

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

**Condensed consolidated interim  
financial statements for the  
six months ended 30 June 2019**



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## **Independent auditors' report on review of condensed consolidated interim financial statements**

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

7 August 2019

### **Introduction**

We have reviewed the accompanying 30 June 2019 condensed consolidated interim financial statements of Arab Insurance Group B.S.C (the "Company") and its subsidiaries (together the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 June 2019;
- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2019;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2019; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. 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 condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

### **Emphasis Matter**

We draw attention to note 1 to the condensed consolidated interim financial statements, which discusses the Board of Directors' decision in its meeting held on 13 May 2019 to cease the underwriting activities of the Group subject to regulatory authorities and shareholders' approval. Our conclusion is not modified in respect of this matter.

### **Other Matter**


The consolidated financial statements of the Group as at and for the year ended 31 December 2018, and the condensed consolidated interim financial statements for the period ended 30 June 2018, from which the corresponding figures of consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been derived, were audited and reviewed by another auditor who issued an unmodified audit opinion and review conclusion on those consolidated financial statements and condensed consolidated interim financial statements respectively.


**ARAB INSURANCE GROUP (B.S.C.)**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

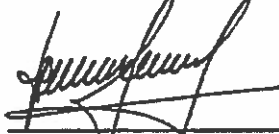
(In thousands of U.S. Dollars)

	Note	30 June 2019 (reviewed)	31 December 2018 (audited)	30 June 2018 (reviewed)
<b>ASSETS</b>				
Cash and bank balances		120,304	115,935	102,378
Investments	5	499,143	495,678	544,119
Accrued income	6	123,769	86,585	140,323
Insurance receivables		137,559	127,373	122,987
Insurance deposits		27,127	27,603	26,719
Deferred policy acquisition costs		26,353	25,433	31,021
Reinsurers' share of technical provisions	7	137,674	110,629	103,951
Other assets	8	31,814	44,078	39,120
Property and equipment	9	18,929	19,245	19,718
<b>TOTAL ASSETS</b>		<b>1,122,672</b>	<b>1,052,559</b>	<b>1,130,336</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Technical provisions	10	725,471	684,569	700,426
Insurance payables		85,641	69,305	62,924
Borrowings		7,000	7,000	37,000
Other liabilities	11	70,266	66,811	73,993
<b>TOTAL LIABILITIES</b>		<b>888,378</b>	<b>827,685</b>	<b>874,343</b>
<b>EQUITY</b>				
Attributable to shareholders of parent company				
Share capital		220,000	220,000	220,000
Treasury stock		(14,793)	(14,793)	(14,793)
Reserves		46,905	35,670	35,122
Accumulated losses		(35,216)	(44,507)	(11,788)
		216,896	196,370	228,541
Non-controlling Interests		17,398	28,504	27,452
<b>TOTAL EQUITY</b>		<b>234,294</b>	<b>224,874</b>	<b>255,993</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,122,672</b>	<b>1,052,559</b>	<b>1,130,336</b>

These condensed consolidated interim financial statements were approved by the Board of Directors on 7 August 2019 and signed on its behalf by:

  
 Saeed Mohammed AlBahhar AlShehhi  
 Chairman

  
 Ahmed Saeed AlMahri  
 Director

  
 Samuel Verghese  
 Acting 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 PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

(In thousands of U.S. Dollars)

	Note	For the three months ended 30 June 2019 (reviewed)	For the three months ended 30 June 2018 (reviewed)	For the financial year-to-date 30 June 2019 (reviewed)	For the financial year-to-date 30 June 2018 (reviewed)	For the year ended 31 December 2018 (audited)
Gross premiums written	12	(1,382)	18,376	171,749	187,514	262,791
Outward reinsurance premiums	12	(6,651)	(11,774)	(45,634)	(47,496)	(64,398)
Change in unearned premiums	12	55,079	43,988	(23,331)	(35,456)	15,559
<b>Net earned premiums</b>	<b>12</b>	<b>47,046</b>	<b>50,590</b>	<b>102,784</b>	<b>104,562</b>	<b>213,952</b>
Claims and related expenses	12	(24,032)	(33,688)	(68,209)	(74,544)	(175,226)
Policy acquisition costs	12	(12,312)	(14,936)	(27,608)	(27,342)	(58,089)
Investment income attributable to insurance funds	13	4,932	2,067	11,932	4,921	5,963
Operating expenses	14	(3,609)	(3,337)	(6,383)	(6,868)	(13,263)
<b>Underwriting result</b>	<b>12</b>	<b>12,025</b>	<b>696</b>	<b>12,516</b>	<b>729</b>	<b>(26,663)</b>
Investment income attributable to shareholders' funds	13	2,039	1,638	5,398	3,892	4,086
Operating expenses - non underwriting activities	14	(1,840)	(2,194)	(3,323)	(4,327)	(9,281)
Borrowing cost		(72)	(288)	(147)	(539)	(808)
Other income	15	542	26	702	1,851	5,165
Other expenses and provisions	16	(5,077)	(21,305)	(5,611)	(21,753)	(24,701)
<b>Profit (loss) for the period</b>		<b>7,617</b>	<b>(21,427)</b>	<b>9,535</b>	<b>(20,147)</b>	<b>(52,202)</b>
<b>Attributable to:</b>						
Non-controlling interests		176	1,509	341	2,287	3,049
Shareholders of parent company		7,441	(22,936)	9,194	(22,434)	(55,251)
		<b>7,617</b>	<b>(21,427)</b>	<b>9,535</b>	<b>(20,147)</b>	<b>(52,202)</b>
<b>Earnings (losses) per share attributable to shareholders (basic and diluted):</b>	<b>17 (US cents)</b>	<b>3.8</b>	<b>(11.6)</b>	<b>4.6</b>	<b>(11.3)</b>	<b>(27.9)</b>

