Arab Insurance Group (B.S.C.)

Consolidated interim condensed financial statements for the nine months ended 30 September 2015

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

12 November 2015

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

Introduction

We have reviewed the accompanying 30 September 2015 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 2015;
- the condensed consolidated statement of income for the three-month and nine-month periods ended 30 September 2015;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2015;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2015;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2015; 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 2015 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 Industry and Commerce (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 2015

(In thousands of U.S. Dollars)

	Note	30 September 2015 (reviewed)	31 December 2014 (audited)	30 September 2014 (reviewed)
ASSETS				
Cash and bank balances		**205,244**	192,703	285,903
Investments	4	**551,426**	525,998	435,661
Accrued income	5	**106,803**	88,023	114,457
Insurance receivables		**116,883**	119,012	138,595
Insurance deposits		**37,020**	42,578	44,226
Deferred policy acquisition costs		**27,468**	24,452	34,019
Reinsurers' share of technical provisions	6	**74,717**	72,048	81,711
Other assets	7	**9,147**	12,037	12,477
Property and equipment	8	**22,334**	27,462	27,208
		1,151,042	1,104,313	1,174,257
LIABILITIES				
Technical provisions	9	**733,380**	707,631	764,168
Insurance payables		**44,641**	41,768	51,818
Borrowings		**44,000**	10,000	10,000
Other liabilities	10	**41,294**	42,503	45,345
		863,315	801,902	871,331
EQUITY				
Attributable to shareholders of Parent Company				
Share capital		**220,000**	220,000	220,000
Treasury stock		**(14,793)**	(14,793)	(14,793)
Reserves		**36,686**	39,857	42,396
Retained earnings		**11,113**	19,485	14,960
		253,006	264,549	262,563
Non-controlling interests		**34,721**	37,862	40,363
		287,727	302,411	302,926
		1,151,042	1,104,313	1,174,257

These consolidated interim condensed financial statements were approved by the Board of Directors on 12 November 2015 and signed on its behalf by:

Khalid J. Bin Kalban
Chairman

Khalid A. Al Bustani
Vice Chairman

Yassir Albaharna
Chief Executive Officer

The accompanying notes 1 to 21 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 INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

(In thousands of U.S. Dollars)

	Note	For the three months ended 30 September 2015 (reviewed)	For the three months ended 30 September 2014 (reviewed)	For the financial year-to-date 30 September 2015 (reviewed)	For the financial year-to-date 30 September 2014 (reviewed)	For the year ended 31 December 2014 (audited)
Gross premiums written		**26,525**	61,208	**212,634**	298,023	315,300
Net earned premiums		**50,668**	59,753	**167,515**	193,938	256,433
Claims and related expenses		**(32,734)**	(43,348)	**(111,198)**	(134,189)	(171,399)
Policy acquisition costs		**(14,327)**	(13,522)	**(42,927)**	(51,943)	(68,956)
Investment income attributable to insurance funds	12	**(1,466)**	3,613	**6,189**	10,032	11,745
Operating expenses	13	**(5,801)**	(5,649)	**(17,003)**	(16,463)	(21,823)
Underwriting result	11	**(3,660)**	847	**2,576**	1,375	6,000
Investment income attributable to shareholders' funds	12	**(1,777)**	3,967	**3,899**	9,279	8,754
Operating expenses -non underwriting activities	13	**(1,662)**	(781)	**(5,348)**	(4,985)	(6,866)
Borrowing cost		**(154)**	(39)	**(238)**	(96)	(135)
Other income	14	**1,873**	1,772	**5,168**	3,039	4,326
Other expenses and provisions	15	**(445)**	(616)	**(7,949)**	(935)	(633)
(Loss) profit for the period		**(5,825)**	5,150	**(1,892)**	7,677	11,446
Attributable to:						
Non-controlling interests		**(983)**	300	**(3,284)**	(1,902)	(4,169)
Shareholders of parent company		**(4,842)**	4,850	**1,392**	9,579	15,615
		(5,825)	5,150	**(1,892)**	7,677	11,446
Earnings per share attributable to shareholders (basic and diluted)	16 US$	**(0.01)**	0.02	**0.01**	0.05	0.08

The accompanying notes 1 to 21 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 2015

(In thousands of U.S. Dollars)

	For the three months ended 30 September 2015 (reviewed)	For the three months ended 30 September 2014 (reviewed)	For the financial year-to-date 30 September 2015 (reviewed)	For the financial year-to-date 30 September 2014 (reviewed)	For the year ended 31 December 2014 (audited)
(Loss) profit for the period	(5,825)	5,150	(1,892)	7,677	11,446
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Changes on remeasurement of available for sale investments	(4,396)	(430)	(3,130)	3,741	(451)
Transfers for recognition of losses (gains) on disposal of available for sale investments	88	(295)	240	175	386
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property	-	-	-	-	(303)
Other comprehensive income for the period	(4,308)	(725)	(2,890)	3,916	(368)
Total comprehensive income for the period	(10,133)	4,425	(4,782)	11,593	11,078
Attributable to:					
Non-controlling interests	(1,049)	495	(3,141)	(1,746)	(4,247)
Shareholders of parent company	(9,084)	3,930	(1,641)	13,339	15,325
	(10,133)	4,425	(4,782)	11,593	11,078

