Arab Insurance Group (B.S.C.)

Condensed consolidated interim financial statements for the nine months ended 30 September 2018

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Independent auditor's review report to the Board of Directors of
Arab Insurance Group (B.S.C.)

Introduction

We have reviewed the accompanying consolidated statement of financial position of Arab Insurance Group (B.S.C.) (the "Company") and its subsidiaries (together the "Group") as at 30 September 2018 and the related consolidated statements of income and comprehensive income for the three month and nine month periods then ended and the related consolidated statements of changes in equity and cash flows for the nine month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standards (IAS) 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as issued by IASB.

Emphasis of matter

We draw attention to note 21 (iii) to these condensed consolidated interim financial statements which describes the material uncertainty related to the future claims or losses resulting from the fraud committed by employees of the Group's subsidiary company, Gulf Warranties W.L.L. ("GWL") and its ability to continue as a going concern. The subsidiary's management is in the process of performing a full assessment and investigations in relation to the completeness and accuracy of its extended warranty contracts and other related matters. Our report is not modified in respect of this matter.

6 November 2018

Partner registration number: 196
Manama, Kingdom of Bahrain

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

(In thousands of U.S. Dollars)

	Note	30 September 2018 (reviewed)	31 December 2017 (audited)	30 September 2017 (reviewed)
ASSETS				
Cash and bank balances		**86,394**	82,673	132,420
Investments	5	**539,158**	579,686	555,692
Accrued income	6	**119,837**	103,096	138,338
Insurance receivables		**133,295**	110,923	119,857
Insurance deposits		**26,206**	25,809	26,676
Deferred policy acquisition costs		**30,840**	22,660	26,632
Reinsurers' share of technical provisions	7	**107,906**	112,391	95,455
Other assets	8	**39,361**	28,806	20,135
Property and equipment	9	**19,534**	20,085	21,003
TOTAL ASSETS		**1,102,531**	1,086,129	1,136,208
LIABILITIES AND EQUITY				
LIABILITIES				
Technical provisions	10	**695,188**	680,451	710,893
Insurance payables		**68,985**	53,337	50,140
Borrowings		**7,000**	34,000	34,000
Other liabilities	11	**73,499**	35,959	47,033
TOTAL LIABILITIES		**844,672**	803,747	842,066
EQUITY				
Attributable to shareholders of parent company				
Share capital		**220,000**	220,000	220,000
Treasury stock		**(14,793)**	(14,793)	(14,793)
Reserves		**35,825**	41,178	44,150
(Accumulated losses) retained earnings		**(11,478)**	10,549	8,030
		229,554	256,934	257,387
Non-controlling interests		**28,305**	25,448	36,755
TOTAL EQUITY		**257,859**	282,382	294,142
TOTAL LIABILITIES AND EQUITY		**1,102,531**	1,086,129	1,136,208

These condensed consolidated interim financial statements were approved by the Board of Directors on 6 November 2018 and signed on its behalf by:

Saeed Mohammed AlBahhar Chairman	Ahmed Saeed Almahri Director	Samuel Verghese Acting Chief Executive Officer

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial statements

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

(In thousands of U.S. Dollars)

	Note		For the three months ended 30 September 2018 reviewed	For the three months ended 30 September 2017 reviewed	For the financial year-to-date 30 September 2018 reviewed	For the financial year-to-date 30 September 2017 (reviewed)	For the year ended 31 December 2017 audited
Gross premiums written	12		52,400	26,723	239,914	216,317	225,632
Net earned premiums	12		51,197	45,372	155,759	131,805	179,938
Claims and related expenses	12		(33,570)	(35,298)	(108,114)	(85,447)	(124,603)
Policy acquisition costs	12		(14,914)	(11,811)	(42,256)	(39,497)	(49,803)
Investment income attributable to insurance funds	13		2,405	3,250	7,326	10,400	13,268
Operating expenses	14		(3,334)	(1,759)	(10,202)	(9,152)	(12,995)
Underwriting result	12		1,784	(246)	2,513	8,109	5,805
Investment income attributable to shareholders' funds	13		2,086	2,078	5,978	7,427	9,238
Operating expenses - non underwriting activities	14		(2,055)	(2,026)	(6,382)	(7,315)	(9,298)
Borrowing cost			(194)	(226)	(733)	(718)	(947)
Other (expenses) income	15		(283)	777	1,568	2,495	5,358
Other expenses and provisions	16		(258)	(560)	(22,011)	(5,311)	(1,971)
Profit (loss) for the period			1,080	203	19,067	4,687	8,185
Attributable to:							
Non-controlling interests			819	(175)	3,106	637	963
Shareholders of parent company			261	(28)	(22,173)	4,050	7,222
			1,080	203	19,067	4,687	8,185
Earnings (losses) per share attributable to shareholders (basic and diluted):	17	(US cents)	0.1	0.0	11.2	2.0	3.6

Saeed Mohammed AlBahhar
Chairman

Ahmed Saeed Almahri
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

(In thousands of U.S. Dollars)