  
 \_\_\_\_\_  
 Saeed Mohammed AlBahhar AlShehhi  
 Chairman

  
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 Ahmed Saeed AlMahri  
 Director

  
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 Samuel Verghese  
 Acting 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 COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In thousands of U.S. Dollars)

	For the three months ended 30 June 2019 (reviewed)	For the three months ended 30 June 2018 (reviewed)	For the financial year-to-date 30 June 2019 (reviewed)	For the financial year-to-date 30 June 2018 (reviewed)	For the year ended 31 December 2018 (audited)
Profit (loss) for the period	7,617	(21,427)	9,535	(20,147)	(52,202)
<b>Other comprehensive income</b>					
<b>Items that will be reclassified to profit or loss:</b>					
Changes on remeasurement of available for sale Investments	5,407	(2,853)	12,422	(6,112)	(4,994)
Transfers for recognition of (gains) losses on disposal of available for sale investments	(1,043)	261	(1,669)	(130)	(518)
Transfers for impairment loss recognised on available for sale investments	409	-	632	-	206
<b>Other comprehensive income for the period</b>	<b>4,773</b>	<b>(2,592)</b>	<b>11,385</b>	<b>(6,242)</b>	<b>(5,306)</b>
<b>Total comprehensive income for the period</b>	<b>12,390</b>	<b>(24,019)</b>	<b>20,920</b>	<b>(26,389)</b>	<b>(57,508)</b>
<b>Attributable to:</b>					
Non-controlling interests	233	1,374	394	2,004	3,056
Shareholders of parent company	12,157	(25,393)	20,526	(28,393)	(60,564)
	<b>12,390</b>	<b>(24,019)</b>	<b>20,920</b>	<b>(26,389)</b>	<b>(57,508)</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 SIX MONTHS ENDED 30 JUNE 2019**

(In thousands of U.S. Dollars)

	Share capital	Treasury stock	Reserves			Accumulated losses	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation				
<b>Balances at 31 December 2018</b>	220,000	(14,793)	34,816	(3,451)	4,305	(44,507)	196,370	28,504	224,874
Net profit for the period	-	-	-	-	-	9,194	9,194	341	9,535
Changes on remeasurement of available for sale Investments	-	-	-	12,322	-	-	12,322	100	12,422
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(1,551)	-	-	(1,551)	(118)	(1,669)
Transfers for impairment loss recognised on available for sale investments	-	-	-	561	-	-	561	71	632
<b>Total comprehensive income for the period</b>	-	-	-	11,332	-	9,194	20,526	394	20,920
Transfer of net depreciation on revalued property	-	-	-	-	(97)	97	-	-	-
Subsidiary's capital reduction	-	-	-	-	-	-	-	(11,500)	(11,500)
<b>Balances at 30 June 2019</b>	220,000	(14,793)	34,816	7,881	4,208	(35,216)	216,896	17,398	234,294

Balances at 31 December 2018

Net profit for the period

Changes on remeasurement of available for sale Investments

Transfers for recognition of gains on disposal of available for sale investments

Transfers for impairment loss recognised on available for sale investments

**Total comprehensive income for the period**

Transfer of net depreciation on revalued property

Subsidiary's capital reduction

Balances at 30 June 2019

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 2018**

(In thousands of U.S. Dollars)

	Share capital	Treasury Stock	Reserves			Retained earnings (accumulated loss)	Attributable to shareholders of parent company	Non-controlling interests	Total Equity (audited)
			Legal	Investment revaluation	Property revaluation				
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 year	-	-	-	-	-	(55,251)	(55,251)	3,049	(52,202)
Changes on remeasurement of available for sale investments	-	-	-	(4,850)	-	-	(4,850)	(144)	(4,994)
Transfers for recognition of (gains) losses on disposal of available for sale investments	-	-	-	(669)	-	-	(669)	151	(518)
Transfers for impairment loss recognised on available for sale investments	-	-	-	206	-	-	206	-	206
Total comprehensive income for the year	-	-	-	(5,313)	-	(55,251)	(60,564)	3,056	(57,508)
Transfer of net depreciation on revalued property	-	-	-	-	(195)	195	-	-	-
Balances at 31 December 2018	220,000	(14,793)	34,816	(3,451)	4,305	(44,507)	196,370	28,504	224,874

Balances at 31 December 2017

Net (loss) profit for the year

Changes on remeasurement of available for sale investments

Transfers for recognition of (gains) losses on disposal of available for sale investments

