

**AL-AHLEIA INSURANCE COMPANY S.A.K.P.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 June 2018 (UNAUDITED)



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiaries (collectively "the Group") as at 30 June 2018, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statements of cash flows and changes in equity for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated 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 consolidated 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 consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent 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. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six month period ended 30 June 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
(AL AIBAN AL OSAIMI & PARTNERS)

7 August 2018
Kuwait

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 KD	2017 KD	2018 KD	2017 KD
Revenues:					
Gross premiums written		16,358,435	14,286,945	57,030,498	47,029,317
Premiums ceded to reinsurers		(4,864,577)	(4,278,081)	(10,814,206)	(11,159,453)
Net premiums written		11,493,858	10,008,864	46,216,292	35,869,864
Movement in unearned premiums		1,023,417	(885,872)	(12,227,491)	(8,350,574)
Net premiums earned		12,517,275	9,122,992	33,988,801	27,519,290
Commission income on ceded reinsurance		1,426,477	2,450,652	3,490,366	4,327,784
Policy issuance fees		102,664	119,839	234,688	261,482
Net investment income	6	1,406,560	1,521,409	3,153,115	3,193,975
Net gain on business combinations	3	3,748,963	-	3,748,963	-
Rental income from investment properties		158,564	160,433	326,314	328,680
Other income		(39,814)	187,948	65,831	312,103
Total revenues		19,320,689	13,563,273	45,008,078	35,943,314
Expenses:					
Net claims incurred		(10,664,281)	(760,032)	(19,149,394)	(16,020,635)
Commissions and premiums' acquisition costs		(2,754,582)	(2,653,482)	(5,579,733)	(4,632,663)
Movement in life mathematical reserve		2,252,000	(5,670,000)	(6,545,000)	(5,980,000)
Maturity and cancellation of life insurance Policies		(82,777)	(88,491)	(213,279)	(156,562)
Investment property expenses		(29,888)	(18,601)	(50,898)	(39,117)
Administrative expenses		(1,866,895)	(1,870,124)	(3,495,776)	(3,351,988)
Impairment loss on financial assets available for sale	7	(2,811,204)	(165,732)	(3,202,862)	(274,466)
Impairment loss on receivables		(630,000)	(100,000)	(860,000)	(200,000)
Total expenses		(16,587,627)	(11,326,462)	(39,096,942)	(30,655,431)
Profit before share of associates income		2,733,062	2,236,811	5,911,136	5,287,883
Share of results of associates		154,543	(150,554)	21,530	(125,059)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		2,887,605	2,086,257	5,932,666	5,162,824
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(23,097)	(15,573)	(49,241)	(43,022)
National Labour Support Tax (NLST)		(57,806)	(51,888)	(131,932)	(123,155)
Zakat		(23,088)	(22,773)	(52,738)	(51,321)
PROFIT FOR THE PERIOD		2,783,614	1,996,023	5,698,755	4,945,326
Attributable to:					
Equity holders of the Parent Company		2,715,374	1,918,375	5,552,300	4,801,550
Non-controlling interests		68,240	77,648	146,455	143,776
		2,783,614	1,996,023	5,698,755	4,945,326
BASIC AND DILUTED EARNINGS PER SHARE	4	13.82 fils	9.76 fils	28.25 fils	24.44 fils

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 KD	2017 KD	2018 KD	2017 KD
Profit for the period		2,783,614	1,996,023	5,698,755	4,945,326
Other comprehensive (loss) income:					
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>					
- Foreign currency translation adjustments		113,857	(74,145)	11,811	(130,070)
- Net unrealised (loss) gain of financial assets available for sale		(679,420)	(1,555,683)	81,558	1,406,457
- Gain on sale of financial assets available for sale	6	(53,274)	(107,092)	(394,286)	(484,834)
- Impairment loss on financial assets available for sale	7	2,811,204	165,732	3,202,862	274,466
- Share of other comprehensive income (loss) of associates		9,757	(5,026)	7,592	(5,839)
- Cumulative change in fair value of financial assets available for sale, recycled to consolidated statement of income	3	(3,315,988)	-	(3,315,988)	-
- Foreign currency translation reserve of an associate transferred to consolidated statement of income	3	(392,356)	-	(392,356)	-
Other comprehensive (loss) income for the period		(1,506,220)	(1,576,214)	(798,807)	1,060,180
Total comprehensive income for the Period		1,277,394	419,809	4,899,948	6,005,506
Attributable to:					
Equity holders of the Parent Company		1,222,150	346,546	4,766,503	5,843,485
Non-controlling interests		55,244	73,263	133,445	162,021
		1,277,394	419,809	4,899,948	6,005,506