The accompanying notes 1 to 21 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 2015

(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 31 December 2014	220,000	(14,793)	33,144	783	5,930	39,857	19,485	264,549	37,862	302,411
Net profit (loss) for the period	-	-	-	-	-	-	1,392	1,392	(3,284)	(1,892)
Changes on remeasurement of available for sale investments	-	-	-	(3,266)	-	(3,266)	-	(3,266)	136	(3,130)
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	233	-	233	-	233	7	240
Total comprehensive income for the period	-	-	-	(3,033)	-	(3,033)	1,392	(1,641)	(3,141)	(4,782)
Dividend paid	-	-	-	-	-	-	(9,902)	(9,902)	-	(9,902)
Transfer of net depreciation on revalued property	-	-	-	-	(138)	(138)	138	-	-	-
Balances at 30 September 2015	220,000	(14,793)	33,144	(2,250)	5,792	36,686	11,113	253,006	34,721	287,727

The accompanying notes 1 to 21 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 YEAR ENDED 31 DECEMBER 2014

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total Equity
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2013	220,000	(14,793)	31,621	770	6,453	38,844	5,173	249,224	42,109	291,333
Net profit (loss) for the year	-	-	-	-	-	-	15,615	15,615	(4,169)	11,446
Changes on remeasurement of available for sale investments	-	-	-	(393)	-	(393)	-	(393)	(58)	(451)
Transfers for recognition of losses (gains) on disposal of available for sale investments	-	-	-	406	-	406	-	406	(20)	386
Revaluation of property	-	-	-	-	(303)	(303)	-	(303)	-	(303)
Total comprehensive income for the year	-	-	-	13	(303)	(290)	15,615	15,325	(4,247)	11,078
Transfer of net depreciation on revalued property	-	-	-	-	(220)	(220)	220	-	-	-
Transfer to non-distributable reserves	-	-	1,523	-	-	1,523	(1,523)	-	-	-
Balances at 31 December 2014	220,000	(14,793)	33,144	783	5,930	39,857	19,485	264,549	37,862	302,411
Parent company balances at 31 December 2014	220,000	(14,793)	33,041	874	5,930	39,845	19,497	264,549	-	264,549

The accompanying notes 1 to 21 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 2014

(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 31 December 2013	220,000	(14,793)	31,621	770	6,453	38,844	5,173	249,224	42,109	291,333
Net profit (loss) for the period	-	-	-	-	-	-	9,579	9,579	(1,902)	7,677
Changes on remeasurement of available for sale investments	-	-	-	3,596	-	3,596	-	3,596	145	3,741
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	164	-	164	-	164	11	175
Total comprehensive income for the period	-	-	-	3,760	-	3,760	9,579	13,339	(1,746)	11,593
Transfer of net depreciation on revalued property	-	-	-	-	(167)	(167)	167	-	-	-
Transfer to non-distributable reserves	-	-	(41)	-	-	(41)	41	-	-	-
Balances at 30 September 2014	220,000	(14,793)	31,580	4,530	6,286	42,396	14,960	262,563	40,363	302,926

The accompanying notes 1 to 21 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 2015

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 September 2015 (reviewed)	For the financial year-to-date 30 September 2014 (reviewed)	For the year ended 31 December 2014 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Premiums received		**246,839**	216,280	286,157
Reinsurance premiums paid		**(42,786)**	(20,611)	(30,501)
Claims and acquisition costs paid		**(203,208)**	(189,941)	(260,058)
Reinsurance receipts in respect of claims		**24,464**	18,229	30,324
Investment income		**5,051**	953	3,313
Interest received		**1,523**	1,773	2,750
Dividend received		**1,074**	1,074	1,473
Operating expenses paid		**(18,719)**	(19,034)	(24,995)
Other income/expenses, net		**(3,981)**	(362)	3,025
Insurance deposits received, net		**5,038**	2,425	3,261
Purchase of trading investments		**(44,298)**	(43,997)	(74,305)
Sale of trading investments		**9,158**	27,286	48,584
Directors' remunerations paid		**(305)**	-	-
Net cash used in operating activities	17	**(20,150)**	(5,925)	(10,972)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity/sale of investments		**273,828**	151,075	267,889
Purchase of investments		**(278,077)**	(194,650)	(402,386)
Term deposit with bank		**34,427**	32,284	57,047
Interest received		**6,409**	4,843	6,353
Dividend received		**10**	6	44
Investment income		**6,152**	6,211	7,606
Collateralised cash deposits received, net		**285**	41,861	41,945
Purchase of property and equipment		**(446)**	(392)	(565)
Purchase of intangible assets		**(29)**	(6)	(56)
Disposal group held for sale		**-**	-	100
Investment in associate		**-**	100	(25)
Net cash provided by (used in) investing activities		**42,559**	41,332	(22,048)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings		**34,000**	10,000	10,000
Interest on borrowings		**(251)**	(96)	(135)
Dividends paid		**(9,164)**	(11)	(6)
Net cash provided by financing activities		**24,585**	9,893	9,859
Net increase (decrease) in cash and cash equivalents		**46,994**	45,300	(23,161)
Effect of exchange rate on cash and cash equivalents		**(26)**	(343)	(320)
Cash and cash equivalents, beginning of period		**100,604**	124,085	124,085
Cash and cash equivalents, end of period		**147,572**	169,042	100,604
Term deposit with bank		**57,672**	116,861	92,099
Cash and bank balances, end of period		**205,244**	285,903	192,703

The accompanying notes 1 to 21 are an integral part of
these consolidated interim condensed financial statements.

