	-	51,875	51,875	51,875
Other liabilities	-	-	-	-	39,592	39,592	39,592

	US$ '000						
	31 December 2012						
	Book Value						Fair value
	At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and cash equivalents	-	348,354	-	-	-	348,354	348,354
Investments	77,776	-	65,675	172,271	-	315,722	318,432
Accrued income	-	1,118	99,424	1,018	-	101,560	101,560
Insurance receivables	-	97,385	-	-	-	97,385	97,385
Insurance deposits	-	45,592	-	-	-	45,592	45,592
Other assets	-	22,540	-	-	-	22,540	22,540
LIABILITIES							
Insurance payables	-	-	-	-	31,043	31,043	31,043
Borrowings	-	-	-	-	20,000	20,000	20,000
Other liabilities	-	-	-	-	37,464	37,464	37,464

18. FAIR VALUE DISCLOSURE (Contd.)

	US$ '000						
	30 September 2012						
	Book Value						Fair value
	At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and cash equivalents	-	343,132	-	-	-	343,132	343,132
Investments	73,394	-	64,697	181,033	-	319,124	321,588
Accrued income	-	959	150,411	974	-	152,344	152,344
Insurance receivables	-	103,001	-	-	-	103,001	103,001
Insurance deposits	-	46,621	-	-	-	46,621	46,621
Other assets	-	20,269	-	-	-	20,269	20,269
LIABILITIES							
Insurance payables	-	-	-	-	36,131	36,131	36,131
Borrowings	-	-	-	-	20,000	20,000	20,000
Other liabilities	-	-	-	-	43,603	43,603	43,603

The information disclosed in the table above is not indicative of the net worth of the Group.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

i. General:

The book values of the Group's financial instruments except investments and forward foreign exchange contracts were deemed to approximate fair value due to the immediate or short term maturity of these financial instruments.

ii. Investments:

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

18. FAIR VALUE DISCLOSURE (Contd.)

The table below analyses financial instruments, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized:

	US$'000			
30 September 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	**54,910**	**-**	**-**	**54,910**
Designated at fair value on initial recognition				
Debt Securities				
- Other investment grade	**24,434**	**-**	**-**	**24,434**
- Other	**12,284**	**-**	**-**	**12,284**
Available for sale				
Debt securities				
- Supra-nationals and OECD country Governments	**26,910**	**-**	**-**	**26,910**
- Other investment grade	**91,916**	**-**	**-**	**91,916**
- Non-OECD country governments	**2,567**	**-**	**-**	**2,567**
- Other	**40,889**	**-**	**-**	**40,889**
Common stock of listed companies	**-**	**-**	**-**	**-**
Common stock of unlisted companies	**-**	**1,733**	**5,171**	**6,904**
Other	**-**	**2,399**	**13,933**	**16,332**
	253,910	**4,132**	**19,104**	**277,146**

	US$'000			
31 December 2012	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	45,476	-	-	45,476
Designated at fair value on initial recognition				
Debt Securities				
- Other investment grade	23,851	-	-	23,851
- Other	8,449	-	-	8,449
Available for sale				
Debt securities				
- Supra-nationals and OECD country Governments	21,995	-	-	21,995
- Other investment grade	73,104	-	-	73,104
- Non-OECD country governments	6,803	-	-	6,803
- Other	44,584	-	-	44,584
Common stock of listed companies	813	-	-	813
Common stock of unlisted companies	-	1,721	5,087	6,808
Other	-	2,628	15,536	18,164
	225,075	4,349	20,623	250,047

18. FAIR VALUE DISCLOSURE (Contd.)

30 September 2012	US$'000 Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	41,327	-	-	41,327
Designated at fair value on initial recognition				
Debt Securities				
- Other investment grade	22,997	-	-	22,997
- Other	9,070	-	-	9,070
Available for sale				
Debt securities				
- Supra-nationals and OECD country Governments	22,019	-	-	22,019
- Other investment grade	80,118	-	-	80,118
- Non-OECD country governments	5,495	-	-	5,495
- Other	46,262	-	-	46,262
Common stock of listed companies	735	-	-	735
Common stock of unlisted companies	-	1,742	5,255	6,997
Other	-	2,851	16,556	19,407
	228,023	4,593	21,811	254,427

