

Arab Insurance Group (B.S.C.)

**Condensed consolidated interim
financial statements for the
six months ended 30 June 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 June 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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.

13 August 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 JUNE 2017 (In thousands of U.S. Dollars)

	Note	30 June 2017 (reviewed)	31 December 2016 (audited)	30 June 2016 (reviewed)
ASSETS				
Cash and bank balances		152,242	180,460	209,287
Investments	5	524,909	554,660	505,958
Accrued income	6	173,581	101,610	157,413
Insurance receivables		108,149	108,402	87,389
Insurance deposits		28,919	28,086	34,324
Deferred policy acquisition costs		26,731	17,800	22,986
Reinsurers' share of technical provisions	7	71,377	83,818	72,704
Other assets	8	26,394	17,991	41,400
Property and equipment	9	21,173	21,588	21,948
		1,131,475	1,114,415	1,153,409
LIABILITIES				
Technical provisions	10	707,382	673,681	741,459
Insurance payables		47,204	61,571	38,319
Borrowings		34,000	41,000	41,000
Other liabilities	11	50,132	45,349	45,643
		838,718	821,601	866,421
EQUITY				
Attributable to shareholders of parent company				
Share capital		220,000	220,000	220,000
Treasury stock		(14,793)	(14,793)	(14,793)
Reserves		42,501	37,684	39,338
Retained earnings		8,011	13,743	7,181
		255,719	256,634	251,726
Non-controlling interests		37,038	36,180	35,262
		292,757	292,814	286,988
		1,131,475	1,114,415	1,153,409

These condensed consolidated interim financial statements were approved by the Board of Directors on 13 August 2017 and signed on its behalf by:



Saeed Mohamed Al-Bahhar
Chairman



Mohamed Saif Al Hameli
Vice Chairman



Yassir Albahama
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 SIX MONTHS ENDED 30 JUNE 2017

(In thousands of U.S. Dollars)

Note	For the three months ended 30 June 2017 (reviewed)	For the three months ended 30 June 2016 (reviewed)	For the financial year-to-date 30 June 2017 (reviewed)	For the financial year-to-date 30 June 2016 (reviewed)	For the year ended 31 December 2016 (audited)
Gross premiums written	16,816	3,496	189,594	206,174	245,431
Net earned premiums	45,121	45,734	86,433	90,007	180,503
Claims and related expenses	(22,721)	(33,089)	(50,149)	(62,113)	(119,412)
Policy acquisition costs	(15,534)	(11,982)	(27,686)	(23,856)	(46,370)
Investment income attributable to insurance funds	3,347	2,966	7,150	5,393	11,123
Operating expenses	(2,558)	(3,982)	(7,393)	(8,309)	(17,508)
Underwriting result	7,655	(353)	8,355	1,122	8,336
Investment income attributable to shareholders' funds	2,614	2,410	5,151	4,500	8,166
Operating expenses - non underwriting activities	(2,830)	(1,823)	(5,289)	(3,527)	(8,042)
Borrowing cost	(233)	(194)	(492)	(388)	(866)
Other income	791	660	1,916	2,167	5,299
Other expenses and provisions	(3,630)	308	(4,751)	(1,884)	(2,742)
Profit for the period	4,367	1,008	4,890	1,990	10,151
Attributable to:					
Non-controlling interests	774	5	812	222	989
Shareholders of parent company	3,593	1,003	4,078	1,768	9,162
	4,367	1,008	4,890	1,990	10,151
Earnings per share attributable to shareholders (basic and diluted):					
17 US\$	0.02	0.01	0.02	0.01	0.05

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 SIX MONTHS ENDED 30 JUNE 2017

(In thousands of U.S. Dollars)