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 2014.

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 2014 that were prepared in accordance with International Financial Reporting Standards (IFRS). 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 2015.

3. SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, the Group registers approximately 60% 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.

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4. INVESTMENTS

	US$ '000		
	30 September 2015	31 December 2014	30 September 2014
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	**58,942**	66,281	74,830
	58,942	66,281	74,830
Designated at fair value on initial recognition			
Debt securities			
- Other investment grade	**50,108**	24,782	24,392
- Other	**41,140**	29,808	29,792
	91,248	54,590	54,184
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	**7,999**	12,993	12,990
- Other investment grade	**4,002**	13,007	13,010
- Non OECD country government	**2,650**	2,653	2,654
- Other	**9,895**	9,876	9,869
	24,546	38,529	38,523
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	**53,590**	87,653	59,557
- Other investment grade	**210,987**	160,975	130,176
- Other	**71,648**	89,856	52,291
Common stock of listed companies	**16,324**	4,484	651
Common stock of unlisted companies	**6,362**	6,448	6,735
Other equity type investment	**17,540**	16,866	18,259
	376,451	366,282	267,669
Investment in joint venture	**-**	21	81
Investment in associate	**239**	295	374
	551,426	525,998	435,661

Debt securities amounting to US$ 92 million (31 December 2014: US$ 92.9 million; 30 September 2014: US$ 94.5 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and US$ 56.6 million for borrowings (31 December 2014: US$ 14.8 million; 30 September 2014: US$ 15 million).

5. ACCRUED INCOME

	US$ '000		
	30 September 2015	31 December 2014	30 September 2014
Accrued insurance premiums	**103,663**	85,725	112,067
Accrued interest	**3,140**	2,298	2,390
	106,803	88,023	114,457

6. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000		
	30 September 2015	31 December 2014	30 September 2014
General insurance business			
- Claims outstanding	**43,789**	46,792	54,026
- Unreported claims	**16,098**	11,676	12,586
- Deferred retrocession premium reserve	**14,161**	12,960	14,459
	74,048	71,428	81,071
Life insurance business			
- Claims outstanding	**461**	68	174
- Unreported claims	**208**	546	456
- Deferred retrocession premium reserve	**-**	6	10
	669	620	640
	74,717	72,048	81,711

7. OTHER ASSETS

	US$ '000		
	30 September 2015	31 December 2014	30 September 2014
Intangible assets :			
- Computer software	**9,521**	9,492	9,492
	9,521	9,492	9,492
Less: Accumulated amortisation	**(8,945)**	(8,711)	(8,612)
Net intangible assets	**576**	781	880
Other assets:			
- Collateralised cash deposits	**3,123**	3,408	3,492
- Prepayments and other receivables	**5,448**	7,848	8,105
	8,571	11,256	11,597
	9,147	12,037	12,477

8. PROPERTY AND EQUIPMENT

	US$ '000		
	30 September 2015	31 December 2014	30 September 2014
Land	**2,469**	2,469	1,340
Building	**19,182**	25,001	26,790
Work in progress	**12**	64	54
Information systems, furniture, equipment and other	**10,602**	10,203	10,173
	32,265	37,737	38,357
Less: accumulated depreciation	**(9,931)**	(10,275)	(11,149)
	22,334	27,462	27,208

Land and Building comprises the head office property owned and occupied by the Company since 1984.

Building also includes office premises of the subsidiary Takaful Re Limited in Dubai, U.A.E., which was revalued by independent external valuers and classified as level 2 in the fair value measurement hierarchy as it has been valued using indicative transaction prices for similar payments and adjusted to reflect the characteristics of the property. Based on open market valuation as of March 2015, the fair value of the premises was determined at US$ 13,750,000 as against a carrying amount of US$ 18,600,000. The decrease in fair value of US$ 4,850,000 has been taken to income statement.