The tables below show movements in the Level 3 financial assets measured at fair value:

30 September 2013	**US$ '000 Unlisted equity**	**Others**	**Total**
Balance at 1 January 2013	**5,087**	**15,536**	**20,623**
Loss recognised in:			
- Income statement	**-**	**(155)**	**(155)**
- other comprehensive income	**(416)**	**(672)**	**(1,088)**
Investments made during the period	**610**	**385**	**995**
Investments redeemed during the period	**(110)**	**(1,161)**	**(1,271)**
Balance at 30 September 2013	**5,171**	**13,933**	**19,104**

18. FAIR VALUE DISCLOSURE (Contd.)

31 December 2012	US$ '000		
	Unlisted equity	Others	Total
Balance at 1 January 2012	6,073	16,892	22,965
Gain (loss) recognised in:			
- Income statement	(86)	(1,302)	(1,388)
- other comprehensive income	(122)	445	323
Investments made during the year	1,307	1,000	2,307
Investments redeemed during the year	(2,085)	(1,499)	(3,584)
Balance at 31 December 2012	5,087	15,536	20,623

30 September 2012	US$ '000		
	Unlisted equity	Others	Total
Balance at 1 January 2012	6,073	16,892	22,965
Gain (loss) recognised in:			
- Income statement	-	(313)	(313)
- other comprehensive income	146	45	191
Investments made during the period	474	422	896
Investments redeemed during the period	(1,438)	(490)	(1,928)
Balance at 30 September 2012	5,255	16,556	21,811

The carrying values of the investment held in level 3 are based on unobservable inputs and reflects proportional share of the fair values of the respective companies and their underlying net assets. The valuations of these investments are reviewed quarterly and updated as necessary on the basis of information received from investee and investment managers. For the period ended September 30, 2013, there were no transfers in and out of level 1, level 2 and level 3 (2012: none). The fair values are estimates and do not necessarily represent the price at which the investment would sell. As the determination of fair values involve subjective judgments, and given the inherent uncertainty of assumptions regarding capitalization rates, discount rates, leasing and other factors, the amount which will be realized by the Group on the disposal of its investments may differ significantly from the values at which they are carried in the consolidated financial statements, and the difference could be material.

iii. Forward foreign exchange contracts:

The fair value of forward foreign exchange contracts, used for hedging purposes, is based on quoted market prices.

iv. Fair value less than carrying amounts:

The fair value of fixed interest debt securities fluctuates with changes in market interest rates. The book value of financial assets held to maturity has not been reduced to fair value where lower, because such market rate variations are considered temporary in nature and management intends, and has the financial resources and capacity, to generally hold such investments to maturity.

19. PRINCIPAL SUBSIDIARIES, JOINT VENTURES & ASSOCIATES

At 30 September 2013, the principal subsidiaries of the Group were:

	Country of incorporation	Ownership
Arig Capital Limited	United Kingdom	100.0%
Arima Insurance Software W.L.L.	Kingdom of Bahrain	100.0%
Gulf Warranties W.L.L.	Kingdom of Bahrain	100.0%
Takaful Re Limited	United Arab Emirates	54.0%

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2012. The Group continues to hold 50% of the joint venture Hardy Arig Insurance Management W.L.L. which is incorporated in the Kingdom of Bahrain.The Group also holds 25% of the equity shares in Globemed Bahrain W.L.L., Bahrain

20. CHANGES IN ACCOUNTING POLICIES

The following tables summarise the cumulative effect, of adopting IFRS 10 and IFRS 11 on the Group's financial statements as described in Note 2.