Transfers for impairment loss recognised on available for sale investments

Total comprehensive income for the year

Transfer of net depreciation on revalued property

Balances at 31 December 2018

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 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	-	-	-	-	-	(22,434)	(22,434)	2,287	(20,147)	
Changes on remeasurement of available for sale investments	-	-	-	(5,956)	-	-	(5,956)	(156)	(6,112)	
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(3)	-	-	(3)	(127)	(130)	
Total comprehensive income for the period	-	-	-	(5,959)	-	(22,434)	(28,393)	2,004	(26,389)	
Transfer of net depreciation on revalued property	-	-	-	-	(97)	97	-	-	-	
Balances at 30 June 2018	220,000	(14,793)	34,816	(4,097)	4,403	(11,788)	228,541	27,452	255,993	

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 CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

(In thousands of U.S. Dollars)

	Note	For the financial year-to-date 30 June 2019 (reviewed)	For the financial year-to-date 30 June 2018 (reviewed)	For the year ended 31 December 2018 (audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Premiums received		106,319	153,020	233,874
Reinsurance premiums paid		(22,370)	(50,246)	(54,829)
Claims and acquisition costs paid		(104,461)	(114,542)	(193,960)
Reinsurance receipts in respect of claims		21,013	11,754	26,685
Investment income		10,342	646	37
Interest received		1,582	1,260	2,820
Dividends received		814	947	1,300
Operating expenses paid		(9,254)	(11,454)	(21,162)
Other (expenses) income, net		(173)	(11,928)	(3,055)
Insurance deposits received (paid), net		59	(648)	(1,928)
Purchase of trading investments		(4,180)	(5,996)	(14,355)
Sale of trading investments		13,269	10,317	19,127
<b>Net cash provided by (used in) operating activities</b>	18	<b>12,960</b>	<b>(16,870)</b>	<b>(5,446)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Maturity/sale of investments		58,264	74,310	178,798
Purchase of investments		(60,197)	(39,111)	(110,110)
Term deposits with bank		1	(17,086)	13,708
Interest received		4,600	5,264	10,223
Investment income		296	22	135
Collateralised cash deposits		210	(5,674)	(11,201)
Purchase of property and equipment		-	(44)	(103)
Purchase of intangible assets		(82)	(66)	(211)
Investment in associate		-	(100)	(100)
<b>Net cash provided by investing activities</b>		<b>3,092</b>	<b>17,515</b>	<b>81,139</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Borrowings	19	-	3,000	(27,000)
Borrowing cost	19	(156)	(757)	(1,338)
Dividends paid	19	(27)	(239)	(374)
Subsidiary's capital reduction – minority interests	19	(11,500)	-	-
<b>Net cash (used in) provided by financing activities</b>		<b>(11,683)</b>	<b>2,004</b>	<b>(28,712)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,369</b>	<b>2,649</b>	<b>46,981</b>
Effect of exchange rates on cash and cash equivalents		1	(30)	(11)
Cash and cash equivalents, beginning of period		109,908	62,938	62,938
<b>Cash and cash equivalents, end of period</b>		<b>114,278</b>	<b>65,557</b>	<b>109,908</b>
Term deposits with bank		6,026	36,821	6,027
<b>Cash and bank balances, end of period</b>		<b>120,304</b>	<b>102,378</b>	<b>115,935</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 SIX MONTHS ENDED 30 JUNE 2019

### 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.

The Board in its meeting held on 13th May 2019 resolved to recommend the cessation of the Company's underwriting activities. However, the CBB is yet to consider this recommendation, as it has communicated to the Company certain issues to be addressed by the Board, and has mandated the Company to suspend all actions related to the cessation until all the issues communicated by the CBB are resolved.

### 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 2018.

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 2018 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 except for change from IFRS 16.

The Group adopted IFRS 16 on the effective date 1 January 2019 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The Group presents right of use assets in "other assets" and lease liabilities in "other liabilities" in the statement of financial position.

IFRS 16, introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The impact of transition was not significant.

The Group has adopted all new and revised IFRS and interpretations applicable for accounting periods beginning on or after 1 January 2019 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. The impact of adopting these standards and interpretations is not significant on the Group's condensed consolidated interim financial statements.

### 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.

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

**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 2018.

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

**5. i) INVESTMENTS**

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
<b><u>At fair value through profit or loss</u></b>			
<b>Held for trading</b>			
Common stock of listed companies	44,597	56,709	53,393
	<b>44,597</b>	<b>56,709</b>	<b>53,393</b>
<b>Designated at fair value on initial recognition</b>			
<b>Debt securities</b>			
- Other investment grade	95,306	83,763	74,971
- Other	11,196	11,112	21,749
	<b>106,502</b>	<b>94,875</b>	<b>96,720</b>
<b><u>Held to maturity</u></b>			
<b>Debt securities</b>			
- Supra-nationals and OECD country Governments	500	500	1,000
- Other investment grade	3,916	3,904	4,892
- Other	3,948	3,941	3,934
	<b>8,364</b>	<b>8,345</b>	<b>9,826</b>
<b><u>Available for sale</u></b>			
<b>Debt securities</b>			
- Supra-nationals and OECD country Governments	33,140	25,819	30,686
- Other investment grade	247,225	241,411	244,988
- Other	31,448	39,205	75,016
Common stock of listed companies	5,528	7,226	10,722
Common stock of unlisted companies	3,745	3,872	4,180
Other equity type investment	18,264	17,774	18,170
	<b>339,350</b>	<b>335,307</b>	<b>383,762</b>
<b><u>Investment in associate</u></b>			
	<b>330</b>	<b>442</b>	<b>418</b>
	<b>499,143</b>	<b>495,678</b>	<b>544,119</b>

Debt securities amounting to US\$ 111.7 million (31 December 2018: US\$ 101.8 million; 30 June 2018: US\$ 139.8 million) have been pledged as security for reinsurance trust agreements, letters of credit and guarantees and borrowings.