9. TECHNICAL PROVISIONS

Technical provisions comprise:

	US$ '000		
	30 September 2015	31 December 2014	30 September 2014
General insurance business			
Claims outstanding	**315,352**	331,979	342,632
Unreported losses	**183,105**	159,602	169,184
Unearned premiums	**153,102**	138,106	168,750
	651,559	629,687	680,566
Life insurance business			
Claims outstanding	**18,336**	16,283	16,887
Unreported losses	**52,531**	55,345	56,151
Unearned premiums	**10,954**	6,316	10,564
	81,821	77,944	83,602
	733,380	707,631	764,168

10. OTHER LIABILITIES

	US$ '000		
	30 September 2015	31 December 2014	30 September 2014
Post-employment benefits	**14,320**	13,302	13,188
Reinsurance premiums accrued	**8,619**	8,619	8,619
Employee share scheme	**5,522**	6,478	6,027
Accrued expenses	**5,226**	7,185	6,112
Dividends payable	**2,660**	1,922	1,917
Other	**4,947**	4,997	9,482
	41,294	42,503	45,345

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 2015								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	49,983	24,747	13,504	13,438	54,993	31,569	23,587	813	212,634
Outward reinsurance premiums	(4,048)	(2,700)	(356)	(143)	(7,562)	(2,271)	(217)	-	(17,297)
Change in unearned premiums - gross	(7,930)	(2,456)	(1,666)	(843)	(1,836)	(8,213)	(4,410)	(216)	(27,570)
Change in unearned premiums - reinsurance	244	119	130	31	(2,518)	1,748	(6)	-	252
Net earned premiums	38,249	19,710	11,612	12,483	43,077	22,833	18,954	597	167,515
Investment income attributable to insurance funds	1,975	883	628	140	70	1,220	505	768	6,189
	40,224	20,593	12,240	12,623	43,147	24,053	19,459	1,365	173,704
COSTS AND EXPENSES :									
Gross claims paid	(45,119)	(13,458)	(10,884)	(8,397)	(29,662)	(20,626)	(13,108)	(1,537)	(142,791)
Claims recovered from reinsurers	1,211	193	107	72	6,891	168	18	-	8,660
Change in provision for outstanding claims - gross	20,216	1,115	4,545	1,210	(3,286)	4,725	(163)	(1,315)	27,047
Change in provision for outstanding claims - reinsurance	(1,374)	288	(445)	(41)	2	(1,800)	(41)	(1)	(3,412)
Change in provision for unreported losses - gross	438	(648)	1,249	(323)	(1,869)	(3,088)	337	2,042	(1,862)
Change in provision for unreported losses - reinsurance	(110)	38	(31)	(43)	(279)	1,709	(123)	(1)	1,160
Claims and related expenses	(24,738)	(12,472)	(5,459)	(7,522)	(28,203)	(18,912)	(13,080)	(812)	(111,198)
Policy acquisition costs	(13,879)	(7,560)	(4,735)	(3,789)	(15,460)	(1,676)	(1,180)	(93)	(48,372)
Policy acquisition costs recovered from reinsurers	359	267	105	32	-	638	-	-	1,401
Change in deferred policy acquisition costs - gross	2,280	748	664	98	105	638	161	(1)	4,693
Change in deferred policy acquisition costs - reinsurance	(80)	(44)	(37)	(7)	-	(481)	-	-	(649)
Policy acquisition costs	(11,320)	(6,589)	(4,003)	(3,666)	(15,355)	(881)	(1,019)	(94)	(42,927)
Operating expenses	(5,975)	(2,243)	(1,551)	(1,462)	(393)	(2,772)	(2,208)	(399)	(17,003)
Underwriting result	(1,809)	(711)	1,227	(27)	(804)	1,488	3,152	60	2,576

11. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT (CONTD.)

	US$ '000								
	Year ended 31 December 2014								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	68,301	36,736	21,007	21,031	119,589	25,367	22,376	893	315,300
Outward reinsurance premiums	(5,010)	(3,110)	(552)	(91)	(45,884)	97	(362)	1	(54,911)
Change in unearned premiums - gross	2,307	3,005	1,459	599	(22,896)	1,501	354	132	(13,539)
Change in unearned premiums - reinsurance	47	101	191	(2)	9,240	-	6	-	9,583
Net earned premiums	65,645	36,732	22,105	21,537	60,049	26,965	22,374	1,026	256,433
Investment income attributable to insurance funds	3,752	1,674	1,193	268	127	2,325	952	1,454	11,745
	69,397	38,406	23,298	21,805	60,176	29,290	23,326	2,480	268,178
COSTS AND EXPENSES :									
Gross claims paid	(57,114)	(19,946)	(10,600)	(9,605)	(41,255)	(27,732)	(15,083)	(3,714)	(185,049)
Claims recovered from reinsurers	3,044	475	261	229	17,574	(147)	176	-	21,612
Change in provision for outstanding claims - gross	(2,570)	(5,624)	2,287	(2,903)	(4,530)	4,469	(1,037)	(243)	(10,151)
Change in provision for outstanding claims - reinsurance	20	(936)	(358)	(120)	(13,521)	(777)	(129)	(1)	(15,822)
Change in provision for unreported losses - gross	4,427	2,908	154	(883)	1,335	2,039	(1,115)	5,127	13,992
Change in provision for unreported losses - reinsurance	(427)	314	(165)	(183)	4,460	2	21	(3)	4,019
Claims and related expenses	(52,620)	(22,809)	(8,421)	(13,465)	(35,937)	(22,146)	(17,167)	1,166	(171,399)
Policy acquisition costs	(17,706)	(10,409)	(6,639)	(7,422)	(21,470)	(1,364)	(497)	50	(65,457)
Policy acquisition costs recovered from reinsurers	236	332	178	39	-	(20)	(2)	(1)	762
Change in deferred policy acquisition costs - gross	(1,864)	(1,125)	(489)	616	(1,290)	(94)	74	34	(4,138)
Change in deferred policy acquisition costs - reinsurance	(28)	(36)	(60)	1	-	-	-	-	(123)
Policy acquisition costs	(19,362)	(11,238)	(7,010)	(6,766)	(22,760)	(1,478)	(425)	83	(68,956)
Operating expenses	(7,841)	(2,945)	(2,193)	(1,985)	(577)	(3,513)	(2,316)	(453)	(21,823)
Underwriting result	(10,426)	1,414	5,674	(411)	902	2,153	3,418	3,276	6,000

11. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT (CONTD.)