	For the three months ended 30 September 2018 (reviewed)	For the three months ended 30 September 2017 (reviewed)	For the financial year-to-date 30 September 2018 (reviewed)	For the financial year-to-date 30 September 2017 (reviewed)	For the year ended 31 December 2017 (audited)
Profit (loss) for the period	**1,080**	(203)	**(19,067)**	4,687	8,185
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Changes on remeasurement of available for sale investments	**1,354**	1,145	**(4,758)**	6,781	3,933
Transfers for recognition of gains on disposal of available for sale investments	**(568)**	(1,049)	**(698)**	(2,331)	(2,904)
Transfers for impairment loss recognised on available for sale investments	**-**	1,492	**-**	2,093	2,609
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property	**-**	-	**-**	-	(853)
Other comprehensive income for the period	**786**	1,588	**(5,456)**	6,543	2,785
Total comprehensive income (loss) for the period	**1,866**	1,385	**(24,523)**	11,230	10,970
Attributable to:					
Non-controlling interests	**853**	(283)	**2,857**	575	768
Shareholders of parent company	**1,013**	1,668	**(27,380)**	10,655	10,202
	1,866	1,385	**(24,523)**	11,230	10,970

Saeed Mohammed AlBahhar
Chairman

Ahmed Saeed Almahri
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves				Retained earnings (accumulated losses)	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2017	**220,000**	**(14,793)**	**34,816**	**1,862**	**4,500**	**41,178**	**10,549**	**256,934**	**25,448**	**282,382**
Net (loss) profit for the period	-	-	-	-	-	-	(22,173)	(22,173)	3,106	(19,067)
Changes on remeasurement of available for sale investments	-	-	-	(4,689)	-	(4,689)	-	(4,689)	(69)	(4,758)
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(518)	-	(518)	-	(518)	(180)	(698)
Total comprehensive (loss) income for the period	-	-	-	(5,207)	-	(5,207)	(22,173)	(27,380)	2,857	(24,523)
Transfer of net depreciation on revalued property	-	-	-	-	(146)	(146)	146	-	-	-
Balances at 30 September 2018	**220,000**	**(14,793)**	**34,816**	**(3,345)**	**4,354**	**35,825**	**(11,478)**	**229,554**	**28,305**	**257,859**

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

(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 2016	220,000	(14,793)	34,094	(1,971)	5,561	37,684	13,743	256,634	36,180	292,814
Net profit for the year	-	-	-	-	-	-	7,222	7,222	963	8,185
Changes on remeasurement of available for sale investments	-	-	-	4,257	-	4,257	-	4,257	(324)	3,933
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(2,656)	-	(2,656)	-	(2,656)	(248)	(2,904)
Transfers for impairment loss recognised on available for sale investments	-	-	-	2,232	-	2,232	-	2,232	377	2,609
Revaluation of property	-	-	-	-	(853)	(853)	-	(853)	-	(853)
Total comprehensive income (loss) for the year	-	-	-	3,833	(853)	2,980	7,222	10,202	768	10,970
Dividends paid (note 19)	-	-	-	-	-	-	(9,902)	(9,902)	-	(9,902)
Transfer of net depreciation on revalued property	-	-	-	-	(208)	(208)	208	-	-	-
Transfer to non-distributable reserves	-	-	722	-	-	722	(722)	-	-	-
Subsidiary's capital reduction	-	-	-	-	-	-	-	-	(11,500)	(11,500)
Balances at 31 December 2017	220,000	(14,793)	34,816	1,862	4,500	41,178	10,549	256,934	25,448	282,382

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

(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 2016	220,000	(14,793)	34,094	(1,971)	5,561	37,684	13,743	256,634	36,180	292,814
Net profit for the period	-	-	-	-	-	-	4,050	4,050	637	4,687
Changes on remeasurement of available for sale investments	-	-	-	6,975	-	6,975	-	6,975	(194)	6,781
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(2,085)	-	(2,085)	-	(2,085)	(246)	(2,331)
Transfers for impairment loss recognised on available for sale investments	-	-	-	1,715	-	1,715	-	1,715	378	2,093
Total comprehensive income for the period	-	-	-	6,605	-	6,605	4,050	10,655	575	11,230
Dividends paid (note 19)	-	-	-	-	-	-	(9,902)	(9,902)	-	(9,902)
Transfer of net depreciation on revalued property	-	-	-	-	(139)	(139)	139	-	-	-
Balances at 30 September 2017	220,000	(14,793)	34,094	4,634	5,422	44,150	8,030	257,387	36,755	294,142

