

**Arab Insurance Group (B.S.C.)**

**Condensed consolidated interim  
financial statements for the  
nine months ended 30 September 2017**



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

**Introduction**

We have reviewed the accompanying condensed consolidated statement of financial position of Arab Insurance Group (B.S.C.) (the "Company") and its subsidiaries (together the "Group") as of 30 September 2017 and the related condensed consolidated statements of income, comprehensive income, 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 are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (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.

12 November 2017

Partner registration number: 201  
Manama, Kingdom of Bahrain

# ARAB INSURANCE GROUP (B.S.C.)

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

(In thousands of U.S. Dollars)

	Note	30 September 2017 (reviewed)	31 December 2016 (audited)	30 September 2016 (reviewed)
<b>ASSETS</b>				
Cash and bank balances		132,420	180,460	227,809
Investments	5	555,692	554,660	509,995
Accrued income	6	138,338	101,610	125,006
Insurance receivables		119,857	108,402	106,705
Insurance deposits		26,676	28,086	33,268
Deferred policy acquisition costs		26,632	17,800	21,014
Reinsurers' share of technical provisions	7	95,455	83,818	88,288
Other assets	8	20,135	17,991	17,854
Property and equipment	9	21,003	21,588	21,768
		<b>1,136,208</b>	<b>1,114,415</b>	<b>1,151,707</b>
<b>LIABILITIES</b>				
Technical provisions	10	710,893	673,681	733,743
Insurance payables		50,140	61,571	39,155
Borrowings		34,000	41,000	41,000
Other liabilities	11	47,033	45,349	47,490
		<b>842,066</b>	<b>821,601</b>	<b>861,388</b>
<b>EQUITY</b>				
<b>Attributable to shareholders of parent company</b>				
Share capital		220,000	220,000	220,000
Treasury stock		(14,793)	(14,793)	(14,793)
Reserves		44,150	37,684	40,491
Retained earnings		8,030	13,743	8,903
		<b>257,387</b>	<b>256,634</b>	<b>254,601</b>
<b>Non-controlling interests</b>		<b>36,755</b>	<b>36,180</b>	<b>35,718</b>
		<b>294,142</b>	<b>292,814</b>	<b>290,319</b>
		<b>1,136,208</b>	<b>1,114,415</b>	<b>1,151,707</b>

These condensed consolidated interim financial statements were approved by the Board of Directors on 12 November 2017 and signed on its behalf by:



Saeed Mohamed Al-Bahhar  
Chairman



Ahmed Saeed Almahri  
Director



Yassir Albaharna  
Chief Executive Officer

The accompanying notes 1 to 22 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 2017

(In thousands of U.S. Dollars)

	Note	For the three months ended 30 September 2017 (reviewed)	For the three months ended 30 September 2016 (reviewed)	For the financial year-to-date 30 September 2017 (reviewed)	For the financial year-to-date 30 September 2016 (reviewed)	For the year ended 31 December 2016 (audited)
Gross premiums written		26,723	21,307	216,317	227,481	245,431
Net earned premiums		45,372	41,821	131,805	131,828	180,503
Claims and related expenses		(35,298)	(27,557)	(85,447)	(89,670)	(119,412)
Policy acquisition costs		(11,811)	(11,322)	(39,497)	(35,178)	(46,370)
Investment income attributable to insurance funds	13	3,250	3,372	10,400	8,765	11,123
Operating expenses	14	(1,759)	(3,768)	(9,152)	(12,077)	(17,508)
<b>Underwriting result</b>	12	(246)	2,546	8,109	3,668	8,336
Investment income attributable to shareholders' funds	13	2,044	2,183	7,195	6,683	8,166
Operating expenses - non underwriting activities	14	(2,026)	(2,028)	(7,315)	(5,555)	(8,042)
Borrowing cost		(226)	(125)	(718)	(513)	(866)
Other income	15	811	907	2,727	3,074	5,299
Other expenses and provisions	16	(560)	(1,323)	(5,311)	(3,207)	(2,742)
<b>(Loss) profit for the period</b>		(203)	2,160	4,687	4,150	10,151
<b>Attributable to:</b>						
Non-controlling interests		(175)	484	637	706	989
Shareholders of parent company		(28)	1,676	4,050	3,444	9,162
		(203)	2,160	4,687	4,150	10,151
<b>Earnings per share attributable to shareholders (basic and diluted): (US cents)</b>	17	(0.0)	0.8	2.0	1.7	4.6