**ii) COMMITMENTS OUTSTANDING**

The Group has commitments for uncalled capital in available for sale investments amounting to US\$ 8.0 million (31 December 2018: US\$ 8.1 million; 30 June 2018: US\$ 8.8 million).

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

**6. ACCRUED INCOME**

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
Accrued insurance premiums	121,295	84,327	137,581
Accrued interest	2,474	2,258	2,742
	<b>123,769</b>	<b>86,585</b>	<b>140,323</b>

**7. REINSURERS' SHARE OF TECHNICAL PROVISIONS**

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
<b><u>General insurance business</u></b>			
- Claims outstanding	50,856	44,903	34,311
- Unreported claims	38,435	32,389	25,151
- Deferred retrocession premium reserve	48,339	33,293	44,421
	<b>137,630</b>	<b>110,585</b>	<b>103,883</b>
<b><u>Life insurance business</u></b>			
- Claims outstanding	13	13	11
- Unreported claims	31	31	57
	<b>44</b>	<b>44</b>	<b>68</b>
	<b>137,674</b>	<b>110,629</b>	<b>103,951</b>

**8. OTHER ASSETS**

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
Intangible assets:			
- Computer software	10,165	10,083	9,938
	<b>10,165</b>	<b>10,083</b>	<b>9,938</b>
Less: Accumulated amortisation	(9,586)	(9,570)	(9,470)
Net intangible assets	<b>579</b>	<b>513</b>	<b>468</b>
Other assets:			
- Collateralised cash deposits	18,490	31,542	26,015
- Other receivables	12,062	11,266	11,528
- Prepayments	683	757	1,109
	<b>31,235</b>	<b>43,565</b>	<b>38,652</b>
	<b>31,814</b>	<b>44,078</b>	<b>39,120</b>

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

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**9. PROPERTY AND EQUIPMENT**

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
Land	2,080	2,080	2,080
Building	18,718	18,718	18,718
Information systems hardware, furniture, equipment and other	10,646	10,646	10,585
	<b>31,444</b>	<b>31,444</b>	<b>31,383</b>
Less: Accumulated depreciation			
Building	(2,347)	(2,083)	(1,817)
Information systems, hardware, furniture, equipment and other	(10,168)	(10,116)	(9,848)
	<b>(12,515)</b>	<b>(12,199)</b>	<b>(11,665)</b>
	<b>18,929</b>	<b>19,245</b>	<b>19,718</b>

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 June 2019	31 December 2018	30 June 2018
<b><u>General insurance business</u></b>			
- Claims outstanding	267,281	264,588	245,117
- Unreported losses	208,398	206,884	179,630
- Unearned premiums	202,557	162,427	225,537
	<b>678,236</b>	<b>633,899</b>	<b>650,284</b>
<b><u>Life insurance business</u></b>			
- Claims outstanding	14,298	13,671	13,780
- Unreported losses	26,499	27,973	29,129
- Unearned premiums	6,438	9,026	7,233
	<b>47,235</b>	<b>50,670</b>	<b>50,142</b>
	<b>725,471</b>	<b>684,569</b>	<b>700,426</b>

**11. OTHER LIABILITIES**

	US\$ '000		
	30 June 2019	31 December 2018	30 June 2018
Provision for probable loss estimates in a subsidiary (note 21(iii))	21,462	21,462	21,000
Post-employment benefits	11,748	12,606	12,346
Accrued expenses	5,083	9,495	5,525
Dividends payable	2,763	2,790	2,925
Reinsurance premiums accrued	1,986	1,465	1,554
Employee long-term incentives	881	1,460	1,460
Other	26,343	17,533	29,183
	<b>70,266</b>	<b>66,811</b>	<b>73,993</b>

