

AL-AHLEIA INSURANCE COMPANY S.A.K.P.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

30 JUNE 2014



Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Abdullatif Al-Majid & Co.
Allied Accountants
Certified Public Accountants - Experts

P.O. Box : 5506 safat- 13056 Kuwait
Tel: 22432082/3/4
Fax: 22402640



E-mail: mail.kw@parkerrandall.com

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Ahleia Insurance Company S.A.K.P. (the "Company") as at 30 June 2014, and the related interim condensed statement of income, interim condensed statement of comprehensive income for the three months and six months periods then ended and the interim condensed statement of changes in equity and interim condensed statement of cash flows for the six months period then ended. The management of the Company is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended, or of the company's Memorandum of Incorporation and Articles of Association during the six months period ended 30 June 2014 that might have had a material effect on the business of the Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

ABDULLATIF A. H. AL-MAJID
(LICENCE NO. 70 A)
OF PARKER RANDALL (ALLIED ACCOUNTANTS)

11 August 2014
Kuwait

Al-Ahleia Insurance Company S.A.K.P.

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 KD	2013 KD	2014 KD	2013 KD
Revenue:					
Gross premiums		8,514,619	8,826,420	17,551,106	17,672,600
Premiums ceded to reinsurers		(5,482,000)	(5,564,188)	(10,893,139)	(10,925,439)
Net premiums		3,032,619	3,262,232	6,657,967	6,747,161
Movement in unearned premiums		71,189	138,377	178,409	24,147
Net premiums earned		3,103,808	3,400,609	6,836,376	6,771,308
Commission received on ceded reinsurance		1,936,748	2,551,886	4,123,977	4,295,980
Policy issuance fees		169,331	161,771	325,976	313,785
Net investment income	4	1,282,682	1,979,759	2,168,989	3,346,061
Other income		50,032	340,925	66,722	465,577
Total Revenue		6,542,601	8,434,950	13,522,040	15,192,711
Expenses:					
Net claims incurred		2,168,533	1,986,220	2,696,242	4,056,087
Commissions		679,491	1,555,669	1,442,183	2,328,146
Increase in life mathematical reserve		5,000	475,080	917,000	920,580
Maturity and cancellations of life insurance policies		150,082	105,241	199,925	113,556
Administrative expenses		882,961	714,329	2,125,984	1,647,121
Total Expenses		3,886,067	4,836,539	7,381,334	9,065,490
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		2,656,534	3,598,411	6,140,706	6,127,221
Contribution to KFAS		(25,819)	(33,578)	(58,790)	(58,866)
NLST		(53,001)	(78,103)	(123,416)	(130,408)
Zakat		(21,200)	(31,241)	(49,366)	(52,163)
PROFIT FOR THE PERIOD		2,556,514	3,455,489	5,909,134	5,885,784
BASIC AND DILUTED EARNINGS PER SHARE	3	13.04 fils	17.65 fils	30.14 fils	30.06 fils

The attached notes 1 to 11 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.P.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the period ended 30 June 2014

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Profit for the period	2,556,514	3,455,489	5,909,134	5,885,784
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to the interim condensed statement of income in subsequent periods:</i>				
Financial assets available for sale:				
- Net unrealised gain of financial assets available for sale	1,184,597	275,249	2,372,908	1,633,592
- Gain on sale of financial assets available for sale (Note 4)	(313,297)	(758,290)	(330,757)	(1,215,592)
- Impairment loss on financial assets available for sale (Note 4)	200,915	-	382,938	-
	1,072,215	(483,041)	2,425,089	418,000
- Share of other comprehensive income (loss) of associates	32,939	8,852	34,283	(20,025)
- Foreign currency translation adjustments	(16,705)	8,804	(34,015)	83,691
Other comprehensive income (loss) for the period	1,088,449	(465,385)	2,425,357	481,666
Total comprehensive income for the period	3,644,963	2,990,104	8,334,491	6,367,450

The attached notes 1 to 11 form part of this interim condensed financial information.


Al-Ahleia Insurance Company S.A.K.P.