	US$ '000								
	Period ended 30 September 2014								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	
REVENUES :									
Gross premiums written	63,973	32,771	19,338	19,831	119,582	20,685	20,217	1,626	298,023
Outward reinsurance premiums	(2,803)	(2,345)	(634)	(96)	(53,157)	31	(187)	1	(59,190)
Change in unearned premiums - gross	(10,038)	(3,239)	(1,997)	(3,024)	(48,718)	4,203	(3,361)	(404)	(66,578)
Change in unearned premiums - reinsurance	212	276	239	8	20,938	-	10	-	21,683
Net earned premiums	51,344	27,463	16,946	16,719	38,645	24,919	16,679	1,223	193,938
Investment income attributable to insurance funds	3,204	1,429	1,019	230	107	1,995	808	1,240	10,032
	54,548	28,892	17,965	16,949	38,752	26,914	17,487	2,463	203,970
COSTS AND EXPENSES :									
Gross claims paid	(43,843)	(15,829)	(8,264)	(6,358)	(30,234)	(17,502)	(10,639)	(2,964)	(135,633)
Claims recovered from reinsurers	2,361	349	169	178	14,613	(224)	153	-	17,599
Change in provision for outstanding claims - gross	(705)	(4,797)	2,514	(2,709)	(2,801)	(2,564)	(1,604)	(264)	(12,930)
Change in provision for outstanding claims reinsurance	120	(186)	(350)	(90)	511	(61)	(22)	-	(78)
Change in provision for unreported losses - gross	2,587	775	(1,691)	(2,415)	2,372	(3,510)	(24)	2,715	809
Change in provision for unreported losses - reinsurance	(583)	443	(133)	(151)	(3,912)	393	(12)	(1)	(3,956)
Claims and related expenses	(40,063)	(19,245)	(7,755)	(11,545)	(19,451)	(23,468)	(12,148)	(514)	(134,189)
Policy acquisition costs	(17,249)	(10,030)	(6,381)	(7,319)	(16,022)	(477)	(309)	(83)	(57,870)
Policy acquisition costs recovered from reinsurers	291	314	170	43	-	(15)	(1)	-	802
Change in deferred policy acquisition costs - gross	2,030	1,101	801	2,016	379	(1,209)	228	50	5,396
Change in deferred policy acquisition costs - reinsurance	(80)	(109)	(78)	(4)	-	-	-	-	(271)
Policy acquisition costs	(15,008)	(8,724)	(5,488)	(5,264)	(15,643)	(1,701)	(82)	(33)	(51,943)
Operating expenses	(5,745)	(2,152)	(1,615)	(1,451)	(423)	(2,582)	(2,103)	(392)	(16,463)
Underwriting result	(6,268)	(1,229)	3,107	(1,311)	3,235	(837)	3,154	1,524	1,375

12. INVESTMENT INCOME

	US$ '000				
	Financial year-to-date 30 September 2015			Financial year-to-date 30 September 2014	Year ended 31 December 2014
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	413	201	614	616	786
- Others	4,687	3,473	8,160	6,290	8,674
Dividends	562	522	1,084	1,276	1,517
Realised gains					
- Trading investments	3,925	2,085	6,010	5,779	7,248
- Investment designated at fair value through profit or loss	372	147	519	189	734
- Available for sale	1,690	1,971	3,661	4,324	8,463
(Loss) gain on measurement of investments at fair value through profit & loss					
- Trading investments	(4,104)	(3,138)	(7,242)	2,312	(3,846)
- Investments designated at fair value through profit or loss	(752)	(340)	(1,092)	(108)	(692)
Impairment loss - available for sale	(102)	(743)	(845)	(558)	(1,042)
Other	(502)	(279)	(781)	(809)	(1,343)
	6,189	3,899	10,088	19,311	20,499

13. OPERATING EXPENSES

	US$ '000				
	Financial year-to-date 30 September 2015			Financial year-to-date 30 September 2014	Year ended 31 December 2014
	Underwriting	Non-Underwriting	Total		
Salaries and benefits	11,779	3,896	15,675	15,161	19,486
General and administration	5,224	1,452	6,676	6,287	9,203
	17,003	5,348	22,351	21,448	28,689