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**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 2019									
	Non-life					Life				
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	Total	
<b>REVENUES :</b>										
Gross premiums written	20,034	10,180	7,186	3,938	108,236	15,699	6,235	241	171,749	
Outward reinsurance premiums	(762)	(2,224)	(334)	(86)	(42,163)	(13)	(49)	(3)	(45,634)	
Change in unearned premiums - gross	(1,054)	25	(868)	(180)	(38,215)	(1,335)	2,646	(51)	(39,032)	
Change in unearned premiums - reinsurance	(905)	(597)	(227)	(63)	17,520	(27)	-	-	15,701	
Net earned premiums	17,313	7,384	5,757	3,609	45,378	14,324	8,832	187	102,784	
Investment income attributable to insurance funds	4,850	734	903	846	20	1,960	2,084	535	11,932	
	22,163	8,118	6,660	4,455	45,398	16,284	10,916	722	114,716	
<b>COSTS AND EXPENSES :</b>										
Gross claims paid	(13,752)	(5,876)	(2,365)	(1,488)	(49,817)	(12,506)	(8,639)	(119)	(94,562)	
Claims recovered from reinsurers	833	461	132	361	17,993	29	-	4	19,813	
Change in provision for outstanding claims - gross	4,475	382	189	1,017	(11,553)	451	(629)	2	(5,666)	
Change in provision for outstanding claims - reinsurance	682	308	(476)	(282)	5,512	(2)	(1)	-	5,741	
Change in provision for unreported losses - gross	(3,993)	(2,260)	(1,315)	301	6,041	(1,455)	1,108	364	(1,209)	
Change in provision for unreported losses - reinsurance	521	336	53	(182)	7,035	(91)	2	-	7,674	
Claims and related expenses	(11,234)	(6,649)	(3,782)	(273)	(24,789)	(13,574)	(8,159)	251	(68,209)	
Policy acquisition costs	(5,616)	(2,667)	(2,103)	(1,255)	(17,491)	(1,279)	355	247	(29,809)	
Policy acquisition costs recovered from reinsurers	33	181	126	74	1	-	-	-	415	
Change in deferred policy acquisition costs - gross	705	58	314	80	155	141	(259)	-	1,194	
Change in deferred policy acquisition costs - reinsurance	248	220	68	26	20	10	-	-	592	
Policy acquisition costs	(4,630)	(2,208)	(1,595)	(1,075)	(17,315)	(1,128)	96	247	(27,608)	
Operating expenses	(1,855)	(1,034)	(629)	(404)	(46)	(1,230)	(1,030)	(155)	(6,383)	
Underwriting result	4,444	(1,773)	654	2,703	3,248	352	1,823	1,065	12,516	

**ARAB INSURANCE GROUP (B.S.C.)**  
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**12. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT (CONTD.):**

	US\$ '000									
	Year ended 31 December 2018									
	Non-life					Life				
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	Total	
REVENUES :										
Gross premiums written	50,267	22,159	12,562	9,193	128,752	21,213	18,528	117	262,791	
Outward reinsurance premiums	(7,507)	(3,491)	(473)	(702)	(50,893)	(1,070)	(206)	(56)	(64,398)	
Change in unearned premiums – gross	122	(4,679)	(1,177)	110	(2,554)	9,981	(286)	69	1,586	
Change in unearned premiums - reinsurance	(394)	452	1	(11)	13,925	-	-	-	13,973	
Net earned premiums	42,488	14,441	10,913	8,590	89,230	30,124	18,036	130	213,952	
Investment income attributable to insurance funds	2,567	392	461	467	(20)	756	1,069	271	5,963	
	45,055	14,833	11,374	9,057	89,210	30,880	19,105	401	219,915	
COSTS AND EXPENSES :										
Gross claims paid	(30,125)	(15,644)	(8,833)	(3,764)	(75,106)	(27,982)	(15,239)	(894)	(177,587)	
Claims recovered from reinsurers	962	734	913	87	21,460	94	-	7	24,257	
Change in provision for outstanding claims - gross	(17,289)	(804)	(2,368)	1,747	(19,949)	466	(390)	249	(38,338)	
Change in provision for outstanding claims - reinsurance	9,256	1,680	1,925	45	11,118	(210)	1	2	23,817	
Change in provision for unreported losses - gross	(4,475)	5,964	1,178	2,551	2,706	2,499	(728)	6,249	15,944	
Change in provision for unreported losses - reinsurance	179	533	65	186	(24,788)	546	(40)	-	(23,319)	
Claims and related expenses	(41,492)	(7,537)	(7,120)	852	(84,559)	(24,587)	(16,396)	5,613	(175,226)	
Policy acquisition costs	(13,427)	(6,640)	(3,374)	(2,704)	(33,046)	(1,174)	(1,419)	(325)	(62,109)	
Policy acquisition costs recovered from reinsurers	1,339	893	384	295	65	24	-	-	3,000	
Change in deferred policy acquisition costs - gross	(55)	1,402	246	(35)	(38)	(495)	68	(11)	1,082	
Change in deferred policy acquisition costs - reinsurance	76	(126)	4	4	(20)	-	-	-	(62)	
Policy acquisition costs	(12,067)	(4,471)	(2,740)	(2,440)	(33,039)	(1,645)	(1,351)	(336)	(58,089)	
Operating expenses	(3,717)	(2,218)	(1,326)	(873)	(122)	(2,512)	(2,119)	(376)	(13,263)	
Underwriting result	(12,221)	607	188	6,596	(28,510)	2,136	(761)	5,302	(26,663)	

**ARAB INSURANCE GROUP (B.S.C.)**  
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**12. SEGMENT INFORMATION - ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT (CONTD.):**