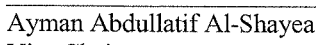
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

As at 30 June 2014

		(Audited)	
	30 June	31 December	30 June
	2014	2013	2013
	KD	KD	KD
Notes			
ASSETS			
Property and equipment	2,728,029	2,805,026	2,859,743
Investment in associates	16,267,176	16,449,296	15,737,860
Financial assets available for sale	5 74,283,275	72,890,578	73,017,302
Loans secured by life insurance policyholders	270,558	155,088	150,488
Premiums and insurance balances receivable	14,554,361	11,790,946	12,257,097
Reinsurance recoverable on outstanding claims	29,192,472	27,186,890	27,417,623
Accounts receivable and other debit balances	1,805,650	2,374,254	1,881,595
Fixed deposits	22,485,009	25,135,948	23,769,394
Bank balances and cash	1,143,235	558,219	1,473,061
TOTAL ASSETS	162,729,765	159,346,245	158,564,163
EQUITY AND LIABILITIES			
Equity			
Share capital	6 20,000,000	20,000,000	20,000,000
Statutory reserve	18,171,431	18,171,431	17,162,327
General reserve	17,931,906	17,931,906	16,922,802
Special voluntary reserve	11,000,000	11,000,000	10,500,000
Treasury shares	7 (1,436,961)	(1,478,157)	(1,538,771)
Treasury shares reserve	1,427,458	1,414,775	1,396,571
Cumulative changes in fair values reserve	11,187,635	8,728,263	8,652,135
Foreign currency translation reserve	101,841	135,856	173,605
Retained earnings	16,027,140	16,393,187	15,291,082
Total equity	94,410,450	92,297,261	88,559,751
Liabilities			
Liabilities arising from insurance contracts:			
Outstanding claims reserve	38,280,536	35,948,524	36,295,957
Unearned premiums reserve	4,341,152	4,519,561	4,165,135
Life mathematical reserve	5,135,000	4,218,000	4,696,580
Incurred but not reported reserve	5,558,678	6,700,000	6,700,000
Total liabilities arising from insurance contracts	53,315,366	51,386,085	51,857,672
Insurance payables	9,099,712	9,119,457	11,925,161
Accounts payable and other credit balances	5,904,237	6,458,356	6,221,579
Premiums received in advance	-	85,086	-
Total liabilities	68,319,315	67,048,984	70,004,412
TOTAL EQUITY AND LIABILITIES	162,729,765	159,346,245	158,564,163


Sulaiman Hamad Al-Dalali
Chairman


Ayman Abdullatif Al-Shayea
Vice Chairman

The attached notes 1 to 11 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.P.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2014

	Note	Six months ended 30 June	
		2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the period		5,909,134	5,885,784
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		84,762	82,181
Share of results of associates	4	(267,586)	(325,014)
Gain on sale of financial assets available for sale	4	(330,757)	(1,215,592)
Impairment loss on financial assets available for sale	4	382,938	-
Interest income on bonds and fixed deposits	4	(215,051)	(233,816)
Dividend income	4	(1,714,689)	(1,531,223)
Interest expense		12,630	8,361
Provision for employees' end of service benefits		37,555	63,795
		<u>3,898,936</u>	<u>2,734,476</u>
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(2,763,415)	(2,118,865)
Reinsurance recoverable on outstanding claims		(2,005,582)	(589,682)
Accounts receivable and other debit balances		772,115	414,702
Liabilities arising from insurance contracts		1,929,281	2,281,413
Insurance payable		(19,745)	(3,353,120)
Account payable and other credit balances		(363,187)	(857,848)
Premiums received in advance		(85,086)	(410,934)
Cash flows from (used in) operations		<u>1,363,317</u>	<u>(1,899,858)</u>
Employees' end of service benefits paid		(16,853)	(14,126)
Net cash flows from (used in) operating activities		<u>1,346,464</u>	<u>(1,913,984)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(7,765)	(3,869)
Purchase of financial assets available for sale		(3,438,752)	(2,817,851)
Proceeds from sale of financial assets available for sale		4,418,963	6,143,007
Movement in loans secured by life insurance policyholders		(115,470)	29,870
Fixed deposits		2,650,939	(3,604,764)
Dividend income received		1,680,995	1,531,223
Dividend income from investment in associates		449,974	-
Interest income received		45,234	42,541
Net cash flows from investing activities		<u>5,684,118</u>	<u>1,320,157</u>
FINANCING ACTIVITIES			
Dividend paid		(6,499,445)	(4,500,631)
Sale of treasury shares		53,879	52,688
Net cash flows (used in) financing activities		<u>(6,445,566)</u>	<u>(4,447,943)</u>
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		585,016	(5,041,770)
Bank balances and cash at the beginning of the period		<u>558,219</u>	<u>6,514,831</u>
BANK BALANCES AND CASH AT THE END OF THE PERIOD		<u>1,143,235</u>	<u>1,473,061</u>