The accompanying notes 1 to 22 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 2017

(In thousands of U.S. Dollars)

	For the three months ended 30 September 2017 (reviewed)	For the three months ended 30 September 2016 (reviewed)	For the financial year-to-date 30 September 2017 (reviewed)	For the financial year-to-date 30 September 2016 (reviewed)	For the year ended 31 December 2016 (audited)
(Loss) profit for the period	(203)	2,160	4,687	4,150	10,151
<b>Other comprehensive income</b>					
<b>Items that will be reclassified to profit or loss:</b>					
Changes on remeasurement of available for sale investments	1,887	224	5,543	5,272	1,101
Transfers for recognition of losses on disposal of available for sale investments	(299)	947	1,000	1,917	2,262
<b>Other comprehensive income</b>	<b>1,588</b>	<b>1,171</b>	<b>6,543</b>	<b>7,189</b>	<b>3,363</b>
<b>Total comprehensive income</b>	<b>1,385</b>	<b>3,331</b>	<b>11,230</b>	<b>11,339</b>	<b>13,514</b>
<b>Attributable to:</b>					
Non-controlling interests	(283)	456	575	986	1,128
Shareholders of parent company	1,668	2,875	10,655	10,353	12,386
	<b>1,385</b>	<b>3,331</b>	<b>11,230</b>	<b>11,339</b>	<b>13,514</b>

The accompanying notes 1 to 22 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				
<b>Balances at 31 December 2016</b>	220,000	(14,793)	34,094	(1,971)	5,561	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	-	-	-	5,452	-	-	5,452	91	5,543
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	1,153	-	-	1,153	(153)	1,000
<b>Total comprehensive income for the period</b>	-	-	-	6,605	-	4,050	10,655	575	11,230
Dividends paid	-	-	-	-	-	(9,902)	(9,902)	-	(9,902)
Transfer of net depreciation on revalued property	-	-	-	-	(139)	139	-	-	-
<b>Balances at 30 September 2017</b>	220,000	(14,793)	34,094	4,634	5,422	8,030	257,387	36,755	294,142

The accompanying notes 1 to 22 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 2016**

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Legal	Reserves		Total	Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
				Investment revaluation	Property revaluation					
Balances at 31 December 2015	220,000	(14,793)	33,200	(5,195)	5,745	33,750	5,291	244,248	34,732	278,980
Net profit for the year	-	-	-	-	-	-	9,162	9,162	989	10,151
Changes on remeasurement of available for sale investments	-	-	-	977	-	977	-	977	124	1,101
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	2,247	-	2,247	-	2,247	15	2,262
Total comprehensive income for the year	-	-	-	3,224	-	3,224	9,162	12,386	1,128	13,514
Transfer of net depreciation on revalued property	-	-	-	-	(184)	(184)	184	-	-	-
Transfer to non-distributable reserves	-	-	894	-	-	894	(894)	-	-	-
Adjustment for minority's share of subsidiary	-	-	-	-	-	-	-	-	320	320
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

The accompanying notes 1 to 22 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 2016**

(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 2015	220,000	(14,793)	33,200	(5,195)	5,745	33,750	244,248	34,732	278,980	
Net profit for the period	-	-	-	-	-	-	3,444	706	4,150	
Changes on remeasurement of available for sale investments	-	-	-	5,010	-	5,010	5,010	262	5,272	
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	1,899	-	1,899	1,899	18	1,917	
Total comprehensive income for the period	-	-	-	6,909	-	6,909	3,444	986	11,339	
Transfer of net depreciation on revalued property	-	-	-	-	(137)	(137)	137	-	-	
Transfer from non-distributable reserves	-	-	(31)	-	-	(31)	31	-	-	
Balances at 30 September 2016	220,000	(14,793)	33,169	1,714	5,608	40,491	254,601	35,718	290,319	

The accompanying notes 1 to 22 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 2017**