	US\$ '000									
	Non-life					Life				
	Period ended 30 June 2018									
	Property	Engineering	Marine	Accident	Whole account	Other	Short term	Long term	Total	
<b>REVENUES :</b>										
Gross premiums written	39,596	13,573	9,061	7,273	95,634	15,074	6,898	405	187,514	
Outward reinsurance premiums	(4,396)	(2,056)	(479)	(746)	(39,807)	(12)	-	-	(47,496)	
Change in unearned premiums - gross	(14,109)	(6,167)	(3,446)	(1,961)	(37,655)	(441)	1,690	(111)	(62,200)	
Change in unearned premiums - reinsurance	207	673	39	317	25,539	(31)	-	-	26,744	
Net earned premiums	21,298	6,023	5,175	4,883	43,711	14,590	8,588	294	104,562	
Investment income attributable to insurance funds	1,697	589	391	429	36	714	631	434	4,921	
	22,995	6,612	5,566	5,312	43,747	15,304	9,219	728	109,483	
<b>COSTS AND EXPENSES :</b>										
Gross claims paid	(13,529)	(9,524)	(4,835)	(2,238)	(39,468)	(12,933)	(7,793)	(169)	(90,489)	
Claims recovered from reinsurers	(49)	453	609	10	10,705	27	-	-	11,755	
Change in provision for outstanding claims - gross	(7,744)	5,854	(1,251)	1,281	(19,101)	883	(313)	63	(20,328)	
Change in provision for outstanding claims - reinsurance	1,719	157	231	(33)	11,629	6	-	-	13,709	
Change in provision for unreported losses - gross	1,349	2,420	1,941	480	30,247	(157)	(793)	5,157	40,644	
Change in provision for unreported losses - reinsurance	180	(5)	(150)	590	(30,592)	156	(14)	-	(29,835)	
Claims and related expenses	(18,074)	(645)	(3,455)	90	(36,580)	(12,018)	(8,913)	5,051	(74,544)	
Policy acquisition costs	(10,733)	(4,075)	(2,310)	(2,171)	(15,701)	(547)	(487)	(488)	(36,512)	
Policy acquisition costs recovered from reinsurers	794	536	154	285	-	(2)	-	-	1,767	
Change in deferred policy acquisition costs - gross	4,205	1,908	922	677	245	(1)	(169)	14	7,801	
Change in deferred policy acquisition costs - reinsurance	(89)	(194)	(17)	(109)	-	11	-	-	(398)	
Policy acquisition costs	(5,823)	(1,825)	(1,251)	(1,318)	(15,456)	(539)	(656)	(474)	(27,342)	
Operating expenses	(1,932)	(1,154)	(688)	(452)	(63)	(1,311)	(1,079)	(189)	(6,868)	
Underwriting result	(2,834)	2,988	172	3,632	(8,352)	1,436	(1,429)	5,116	729	



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**13. INVESTMENT INCOME**

	US\$ '000				
	Financial year-to-date 30 June 2019			Financial year-to-date 30 June 2018	Year ended 31 December 2018
	Insurance funds	Shareholders' funds	Total		
Interest income					
- Investments designated at fair value through profit or loss	508	207	715	585	1,291
- Other	3,626	2,057	5,683	5,947	11,276
Dividends	578	236	814	947	1,300
Realised gain					
- Held for trading investments	7,392	3,022	10,414	1,689	2,111
- Investment designated at fair value through profit or loss	345	141	486	22	125
- Available for sale	1,003	666	1,669	130	518
(Loss) gain on remeasurement of investments at fair value through profit or loss					
- Held for trading investments	(1,177)	(480)	(1,657)	651	(4,735)
- Investments designated at fair value through profit or loss	661	379	1,040	(676)	(661)
Impairment loss - available for sale	(340)	(292)	(632)	-	(206)
(Loss) income from associates	-	(112)	(112)	(2)	22
Other	(664)	(426)	(1,090)	(480)	(992)
	<b>11,932</b>	<b>5,398</b>	<b>17,330</b>	<b>8,813</b>	<b>10,049</b>

**14. OPERATING EXPENSES**

	US\$ '000				
	Financial year-to-date 30 June 2019			Financial year-to-date 30 June 2018	Year ended 31 December 2018
	Underwriting	Non- Underwriting	Total		
Salaries and benefits	3,456	1,955	5,411	7,315	14,620
General and administration	2,927	1,368	4,295	3,880	7,924
	<b>6,383</b>	<b>3,323</b>	<b>9,706</b>	<b>11,195</b>	<b>22,544</b>

**ARAB INSURANCE GROUP (B.S.C.)**  
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**15. OTHER INCOME**

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Third party administration services	73	658	2,502
Foreign exchange gain	-	644	-
Other	629	549	2,663
	<b>702</b>	<b>1,851</b>	<b>5,165</b>

**16. OTHER EXPENSES AND PROVISIONS**

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Provision for probable loss estimates in a subsidiary (note 21(iii))	-	21,000	21,462
Foreign exchange loss	796	-	1,385
Provision for (reversal of) doubtful receivables & deposits	655	89	(251)
Other, net	4,160	664	2,105
	<b>5,611</b>	<b>21,753</b>	<b>24,701</b>

**17. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS**

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

		Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Weighted average number of shares outstanding	'000	198,032	198,032	198,032
Net profit (loss)	US\$'000	9,194	(22,434)	(55,251)
Earnings (losses) per share	US cents	4.6	(11.3)	(27.9)

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

	US\$ '000		
	Financial year-to-date 30 June 2019	Financial year-to-date 30 June 2018	Year ended 31 December 2018
Profit (loss) for the period	9,535	(20,147)	(52,202)
Change in insurance funds	13,413	19,144	1,313
Change in insurance receivables/ payables, net	6,150	(2,477)	(482)
Change in accrued income	(37,184)	(37,227)	16,511
Change in other assets/liabilities, net	21,046	23,837	29,414
Net cash provided by (used in) operating activities	<b>12,960</b>	<b>(16,870)</b>	<b>(5,446)</b>