The attached notes 1 to 11 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.P.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2014

	Share capital KD	Statutory reserve KD	General reserve KD	Special voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair-values reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2014 (<i>Audited</i>)	20,000,000	18,171,431	17,931,906	11,000,000	(1,478,157)	1,414,775	8,728,263	135,856	16,393,187	92,297,261
Profit for the period	-	-	-	-	-	-	-	-	5,909,134	5,909,134
Other comprehensive income (loss)	-	-	-	-	-	-	2,459,372	(34,015)	-	2,425,357
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,459,372	(34,015)	5,909,134	8,334,491
Cash dividends (Note 6)	-	-	-	-	-	-	-	-	(6,275,181)	(6,275,181)
Sale of treasury shares	-	-	-	-	41,196	12,683	-	-	-	53,879
Balance at 30 June 2014	20,000,000	18,171,431	17,931,906	11,000,000	(1,436,961)	1,427,458	11,187,635	101,841	16,027,140	94,410,450
Balance at 1 January 2013 (<i>Audited</i>)	18,953,248	17,162,327	16,922,802	10,500,000	(1,579,956)	1,385,068	8,254,160	89,914	15,090,504	86,778,067
Profit for the period	-	-	-	-	-	-	-	-	5,885,784	5,885,784
Other comprehensive income	-	-	-	-	-	-	397,975	83,691	-	481,666
Total comprehensive income for the period	-	-	-	-	-	-	397,975	83,691	5,885,784	6,367,450
Issue of bonus shares	1,046,752	-	-	-	-	-	-	-	(1,046,752)	-
Cash dividends (Note 6)	-	-	-	-	-	-	-	-	(4,638,454)	(4,638,454)
Sale of treasury shares	-	-	-	-	41,185	11,503	-	-	-	52,688
Balance at 30 June 2013	20,000,000	17,162,327	16,922,802	10,500,000	(1,538,771)	1,396,571	8,652,135	173,605	15,291,082	88,559,751

The attached notes 1 to 11 form part of this interim condensed financial information.

1 ACTIVITIES

The interim condensed financial information of Al-Ahleia Insurance Company S.A.K.P. (the "Company") for the six months period ended 30 June 2014 were authorised for issue by the Board of Directors on 11 August 2014.

The financial statements of the Company for the year ended 31 December 2013 were approved by the shareholders at the Annual General Meeting held on 11 August 2014.

Al-Ahleia Insurance Company S.A.K.P. is a Kuwaiti shareholding company listed in the Kuwaiti stock exchange, registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. It is engaged in various insurance activities, including reinsurance. Its registered head office is at P.O. Box 1602, Safat 13017, Kuwait.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

- (a) The interim condensed financial information of the Company has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".
- (b) The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2013.
- (c) The interim condensed financial information does not include all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included in the interim condensed financial information. Further, results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. For further information, refer to the annual audited financial statements and notes thereto for the year ended 31 December 2013.

The New Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the Executive Regulations, the companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

New standards or amendments which are effective as of 1 January 2014

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Company, as none of the entities in the Company qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in material impact on the financial position or performance of the Company.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The adoption of the above mentioned amendment did not have any material impact on the financial position or performance of the Company.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**Standard issued but not yet effective***IFRS 15 – Revenue from Contracts with customers (“IFRS 15”)*

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Parent Company is in the process of evaluating the effect of IFRS 15 on the Company and does not expect any significant impact on adoption of this standard.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Company did not have any diluted shares as at 30 June.