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 September 2017 (reviewed)	For the financial year-to-date 30 September 2016 (reviewed)	For the year ended 31 December 2016 (audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Premiums received		158,374	194,309	250,560
Reinsurance premiums paid		(27,524)	(27,460)	(38,955)
Claims and acquisition costs paid		(174,003)	(177,038)	(232,796)
Reinsurance receipts in respect of claims		8,559	15,543	24,650
Investment income		(162)	(4,735)	89
Interest received		1,756	1,707	2,281
Dividends received		740	683	761
Operating expenses paid		(20,552)	(22,644)	(30,174)
Other (expenses) income, net		(1,233)	(5,318)	(3,911)
Insurance deposits received, net		1,667	4,225	9,079
Purchase of trading investments		(14,823)	(22,807)	(26,364)
Sale of trading investments		7,220	27,940	44,003
<b>Net cash used in operating activities</b>	18	<b>(59,981)</b>	<b>(15,595)</b>	<b>(777)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Maturity/sale of investments		207,531	218,140	293,215
Purchase of investments		(187,736)	(189,549)	(326,719)
Term deposits with bank		(9,601)	153	21,202
Interest received		6,622	6,849	9,738
Investment income		2,018	6,855	3,899
Collateralised cash deposits		683	6,493	6,858
Purchase of property and equipment		(88)	(273)	(328)
Purchase of intangible assets		(445)	(38)	(37)
Investment in associate		-	(63)	(63)
<b>Net cash provided by investing activities</b>		<b>18,984</b>	<b>48,567</b>	<b>7,765</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Borrowings		(7,000)	(3,000)	(3,000)
Interest on borrowings		(588)	(723)	(866)
Dividends paid		(9,054)	(63)	(62)
<b>Net cash used in financing activities</b>		<b>(16,642)</b>	<b>(3,786)</b>	<b>(3,928)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(57,639)</b>	<b>29,186</b>	<b>3,060</b>
Effect of exchange rate on cash and cash equivalents		(2)	7	(167)
Cash and cash equivalents, beginning of period		139,408	136,515	136,515
<b>Cash and cash equivalents, end of period</b>		<b>81,767</b>	<b>165,708</b>	<b>139,408</b>
Term deposits with bank		50,653	62,101	41,052
<b>Cash and bank balances, end of period</b>		<b>132,420</b>	<b>227,809</b>	<b>180,460</b>

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

# ARAB INSURANCE GROUP (B.S.C.)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

### 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 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 2016.

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 2016 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 2017.

### 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.

This condensed interim consolidated financial statements does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as at 31 December 2016.

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 2017	31 December 2016	30 September 2016
<b><u>At fair value through profit or loss</u></b>			
<b>Held for trading</b>			
Common stock of listed companies	56,554	43,937	42,138
	<b>56,554</b>	<b>43,937</b>	<b>42,138</b>
<b>Designated at fair value on initial recognition</b>			
<b>Debt securities</b>			
- Other investment grade	66,014	65,417	51,026
- Other	19,371	28,706	41,235
	<b>85,385</b>	<b>94,123</b>	<b>92,261</b>
<b><u>Held to maturity</u></b>			
<b>Debt securities</b>			
- Supra-nationals and OECD country governments	1,000	1,000	1,000
- Other investment grade	4,875	4,857	4,851
- Other	3,923	3,913	3,910
	<b>9,798</b>	<b>9,770</b>	<b>9,761</b>
<b><u>Available for sale</u></b>			
<b>Debt securities</b>			
- Supra-nationals and OECD country governments	27,864	57,284	48,753
- Other investment grade	245,430	218,255	208,641
- Other	94,233	96,537	77,096
Common stock of listed companies	13,925	10,312	8,685
Common stock of unlisted companies	4,523	6,381	6,429
Other equity type investment	17,664	17,978	16,140
	<b>403,639</b>	<b>406,747</b>	<b>365,744</b>
<b><u>Investment in associate</u></b>			
	<b>316</b>	<b>83</b>	<b>91</b>
	<b>555,692</b>	<b>554,660</b>	<b>509,995</b>

Debt securities amounting to US\$ 177.5 million (31 December 2016: US\$ 169.9 million; 30 September 2016: US\$ 147.9 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and borrowings.