The accompanying notes 1 to 23 are an integral part of these consolidated interim condensed financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 September 2018 (reviewed)	For the financial year-to-date 30 September 2017 (reviewed)	For the year ended 31 December 2017 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Premiums received		**176,536**	158,374	183,675
Reinsurance premiums paid		**(44,311)**	(27,524)	(25,581)
Claims and acquisition costs paid		**(147,233)**	(174,003)	(194,866)
Reinsurance receipts in respect of claims		**20,887**	8,559	5,249
Investment income		**204**	(162)	21
Interest received		**2,168**	1,756	2,790
Dividends received		**1,188**	740	842
Operating expenses paid		**(15,929)**	(20,552)	(30,330)
Other income (expenses), net		**397**	(1,233)	(2,405)
Insurance deposits (paid) received, net		**(157)**	1,667	2,782
Purchase of trading investments		**(10,991)**	(14,823)	(19,670)
Sale of trading investments		**14,482**	7,220	13,026
Net cash used in operating activities	18	**(2,759)**	(59,981)	(64,467)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity/sale of investments		**118,034**	207,531	258,971
Purchase of investments		**(85,578)**	(187,586)	(266,924)
Term deposits with bank		**9,711**	(9,601)	21,317
Interest received		**7,723**	6,622	8,652
Investment income		**783**	2,018	3,298
Collateralised cash deposits		**(5,601)**	683	(8,095)
Purchase of property and equipment		**(64)**	(88)	(233)
Purchase of intangible assets		**(74)**	(445)	(463)
Investment in associate		**(100)**	-	-
Net cash provided by investing activities		**44,834**	19,134	16,523
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings	19	**(27,000)**	(7,000)	(7,000)
Borrowing cost		**(1,325)**	(738)	(767)
Dividends paid	19	**(302)**	(9,053)	(9,255)
Subsidiary's capital reduction-minority interests		**-**	-	(11,500)
Net cash used in financing activities		**(28,627)**	(16,791)	(28,522)
Net increase (decrease) in cash and cash equivalents		**13,448**	(57,638)	(76,466)
Effect of exchange rates on cash and cash equivalents		**(16)**	(3)	(4)
Cash and cash equivalents, beginning of period		**62,938**	139,408	139,408
Cash and cash equivalents, end of period		**76,370**	81,767	62,938
Term deposits with bank		**10,024**	50,653	19,735
Cash and bank balances, end of period		**86,394**	132,420	82,673

The accompanying notes 1 to 23 are an integral part of these condensed consolidated interim 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 condensed consolidated interim financial statements of the Group have 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 condensed consolidated interim financial statements do not include all the information required for full annual consolidated 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 2017.

The Group's condensed consolidated interim 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 2017 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 2018 except IFRS 9 Financial Instruments, for which the Group has applied the temporary exemption available under IFRS 4 Insurance Contracts. Accordingly, the Group will apply this standard for annual period beginning 1 January 2021.

3. SEASONALITY OF INTERIM OPERATIONS

As a result of the seasonality associated with the insurance business, the Group registers approximately 75% 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. MANAGEMENT OF RISKS

The Group's activities expose it to a variety of financial and other risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk, underwriting risk and liquidity risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2017.

There have been no changes in the risk management function since the year end or in any risk management policies.

5. INVESTMENTS

	US$ '000		
	30 September 2018	31 December 2017	30 September 2017
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	**55,556**	56,712	56,554
	55,556	56,712	56,554
Designated at fair value on initial recognition			
Debt securities			
- Other investment grade	**78,605**	66,364	66,014
- Other	**20,307**	19,420	19,371
	98,912	85,784	85,385
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	**500**	1,000	1,000
- Other investment grade	**3,898**	4,881	4,875
- Other	**3,937**	3,927	3,923
	8,335	9,808	9,798
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	**30,699**	30,776	27,864
- Other investment grade	**240,192**	269,177	245,430
- Other	**73,109**	91,484	94,233
Common stock of listed companies	**10,394**	13,071	13,925
Common stock of unlisted companies	**3,921**	4,165	4,523
Other equity type investment	**17,679**	18,389	17,664
	375,994	427,062	403,639
Investment in associate	**361**	320	316
	539,158	579,686	555,692

Debt securities amounting to US$ 100.7 million (31 December 2017: US$ 183.6 million; 30 September 2017: US$ 177.5 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and borrowings.

6. ACCRUED INCOME

	US$ '000		
	30 September 2018	31 December 2017	30 September 2017
Accrued insurance premiums	**117,394**	100,362	135,612
Accrued interest	**2,443**	2,734	2,726
	119,837	103,096	138,338

7. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000		
	30 September 2018	31 December 2017	30 September 2017
General insurance business			
- Claims outstanding	**34,330**	19,341	33,737
- Unreported claims	**27,608**	55,705	17,025
- Deferred retrocession premium reserve	**45,907**	37,263	44,618
	107,845	112,309	95,380
Life insurance business			
- Claims outstanding	**13**	11	11
- Unreported claims	**48**	71	64
	61	82	75
	107,906	112,391	95,455

8. OTHER ASSETS

	US$ '000		
	30 September 2018	31 December 2017	30 September 2017
Intangible assets:			
- Computer software	**9,945**	10,011	9,995
	9,945	10,011	9,995
Less: Accumulated amortisation	**(9,503)**	(9,402)	(9,356)
Net intangible assets	**442**	609	639
Other assets:			
- Collateralised cash deposits	**25,942**	20,341	11,563
- Other receivables	**12,107**	7,039	7,015
- Prepayments	**870**	817	918
	38,919	28,197	19,496
	39,361	28,806	20,135

Collateralised cash deposits have been pledged as security for reinsurance letters of credit and guarantees.