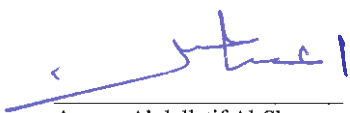
The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

		(Audited)	
	Notes	30 June 2018 KD	31 December 2017 KD
		30 June 2018 KD	30 June 2017 KD
ASSETS			
Property and equipment		3,935,093	4,022,945
Investment properties		12,080,789	12,080,381
Investment in associates	3	19,014,334	5,433,518
Financial assets held to maturity		19,666,000	19,666,000
Loans secured by life insurance policyholders		258,307	205,978
Financial assets available for sale	7	72,022,751	75,163,864
Financial assets at fair value through profit or loss		1,188,798	-
Receivables arising from reinsurance contracts and premium accruals		28,112,901	17,599,822
Reinsurance recoverable on outstanding claims		47,817,456	48,403,820
Premiums and insurance balances receivable		18,626,984	12,393,257
Accounts receivable and other debit balances		9,739,364	7,002,770
Term deposits	5	52,037,362	51,840,080
Bank balances and cash	5	7,576,551	8,916,922
TOTAL ASSETS		292,076,690	262,729,357
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital	8	20,000,000	20,000,000
Statutory reserve		20,000,000	20,000,000
General reserve		20,000,000	20,000,000
Special voluntary reserve	9	13,000,000	13,000,000
Treasury shares	10	(1,278,932)	(1,278,932)
Treasury shares reserve		1,474,675	1,474,675
Cumulative changes in fair values reserve		12,665,902	13,071,154
Foreign currency translation reserve		(59,488)	321,057
Retained earnings		20,239,365	21,566,341
Other reserve		117,184	105,028
Equity attributable to equity holders of the Parent Company		106,158,706	108,259,323
Non-controlling interests		9,129,095	3,479,960
Total equity		115,287,801	111,739,283
Liabilities			
Technical reserves arising from insurance and reinsurance contracts:			
Outstanding claims reserve		98,310,768	97,414,297
Unearned premiums reserve		30,161,839	17,934,348
Life mathematical reserve		12,278,000	5,733,000
Incurred but not reported reserve		12,948,599	12,563,604
Total technical reserves arising from insurance and reinsurance contracts		153,699,206	133,645,249
Bank overdraft	5	3,881,151	-
Insurance and reinsurance payables		11,127,109	9,133,006
Accounts payable and other credit balances		8,081,423	8,160,596
Premiums received in advance		-	51,223
Total liabilities		176,788,889	150,990,074
TOTAL EQUITY AND LIABILITIES		292,076,690	262,729,357


Ayman Abdullatif Al-Shayea
Chairman

Emad Mohamed Al-Bahar
Vice Chairman

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company and its Subsidiaries S.A.K.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2018