## 6. ACCRUED INCOME

	US\$ '000		
	30 September 2017	31 December 2016	30 September 2016
Accrued insurance premiums	135,612	99,352	122,548
Accrued interest	2,726	2,258	2,458
	138,338	101,610	125,006

## 7. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US\$ '000		
	30 September 2017	31 December 2016	30 September 2016
<b><u>General insurance business</u></b>			
- Claims outstanding	33,737	38,669	38,741
- Unreported claims	17,025	18,172	17,862
- Deferred retrocession premium reserve	44,618	26,858	31,407
	95,380	83,699	88,010
<b><u>Life insurance business</u></b>			
- Claims outstanding	11	21	152
- Unreported claims	64	98	126
	75	119	278
	95,455	83,818	88,288

## 8. OTHER ASSETS

	US\$ '000		
	30 September 2017	31 December 2016	30 September 2016
Intangible assets :			
- Computer software	9,995	9,593	9,568
	9,995	9,593	9,568
Less: Accumulated amortisation	(9,356)	(9,245)	(9,195)
	639	348	373
Net intangible assets	639	348	373
Other assets:			
- Collateralised cash deposits	11,563	12,246	12,520
- Prepayments and other receivables	7,933	5,397	4,961
	19,496	17,643	17,481
	20,135	17,991	17,854

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

## 9. PROPERTY AND EQUIPMENT

	US\$ '000		
	30 September 2017	31 December 2016	30 September 2016
Land	2,469	2,469	2,469
Building	19,182	19,182	19,182
Information system, furniture, equipment and other	10,610	10,592	10,830
	<b>32,261</b>	<b>32,243</b>	<b>32,481</b>
Less: Accumulated depreciation	(11,258)	(10,655)	(10,713)
	<b>21,003</b>	<b>21,588</b>	<b>21,768</b>

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

## 10. TECHNICAL PROVISIONS

	US\$ '000		
	30 September 2017	31 December 2016	30 September 2016
<b><u>General insurance business</u></b>			
- Claims outstanding	249,210	279,957	287,606
- Unreported losses	171,674	177,783	186,706
- Unearned premiums	230,911	153,266	181,824
	<b>651,795</b>	<b>611,006</b>	<b>656,136</b>
<b><u>Life insurance business</u></b>			
- Claims outstanding	14,171	14,638	17,808
- Unreported losses	34,765	40,378	49,890
- Unearned premiums	10,162	7,659	9,909
	<b>59,098</b>	<b>62,675</b>	<b>77,607</b>
	<b>710,893</b>	<b>673,681</b>	<b>733,743</b>

## 11. OTHER LIABILITIES

	US\$ '000		
	30 September 2017	31 December 2016	30 September 2016
Post-employment benefits	12,552	12,398	14,569
Reinsurance premiums accrued	5,790	5,906	6,067
Dividends payable	3,366	2,517	2,516
Accrued expenses	2,869	5,984	5,046
Employee long-term incentives	1,488	2,977	2,727
Other	20,968	15,567	16,565
	<b>47,033</b>	<b>45,349</b>	<b>47,490</b>

**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 2017									
		Non-life					Life				
		Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	Total	
<b>REVENUES :</b>											
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	
<b>Net earned premiums</b>		<b>22,725</b>	<b>8,983</b>	<b>5,589</b>	<b>5,405</b>	<b>52,626</b>	<b>21,673</b>	<b>14,320</b>	<b>484</b>	<b>131,805</b>	
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	
<b>COSTS AND EXPENSES :</b>											
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)	
<b>Claims and related expenses</b>		<b>(9,343)</b>	<b>(1,837)</b>	<b>(2,351)</b>	<b>(2,818)</b>	<b>(41,552)</b>	<b>(16,898)</b>	<b>(13,149)</b>	<b>2,501</b>	<b>(85,447)</b>	
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)	
<b>Policy acquisition costs</b>		<b>(7,433)</b>	<b>(3,004)</b>	<b>(1,902)</b>	<b>(1,448)</b>	<b>(20,343)</b>	<b>(1,378)</b>	<b>(968)</b>	<b>(3,021)</b>	<b>(39,497)</b>	
Operating expenses		(2,986)	(1,315)	(852)	(603)	(178)	(1,505)	(1,459)	(254)	(9,152)	
<b>Underwriting result</b>		<b>5,883</b>	<b>4,638</b>	<b>1,438</b>	<b>1,523</b>	<b>(9,260)</b>	<b>3,146</b>	<b>63</b>	<b>678</b>	<b>8,109</b>	