9. PROPERTY AND EQUIPMENT

	US$ '000		
	30 September 2018	31 December 2017	30 September 2017
Land	**2,080**	2,080	2,469
Building	**18,718**	18,718	19,182
Information systems hardware, furniture, equipment and other	**10,607**	10,660	10,610
	31,405	31,458	32,261
Less: Accumulated depreciation	**(11,871)**	(11,373)	(11,258)
	19,534	20,085	21,003

Land and building comprises the head office property owned and occupied by the Company since 1984 and office premises of the subsidiary Takaful Re Limited in Dubai, U.A.E.

10. TECHNICAL PROVISIONS

	US$ '000		
	30 September 2018	31 December 2017	30 September 2017
General insurance business			
- Claims outstanding	**241,920**	223,388	249,210
- Unreported losses	**187,717**	216,950	171,674
- Unearned premiums	**213,947**	184,270	230,911
	643,584	624,608	651,795
Life insurance business			
- Claims outstanding	**13,313**	13,529	14,171
- Unreported losses	**29,110**	33,495	34,765
- Unearned premiums	**9,181**	8,819	10,162
	51,604	55,843	59,098
	695,188	680,451	710,893

11. OTHER LIABILITIES

	US$ '000		
	30 September 2018	31 December 2017	30 September 2017
Provision for probable loss estimates in a subsidiary (note 21(iii))	**21,000**	-	-
Post-employment benefits	**12,667**	12,203	12,552
Accrued expenses	**9,859**	3,508	2,869
Dividends payable	**2,862**	3,164	3,366
Reinsurance premiums accrued	**1,554**	1,235	5,790
Employee long-term incentives	**1,460**	1,460	1,488
Other	**24,097**	14,389	20,968
	73,499	35,959	47,033

12. 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 2018								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	
REVENUES :									
Gross premiums written	47,035	19,376	11,704	8,116	119,008	20,975	13,391	309	239,914
Outward reinsurance premiums	(6,212)	(2,869)	(1,093)	(702)	(49,064)	(102)	(22)	(2)	(60,066)
Change in unearned premiums - gross	(9,832)	(7,328)	(3,446)	(1,034)	(29,156)	514	(346)	(25)	(50,653)
Change in unearned premiums - reinsurance	507	878	322	149	24,684	24	-	-	26,564
Net earned premiums	31,498	10,057	7,487	6,529	65,472	21,411	13,023	282	155,759
Investment income attributable to insurance funds	2,524	876	582	638	62	1,061	938	645	7,326
	34,022	10,933	8,069	7,167	65,534	22,472	13,961	927	163,085
COSTS AND EXPENSES :									
Gross claims paid	(20,007)	(12,394)	(7,113)	(3,190)	(57,154)	(19,069)	(11,630)	(647)	(131,204)
Claims recovered from reinsurers	554	550	740	55	16,587	38	-	7	18,531
Change in provision for outstanding claims - gross	(4,503)	5,628	(1,857)	2,583	(18,767)	1,677	96	121	(15,022)
Change in provision for outstanding claims - reinsurance	1,215	776	426	(48)	10,757	(3)	1	2	13,126
Change in provision for unreported losses - gross	(143)	2,868	1,500	593	25,829	(538)	(2,052)	6,436	34,493
Change in provision for unreported losses - reinsurance	(161)	305	(145)	443	(28,680)	222	(22)	-	(28,038)
Claims and related expenses	(23,045)	(2,267)	(6,449)	436	(51,428)	(17,673)	(13,607)	5,919	(108,114)
Policy acquisition costs	(13,009)	(5,868)	(3,206)	(2,437)	(24,191)	(1,159)	(811)	(388)	(51,069)
Policy acquisition costs recovered from reinsurers	1,241	819	375	277	-	23	-	-	2,735
Change in deferred policy acquisition costs - gross	2,877	2,262	929	354	124	223	(65)	4	6,708
Change in deferred policy acquisition costs - reinsurance	(171)	(295)	(107)	(51)	-	(6)	-	-	(630)
Policy acquisition costs	(9,062)	(3,082)	(2,009)	(1,857)	(24,067)	(919)	(876)	(384)	(42,256)
Operating expenses	(2,862)	(1,720)	(1,026)	(674)	(94)	(1,944)	(1,604)	(278)	(10,202)
Underwriting result	(947)	3,864	(1,415)	5,072	(10,055)	1,936	(2,126)	6,184	2,513