	For the three months ended 30 June 2017 (reviewed)	For the three months ended 30 June 2016 (reviewed)	For the financial year-to-date 30 June 2017 (reviewed)	For the financial year-to-date 30 June 2016 (reviewed)	For the year ended 31 December 2016 (audited)
Profit for the period	4,367	1,008	4,890	1,990	10,151
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Changes on remeasurement of available for sale investments	40	1,288	3,656	5,048	1,101
Transfers for recognition of losses on disposal of available for sale investments	645	846	1,299	970	2,262
Other comprehensive income	685	2,134	4,955	6,018	3,363
Total comprehensive income	5,052	3,142	9,845	8,008	13,514
Attributable to:					
Non-controlling interests	730	96	858	530	1,128
Shareholders of parent company	4,322	3,046	8,987	7,478	12,386
	5,052	3,142	9,845	8,008	13,514

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 SIX MONTHS ENDED 30 JUNE 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				
Balances at 31 December 2016	220,000	(14,793)	34,094	(1,971)	5,561	13,743	256,634	36,180	292,814
Net profit for the period	-	-	-	-	-	4,078	4,078	812	4,890
Changes on remeasurement of available for sale investments	-	-	-	3,625	-	-	3,625	31	3,656
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	1,284	-	-	1,284	15	1,299
Total comprehensive income for the period	-	-	-	4,909	-	4,078	8,987	858	9,845
Dividends paid	-	-	-	-	-	(9,902)	(9,902)	-	(9,902)
Transfer of net depreciation on revalued property	-	-	-	-	(92)	92	-	-	-
Balances at 30 June 2017	220,000	(14,793)	34,094	2,938	5,469	8,011	255,719	37,038	292,757

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	Reserves			Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation				
Balances at 31 December 2015	220,000	(14,793)	33,200	(5,195)	5,745	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	124	1,101
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	2,247	-	-	2,247	15	2,262
Total comprehensive income for the year	-	-	-	3,224	-	9,162	12,386	1,128	13,514
Transfer of net depreciation on revalued property	-	-	-	-	(184)	184	-	-	-
Transfer to non-distributable reserves	-	-	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	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 SIX MONTHS ENDED 30 JUNE 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				
Balances at 31 December 2015	220,000	(14,793)	33,200	(5,195)	5,745	5,291	244,248	34,732	278,980
Net profit for the period	-	-	-	-	-	1,768	1,768	222	1,990
Changes on remeasurement of available for sale investments	-	-	-	4,769	-	-	4,769	279	5,048
Transfers for recognition of losses on disposal of available for sale investments	-	-	-	941	-	-	941	29	970
Total comprehensive income for the period	-	-	-	5,710	-	1,768	7,478	530	8,008
Transfer of net depreciation on revalued property	-	-	-	-	(91)	91	-	-	-
Transfer from non-distributable reserves	-	-	(31)	-	-	31	-	-	-
Balances at 30 June 2016	220,000	(14,793)	33,169	515	5,654	7,181	251,726	35,262	286,988

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 SIX MONTHS ENDED 30 JUNE 2017

(In thousands of U.S. Dollars)

Note	For the financial year-to-date 30 June 2017 (reviewed)	For the financial year-to-date 30 June 2016 (reviewed)	For the year ended 31 December 2016 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
	119,282	132,591	250,560
	(22,109)	(22,339)	(38,955)
	(140,675)	(127,503)	(232,796)
	5,026	17,490	24,650
	148	(2,004)	89
	1,354	1,227	2,281
	607	562	761
	(14,190)	(17,986)	(30,174)
	(933)	3,133	(3,911)
	1,095	3,169	9,079
	(6,799)	(17,530)	(26,364)
	7,627	19,983	44,003
18	(49,567)	(9,207)	(777)
CASH FLOWS FROM INVESTING ACTIVITIES			
	175,300	143,318	293,215
	(136,280)	(110,927)	(326,719)
	(26,601)	(9,863)	21,202
	4,579	5,092	9,738
	1,038	2,868	3,899
	(6,510)	(16,916)	6,858
	(71)	(220)	(328)
	(304)	(8)	(37)
	-	(62)	(63)
	11,151	13,282	7,765
CASH FLOWS FROM FINANCING ACTIVITIES			
	(7,000)	(3,000)	(3,000)
	(517)	(362)	(866)
	(8,879)	(61)	(62)
	(16,396)	(3,423)	(3,928)
	(54,812)	652	3,060
	(7)	2	(167)
	139,408	136,515	136,515
	84,589	137,169	139,408
	67,653	72,118	41,052
	152,242	209,287	180,460