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

US\$ '000										
Year ended 31 December 2016										
Property	Non-life					Life				Total
	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term			
40,754	20,947	9,768	9,041	113,593	30,937	19,954	437	245,431		
(6,607)	(3,698)	(1,223)	(449)	(26,078)	1,296	(265)	-	(37,024)		
4,215	2,775	1,649	1,600	(32,542)	(8,493)	322	(68)	(30,542)		
1,243	1,228	483	110	1,242	(1,437)	(231)	-	2,638		
39,605	21,252	10,677	10,302	56,215	22,303	19,780	369	180,503		
3,457	1,847	1,085	992	220	1,466	1,035	1,021	11,123		
43,062	23,099	11,762	11,294	56,435	23,769	20,815	1,390	191,626		
(40,163)	(18,159)	(8,495)	(8,472)	(36,312)	(24,704)	(21,541)	(16,875)	(174,721)		
498	536	399	84	(3,793)	856	485	-	(935)		
6,878	4,841	4,333	49	22,584	6,479	(332)	3,555	48,387		
1,298	(338)	(1,066)	(245)	(10)	(1,364)	-	-	(1,725)		
13,704	(448)	2,573	196	(21,623)	3,277	1,463	11,072	10,214		
(356)	233	471	(14)	(279)	(755)	74	(6)	(632)		
(18,141)	(13,335)	(1,785)	(8,402)	(39,433)	(16,211)	(19,851)	(2,254)	(119,412)		
(10,784)	(6,713)	(3,475)	(2,048)	(19,881)	(1,822)	(707)	295	(45,135)		
1,306	876	456	194	-	(666)	-	-	2,166		
(1,838)	(385)	(469)	(923)	(365)	1,332	(105)	6	(2,747)		
(326)	(483)	(186)	(55)	-	396	-	-	(654)		
(11,642)	(6,705)	(3,674)	(2,832)	(20,246)	(760)	(812)	301	(46,370)		
(6,371)	(2,238)	(1,539)	(1,640)	(445)	(2,546)	(2,326)	(403)	(17,508)		
6,908	821	4,764	(1,580)	(3,689)	4,252	(2,174)	(966)	8,336		

REVENUES :

Gross premiums written  
 Outward reinsurance premiums  
 Change in unearned premiums – gross  
 Change in unearned premiums - reinsurance  
 Net earned premiums

Investment income attributable to insurance funds

COSTS AND EXPENSES :

Gross claims paid  
 Claims recovered from reinsurers  
 Change in provision for outstanding claims - gross  
 Change in provision for outstanding claims – reinsurance  
 Change in provision for unreported losses - gross  
 Change in provision for unreported losses – reinsurance  
 Claims and related expenses

Policy acquisition costs  
 Policy acquisition costs recovered from reinsurers  
 Change in deferred policy acquisition costs - gross  
 Change in deferred policy acquisition costs – reinsurance  
 Policy acquisition costs

Operating expenses  
 Underwriting result

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

US\$ '000										
Period ended 30 September 2016										
Property	Non-life					Life				
	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	Total		
38,439	19,253	10,142	8,671	112,764	21,237	16,487	488	227,481		
(5,557)	(3,472)	(1,260)	(465)	(25,726)	(1,126)	(142)	-	(37,748)		
(5,409)	(1,083)	(1,530)	(764)	(50,063)	(4,583)	(1,791)	(229)	(65,452)		
2,303	1,620	786	255	3,640	(852)	(205)	-	7,547		
29,776	16,318	8,138	7,697	40,615	14,676	14,349	259	131,828		
2,607	1,292	878	386	164	1,608	744	1,086	8,765		
32,383	17,610	9,016	8,083	40,779	16,284	15,093	1,345	140,593		
(27,498)	(13,783)	(6,422)	(6,565)	(25,818)	(17,438)	(15,377)	(2,469)	(115,370)		
(147)	325	354	74	(4,849)	546	254	-	(3,443)		
(1,000)	5,662	4,123	1,139	25,056	4,943	(212)	300	40,011		
1,570	(248)	(1,150)	(261)	(10)	(898)	131	-	(866)		
10,019	(3,437)	250	435	(22,053)	2,264	2,245	796	(9,481)		
(289)	82	(89)	22	(279)	(46)	78	-	(521)		
(17,345)	(11,399)	(2,934)	(5,156)	(27,953)	(10,629)	(12,881)	(1,373)	(89,670)		
(9,937)	(6,475)	(3,625)	(2,718)	(14,723)	(712)	(246)	142	(38,294)		
1,120	879	473	216	-	(25)	-	-	2,663		
567	757	496	128	4	(81)	(101)	7	1,777		
(569)	(577)	(291)	(122)	-	235	-	-	(1,324)		
(8,819)	(5,416)	(2,947)	(2,496)	(14,719)	(583)	(347)	149	(35,178)		
(4,371)	(1,487)	(1,060)	(1,096)	(306)	(1,807)	(1,647)	(303)	(12,077)		
1,848	(692)	2,075	(665)	(2,199)	3,265	218	(182)	3,668		

