

Arab Insurance Group (B.S.C.)

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



**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


 Saad Mohammed AlBahhar
 Chairman


 Ahmed Saad Almahri
 Director


 Samuel Verghese
 Acting Chief Executive Officer

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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	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)	(69)	(4,758)	
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(518)	-	-	(518)	(180)	(698)	
Total comprehensive (loss) income for the period	-	-	-	(5,207)	-	(22,173)	(27,380)	2,857	(24,523)	
Transfer of net depreciation on revalued property	-	-	-	-	(146)	146	-	-	-	
Balances at 30 September 2018	220,000	(14,793)	34,816	(3,345)	4,354	(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				
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 year	-	-	-	-	-	7,222	7,222	963	8,185
Changes on remeasurement of available for sale investments	-	-	-	4,257	-	-	4,257	(324)	3,933
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(2,656)	-	-	(2,656)	(248)	(2,904)
Transfers for impairment loss recognised on available for sale investments	-	-	-	2,232	-	-	2,232	377	2,609
Revaluation of property	-	-	-	-	(853)	-	(853)	-	(853)
Total comprehensive income (loss) for the year	-	-	-	3,833	(853)	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	-	-	-
Transfer to non-distributable reserves	-	-	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	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	Legal	Reserves			Total	Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
				Investment revaluation	Property revaluation						
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.

ARAB INSURANCE GROUP (B.S.C.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

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.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

5. INVESTMENTS

	US\$ '000		
	30 September 2018	31 December 2017	30 September 2017
<u>At fair value through profit or loss</u>			
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
<u>Held to maturity</u>			
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
<u>Available for sale</u>			
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
<u>Investment in associate</u>	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.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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
<u>General insurance business</u>			
- 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
<u>Life insurance business</u>			
- 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.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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
<u>General insurance business</u>			
- 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
<u>Life insurance business</u>			
- 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

ARAB INSURANCE GROUP (B.S.C.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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				
Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	Total		
47,035	19,376	11,704	8,116	119,008	20,975	13,391	309	239,914		
(6,212)	(2,869)	(1,093)	(702)	(49,064)	(102)	(22)	(2)	(60,066)		
(9,832)	(7,328)	(3,446)	(1,034)	(29,156)	514	(346)	(25)	(50,653)		
507	878	322	149	24,684	24	-	-	26,564		
31,498	10,057	7,487	6,529	65,472	21,411	13,023	282	155,759		
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		
(20,007)	(12,394)	(7,113)	(3,190)	(57,154)	(19,069)	(11,630)	(647)	(131,204)		
554	550	740	55	16,587	38	-	7	18,531		
(4,503)	5,628	(1,857)	2,583	(18,767)	1,677	96	121	(15,022)		
1,215	776	426	(48)	10,757	(3)	1	2	13,126		
(143)	2,868	1,500	593	25,829	(538)	(2,052)	6,436	34,493		
(161)	305	(145)	443	(28,680)	222	(22)	-	(28,038)		
(23,045)	(2,267)	(6,449)	436	(51,428)	(17,673)	(13,607)	5,919	(108,114)		
(13,009)	(5,868)	(3,206)	(2,437)	(24,191)	(1,159)	(811)	(388)	(51,069)		
1,241	819	375	277	-	23	-	-	2,735		
2,877	2,262	929	354	124	223	(65)	4	6,708		
(171)	(295)	(107)	(51)	-	(6)	-	-	(630)		
(9,062)	(3,082)	(2,009)	(1,857)	(24,067)	(919)	(876)	(384)	(42,256)		
(2,862)	(1,720)	(1,026)	(674)	(94)	(1,944)	(1,604)	(278)	(10,202)		
(947)	3,864	(1,415)	5,072	(10,055)	1,936	(2,126)	6,184	2,513		

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

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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

	US\$ '000									
	Year ended 31 December 2017									
	Property	Engineering	Non-life			Whole account	Other	Life		Total
Marine			Accident	Marine	Short term			Long term		
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	

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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

		US\$ '000											
		Period ended 30 September 2017											
		Non-life					Life						
		Engineering		Marine		Accident	Whole account	Other		Short term	Long term		Total
		Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term			Total	
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		

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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)

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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
Investments	154,468	-	8,335	375,994	-	538,797
Accrued income	-	119,837	-	-	-	119,837
Insurance receivables	-	133,295	-	-	-	133,295
Insurance deposits	-	26,206	-	-	-	26,206
Other assets	-	38,049	-	-	-	38,049
LIABILITIES						
Insurance payables	-	-	-	-	68,985	68,985
Borrowings	-	-	-	-	7,000	7,000
Other liabilities	-	-	-	-	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
Investments	142,496	-	9,808	427,062	-	579,366
Accrued income	-	103,096	-	-	-	103,096
Insurance receivables	-	110,923	-	-	-	110,923
Insurance deposits	-	25,809	-	-	-	25,809
Other assets	-	27,380	-	-	-	27,380
LIABILITIES						
Insurance payables	-	-	-	-	53,337	53,337
Borrowings	-	-	-	-	34,000	34,000
Other liabilities	-	-	-	-	32,451	32,451

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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
Investments	141,939	-	9,798	403,639	-	555,376
Accrued income	-	138,338	-	-	-	138,338
Insurance receivables	-	119,857	-	-	-	119,857
Insurance deposits	-	26,676	-	-	-	26,676
Other assets	-	18,578	-	-	-	18,578
LIABILITIES						
Insurance payables	-	-	-	-	50,140	50,140
Borrowings	-	-	-	-	34,000	34,000
Other liabilities	-	-	-	-	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.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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
<u>At fair value through profit or loss</u>				
<u>Held for trading</u>				
Common stock of listed companies	55,556	-	-	55,556
<u>Designated at fair value on initial Recognition</u>				
Debt securities	98,912	-	-	98,912
<u>Available for sale</u>				
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
<u>Forward foreign exchange contracts</u>				
	(39)	-	-	(39)
	508,823	-	21,600	530,423

US\$'000				
31 December 2017	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
<u>Held for trading</u>				
Common stock of listed companies	56,712	-	-	56,712
<u>Designated at fair value on initial Recognition</u>				
Debt securities	85,784	-	-	85,784
<u>Available for sale</u>				
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
<u>Forward foreign exchange contracts</u>				
	(277)	-	-	(277)
	546,727	-	22,554	569,281

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

20. FAIR VALUE DISCLOSURE (CONTD.)

US\$'000				
30 September 2017	Level 1	Level 2	Level 3	Total
<u>At fair value through profit or loss</u>				
<u>Held for trading</u>				
Common stock of listed companies	56,554	-	-	56,554
Designated at fair value on initial Recognition				
Debt securities	85,385	-	-	85,385
<u>Available for sale</u>				
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
<u>Forward foreign exchange contracts</u>	(312)	-	-	(312)
	523,079	-	22,187	545,266

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

US\$ '000			
30 September 2018	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

US\$'000			
31 December 2017	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

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

20. FAIR VALUE DISCLOSURE (CONTD.)

	US\$ '000		
	Unlisted equity	Other	Total
30 September 2017			
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.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

21. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and associates

At 30 September 2018, 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. (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.

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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

ARAB INSURANCE GROUP (B.S.C.)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

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).