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**19. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	US\$ '000			
	Borrowings	Borrowing cost	Dividends	Non-controlling interests
Balances at 31 December 2018	7,000	101	2,790	28,504
Share of comprehensive income	-	-	-	394
Subsidiary's capital reduction	-	-	-	(11,500)
Interest paid during the period	-	(156)	-	-
Interest expense for the period	-	147	-	-
Dividends paid during the period	-	-	(27)	-
<b>Balances at 30 June 2019</b>	<b>7,000</b>	<b>92</b>	<b>2,763</b>	<b>17,398</b>
Balances at 31 December 2017	34,000	631	3,164	25,448
Share of comprehensive income	-	-	-	2,004
Repayment of borrowings	(2,000)	-	-	-
Additional borrowings	5,000	-	-	-
Interest paid during the period	-	(757)	-	-
Interest expense for the period	-	539	-	-
Dividends paid during the period	-	-	(239)	-
<b>Balances at 30 June 2018</b>	<b>37,000</b>	<b>413</b>	<b>2,925</b>	<b>27,452</b>
Balances at 31 December 2017	34,000	631	3,164	25,448
Share of comprehensive income	-	-	-	3,056
Repayment of borrowings	(32,000)	-	-	-
Additional borrowings	5,000	-	-	-
Interest paid during the year	-	(1,338)	-	-
Interest expense for the year	-	808	-	-
Dividends paid during the year	-	-	(374)	-
<b>Balances at 31 December 2018</b>	<b>7,000</b>	<b>101</b>	<b>2,790</b>	<b>28,504</b>

**ARAB INSURANCE GROUP (B.S.C.)**  
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**20. FAIR VALUE DISCLOSURE**

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

US\$ '000						
30 June 2019						
Book Value						Fair value
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
<b>ASSETS</b>						
Cash and bank balances	-	120,304	-	-	-	120,304
Investments	151,099	-	8,364	339,350	-	498,813
Accrued income	-	123,769	-	-	-	123,769
Insurance receivables	-	137,559	-	-	-	137,559
Insurance deposits	-	27,127	-	-	-	27,127
Other assets	-	30,552	-	-	-	30,552
<b>LIABILITIES</b>						
Insurance payables	-	-	-	-	85,641	85,641
Borrowings	-	-	-	-	7,000	7,000
Other liabilities	-	-	-	-	43,721	43,721

US\$ '000						
31 December 2018						
Book Value						Fair value
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
<b>ASSETS</b>						
Cash and bank balances	-	115,935	-	-	-	115,935
Investments	151,584	-	8,345	335,307	-	495,236
Accrued income	-	86,585	-	-	-	86,585
Insurance receivables	-	127,373	-	-	-	127,373
Insurance deposits	-	27,603	-	-	-	27,603
Other assets	-	42,808	-	-	-	42,808
<b>LIABILITIES</b>						
Insurance payables	-	-	-	-	69,305	69,305
Borrowings	-	-	-	-	7,000	7,000
Other liabilities	-	-	-	-	35,854	35,854

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**20. FAIR VALUE DISCLOSURE (CONTD.)**

US\$ '000						
30 June 2018						
Book Value						Fair value
At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
<b>ASSETS</b>						
Cash and bank balances	-	102,378	-	-	-	102,378
Investments	150,113	-	9,826	383,762	-	543,701
Accrued income	-	140,323	-	-	-	140,323
Insurance receivables	-	122,987	-	-	-	122,987
Insurance deposits	-	26,719	-	-	-	26,719
Other assets	-	37,543	-	-	-	37,543
<b>LIABILITIES</b>						
Insurance payables	-	-	-	62,924	62,924	62,924
Borrowings	-	-	-	37,000	37,000	37,000
Other liabilities	-	-	-	47,468	47,468	47,468

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 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.

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**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 June 2019	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	44,597	-	-	44,597
<b><u>Designated at fair value on initial Recognition</u></b>				
Debt securities	106,502	-	-	106,502
<b><u>Available for sale</u></b>				
Debt securities	311,813	-	-	311,813
Common stock of listed companies	5,528	-	-	5,528
Common stock of unlisted companies	-	-	3,745	3,745
Other	-	-	18,264	18,264
<b><u>Forward foreign exchange contracts</u></b>	-	(115)	-	(115)
	<b>468,440</b>	<b>(115)</b>	<b>22,009</b>	<b>490,334</b>

US\$'000				
31 December 2018	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	56,709	-	-	56,709
<b><u>Designated at fair value on initial Recognition</u></b>				
Debt securities	94,875	-	-	94,875
<b><u>Available for sale</u></b>				
Debt securities	306,435	-	-	306,435
Common stock of listed companies	7,226	-	-	7,226
Common stock of unlisted companies	-	-	3,872	3,872
Other	-	-	17,774	17,774
<b><u>Forward foreign exchange contracts</u></b>	-	13	-	13
	<b>465,245</b>	<b>13</b>	<b>21,646</b>	<b>486,904</b>