14. OTHER INCOME

	US$ '000		
	Financial year-to-date 30 September 2015	Financial year-to-date 30 September 2014	Year ended 31 December 2014
Third party administration services	**2,115**	2,383	3,158
Foreign exchange gain (loss)	**1,805**	(359)	(1,050)
Royalty on software	**-**	778	938
Profit on revaluation of land	**-**	-	632
Other	**1,248**	237	648
	5,168	3,039	4,326

15. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 30 September 2015	Financial year-to-date 30 September 2014	Year ended 31 December 2014
Provision for doubtful receivable & deposits	**2,007**	-	(813)
Loss on revaluation of building (note 8)	**4,850**	-	-
Other	**1,092**	935	1,446
	7,949	935	633

16. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		Financial year-to-date 30 September 2015	Financial year-to-date 30 September 2014	Year ended 31 December 2014
Weighted average number of shares outstanding	'000	**198,032**	198,032	198,032
Net profit	US$'000	**1,392**	9,579	15,615
Earnings per share	US$	**0.01**	0.05	0.08

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

	US$ '000		
	Financial year-to-date 30 September 2015	Financial year-to-date 30 September 2014	Year ended 31 December 2014
(Loss) profit for the period	**(1,892)**	7,677	11,446
Increase in insurance funds	**25,622**	59,414	23,755
Change in insurance receivable/ payable, net	**5,002**	(18,033)	(8,500)
Change in accrued insurance premiums	**(18,780)**	(29,975)	(3,541)
Change in other assets/liabilities, net	**(30,102)**	(25,008)	(34,132)
Net cash used in operating activities	**(20,150)**	(5,925)	(10,972)

18. FAIR VALUE DISCLOSURE

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

	US$ '000						
	30 September 2015						
	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 bank balances	-	205,244	-	-	-	205,244	205,244
Investments	150,190	-	24,546	376,451	-	551,187	551,663
Accrued income	-	620	104,764	1,419	-	106,803	106,803
Insurance receivables	-	116,883	-	-	-	116,883	116,883
Insurance deposits	-	37,020	-	-	-	37,020	37,020
Other assets	-	8,571	-	-	-	8,571	8,571
LIABILITIES							
Insurance payables	-	-	-	-	44,641	44,641	44,641
Borrowings	-	-	-	-	44,000	44,000	44,000
Other liabilities	-	-	-	-	36,068	36,068	36,068

	US$ '000						
	31 December 2014						
	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 bank balances	-	192,703	-	-	-	192,703	192,703
Investments	120,871	-	38,529	366,282	-	525,682	526,316
Accrued income	-	435	86,402	1,186	-	88,023	88,023
Insurance receivables	-	119,012	-	-	-	119,012	119,012
Insurance deposits	-	42,578	-	-	-	42,578	42,578
Other assets	-	11,256	-	-	-	11,256	11,256
LIABILITIES							
Insurance payables	-	-	-	-	41,768	41,768	41,768
Borrowings	-	-	-	-	10,000	10,000	10,000
Other liabilities	-	-	-	-	35,318	35,318	35,318

18. FAIR VALUE DISCLOSURE (CONTD.)

	US$ '000						
	30 September 2014						
	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	-	285,903	-	-	-	285,903	285,903
Investments	129,014	-	38,523	267,669	-	435,206	435,977
Accrued income	-	874	112,562	1,021	-	114,457	114,457
Insurance receivables	-	138,595	-	-	-	138,595	138,595
Insurance deposits	-	44,226	-	-	-	44,226	44,226
Other assets	-	11,597	-	-	-	11,597	11,597
LIABILITIES							
Insurance payables	-	-	-	-	51,818	51,818	51,818
Borrowings	-	-	-	-	10,000	10,000	10,000
Other liabilities	-	-	-	-	39,233	39,233	39,233

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

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.

Hence, the fair value measurement details are not disclosed.

ii. **Investments:**
The Company 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.

18. FAIR VALUE DISCLOSURE (CONTD.)

- 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.

Valuation techniques include net present value and discounted cash flow models and other valuation models. Assumptions and inputs used in valuation includes risk free and benchmark interest rates, bond and equity prices, and foreign exchange rates. The objective of valuations technique is to arrive at fair value measurement that reflects the price that would be received on sale of the asset at the measurement date.

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

	US$'000			
30 September 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Held to maturity				
Debt Securities	**25,022**	**-**	**-**	**25,022**
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	**58,942**	**-**	**-**	**58,942**
Designated at fair value on initial recognition				
Debt Securities	**91,248**	**-**	**-**	**91,248**
Available for sale				
Debt securities	**336,225**	**-**	**-**	**336,225**
Common stock of listed companies	**16,324**	**-**	**-**	**16,324**
Common stock of unlisted companies	**-**	**70**	**6,292**	**6,362**
Other	**-**	**1,662**	**15,878**	**17,540**
Forward foreign exchange contracts	**(3)**	**-**	**-**	**(3)**
	527,758	**1,732**	**22,170**	**551,660**