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 SIX MONTHS ENDED 30 JUNE 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 June 2017	31 December 2016	30 June 2016
<u>At fair value through profit or loss</u>			
Held for trading			
Common stock of listed companies	47,410	43,937	43,095
	47,410	43,937	43,095
Designated at fair value on initial recognition			
Debt securities			
- Other investment grade	65,130	65,417	50,989
- Other	18,767	28,706	42,956
	83,897	94,123	93,945
<u>Held to maturity</u>			
Debt securities			
- Supra-nationals and OECD country governments	1,000	1,000	1,000
- Other investment grade	4,869	4,857	7,845
- Other	3,920	3,913	3,906
	9,789	9,770	12,751
<u>Available for sale</u>			
Debt securities			
- Supra-nationals and OECD country governments	33,801	57,284	49,845
- Other investment grade	217,380	218,255	181,461
- Other	94,739	96,537	89,785
Common stock of listed companies	13,858	10,312	12,320
Common stock of unlisted companies	4,817	6,381	6,463
Other equity type investment	18,936	17,978	16,080
	383,531	406,747	355,954
<u>Investment in associate</u>			
	282	83	213
	524,909	554,660	505,958

Debt securities amounting to US\$ 177.2 million (31 December 2016: US\$169.9 million; 30 June 2016: US\$ 127.1 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and borrowings.

6. ACCRUED INCOME

	US\$ '000		
	30 June 2017	31 December 2016	30 June 2016
Accrued insurance premiums	171,394	99,352	155,367
Accrued interest	2,187	2,258	2,046
	173,581	101,610	157,413

7. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US\$ '000		
	30 June 2017	31 December 2016	30 June 2016
<u>General insurance business</u>			
- Claims outstanding	33,283	38,669	36,078
- Unreported claims	16,457	18,172	10,123
- Deferred retrocession premium reserve	21,558	26,858	26,182
	71,298	83,699	72,383
<u>Life insurance business</u>			
- Claims outstanding	22	21	136
- Unreported claims	57	98	185
	79	119	321
	71,377	83,818	72,704

8. OTHER ASSETS

	US\$ '000		
	30 June 2017	31 December 2016	30 June 2016
Intangible assets :			
- Computer software	9,852	9,593	9,538
	9,852	9,593	9,538
Less: Accumulated amortisation	(9,309)	(9,245)	(9,140)
	543	348	398
Net intangible assets			
Other assets:			
- Collateralised cash deposits	18,759	12,246	36,020
- Prepayments and other receivables	7,092	5,397	4,982
	25,851	17,643	41,002
	26,394	17,991	41,400

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

9. PROPERTY AND EQUIPMENT

	US\$ '000		
	30 June 2017	31 December 2016	30 June 2016
Land	2,469	2,469	2,469
Building	19,182	19,182	19,182
Work in progress	6	-	19
Information systems, furniture, equipment and other	10,587	10,592	10,899
	32,244	32,243	32,569
Less: Accumulated depreciation	(11,071)	(10,655)	(10,621)
	21,173	21,588	21,948

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 June 2017	31 December 2016	30 June 2016
<u>General insurance business</u>			
- Claims outstanding	251,774	279,957	282,020
- Unreported losses	165,143	177,783	172,051
- Unearned premiums	233,260	153,266	209,850
	650,177	611,006	663,921
<u>Life insurance business</u>			
- Claims outstanding	14,865	14,638	18,356
- Unreported losses	34,712	40,378	51,055
- Unearned premiums	7,628	7,659	8,127
	57,205	62,675	77,538
	707,382	673,681	741,459

11. OTHER LIABILITIES

	US\$ '000		
	30 June 2017	31 December 2016	30 June 2016
Post-employment benefits	12,547	12,398	14,036
Reinsurance premiums accrued	5,802	5,906	6,146
Accrued expenses	4,689	5,984	5,944
Dividends payable	3,540	2,517	2,518
Employee long-term incentives	1,876	2,977	2,375
Other	21,678	15,567	14,624
	50,132	45,349	45,643