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

	US$ '000								
	Year ended 31 December 2017								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	
REVENUES :									
Gross premiums written	43,219	18,370	9,347	8,704	91,221	33,573	20,711	487	225,632
Outward reinsurance premiums	(6,703)	(3,354)	(1,724)	(653)	(21,114)	5,074	(137)	55	(28,556)
Change in unearned premiums - gross	(4,175)	(3,944)	(297)	(845)	7,456	(7,956)	(1,136)	(15)	(10,912)
Change in unearned premiums - reinsurance	268	697	(67)	24	(7,185)	37	-	-	(6,226)
Net earned premiums	32,609	11,769	7,259	7,230	70,378	30,728	19,438	527	179,938
Investment income attributable to insurance funds	4,562	1,583	1,051	1,153	139	1,919	1,695	1,166	13,268
	37,171	13,352	8,310	8,383	70,517	32,647	21,133	1,693	193,206
COSTS AND EXPENSES :									
Gross claims paid	(32,005)	(15,963)	(6,575)	(3,966)	(48,266)	(25,114)	(21,042)	(1,128)	(154,059)
Claims recovered from reinsurers	2,992	605	327	(135)	6,571	(5,177)	66	-	5,249
Change in provision for outstanding claims - gross	8,541	3,990	(249)	(505)	(2,428)	30,704	581	528	41,162
Change in provision for outstanding claims - reinsurance	(535)	(123)	490	332	(537)	(13,616)	(9)	-	(13,998)
Change in provision for unreported losses - gross	(50)	9,370	903	4,485	(55,361)	(3,847)	1,231	5,688	(37,581)
Change in provision for unreported losses - reinsurance	1,013	61	433	(4,374)	37,508	46	(63)	-	34,624
Claims and related expenses	(20,044)	(2,060)	(4,671)	(4,163)	(62,513)	(17,004)	(19,236)	5,088	(124,603)
Policy acquisition costs	(12,964)	(5,350)	(1,628)	(2,023)	(26,660)	(1,656)	(1,593)	(3,218)	(55,092)
Policy acquisition costs recovered from reinsurers	1,709	826	392	265	-	49	-	-	3,241
Change in deferred policy acquisition costs - gross	618	1,328	(282)	90	71	365	133	(23)	2,300
Change in deferred policy acquisition costs - reinsurance	(28)	(259)	39	6	-	(10)	-	-	(252)
Policy acquisition costs	(10,665)	(3,455)	(1,479)	(1,662)	(26,589)	(1,252)	(1,460)	(3,241)	(49,803)
Operating expenses	(4,184)	(1,780)	(1,184)	(837)	(248)	(2,196)	(2,192)	(374)	(12,995)
Underwriting result	2,278	6,057	976	1,721	(18,833)	12,195	(1,755)	3,166	5,805

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

	US$ '000								
	Period ended 30 September 2017								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	
REVENUES :									
Gross premiums written	38,907	16,912	9,264	8,121	94,642	31,130	16,746	595	216,317
Outward reinsurance premiums	(6,164)	(3,073)	(1,731)	(667)	(16,742)	768	(103)	55	(27,657)
Change in unearned premiums - gross	(11,058)	(5,881)	(2,248)	(2,227)	(23,602)	(10,278)	(2,323)	(166)	(57,783)
Change in unearned premiums - reinsurance	1,040	1,025	304	178	(1,672)	53	-	-	928
Net earned premiums	22,725	8,983	5,589	5,405	52,626	21,673	14,320	484	131,805
Investment income attributable to insurance funds	2,920	1,811	954	987	187	1,254	1,319	968	10,400
	25,645	10,794	6,543	6,392	52,813	22,927	15,639	1,452	142,205
COSTS AND EXPENSES :									
Gross claims paid	(23,169)	(11,388)	(5,681)	(3,329)	(37,932)	(17,425)	(15,916)	(981)	(115,821)
Claims recovered from reinsurers	1,418	448	260	(165)	4,951	4	47	-	6,963
Change in provision for outstanding claims - gross	10,225	2,927	953	946	1,008	3,497	61	575	20,192
Change in provision for outstanding claims - reinsurance	(398)	(175)	69	304	(4,694)	(68)	(10)	(1)	(4,973)
Change in provision for unreported losses - gross	2,158	6,190	1,793	3,807	1,070	(2,920)	2,722	2,907	17,727
Change in provision for unreported losses - reinsurance	423	161	255	(4,381)	(5,955)	14	(53)	1	(9,535)
Claims and related expenses	(9,343)	(1,837)	(2,351)	(2,818)	(41,552)	(16,898)	(13,149)	2,501	(85,447)
Policy acquisition costs	(11,422)	(5,127)	(2,933)	(2,179)	(20,585)	(1,918)	(1,088)	(3,024)	(48,276)
Policy acquisition costs recovered from reinsurers	1,432	755	451	256	-	76	-	-	2,970
Change in deferred policy acquisition costs - gross	2,761	1,692	686	527	242	503	120	3	6,534
Change in deferred policy acquisition costs - reinsurance	(204)	(324)	(106)	(52)	-	(39)	-	-	(725)
Policy acquisition costs	(7,433)	(3,004)	(1,902)	(1,448)	(20,343)	(1,378)	(968)	(3,021)	(39,497)
Operating expenses	(2,986)	(1,315)	(852)	(603)	(178)	(1,505)	(1,459)	(254)	(9,152)
Underwriting result	5,883	4,638	1,438	1,523	(9,260)	3,146	63	678	8,109

13. INVESTMENT INCOME

	US$ '000				
	Financial year-to-date 30 September 2018			Financial year-to-date 30 September 2017	Year ended 31 December 2017
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	**590**	**360**	**950**	911	1,193
- Other	**4,666**	**3,984**	**8,650**	7,935	10,725
Dividends	**737**	**451**	**1,188**	740	842
Realised gain (loss)					
- Held for trading investments	**1,057**	**646**	**1,703**	1,632	2,963
- Investment designated at fair value through profit or loss	**326**	**200**	**526**	(646)	(288)
- Available for sale	**190**	**508**	**698**	2,331	2,904
Gain (loss) on remeasurement of investments at fair value through profit or loss					
- Held for trading investments	**880**	**537**	**1,417**	6,072	6,577
- Investments designated at fair value through profit or loss	**(717)**	**(378)**	**(1,095)**	1,205	641
Impairment loss - available for sale	**-**	**-**	**-**	(2,093)	(2,609)
(Loss) income from associates	**-**	**(60)**	**(60)**	232	237
Other	**(403)**	**(270)**	**(673)**	(492)	(679)
	7,326	**5,978**	**13,304**	17,827	22,506