	US$'000			
31 December 2014	Level 1	Level 2	Level 3	Total
Held to maturity				
Debt Securities	39,163	-	-	39,163
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	66,281	-	-	66,281
Designated at fair value on initial recognition				
Debt Securities	54,590	-	-	54,590
Available for sale				
Debt securities	338,484	-	-	338,484
Common stock of listed companies	4,484	-	-	4,484
Common stock of unlisted companies	-	121	6,327	6,448
Other	-	1,742	15,124	16,866
Forward foreign exchange contracts	552	-	-	552
	503,554	1,863	21,451	526,868

18. FAIR VALUE DISCLOSURE (CONTD.)

30 September 2014	US$'000 Level 1	Level 2	Level 3	Total
Held to maturity				
Debt Securities	39,294	-	-	39,294
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	74,830	-	-	74,830
Designated at fair value on initial recognition				
Debt Securities	54,184	-	-	54,184
Available for sale				
Debt securities	242,024	-	-	242,024
Common stock of listed companies	651	-	-	651
Common stock of unlisted companies	-	159	6,576	6,735
Other	-	2,009	16,250	18,259
Forward foreign exchange contracts	(152)	-	-	(152)
	410,831	2,168	22,826	435,825

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

30 September 2015	**US$ '000 Unlisted equity**	**Others**	**Total**
Balance at 1 January 2015	**6,327**	**15,124**	**21,451**
Gain (loss) recognised in:			
- Income statement	**(568)**	**(1,507)**	**(2,075)**
- other comprehensive income	**364**	**368**	**732**
Investments made during the period	**177**	**3,848**	**4,025**
Investments redeemed during the Period	**(8)**	**(1,955)**	**(1,963)**
Balance at 30 September 2015	**6,292**	**15,878**	**22,170**

31 December 2014	US$'000 Unlisted equity	Others	Total
Balance at 1 January 2014	5,646	13,607	19,253
Gain (loss) recognised in:			
- Income statement	(10)	(674)	(684)
- Other comprehensive income	137	(366)	(229)
Investments made during the year	891	5,238	6,129
Investments redeemed during the year	(337)	(2,681)	(3,018)
Balance at 31 December 2014	6,327	15,124	21,451

18. FAIR VALUE DISCLOSURE (CONTD.)

30 September 2014	US$ '000		
	Unlisted equity	Others	Total
Balance at 1 January 2014	5,646	13,607	19,253
Gain (loss) recognised in:			
- Income statement	-	(214)	(214)
- other comprehensive income	179	(16)	163
Investments made during the period	774	3,664	4,438
Investments redeemed during the period	(23)	(791)	(814)
Balance at 30 September 2014	6,576	16,250	22,826

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 Group does not expect the fair value of assets under level 2 & level 3 to change significantly on changing one or more of the unassumable inputs. 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, 2015, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2014: nil; 30 September 2014: nil). 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 Company 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.

The Group does not expect the fair value of assets under level 3 to change significantly on changing one or more of the measurable / observable inputs.

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 2015, the principal subsidiaries of the Company were:

	Country of incorporation	Ownership	Non-controlling Interests	Principal Activities
Arig Capital Limited	United Kingdom	100%	Nil	Reinsurance
Gulf Warranties W.L.L.	Kingdom of Bahrain	100%	Nil	Warranty
Takaful Re Limited	United Arab Emirates	54%	46%	Retakaful

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2014. The Company 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 49% and 25% of the equity shares in Arima Insurance software W.L.L. and Globemed Bahrain W.L.L., Bahrain respectively.

20. 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 2015	For the Financial year-to-date 30 September 2014	For the Year ended 31 December 2014
a) Gross premium retroceded by subsidiary to parent company	**33,491**	55,884	74,787
b) Service fees for administration services provided by parent company	**656**	731	919
c) Balances outstanding - Receivables	**65,167**	56,157	60,663

ii) **Joint Venture:**

	US$ '000		
	For the Financial year-to-date 30 September 2015	For the Financial year-to-date 30 September 2014	For the Year ended 31 December 2014
a) Service fees for administration services provided	**-**	54	66
b) Balances outstanding - Receivables - Payables	**-** **89**	460 -	460 -

20. RELATED PARTY TRANSACTIONS (Contd.)

iii) Compensation to directors and key management personnel:

	US$ '000		
	Financial year-to-date 30 September 2015	Financial year-to-date 30 September 2014	Year ended 31 December 2014
a) Directors			
- Remuneration	**-**	-	305
- Attendance fees	**107**	81	123
- Travel expense	**101**	111	168
b) Key management compensation			
- Salaries and other short-term employee benefits	**1,690**	2,158	2,571
- Post-employment benefits	**227**	234	313
- Share-based compensation	**1,606**	885	1,114
c) Balances payable (net)			
Key management			
- Maximum balance	**7,548**	7,398	7,707
- Closing balance	**7,548**	7,398	7,707

21. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in available for sale investments amounting to US$ 5.8 million (31 December 2014: US$ 6.4 million; 30 September 2014: US$ 7.6 million).

APPENDIX

ARAB INSURANCE GROUP (B.S.C.)

A. SIGNIFICANT ACCOUNTING POLICIES ON INVESTMENTS AS AT 30 SEPTEMBER 2015

INVESTMENTS

Investment securities are classified as 'at fair value through profit or loss', which includes financial assets held for trading and those designated at fair value on initial recognition, 'available for sale', 'held to maturity' or 'loans and receivables'. Management determines the appropriate classification of investments at the time of purchase.