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 June 2017									
	Non-life					Life				
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	Total	
REVENUES :										
Gross premiums written	26,776	12,451	6,861	6,811	97,886	28,895	9,400	514	189,594	
Outward reinsurance premiums	(3,313)	(1,729)	(987)	(580)	(17,338)	830	(155)	55	(23,217)	
Change in unearned premiums – gross	(8,794)	(4,513)	(2,153)	(2,764)	(51,313)	(15,305)	336	(295)	(84,801)	
Change in unearned premiums - reinsurance	(327)	397	(69)	251	4,576	29	-	-	4,857	
Net earned premiums	14,342	6,606	3,652	3,718	33,811	14,449	9,581	274	86,433	
Investment income attributable to insurance funds	2,042	1,267	664	680	123	951	723	700	7,150	
	16,384	7,873	4,316	4,398	33,934	15,400	10,304	974	93,583	
COSTS AND EXPENSES :										
Gross claims paid	(16,267)	(7,058)	(3,497)	(1,978)	(28,080)	(11,730)	(10,913)	(689)	(80,212)	
Claims recovered from reinsurers	973	329	147	(195)	3,749	(1)	23	-	5,025	
Change in provision for outstanding claims - gross	7,140	3,589	1,130	1,682	2,216	700	(662)	544	16,339	
Change in provision for outstanding claims -- reinsurance	(355)	(189)	(101)	237	-	(145)	1	-	(552)	
Change in provision for unreported losses - gross	2,864	2,569	764	3,463	(2,375)	278	2,735	2,951	13,249	
Change in provision for unreported losses – reinsurance	86	326	200	(4,545)	-	(2)	(63)	-	(3,998)	
Claims and related expenses	(5,559)	(434)	(1,357)	(1,336)	(24,490)	(10,900)	(8,879)	2,806	(50,149)	
Policy acquisition costs	(8,013)	(3,706)	(1,999)	(2,022)	(14,226)	(1,879)	(683)	(3,098)	(35,626)	
Policy acquisition costs recovered from reinsurers	601	348	165	215	-	25	-	-	1,354	
Change in deferred policy acquisition costs - gross	2,408	1,218	526	775	468	1,217	(10)	18	6,620	
Change in deferred policy acquisition costs - reinsurance	105	(84)	25	(78)	-	(2)	-	-	(34)	
Policy acquisition costs	(4,899)	(2,224)	(1,283)	(1,110)	(13,758)	(639)	(693)	(3,080)	(27,686)	
Operating expenses	(2,392)	(1,062)	(685)	(487)	(139)	(1,224)	(1,193)	(211)	(7,393)	
Underwriting result	3,534	4,153	991	1,465	(4,453)	2,637	(461)	489	8,355	