REVENUES :

Gross premiums written  
 Outward reinsurance premiums  
 Change in unearned premiums - gross  
 Change in unearned premiums - reinsurance  
 Net earned premiums

Investment income attributable to insurance funds

COSTS AND EXPENSES :

Gross claims paid  
 Claims recovered from reinsurers  
 Change in provision for outstanding claims - gross  
 Change in provision for outstanding claims - reinsurance  
 Change in provision for unreported losses - gross  
 Change in provision for unreported losses - reinsurance  
 Claims and related expenses

Policy acquisition costs  
 Policy acquisition costs recovered from reinsurers  
 Change in deferred policy acquisition costs - gross  
 Change in deferred policy acquisition costs - reinsurance  
 Policy acquisition costs

Operating expenses  
 Underwriting result



### 13. INVESTMENT INCOME

	US\$ '000				
	Financial year-to-date 30 September 2017			Financial year-to-date 30 September 2016	Year ended 31 December 2016
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	578	333	911	961	1,237
- Others	4,132	3,803	7,935	8,123	10,693
Dividends	466	274	740	683	761
Realised gains (loss)					
- Trading investments	1,028	604	1,632	2,254	3,156
- Investment designated at fair value through profit or loss	(407)	(239)	(646)	(117)	(283)
- Available for sale	552	(328)	224	3,281	3,373
Gain (loss) on remeasurement of investments at fair value through profit & loss					
- Trading investments	3,824	2,248	6,072	283	1,103
- Investments designated at fair value through profit or loss	759	446	1,205	1,231	684
Impairment loss - available for sale	(221)	235	14	(687)	(521)
Other	(311)	(181)	(492)	(564)	(914)
	10,400	7,195	17,595	15,448	19,289

### 14. OPERATING EXPENSES

	US\$ '000				
	Financial year-to-date 30 September 2017			Financial year-to-date 30 September 2016	Year ended 31 December 2016
	Underwriting	Non- Underwriting	Total		
Salaries and benefits	5,303	4,596	9,899	12,112	17,470
General and administration	3,849	2,719	6,568	5,520	8,080
	9,152	7,315	16,467	17,632	25,550

15. OTHER INCOME

	US\$ '000		
	Financial year-to-date 30 September 2017	Financial year-to-date 30 September 2016	Year ended 31 December 2016
Third party administration services	1,617	2,415	4,587
Income (loss) from associates	232	(209)	(217)
Other	878	868	929
	<b>2,727</b>	<b>3,074</b>	<b>5,299</b>

16. OTHER EXPENSES AND PROVISIONS

	US\$ '000		
	Financial year-to-date 30 September 2017	Financial year-to-date 30 September 2016	Year ended 31 December 2016
Foreign exchange loss	5,085	3,499	2,015
Provision for doubtful receivable & Deposits	-	(53)	376
Other	226	(239)	351
	<b>5,311</b>	<b>3,207</b>	<b>2,742</b>

17. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		Financial year-to-date 30 September 2017	Financial year-to-date 30 September 2016	Year ended 31 December 2016
Weighted average number of shares outstanding	'000	198,032	198,032	198,032
Net profit	US\$'000	4,050	3,444	9,162
Earnings per share	US cents	2.0	1.7	4.6