Securities are classified as at fair value through profit or loss if they are acquired for the purpose of generating a profit from short-term fluctuations in price or if so designated by management. Derivative financial instruments that are not designated as accounting hedge are classified as at fair value through profit or loss. Investments with fixed or determinable payments and fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity. Financial instruments with fixed or determinable payments and that are not quoted in an active market are categorised as loans and receivables. Securities intended to be held for an indefinite period of time and those that are not classified as at fair value through profit or loss, held to maturity or loans and receivables, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale.

All purchases and sales of investments are recognised at the settlement date. All investment assets are recognised initially at cost. After initial recognition, investments are valued using principles described below.

Investments at fair value through profit or loss and investments available for sale are carried at fair value. Held to maturity investments and loans and receivables are carried at amortised cost, less any adjustment necessary for impairment.

Fair values are measured using market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation.

PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

A provision is made in respect of a financial asset that is impaired if its carrying amount is greater than its estimated recoverable amount.

Provisions for assets carried at amortised cost are calculated as the difference between the carrying amount of the assets and the present value of expected future cash flows discounted at their original effective interest rate. By comparison, the recoverable amount of an instrument carried at cost is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

In the case of available for sale financial assets, the Group assesses at each statement of financial position date whether there is an objective evidence of impairment of such assets. If any such evidence exists, the impairment is recognised in income. Evidence of impairment considers among other factors significant or prolonged decline in market values and financial difficulties of the issues. Impairment recognised is not reversed subsequently except in case of debt instruments.

INVESTMENT IN ASSOCIATED COMPANIES

Investments in associated companies are accounted for using the equity method. Associated companies are defined as those companies over which the Group is able to exercise significant influence but not control or joint control over the financial and operating policy decisions.

INVESTMENT IN JOINT VENTURES

Investments in joint ventures are accounted for using the equity method. Joint ventures are defined as those companies over which the Group has joint control with another party and has rights to the net assets of the company. The Group does not have rights to the assets and obligation for the liabilities of the company.

INVESTMENT INCOME

Investment income comprises interest and dividend receivable for the financial year. Gains and losses arising from changes in the fair value of investments at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale investments are recognised in other comprehensive income and carried in investment revaluation income as part of equity. When available for sale investments are disposed or are impaired, the related fair value adjustments are included in the income statement.

Investment income arising from insurance business investment assets are allocated to the underwriting results of insurance businesses based on the proportion of their respective insurance funds to shareholders' funds during the financial year.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in currencies other than U.S. Dollars are recorded at the rates ruling at the date of the transaction. All monetary and non-monetary assets carried at fair value denominated in currencies other than U.S. Dollars are translated at year-end exchange rates.

Unrealised gains or losses on translation are taken to income except in respect of non-monetary available for sale investments, which are taken to equity until they are disposed.

Unrealised gains and losses on translation of financial statements of subsidiaries are included in equity. Other foreign currency gains and losses are taken to income.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

In the ordinary course of its business, the Group uses forward foreign exchange contracts as fair value hedges to protect its exposures in respect of foreign currency denominated investments and insurance liabilities and these contracts are carried at fair value.

Where a fair value hedge meets the conditions prescribed by International Financial Reporting Standards for qualifying as an effective hedge, gains or losses from remeasuring forward foreign exchange contracts and gains or losses on hedged assets attributable to the hedged risk are recognised in income.

Where the hedge is not effective, gains or losses from remeasuring forward foreign exchange contracts are recognised in income. Gains or losses on hedged assets are recognised in income except in respect of non-monetary available for sale investments, which are taken to equity until they are disposed.

The gain or losses from remeasuring insurance liabilities and related foreign exchange contracts are recognised in income.

ARAB INSURANCE GROUP (B.S.C.)

APPENDIX

B. ADDITIONAL DISCLOSURE ON INVESTMENTS

	US$ '000 30-September-2015		
	Investments in U.A.E.	Investments outside U.A.E.	Total
a. Cash & bank balances	12,286	192,958	205,244
Total cash & bank balances	12,286	192,958	205,244
b. Investments			
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	8,264	50,678	58,942
	8,264	50,678	58,942
Designated at fair value on initial recognition			
Debt Securities			
- Other Investment grade	-	50,108	50,108
- Other	-	41,140	41,140
	-	91,248	91,248
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	-	7,999	7,999
- Other Investment grade	1,000	3,002	4,002
- Non-OECD country government	-	2,650	2,650
- Other	6,427	3,468	9,895
	7,427	17,119	24,546
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	-	53,590	53,590
- Other Investment grade	30,045	180,942	210,987
- Other	11,435	60,213	71,648
Common stock of listed companies	-	16,324	16,324
Common stock of unlisted companies	-	6,362	6,362
Other (see note)	1,250	16,290	17,540
	42,730	333,721	376,451
Investment in associates	-	239	239
	-	239	239
Total Investments	58,421	493,005	551,426

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$ 1,419,918 (in U.A.E.: US$ 3,000).