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

US\$ '000										
Year ended 31 December 2016										
	Non-life					Life				Total
	Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term		
REVENUES :										
Gross premiums written	40,754	20,947	9,768	9,041	113,593	30,937	19,954	437	245,431	
Outward reinsurance premiums	(6,607)	(3,698)	(1,223)	(449)	(26,078)	1,296	(265)	-	(37,024)	
Change in unearned premiums – gross	4,215	2,775	1,649	1,600	(32,542)	(8,493)	322	(68)	(30,542)	
Change in unearned premiums – reinsurance	1,243	1,228	483	110	1,242	(1,437)	(231)	-	2,638	
Net earned premiums	39,605	21,252	10,677	10,302	56,215	22,303	19,780	369	180,503	
Investment income attributable to insurance funds	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	
COSTS AND EXPENSES :										
Gross claims paid	(40,163)	(18,159)	(8,495)	(8,472)	(36,312)	(24,704)	(21,541)	(16,875)	(174,721)	
Claims recovered from reinsurers	498	536	399	84	(3,793)	856	485	-	(935)	
Change in provision for outstanding claims - gross	6,878	4,841	4,333	49	22,584	6,479	(332)	3,555	48,387	
Change in provision for outstanding claims - reinsurance	1,298	(338)	(1,066)	(245)	(10)	(1,364)	-	-	(1,725)	
Change in provision for unreported losses - gross	13,704	(448)	2,573	196	(21,623)	3,277	1,463	11,072	10,214	
Change in provision for unreported losses - reinsurance	(356)	233	471	(14)	(279)	(755)	74	(6)	(632)	
Claims and related expenses	(18,141)	(13,335)	(1,785)	(8,402)	(39,433)	(16,211)	(19,851)	(2,254)	(119,412)	
Policy acquisition costs	(10,784)	(6,713)	(3,475)	(2,048)	(19,881)	(1,822)	(707)	295	(45,135)	
Policy acquisition costs recovered from reinsurers	1,306	876	456	194	-	(666)	-	-	2,166	
Change in deferred policy acquisition costs - gross	(1,838)	(385)	(469)	(923)	(365)	1,332	(105)	6	(2,747)	
Change in deferred policy acquisition costs - reinsurance	(326)	(483)	(186)	(55)	-	396	-	-	(654)	
Policy acquisition costs	(11,642)	(6,705)	(3,674)	(2,832)	(20,246)	(760)	(812)	301	(46,370)	
Operating expenses	(6,371)	(2,238)	(1,539)	(1,640)	(445)	(2,546)	(2,326)	(403)	(17,508)	
Underwriting result	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 June 2016									
		Non-life					Life				
		Property	Engineering	Marine	Accident	Whole Account	Others	Short term	Long term	Total	
REVENUES :		28,510	14,379	7,678	7,246	118,888	18,803	9,945	725	206,174	
	Gross premiums written	(2,369)	(1,681)	(331)	(361)	(23,298)	(1,073)	(100)	-	(29,213)	
	Outward reinsurance premiums	(6,724)	(754)	(1,532)	(1,517)	(85,310)	(8,162)	117	(377)	(104,259)	
	Change in unearned premiums – gross	729	425	134	237	16,544	(575)	(189)	-	17,305	
	Change in unearned premiums - reinsurance										
	Net earned premiums	20,146	12,369	5,949	5,605	26,824	8,993	9,773	348	90,007	
	Investment income attributable to insurance funds	1,584	784	534	235	169	975	452	660	5,393	
		21,730	13,153	6,483	5,840	26,993	9,968	10,225	1,008	95,400	
COSTS AND EXPENSES :		(19,873)	(10,005)	(4,821)	(4,335)	(16,293)	(10,270)	(10,241)	(902)	(76,740)	
	Gross claims paid	149	269	329	19	2,397	(5)	211	-	3,369	
	Claims recovered from reinsurers	(3,947)	5,785	2,903	1,180	(2,250)	1,944	379	(826)	5,168	
	Change in provision for outstanding claims - gross										
	Change in provision for outstanding claims – reinsurance	1,058	(263)	(987)	(188)	(10)	(525)	115	-	(800)	
	Change in provision for unreported losses - gross	10,389	(6,438)	210	237	(519)	1,824	1,535	366	7,604	
	Change in provision for unreported losses – reinsurance	(464)	69	(41)	(19)	(279)	(93)	113	-	(714)	
	Claims and related expenses	(12,688)	(10,583)	(2,407)	(3,106)	(16,954)	(7,125)	(7,888)	(1,362)	(62,113)	
	Policy acquisition costs	(7,876)	(4,560)	(2,938)	(2,723)	(9,919)	(473)	72	157	(28,260)	
	Policy acquisition costs recovered from reinsurers	419	334	132	190	-	(28)	-	-	1,047	
	Change in deferred policy acquisition costs - gross	1,680	485	460	807	282	48	(76)	13	3,699	
	Change in deferred policy acquisition costs – reinsurance	(197)	(131)	(44)	(128)	-	158	-	-	(342)	
	Policy acquisition costs	(5,974)	(3,872)	(2,390)	(1,854)	(9,637)	(295)	(4)	170	(23,856)	
	Operating expenses	(3,053)	(1,066)	(745)	(750)	(208)	(1,208)	(1,075)	(204)	(8,309)	
	Underwriting result	15	(2,368)	941	130	194	1,340	1,258	(388)	1,122	