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

	US\$ '000		
	Financial year-to-date 30 September 2017	Financial year-to-date 30 September 2016	Year ended 31 December 2016
Profit for the period	4,687	4,150	10,151
Increase (decrease) in insurance funds	18,153	34,897	(12,299)
Change in insurance receivable/ payable, net	(22,886)	3,866	24,585
Change in accrued insurance premiums	(36,728)	(53,684)	(30,288)
Change in other assets/liabilities, net	(23,207)	(4,824)	7,074
	<b>(59,981)</b>	<b>(15,595)</b>	<b>(777)</b>
Net cash used in operating activities			

19. FAIR VALUE DISCLOSURE

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

US\$ '000							
30 September 2017							
Book Value						Fair value	
At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total		
<b>ASSETS</b>							
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	-	19,496	-	-	-	19,496	19,496
<b>LIABILITIES</b>							
Insurance payables	-	-	-	-	50,140	50,140	50,140
Borrowings	-	-	-	-	34,000	34,000	34,000
Other liabilities	-	-	-	-	44,164	44,164	44,164

US\$ '000							
31 December 2016							
Book Value						Fair value	
At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total		
<b>ASSETS</b>							
Cash and bank balances	-	180,460	-	-	-	180,460	180,460
Investments	138,060	-	9,770	406,747	-	554,577	554,928
Accrued income	-	101,610	-	-	-	101,610	101,610
Insurance receivables	-	108,402	-	-	-	108,402	108,402
Insurance deposits	-	28,086	-	-	-	28,086	28,086
Other assets	-	17,643	-	-	-	17,643	17,643
<b>LIABILITIES</b>							
Insurance payables	-	-	-	-	61,571	61,571	61,571
Borrowings	-	-	-	-	41,000	41,000	41,000
Other liabilities	-	-	-	-	39,365	39,365	39,365

19. FAIR VALUE DISCLOSURE (CONTD.)

US\$ '000							
30 September 2016							
Book Value						Fair value	
At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total		
<b>ASSETS</b>							
Cash and bank balances	-	227,809	-	-	-	227,809	227,809
Investments	134,399	-	9,761	365,744	-	509,904	510,412
Accrued income	-	125,006	-	-	-	125,006	125,006
Insurance receivables	-	106,705	-	-	-	106,705	106,705
Insurance deposits	-	33,268	-	-	-	33,268	33,268
Other assets	-	17,481	-	-	-	17,481	17,481
<b>LIABILITIES</b>							
Insurance payables	-	-	-	-	39,155	39,155	39,155
Borrowings	-	-	-	-	41,000	41,000	41,000
Other liabilities	-	-	-	-	42,444	42,444	42,444

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.

## 19. 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 2017	Level 1	Level 2	Level 3	Total
<b><u>At fair value through profit or loss</u></b>				
<b><u>Held for trading</u></b>				
Common stock of listed companies	56,554	-	-	56,554
<b><u>Designated at fair value on initial recognition</u></b>				
Debt Securities	85,385	-	-	85,385
<b><u>Available for sale</u></b>				
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
<b><u>Forward foreign exchange contracts</u></b>				
	(312)	-	-	(312)
	<b>523,079</b>	<b>-</b>	<b>22,187</b>	<b>545,266</b>

  

US\$'000				
31 December 2016	Level 1	Level 2	Level 3	Total
<b><u>At fair value through profit or loss</u></b>				
<b><u>Held for trading</u></b>				
Common stock of listed companies	43,937	-	-	43,937
<b><u>Designated at fair value on initial recognition</u></b>				
Debt Securities	94,123	-	-	94,123
<b><u>Available for sale</u></b>				
Debt securities	372,076	-	-	372,076
Common stock of listed companies	10,312	-	-	10,312
Common stock of unlisted companies	-	-	6,381	6,381
Other	-	878	17,100	17,978
<b><u>Forward foreign exchange contracts</u></b>				
	273	-	-	273
	<b>520,721</b>	<b>878</b>	<b>23,481</b>	<b>545,080</b>