i) Condensed consolidated statement of financial position

As at 30 September 2012 — **Effect of changes in accounting policies**

	US$ '000		
	As previously reported	Subsidiaries	As restated
ASSETS			
Cash and bank balances	333,358	9,774	**343,132**
Investments	319,403	148	**319,551**
Accrued income	112,390	39,954	**152,344**
Insurance receivables	90,873	12,128	**103,001**
Insurance deposits	41,912	4,709	**46,621**
Deferred policy acquisition costs	32,928	5,555	**38,483**
Reinsurers' share of technical provisions	74,130	7,664	**81,794**
Other assets	30,839	(9,337)	**21,502**
Property and equipment	27,848	-	**27,848**
	1,063,681	70,595	**1,134,276**
LIABILITIES			
Technical provisions	658,531	97,332	**755,863**
Insurance payables	31,535	4,596	**36,131**
Borrowings	20,000	-	**20,000**
Other liabilities	52,109	(2,733)	**49,376**
	762,175	99,195	**861,370**
EQUITY			
Attributable to shareholders of Parent Company			
Share capital	220,000	-	**220,000**
Treasury stock	(14,793)	-	**(14,793)**
Reserves	40,365	-	**40,365**
Accumulated deficit	(3,642)	(15,444)	**(19,086)**
	241,930	(15,444)	**226,486**
Non-controlling interests	59,576	(13,156)	**46,420**
	301,506	(28,600)	**272,906**
	1,063,681	70,595	**1,134,276**

20. CHANGES IN ACCOUNTING POLICIES (Contd.)

As at 31 December 2012

Effect of changes in accounting policies

	US$ '000		
	As previously reported	Subsidiaries	As restated
ASSETS			
Cash and bank balances	334,345	14,009	**348,354**
Investments	316,001	127	**316,128**
Accrued income	79,595	21,965	**101,560**
Insurance receivables	91,008	6,377	**97,385**
Insurance deposits	42,225	3,367	**45,592**
Deferred policy acquisition costs	23,876	4,116	**27,992**
Reinsurers' share of technical provisions	57,248	2,044	**59,292**
Other assets	27,959	(4,271)	**23,688**
Property and equipment	27,675	-	**27,675**
	999,932	47,734	**1,047,666**
LIABILITIES			
Technical provisions	600,990	70,464	**671,454**
Insurance payables	30,015	1,028	**31,043**
Borrowings	20,000	-	**20,000**
Other liabilities	45,513	(1,811)	**43,702**
	696,518	69,681	**766,199**
EQUITY			
Attributable to shareholders of Parent Company			
Share capital	220,000	-	**220,000**
Treasury stock	(14,793)	-	**(14,793)**
Reserves	41,977	-	**41,977**
Accumulated deficit	(104)	(11,851)	**(11,955)**
	247,080	(11,851)	**235,229**
Non-controlling interests	56,334	(10,096)	**46,238**
	303,414	(21,947)	**281,467**
	999,932	47,734	**1,047,666**

20. CHANGES IN ACCOUNTING POLICIES (Contd.)

ii) Condensed consolidated statement of income

For the nine months ended 30 September 2012 **Effect of changes in accounting policies**

	US$ '000		
	As previously reported	Subsidiaries	As restated
Gross premiums written	209,435	51,468	**260,903**
Net earned premiums	157,178	26,075	**183,253**
Claims and related expenses	(99,249)	(18,080)	**(117,329)**
Policy acquisition costs	(41,450)	(10,000)	**(51,450)**
Investment income attributable to insurance funds	8,691	212	**8,903**
Operating expenses	(16,891)	(245)	**(17,136)**
Underwriting result	8,279	(2,038)	**6,241**
Investment income attributable to shareholders' funds	7,354	1	**7,355**
Operating expenses (non underwriting activities)	(7,148)	3,516	**(3,632)**
Borrowing cost	(315)	-	**(315)**
Other income	3,814	(3,883)	**(69)**
Other expenses and provisions	(1,500)	(3)	**(1,503)**
Profit for the period	10,484	(2,407)	**8,077**
Attributable to:			
Non-controlling interests	232	(1,107)	**(875)**
Shareholders of Parent Company	10,252	(1,300)	**8,952**
	10,484	(2,407)	**8,077**

20. CHANGES IN ACCOUNTING POLICIES (Contd.)

For the year ended 31 December 2012 — **Effect of changes in accounting policies**