13. INVESTMENT INCOME

	US\$ '000				
	Financial year-to-date 30 June 2017			Financial year-to-date 30 June 2016	Year ended 31 December 2016
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	376	224	600	747	1,237
- Others	2,750	2,512	5,262	5,721	10,693
Dividends	382	225	607	562	761
Realised gains (loss)					
- Trading investments	888	522	1,410	818	3,156
- Investment designated at fair value through profit or loss	(288)	(169)	(457)	(374)	(283)
- Available for sale	635	371	1,006	2,511	3,373
Gain (loss) on remeasurement of investments at fair value through profit & loss					
- Trading investments	2,279	1,339	3,618	(1,058)	1,103
- Investments designated at fair value through profit or loss	558	328	886	1,468	684
Impairment loss - available for sale	(237)	(88)	(325)	(88)	(521)
Other	(193)	(113)	(306)	(414)	(914)
	7,150	5,151	12,301	9,893	19,289

14. OPERATING EXPENSES

	US\$ '000				
	Financial year-to-date 30 June 2017			Financial year-to-date 30 June 2016	Year ended 31 December 2016
	Underwriting	Non- Underwriting	Total		
Salaries and benefits	4,595	3,394	7,989	8,129	17,470
General and administration	2,798	1,895	4,693	3,707	8,080
	7,393	5,289	12,682	11,836	25,550

15. OTHER INCOME

	US\$ '000		
	Financial year-to-date 30 June 2017	Financial year-to-date 30 June 2016	Year ended 31 December 2016
Third party administration services	1,161	1,576	4,587
Income (loss) from associates	198	(87)	(217)
Other	557	678	929
	1,916	2,167	5,299

16. OTHER EXPENSES AND PROVISIONS

	US\$ '000		
	Financial year-to-date 30 June 2017	Financial year-to-date 30 June 2016	Year ended 31 December 2016
Foreign exchange loss	4,788	1,773	2,015
Provision for doubtful receivable & Deposits	-	(56)	376
Other	(37)	167	351
	4,751	1,884	2,742

17. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		Financial year-to-date 30 June 2017	Financial year-to-date 30 June 2016	Year ended 31 December 2016
Weighted average number of shares outstanding	'000	198,032	198,032	198,032
Net profit	US\$'000	4,078	1,768	9,162
Earnings per share	US\$	0.02	0.01	0.05

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

	US\$ '000		
	Financial year-to-date 30 June 2017	Financial year-to-date 30 June 2016	Year ended 31 December 2016
Profit for the period	4,890	1,990	10,151
Increase (decrease) in insurance funds	38,378	55,169	(12,299)
Change in insurance receivable/ payable, net	(14,114)	22,346	24,585
Change in accrued insurance premiums	(71,971)	(86,091)	(30,288)
Change in other assets/liabilities, net	(6,750)	(2,621)	7,074
	(49,567)	(9,207)	(777)
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 June 2017							
Book Value						Fair value	
At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total		
ASSETS							
Cash and bank balances	-	152,242	-	-	-	152,242	152,242
Investments	131,307	-	9,789	383,531	-	524,627	525,019
Accrued income	-	173,581	-	-	-	173,581	173,581
Insurance receivables	-	108,149	-	-	-	108,149	108,149
Insurance deposits	-	26,919	-	-	-	26,919	26,919
Other assets	-	25,851	-	-	-	25,851	25,851
LIABILITIES							
Insurance payables	-	-	-	-	47,204	47,204	47,204
Borrowings	-	-	-	-	34,000	34,000	34,000
Other liabilities	-	-	-	-	45,443	45,443	45,443