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	<u>2,556,514</u>	<u>3,455,489</u>	<u>5,909,134</u>	<u>5,885,784</u>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>196,102,573</u>	<u>195,790,567</u>	<u>196,064,555</u>	<u>195,780,355</u>
Basic and diluted earnings per share	<u>13.04 fils</u>	<u>17.65 fils</u>	<u>30.14 fils</u>	<u>30.06 fils</u>

Al-Ahleia Insurance Company S.A.K.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2014

4 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Share of results of associates	138,676	270,853	267,586	325,014
Gain on sale of financial assets available for sale	313,297	758,290	330,757	1,215,592
Impairment loss on financial assets available for sale (Note 5)	(200,915)	-	(382,938)	-
Interest on bonds and fixed deposits	103,148	116,980	215,051	233,816
Dividend income	916,964	813,060	1,714,689	1,531,223
Other investment income	11,512	20,576	23,844	40,416
	<u>1,282,682</u>	<u>1,979,759</u>	<u>2,168,989</u>	<u>3,346,061</u>

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2014</i>	<i>31 December</i>	<i>2013</i>
	<i>KD</i>	<i>2013</i>	<i>KD</i>
		<i>KD</i>	
<i>Local equity securities:</i>			
Quoted	20,237,049	20,086,608	20,135,610
Unquoted	8,087,362	8,264,321	9,142,843
	<u>28,324,411</u>	<u>28,350,929</u>	<u>29,278,453</u>
<i>Foreign equity securities:</i>			
Quoted	6,229,006	4,693,854	4,355,496
Unquoted	18,264,154	19,078,049	18,492,805
	<u>24,493,160</u>	<u>23,771,903</u>	<u>22,848,301</u>
Unquoted foreign funds	21,115,704	20,417,746	20,540,548
Bonds	350,000	350,000	350,000
	<u>74,283,275</u>	<u>72,890,578</u>	<u>73,017,302</u>

As at 30 June 2014, quoted equity securities are carried at fair value. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD Nil (31 December 2013: KD 82,714 and 30 June 2013: KD Nil) has been recognised in the interim condensed statement of income.

As at 30 June 2014, Management has performed a review of its unquoted financial assets available for sale to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 382,938 (31 December 2013: KD 1,357,412 and 30 June 2013: KD Nil) has been recognised in the interim condensed statement of income.

Al-Ahleia Insurance Company S.A.K.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2014

6 SHARE CAPITAL

Authorised, issued and fully paid-up share capital consists of 200,000,000 shares of 100 fils each (31 December 2013: 200,000,000 and 30 June 2013: 189,532,484 shares).

On 8 April 2014, the Ordinary Annual General Assembly of the Company's shareholders approved the payment of cash dividend of 32% for the year ended 31 December 2013, totaling KD 6,275,181 (25% for the year ended 31 December 2012, totaling KD 4,638,454) and board of directors' remuneration of KD 180,000 (2012: KD180,000).

7 TREASURY SHARES

	<i>30 June</i> <i>2014</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i>	<i>30 June</i> <i>2013</i>
Number of treasury shares	<u>3,879,331</u>	<u>3,990,545</u>	<u>4,154,183</u>
Percentage of issued shares (%)	<u>1.94</u>	<u>2.00</u>	<u>2.08</u>
Market value (KD)	<u>1,862,079</u>	<u>1,895,509</u>	<u>2,035,550</u>

8 CAPITAL COMMITMENTS

As at 30 June 2014, the Company had future capital commitments with respect to financial assets available for sale of KD 4,972,039 (31 December 2013: KD 4,736,393 and 30 June 2013: KD 3,956,178).

9 RELATED PARTY TRANSACTIONS

These represent i.e. major shareholders, directors and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the interim condensed statement of income are as follows:

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Six months ended 30 June</i>	
			<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Gross premiums	692,385	1,365,746	2,058,131	2,305,945
Claims incurred	414,751	424,399	839,150	838,569
			<i>Three months ended 30 June</i>	
			<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
Gross premiums	576,914	981,933	1,558,847	1,287,591
Claims incurred	265,707	205,587	471,294	386,150

Al-Ahleia Insurance Company S.A.K.P.

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(UNAUDITED)

At 30 June 2014

9 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the interim condensed statement of financial position are as follows:

	<i>Associates</i>	<i>Major</i>	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>KD</i>	<i>shareholders</i>	<i>2014</i>	<i>31 December</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Premiums and insurance balances receivable	565,430	3,145,617	3,711,047	3,857,534	3,983,286
Accounts payable and other credit balances	170,225	106,339	276,564	229,467	318,660

Key management personnel compensation:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	43,602	75,757	121,985	161,542
Employees' end of service benefits	2,992	5,671	5,951	8,630
	<u>46,594</u>	<u>81,428</u>	<u>127,936</u>	<u>170,172</u>