## 19. FAIR VALUE DISCLOSURE (CONTD.)

US\$'000				
Level 1	Level 2	Level 3	Total	
<b>30 September 2016</b>				
<u>At fair value through profit or loss</u>				
<u>Held for trading</u>				
Common stock of listed companies	42,138	-	-	42,138
Designated at fair value on initial recognition				
Debt Securities	92,261	-	-	92,261
<u>Available for sale</u>				
<u>Debt securities</u>				
Common stock of listed companies	334,490	-	-	334,490
Common stock of listed companies	8,685	-	-	8,685
Common stock of unlisted companies	-	-	6,429	6,429
Other	-	881	15,259	16,140
<u>Forward foreign exchange contracts</u>				
	125	-	-	125
	477,699	881	21,688	500,268

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

US\$ '000			
Unlisted equity	Others	Total	
<b>30 September 2017</b>			
<b>Balance at 1 January 2017</b>	<b>6,381</b>	<b>17,100</b>	<b>23,481</b>
<b>Gain (loss) recognised in:</b>			
- Income statement	(612)	(378)	(990)
- other comprehensive income	143	1,177	1,320
<b>Investments made during the period</b>	<b>85</b>	<b>3,160</b>	<b>3,245</b>
<b>Investments redeemed during the period</b>	<b>(1,474)</b>	<b>(3,395)</b>	<b>(4,869)</b>
<b>Balance at 30 September 2017</b>	<b>4,523</b>	<b>17,664</b>	<b>22,187</b>

US\$'000			
Unlisted equity	Others	Total	
<b>31 December 2016</b>			
<b>Balance at 1 January 2016</b>	<b>6,357</b>	<b>15,895</b>	<b>22,252</b>
<b>Gain (loss) recognised in:</b>			
- Income statement	299	(599)	(300)
- Other comprehensive income	(10)	(679)	(689)
<b>Investments made during the year</b>	<b>187</b>	<b>4,801</b>	<b>4,988</b>
<b>Investments redeemed during the year</b>	<b>(452)</b>	<b>(2,318)</b>	<b>(2,770)</b>
<b>Balance at 31 December 2016</b>	<b>6,381</b>	<b>17,100</b>	<b>23,481</b>

## 19. FAIR VALUE DISCLOSURE (CONTD.)

30 September 2016	US\$ '000		
	Unlisted equity	Others	Total
Balance at 1 January 2016	6,357	15,895	22,252
Loss recognised in:			
- Income statement	-	(602)	(602)
- other comprehensive income	(10)	(337)	(347)
Investments made during the period	170	2,257	2,427
Investments redeemed during the period	(88)	(1,954)	(2,042)
Balance at 30 September 2016	6,429	15,259	21,688

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 30 September 2017, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2016: nil; 30 September 2016: 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.

## 20. PRINCIPAL SUBSIDIARIES & ASSOCIATES

At 30 September 2017, the principal subsidiaries of the Company were:

	<u>Country of incorporation</u>	<u>Ownership</u>	<u>Non-controlling Interests</u>	<u>Principal Activities</u>
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.	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 2016. 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.

## 21. RELATED PARTY TRANSACTIONS

Related parties represent the Company's major shareholders, associates, directors and key management personnel.

The following is the summary of transactions with related parties:

### i) Associate companies:

	US\$ '000		
	Financial year-to-date 30 September 2017	Financial year-to-date 30 September 2016	Year ended 31 December 2016
a) Service fees for administration services provided by ARIG	71	70	98
b) Service fees for administration services provided by associate	571	433	593
c) Balances outstanding			
- Receivables	-	121	205
- Payables	62	-	-

### ii) Compensation to directors and key management personnel:

	US\$ '000		
	Financial year-to-date 30 September 2017	Financial year-to-date 30 September 2016	Year ended 31 December 2016
a) Directors			
- Attendance fees	43	82	107
- Travel expenses	111	115	153
b) Key management compensation			
- Salaries and other short-term employee benefits	1,212	1,342	1,755
- Post-employment benefits	353	234	300
- Employee long-term incentives	432	1,435	1,767
c) Balances payable (net)			
Key management			
- Maximum balance	3,421	6,338	4,411
- Closing balance	3,438	6,338	4,411

## 22. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in available for sale investments amounting to US\$ 8.7 million (31 December 2016: US\$ 7.3 million; 30 September 2016: US\$ 5.6 million).