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		
ASSETS							
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
LIABILITIES							
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 June 2016							
Book Value						Fair value	
At fair value through profit & loss	Loans and receivables	Held to maturity	Available for sale	Amortised Cost	Total		
ASSETS							
Cash and bank balances	-	209,287	-	-	-	209,287	209,287
Investments	137,040	-	12,751	355,954	-	505,745	506,294
Accrued income	-	157,413	-	-	-	157,413	157,413
Insurance receivables	-	87,389	-	-	-	87,389	87,389
Insurance deposits	-	34,324	-	-	-	34,324	34,324
Other assets	-	41,002	-	-	-	41,002	41,002
LIABILITIES							
Insurance payables	-	-	-	-	38,319	38,319	38,319
Borrowings	-	-	-	-	41,000	41,000	41,000
Other liabilities	-	-	-	-	39,699	39,699	39,699

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 June 2017	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
Held for trading				
Common stock of listed companies	47,410	-	-	47,410
Designated at fair value on initial recognition				
Debt Securities	83,897	-	-	83,897
<u>Available for sale</u>				
Debt securities	345,920	-	-	345,920
Common stock of listed companies	13,858	-	-	13,858
Common stock of unlisted companies	-	-	4,817	4,817
Other	-	862	18,074	18,936
<u>Forward foreign exchange contracts</u>				
	(243)	-	-	(243)
	490,842	862	22,891	514,595

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

19. FAIR VALUE DISCLOSURE (CONTD.)

US\$'000			
Level 1	Level 2	Level 3	Total
30 June 2016			
<u>At fair value through profit or loss</u>			
Held for trading			
43,095	-	-	43,095
Common stock of listed companies			
Designated at fair value on initial recognition			
93,945	-	-	93,945
Debt Securities			
<u>Available for sale</u>			
Debt securities			
321,091	-	-	321,091
Common stock of listed companies			
12,320	-	-	12,320
Common stock of unlisted companies			
-	-	6,463	6,463
Other			
-	897	15,183	16,080
<u>Forward foreign exchange contracts</u>			
595	-	-	595
471,046	897	21,646	493,589

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

US\$ '000		
Unlisted equity	Others	Total
30 June 2017		
Balance at 1 January 2017		
6,381	17,100	23,481
Gain (loss) recognised in:		
- Income statement		
(549)	75	(474)
- other comprehensive income		
(112)	754	642
Investments made during the period		
65	2,075	2,140
Investments redeemed during the period		
(967)	(1,930)	(2,897)
4,818	18,074	22,892

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

19. FAIR VALUE DISCLOSURE (CONTD.)

	US\$ '000		
	Unlisted equity	Others	Total
30 June 2016			
Balance at 1 January 2016	6,357	15,895	22,252
Gain (loss) recognised in:			
- Income statement	-	(60)	(60)
- other comprehensive income	41	(156)	(115)
Investments made during the period	154	1,060	1,214
Investments redeemed during the period	(89)	(1,556)	(1,645)
Balance at 30 June 2016	6,463	15,183	21,646

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 June 2017, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2016: nil; 30 June 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 June 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 Insurance
ARIG Insurance Management (DIFC) Ltd.	United Arab Emirates	100%	Nil	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 June 2017	Financial year-to-date 30 June 2016	Year ended 31 December 2016
a) Service fees for administration services provided by ARIG	47	51	98
b) Service fees for administration services provided by Arima	325	336	593
c) Receivables	132	14	205

ii) Compensation to directors and key management personnel:

	US\$ '000		
	Financial year-to-date 30 June 2017	Financial year-to-date 30 June 2016	Year ended 31 December 2016
a) Directors			
- Attendance fees	42	63	107
- Travel expense	111	90	153
b) Key management compensation			
- Salaries and other short-term employee benefits	816	929	1,755
- Post-employment benefits	279	155	300
- Employee long-term incentives	432	1,435	1,767
c) Balances payable (net)			
Key management			
- Maximum balance	3,363	6,104	4,411
- Closing balance	3,375	6,104	4,411

22. COMMITMENTS OUTSTANDING

The Group has commitments for uncalled capital in available for sale investments amounting to US\$ 9.7million (31 December 2016: US\$ 7.3 million; 30 June 2016: US\$ 4.9 million).