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, loans secured by life insurance policyholders, premiums and insurance balances receivable, reinsurance recoverable on outstanding claims, accounts receivables and other debit balances, fixed deposits and bank balances. Financial liabilities consist of insurance payables and other credit balances.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 5), are not materially different from their carrying values. The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

Al-Ahleia Insurance Company S.A.K.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2014

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total fair Value</i>
30 June 2014	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets available for sale:</i>				
Quoted	26,466,055	-	-	26,466,055
Unquoted	-	10,699,272	35,071,966	45,771,238
Total	26,466,055	10,699,272	35,071,966	72,237,293
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total fair Value</i>
31 December 2013 (Audited)	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets available for sale:</i>				
Quoted	24,780,462	-	-	24,780,462
Unquoted	-	11,462,776	34,424,399	45,887,175
Total	24,780,462	11,462,776	34,424,399	70,667,637
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total fair Value</i>
30 June 2013	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets available for sale:</i>				
Quoted	24,491,106	-	-	24,491,106
Unquoted	-	11,584,438	34,718,817	46,303,255
Total	24,491,106	11,584,438	34,718,817	70,794,361

Level 3 includes investments in unquoted foreign funds amounting to KD 21,115,704 (31 December 2013: KD 20,417,746 and 30 June 2013: 20,540,548) that have been valued using the Net Asset Value provided by the investment managers.

Al-Ahleia Insurance Company S.A.K.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2014

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value.

	<i>At the beginning of the period / year KD</i>	<i>Net gains recorded in the interim condensed statement of comprehensive income KD</i>	<i>Net results recorded in the interim condensed statement of income KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>Transfer to level 2 KD</i>	<i>At the end of the period / year KD</i>
30 June 2014						
<i>Financial assets available for sale:</i>						
Unquoted	<u>34,424,399</u>	<u>1,769,577</u>	<u>(382,938)</u>	<u>(739,072)</u>	<u>-</u>	<u>35,071,966</u>
31 December 2013 (Audited)						
<i>Financial assets available for sale:</i>						
Unquoted	<u>45,439,106</u>	<u>509,103</u>	<u>(352,962)</u>	<u>291,928</u>	<u>(11,462,776)</u>	<u>34,424,399</u>
30 June 2013						
<i>Financial assets available for sale:</i>						
Unquoted	<u>45,439,106</u>	<u>559,073</u>	<u>-</u>	<u>305,076</u>	<u>(11,584,438)</u>	<u>34,718,817</u>

11 SEGMENT RESULTS

The Company operates in two segments, general risk insurance and life and health insurance; there are no inter-segment transactions. The following are the details of these two primary segments:

Six months ended 30 June 2014:

	<i>General risk insurance</i>			<i>Life and health insurance KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
	<i>Marine and aviation KD</i>	<i>Accident KD</i>	<i>Fire KD</i>			
Segment revenue	<u>2,085,045</u>	<u>5,434,236</u>	<u>924,002</u>	<u>2,843,046</u>	<u>2,235,711</u>	<u>13,522,040</u>
Segment results (net underwriting income)	<u>1,028,415</u>	<u>1,513,407</u>	<u>477,902</u>	<u>1,290,248</u>	<u>1,830,734</u>	<u>6,140,706</u>
				<i>General risk insurance KD</i>	<i>Life and health insurance KD</i>	<i>Total KD</i>
Assets				<u>141,738,321</u>	<u>20,991,444</u>	<u>162,729,765</u>
Liabilities				<u>47,327,097</u>	<u>20,992,218</u>	<u>68,319,315</u>

Al-Ahleia Insurance Company S.A.K.P.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2014

11 SEGMENT RESULTS (continued)

Six months ended 30 June 2013:

	<i>General risk insurance</i>			<i>Life and health insurance</i>	<i>Unallocated</i>	<i>Total</i>
	<i>Marine and aviation</i>	<i>Accident</i>	<i>Fire</i>			
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	2,340,963	4,354,718	902,208	3,783,184	3,811,638	15,192,711
Segment results (net underwriting income)	1,013,165	882,793	392,855	472,434	3,365,974	6,127,221
				<i>General risk insurance</i>	<i>Life and health insurance</i>	<i>Total</i>
				<i>KD</i>	<i>KD</i>	<i>KD</i>
Assets				135,967,106	22,597,057	158,564,163
Liabilities				47,640,064	22,364,348	70,004,412