14. OPERATING EXPENSES

	US$ '000				
	Financial year-to-date 30 September 2018			Financial year-to-date 30 September 2017	Year ended 31 December 2017
	Underwriting	Non-Underwriting	Total		
Salaries and benefits	**6,674**	**4,421**	**11,095**	9,899	13,398
General and administration	**3,528**	**1,961**	**5,489**	6,568	8,895
	10,202	**6,382**	**16,584**	16,467	22,293

15. OTHER INCOME

	US$ '000		
	Financial year-to-date 30 September 2018	Financial year-to-date 30 September 2017	Year ended 31 December 2017
Third party administration services	**724**	1,617	2,686
Other	**844**	878	2,672
	1,568	2,495	5,358

16. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 30 September 2018	Financial year-to-date 30 September 2017	Year ended 31 December 2017
Provision for probable loss estimates in a subsidiary (note 21(iii))	**21,000**	-	-
Foreign exchange loss	**54**	5,085	686
Provision for doubtful receivables & Deposits	**89**	-	820
Other, net	**868**	226	465
	22,011	5,311	1,971

17. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		Financial year-to-date 30 September 2018	Financial year-to-date 30 September 2017	Year ended 31 December 2017
Weighted average number of shares outstanding	'000	**198,032**	198,032	198,032
Net (loss) profit	US$'000	**(22,173)**	4,050	7,222
(Losses) earnings per share	US cents	**(11.2)**	2.0	3.6

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

	US$ '000		
	Financial year-to-date 30 September 2018	Financial year-to-date 30 September 2017	Year ended 31 December 2017
(Loss) profit for the period	**(19,067)**	4,687	8,185
Change in insurance funds	**10,645**	18,153	(24,386)
Change in insurance receivables/ payables, net	**(6,724)**	(22,886)	(10,755)
Change in accrued income	**(16,741)**	(36,728)	(1,486)
Change in other assets/liabilities, net	**29,128**	(23,207)	(36,025)
Net cash used in operating activities	**(2,759)**	(59,981)	(64,467)

19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	US$ '000			
	Borrowings	**Borrowing cost**	**Dividends**	**Non-controlling interests**
Balances at 31 December 2017	**34,000**	**631**	**3,164**	**25,448**
Share of comprehensive income	**-**	**-**	**-**	**2,857**
Repayment of borrowings	**(32,000)**	**-**	**-**	**-**
Additional borrowings	**5,000**	**-**	**-**	**-**
Interest paid during the period	**-**	**(1,325)**	**-**	**-**
Interest expense for the period	**-**	**733**		**-**
Dividends paid during the period	**-**	**-**	**(302)**	**-**
Balances at 30 September 2018	**7,000**	**39**	**2,862**	**28,305**
Balances at 31 December 2016	41,000	451	2,517	36,180
Share of comprehensive income	-	-	-	768
Subsidiary's capital reduction	-	-	-	(11,500)
Repayment of borrowings	(10,000)	-	-	-
Additional borrowings	3,000	-	-	-
Interest paid during the year	-	(767)	-	-
Interest expense for the year	-	947	-	-
Dividends declared	-	-	9,902	-
Dividends paid during the year	-	-	(9,255)	-
Balances at 31 December 2017	34,000	631	3,164	25,448
Balances at 31 December 2016	41,000	451	2,517	36,180
Share of comprehensive income	-	-	-	575
Repayment of borrowings	(10,000)	-	-	-
Additional borrowings	3,000	-	-	-
Interest paid during the period	-	(738)	-	-
Interest expense for the period	-	718	-	-
Dividends declared	-	-	9,902	-
Dividends paid during the period	-	-	(9,053)	-
Balances at 30 September 2017	34,000	431	3,366	36,755

20. FAIR VALUE DISCLOSURE

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

	US$ '000						
	30 September 2018						
	Book Value						Fair value
	At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and bank balances	-	86,394	-	-	-	86,394	86,394
Investments	154,468	-	8,335	375,994	-	538,797	538,828
Accrued income	-	119,837	-	-	-	119,837	119,837
Insurance receivables	-	133,295	-	-	-	133,295	133,295
Insurance deposits	-	26,206	-	-	-	26,206	26,206
Other assets	-	38,049	-	-	-	38,049	38,049
LIABILITIES							
Insurance payables	-	-	-	-	68,985	68,985	68,985
Borrowings	-	-	-	-	7,000	7,000	7,000
Other liabilities	-	-	-	-	63,640	63,640	63,640