	US$ '000		
	As previously reported	Subsidiaries	As restated
Gross premiums written	238,642	37,875	**276,517**
Net earned premiums	218,231	36,487	**254,718**
Claims and related expenses	(129,714)	(23,639)	**(153,353)**
Policy acquisition costs	(61,513)	(9,295)	**(70,808)**
Investment income attributable to insurance funds	11,740	223	**11,963**
Operating expenses	(18,863)	(4,109)	**(22,972)**
Underwriting result	19,881	(333)	**19,548**
Investment income attributable to shareholders' funds	9,631	-	**9,631**
Operating expenses non underwriting activities	(9,638)	4,200	**(5,438)**
Borrowing cost	(407)	-	**(407)**
Other income	4,130	(4,880)	**(750)**
Other expenses and provisions	(11,212)	5,259	**(3,953)**
Profit for the year	12,385	4,246	**16,631**
Attributable to:			
Non-controlling interests	(2,875)	1,953	**(922)**
Shareholders of Parent Company	15,260	2,293	**17,553**
	12,385	4,246	**16,631**

21. RELATED PARTY TRANSACTIONS

Related parties represent the Company's major shareholders, subsidiary companies, associates, joint ventures, directors & key management personnel.

The following is the summary of transactions with related parties:

i) **Subsidiary companies:**

	US$ '000		
	For the Financial year-to-date 30 September 2013	For the Financial year-to-date 30 September 2012	For the Year ended 31 December 2012
a) Gross premium retroceded by subsidiary to Parent Company	**40,330**	32,037	31,433
b) Service fees for administration services provided by Parent Company	**3,341**	2,918	6,014
c) Balances outstanding - Receivables	**15,097**	18,475	12,468
d) Software royalty fees	**-**	-	114
e) Sale/purchase of intangible assets between subsidiaries	**-**	-	250

ii) **Joint Venture**:

	US$ '000		
	For the Financial year-to-date 30 September 2013	For the Financial year-to-date 30 September 2012	For the Year ended 31 December 2012
a) Service fees for administration services provided	**84**	65	74
b) Balances receivable	**239**	32	64

21. RELATED PARTY TRANSACTIONS (Contd.)

iii) **Compensation to directors and key management personnel:**

	US$ '000		
	Financial year-to-date 30 September 2013	Financial year-to-date 30 September 2012	Year ended 31 December 2012
a) Directors			
- Remuneration (attendance fee)	**71**	68	108
- Travel expense	**85**	90	148
b) Key management compensation			
- Salaries and other short-term employee benefits	**1,732**	1,112	1,525
- Post employment benefits	**575**	195	261
- Share-based compensation	**466**	303	404
c) Balances payable (net) Key management			
- Maximum balance	**5,737**	4,739	4,496
- Closing balance	**5,737**	4,739	4,496

22. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in available for sale investments amounting to US$ 7 million (31 December 2012: US$ 6.4 million; 30 September 2012: US$ 7.9 million).

ARAB INSURANCE GROUP (B.S.C.)

APPENDIX I

B. ADDITIONAL DISCLOSURE ON INVESTMENTS

	US$ '000 30-September-2013		
	Investments in U.A.E.	Investments outside U.A.E.	Total
a. Cash & bank balances	66,914	249,706	**316,620**
Total cash & bank balances	**66,914**	**249,706**	**316,620**
b. Investments			
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	2,175	52,735	**54,910**
	2,175	**52,735**	**54,910**
Designated at fair value on initial recognition			
Debt Securities			
- Other Investment grade	-	24,434	**24,434**
- Other	-	12,284	**12,284**
	-	**36,718**	**36,718**
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	-	22,968	**22,968**
- Other Investment grade	1,999	18,030	**20,029**
- Non-OECD country government	-	2,655	**2,655**
- Other	-	8,843	**8,843**
	1,999	**52,496**	**54,495**
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	-	26,910	**26,910**
- Other Investment grade	12,891	79,024	**91,915**
- Non-OECD country governments	-	2,567	**2,567**
- Other	7,028	33,861	**40,889**
Common stock of listed companies	-	-	**-**
Common stock of unlisted companies	-	6,905	**6,905**
Other (see note)	1,587	14,745	**16,332**
	21,506	**164,012**	**185,518**
Investment in joint venture		122	**122**
Investment in associate	-	19	**19**
	-	**141**	**141**
Total Investments	**25,680**	**306,102**	**331,782**

Note: The Group does not have any direct investments in land or real estate. However, 'Other' includes investments in Real Estate funds amounting to US$ 1,996,000 (in U.A.E.: US$ 3,000).