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

**20. FAIR VALUE DISCLOSURE (CONTD.)**

US\$'000				
30 June 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	53,393	-	-	53,393
<u>Designated at fair value on initial Recognition</u>				
Debt securities	96,720	-	-	96,720
<u>Available for sale</u>				
Debt securities	350,690	-	-	350,690
Common stock of listed companies	10,722	-	-	10,722
Common stock of unlisted companies	-	-	4,180	4,180
Other	-	-	18,170	18,170
<u>Forward foreign exchange contracts</u>				
	-	344	-	344
	511,525	344	22,350	534,219

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

US\$ '000			
30 June 2019	Unlisted equity	Other	Total
<b>Balances at 1 January 2019</b>	<b>3,872</b>	<b>17,774</b>	<b>21,646</b>
<b>(Loss) gain recognised in:</b>			
- Income statement	-	-	-
- Other comprehensive income	(44)	164	120
Investments made during the period	27	1,876	1,903
Investments redeemed during the period	(110)	(1,550)	(1,660)
<b>Balances at 30 June 2019</b>	<b>3,745</b>	<b>18,264</b>	<b>22,009</b>

US\$'000			
31 December 2018	Unlisted equity	Other	Total
Balances at 1 January 2018	4,279	18,389	22,668
Gain (loss) recognised in:			
- Income statement	73	-	73
- Other comprehensive income	(381)	162	(219)
Investments made during the year	105	2,481	2,586
Investments redeemed during the year	(204)	(3,258)	(3,462)
<b>Balances at 31 December 2018</b>	<b>3,872</b>	<b>17,774</b>	<b>21,646</b>

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

**20. FAIR VALUE DISCLOSURE (CONTD.)**

	US\$ '000		
	Unlisted equity	Other	Total
30 June 2018			
Balances at 1 January 2018	4,279	18,389	22,668
(Loss) gain recognised in:			
- Income statement	-	-	-
- Other comprehensive income	(152)	381	229
Investments made during the period	53	1,005	1,058
Investments redeemed during the period	-	(1,605)	(1,605)
Balances at 30 June 2018	4,180	18,170	22,350

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 June 2019, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2018: nil; 30 June 2018: 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 derived from quoted prices of the same currencies.

**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.



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**21. PRINCIPAL SUBSIDIARIES & ASSOCIATES**

**i) Subsidiaries and associates**

At 30 June 2019, 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. (under voluntary liquidation)	Kingdom of Bahrain	100%	Nil	Warranty
Takaful Re Limited (under run-off)	United Arab Emirates	54%	46%	Retakaful

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2018 except for Takaful Re Limited where capital was reduced from US\$ 100 million to US\$ 75 million and the liquidation of Arig Insurance Management (DIFC) Ltd., on 10 April 2019. 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**

	<b>US\$ '000</b>		
	<b>Financial year-to-date 30 June 2019</b>	<b>Financial year-to-date 30 June 2018</b>	<b>Year ended 31 December 2018</b>
Non-controlling interests	<b>46%</b>	46%	46%
Total assets	<b>57,051</b>	85,137	83,697
Total liabilities	<b>19,503</b>	25,888	22,125
<b>Net assets</b>	<b>37,548</b>	59,249	61,572
Revenue	<b>(173)</b>	(454)	(216)
Profit for the period	<b>859</b>	5,052	6,742
Total comprehensive income	<b>974</b>	4,436	6,759
Comprehensive income attributable to non-controlling interests	<b>448</b>	2,041	3,109
Net cash used in operating activities	<b>(1,405)</b>	(7,053)	(8,759)
Net cash provided by (used in) Investing activities	<b>193</b>	(13,459)	44,128
Net cash used in financing activities	<b>(25,000)</b>	-	-
Net (decrease) increase in cash and cash equivalents	<b>(26,212)</b>	(20,512)	35,369

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.**

In 2018 there has been fraud committed by employees of the Group's subsidiary, Gulf Warranties W.L.L.. Based on management's assessments, the entire probable loss estimates of US\$ 21.5 million have been provided for in the books of the subsidiary and consequently in the consolidated financial statements of the Group. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.. The subsidiary was placed under voluntary liquidation by shareholders' resolution of 27 February 2019.

**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:**

	<b>US\$ '000</b>		
	<b>Financial year-to-date 30 June 2019</b>	<b>Financial year-to-date 30 June 2018</b>	<b>Year ended 31 December 2018</b>
a) Service fees for administration services provided by Arig	<b>19</b>	19	38
b) Service fees for administration services provided by associates	<b>411</b>	369	812
c) Balances outstanding - Payables	<b>175</b>	77	89

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**22. RELATED PARTY TRANSACTIONS (CONTD.)**

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

	<b>US\$ '000</b>		
	<b>Financial year-to-date 30 June 2019</b>	<b>Financial year-to-date 30 June 2018</b>	<b>Year ended 31 December 2018</b>
a) Directors			
- Attendance fees	<b>105</b>	35	79
- Travel expenses	<b>110</b>	65	144
b) Key management compensation			
- Salaries and other short-term employee benefits	<b>337</b>	791	1,710
- Post-employment benefits	<b>37</b>	150	318
- Employee long-term incentives	<b>76</b>	-	-
c) Balances payable to key			
- Management	<b>478</b>	4,743	631