	US$ '000						
	31 December 2017						
	Book Value						Fair value
	At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and bank balances	-	82,673	-	-	-	82,673	82,673
Investments	142,496	-	9,808	427,062	-	579,366	579,694
Accrued income	-	103,096	-	-	-	103,096	103,096
Insurance receivables	-	110,923	-	-	-	110,923	110,923
Insurance deposits	-	25,809	-	-	-	25,809	25,809
Other assets	-	27,380	-	-	-	27,380	27,380
LIABILITIES							
Insurance payables	-	-	-	-	53,337	53,337	53,337
Borrowings	-	-	-	-	34,000	34,000	34,000
Other liabilities	-	-	-	-	32,451	32,451	32,451

20. FAIR VALUE DISCLOSURE (CONTD.)

	US$ '000						
	30 September 2017						
	Book Value						Fair value
	At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total	
ASSETS							
Cash and bank balances	-	132,420	-	-	-	132,420	132,420
Investments	141,939	-	9,798	403,639	-	555,376	555,779
Accrued income	-	138,338	-	-	-	138,338	138,338
Insurance receivables	-	119,857	-	-	-	119,857	119,857
Insurance deposits	-	26,676	-	-	-	26,676	26,676
Other assets	-	18,578	-	-	-	18,578	18,578
LIABILITIES							
Insurance payables	-	-	-	-	50,140	50,140	50,140
Borrowings	-	-	-	-	34,000	34,000	34,000
Other liabilities	-	-	-	-	44,164	44,164	44,164

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 on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, 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 maximise the use of relevant observable inputs and minimise 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.

20. 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 categorised:

	US$'000			
30 September 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	**55,556**	-	-	**55,556**
Designated at fair value on initial Recognition				
Debt securities	**98,912**	-	-	**98,912**
Available for sale				
Debt securities	**344,000**	-	-	**344,000**
Common stock of listed companies	**10,394**	-	-	**10,394**
Common stock of unlisted companies	-	-	**3,921**	**3,921**
Other	-	-	**17,679**	**17,679**
Forward foreign exchange contracts	**(39)**	-	-	**(39)**
	508,823	-	**21,600**	**530,423**

	US$'000			
31 December 2017	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	56,712	-	-	56,712
Designated at fair value on initial Recognition				
Debt securities	85,784	-	-	85,784
Available for sale				
Debt securities	391,437	-	-	391,437
Common stock of listed companies	13,071	-	-	13,071
Common stock of unlisted companies	-	-	4,165	4,165
Other	-	-	18,389	18,389
Forward foreign exchange contracts	(277)	-	-	(277)
	546,727	-	22,554	569,281

20. FAIR VALUE DISCLOSURE (CONTD.)

30 September 2017	US$'000			
	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	56,554	-	-	56,554
Designated at fair value on initial Recognition				
Debt securities	85,385	-	-	85,385
Available for sale				
Debt securities	367,527	-	-	367,527
Common stock of listed companies	13,925	-	-	13,925
Common stock of unlisted companies	-	-	4,523	4,523
Other	-	-	17,664	17,664
Forward foreign exchange contracts	(312)	-	-	(312)
	523,079	-	22,187	545,266

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

30 September 2018	**US$ '000**		
	Unlisted equity	**Other**	**Total**
Balances at 1 January 2018	**4,165**	**18,389**	**22,554**
(Loss) gain recognised in:			
- Statement of income	**-**	**-**	**-**
- Other comprehensive income	**(130)**	**404**	**274**
Investments made during the period	**89**	**1,442**	**1,531**
Investments redeemed during the period	**(203)**	**(2,556)**	**(2,759)**
Balances at 30 September 2018	**3,921**	**17,679**	**21,600**

31 December 2017	US$'000		
	Unlisted equity	Other	Total
Balances at 1 January 2017	6,381	17,100	23,481
(Loss) gain recognised in:			
- Statement of income	(707)	(801)	(1,508)
- Other comprehensive income	(146)	1,924	1,778
Investments made during the year	112	4,229	4,341
Investments redeemed during the year	(1,475)	(4,063)	(5,538)
Balances at 31 December 2017	4,165	18,389	22,554

20. FAIR VALUE DISCLOSURE (CONTD.)

30 September 2017	US$ '000		
	Unlisted equity	Other	Total
Balances at 1 January 2017	6,381	17,100	23,481
(Loss) gain recognised in:			
- Statement of income	(612)	(378)	(990)
- Other comprehensive income	143	1,177	1,320
Investments made during the period	85	3,160	3,245
Investments redeemed during the period	(1,474)	(3,395)	(4,869)
Balances at 30 September 2017	4,523	17,664	22,187

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 unobservable 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 30 September 2018, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2017: nil; 30 September 2017: 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 capitalisation rates, discount rates, leasing and other factors, the amount which will be realised by the Group on the disposal of its investments may differ significantly from the values at which they are carried in the condensed consolidated interim 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.

21. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and associates

At 30 September 2018, 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 (under run-off)	United Arab Emirates	54%	46%	Retakaful
Arig Insurance Management (DIFC) Ltd. (under voluntary liquidation)	United Arab Emirates	100%	Nil	Insurance Manager

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2017. The Company holds 49% and 25% of the equity shares in its associate companies Arima Insurance software W.L.L. and Globemed Bahrain W.L.L., Bahrain respectively.

ii) Interest in subsidiaries: Takaful Re Limited

	US$ '000		
	Financial year-to-date 30 September 2018	Financial year-to-date 30 September 2017	Year ended 31 December 2017
Non-controlling interests	**46%**	46%	46%
Total assets	**84,239**	121,231	92,499
Total liabilities	**23,052**	41,813	37,684
Net assets	**61,187**	79,418	54,815
Revenue	**(524)**	(604)	(1,462)
Profit for the period	**6,914**	1,594	2,279
Total comprehensive income	**6,373**	1,456	1,853
Comprehensive income attributable to non-controlling interests	**2,932**	670	852
Net cash used in operating activities	**(8,168)**	(7,631)	(10,158)
Net cash provided by (used in) investing activities	**10,066**	(16,905)	9,448
Net cash used in financing activities	**-**	-	(25,000)
Net increase (decrease) in cash and cash equivalents	**1,898**	(24,536)	(25,710)

The subsidiary's policyholders funds are consolidated as these funds are controlled and managed by the subsidiary which is in a position to direct activities and operations.

21. PRINCIPAL SUBSIDIARIES & ASSOCIATES (CONTD.)

iii) Interest in subsidiaries: Gulf Warranties W.L.L.

There has been fraud committed by employees of the Group's subsidiary, Gulf Warranties W.L.L. Detailed investigations are at the final stage. Based on management's assessments, the entire probable loss estimates of US$ 21 millions have been provided for in the books of the subsidiary and consequently consolidated in the condensed consolidated interim financial statements of the Group. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L. The above estimated loss has led to substantial negative equity in the subsidiary. The Board of Directors of the Company decided, in its meeting held on 6 November 2018, not to support the Group's subsidiary. Given the present uncertainty around alternative source of funding and support to alleviate this situation, a material uncertainty exists that may cast significant doubt on the subsidiary's ability to continue as a going concern.

22. RELATED PARTY TRANSACTIONS

Related parties represent the Company's major shareholders, associate companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

Government of UAE controls 31.3% of shares in the Group through major shareholders Emirates Investment Authority, General Pension and Social Security Authority and Emirates Development Bank while Government of Libya controls 14.4% of shares in the Group through Central Bank of Libya. The Group does not have any significant transactions with these governments and entities controlled, jointly controlled or significantly influenced by these governments.

The following is the summary of transactions with related parties:

i) Associate companies:

	US$ '000		
	Financial year-to-date 30 September 2018	Financial year-to-date 30 September 2017	Year ended 31 December 2017
a) Service fees for administration services provided by Arig	**28**	71	89
b) Service fees for administration services provided by associates	**517**	571	705
c) Balances outstanding - Payables	**37**	62	100

22. RELATED PARTY TRANSACTIONS (CONTD.)

ii) Compensation to directors and key management personnel:

	US$ '000		
	Financial year-to-date 30 September 2018	Financial year-to-date 30 September 2017	Year ended 31 December 2017
a) Directors			
- Attendance fees	**64**	43	65
- Travel expenses	**125**	111	160
b) Key management compensation			
- Salaries and other short-term employee benefits	**1,225**	1,212	1,607
- Post-employment benefits	**238**	353	426
- Employee long-term incentives	**-**	432	432
c) Balances payable to key Management	**4,831**	3,438	4,586

23. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in available for sale investments amounting to US$ 9.2. million (31 December 2017: US$ 8.8 million; 30 September 2017: US$ 8.7 million).

APPENDIX

ARAB INSURANCE GROUP (B.S.C.)

A. SIGNIFICANT ACCOUNTING POLICIES ON INVESTMENTS AS AT 30 SEPTEMBER 2018

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 issuer. 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, less any adjustment necessary for impairment. 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 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-2018		
	Investments in U.A.E.	Investments outside U.A.E.	Total
a. Cash & bank balances	10,916	75,478	**86,394**
Total cash & bank balances	**10,916**	**75,478**	**86,394**
b. Investments			
At fair value through profit or loss			
Held for trading			
Common stock of listed companies	4,178	51,378	**55,556**
	4,178	**51,378**	**55,556**
Designated at fair value on initial recognition			
Debt Securities			
- Other Investment grade	-	78,605	**78,605**
- Other	-	20,307	**20,307**
	-	**98,912**	**98,912**
Held to maturity			
Debt securities			
- Supra-nationals and OECD country governments	-	500	**500**
- Other Investment grade	3,898	-	**3,898**
- Other	-	3,937	**3,937**
	3,898	**4,437**	**8,335**
Available for sale			
Debt securities			
- Supra-nationals and OECD country governments	-	30,699	**30,699**
- Other Investment grade	23,256	216,936	**240,192**
- Other	3,920	69,189	**73,109**
Common stock of listed companies	-	10,394	**10,394**
Common stock of unlisted companies	-	3,921	**3,921**
Other (see note)	-	17,679	**17,679**
	27,176	**348,818**	**375,994**
Investment in associates	-	361	**361**
	-	**361**	**361**
Total Investments	**35,252**	**503,906**	**539,158**

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$ 1,755,137 (in U.A.E.: US$ NIL).