	Notes	Six months ended 30 June 2018	
		2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST, and Zakat		5,932,666	5,162,824
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		130,549	114,260
Share of results of associates		(21,530)	125,059
Rental income from investment properties		(326,314)	(328,680)
Gain on sale of financial assets available for sale	6	(394,286)	(484,834)
Impairment loss on financial assets available for sale	7	3,202,862	274,466
Interest income on bonds and term deposits	6	(1,404,026)	(1,214,896)
Dividend income	6	(1,254,362)	(1,390,521)
Income from funds	6	(100,441)	(103,724)
Impairment loss on receivables		860,000	200,000
Interest expense		18,069	152,931
Provision for employees' end of service benefits		354,685	468,109
Loss on sale of property and equipment		(260)	510
Net gain on business combination	3	(3,748,963)	-
		<u>3,248,649</u>	<u>2,975,504</u>
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(10,513,079)	(2,715,592)
Reinsurance recoverable on outstanding claims		584,619	(2,805,929)
Premiums and insurance balances receivable		(7,093,727)	(5,234,298)
Accounts receivable and other debit balances		(2,569,605)	(2,388,274)
Net change in insurance and reinsurance contract liabilities		20,087,112	22,441,146
Insurance and reinsurance payables		1,994,103	(2,990,611)
Accounts payable and other credit balances		(675,854)	(1,217,078)
Premiums received in advance		(51,223)	(62,515)
Cash flows from operations		<u>5,010,995</u>	<u>8,002,353</u>
Employees' end of service benefits paid		(73,515)	(68,706)
Net cash flows from operating activities		<u>4,937,480</u>	<u>7,933,647</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(41,875)	(32,381)
Proceeds from sale of property and equipment		260	6,517
Purchase of financial assets available for sale		(6,761,766)	(3,717,262)
Proceeds from sale of financial assets available for sale		4,798,836	7,588,735
Proceeds from redemption of financial assets held to maturity		-	1,219,437
Net movement in loans secured by life insurance policyholders		(52,329)	(2,837)
Term deposits		(953,037)	(3,050,606)
Dividends received		1,249,989	1,386,222
Interest income received		1,268,441	1,148,572
Rental income received		326,314	328,680
Income received from funds		100,441	103,724
Net cash and cash equivalents outflows on acquisition of a subsidiary		(3,985,892)	-
Net cash flows (used in) from investing activities		<u>(4,050,618)</u>	<u>4,978,801</u>
FINANCING ACTIVITIES			
Dividends paid		(6,810,464)	(7,175,198)
Sale of treasury shares		-	70,732
Change of ownership percentage in a subsidiary		(26,127)	(3,892)
Interest expense paid		(18,069)	(152,931)
Net cash flows used in financing activities		<u>(6,854,660)</u>	<u>(7,261,289)</u>
Foreign currency translation adjustment		<u>(9,479)</u>	<u>17,156</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(5,977,277)</u>	<u>5,668,315</u>
Cash and cash equivalents at the beginning of the period	5	<u>9,672,677</u>	<u>(8,477,326)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	<u>3,695,400</u>	<u>(2,809,011)</u>

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2018

	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	Other reserve KD	Subtotal KD	Non controlling interests KD	Total equity KD
Balance at 1 January 2018 (Audited)	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	1,474,675	13,071,154	321,057	21,566,341	105,028	108,259,323	3,479,960	111,739,283
Profit for the period	-	-	-	-	-	-	-	-	5,552,300	-	5,552,300	146,455	5,698,755
Other comprehensive (loss) income for the period	-	-	-	(405,252)	-	-	(405,252)	(380,545)	-	-	(785,797)	(13,010)	(798,807)
Total comprehensive (loss) income for the period	-	-	-	(405,252)	-	-	(405,252)	(380,545)	5,552,300	-	4,766,503	133,445	4,899,948
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(6,879,276)	-	(6,879,276)	-	(6,879,276)
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	12,156	12,156	(38,283)	(26,127)
Non-controlling interest arising from consolidating of a new subsidiary	-	-	-	-	-	-	-	-	-	-	-	5,553,973	5,553,973
Balance at 30 June 2018	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	1,474,675	12,665,902	(59,488)	20,239,365	117,184	106,158,706	9,129,095	115,287,801
Balance at 1 January 2017 (Audited)	20,000,000	20,000,000	20,000,000	12,000,000	(1,322,565)	1,458,169	10,387,171	528,484	20,829,322	62,528	103,943,109	3,338,802	107,281,911
Profit for the period	-	-	-	-	-	-	-	-	4,801,550	-	4,801,550	143,776	4,945,326
Other comprehensive income (loss)	-	-	-	-	-	-	1,172,005	(130,070)	-	-	1,041,935	18,245	1,060,180
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,172,005	(130,070)	4,801,550	-	5,843,485	162,021	6,005,506
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(6,875,352)	-	(6,875,352)	-	(6,875,352)
Sale of treasury shares	-	-	-	-	54,226	16,506	-	-	-	-	70,732	-	70,732
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	18,056	18,056	(21,948)	(3,892)
Balance at 30 June 2017	20,000,000	20,000,000	20,000,000	12,000,000	(1,268,339)	1,474,675	11,559,176	398,414	18,755,520	80,584	103,000,030	3,478,875	106,478,905

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Parent Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The Parent Company has been engaging in various insurance and reinsurance activities, as set forth in the Parent Company's Articles of Association. The Parent Company's registered head office address is at P. O. Box 1602, Safat 13017, Kuwait.

The interim condensed consolidated financial information of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiaries – Kuwait Reinsurance Company K.S.C.P., and Trade Union Holding CO. B.S.C. (Closed), Bahrain, (collectively the "Group") for the six month period ended 30 June 2018 were authorised for issuance by the Board of Directors on 7 August 2018.

The financial statements of the Parent Company for the year ended 31 December 2017 were approved by the shareholders at the Annual General Assembly Meeting held on 27 March 2018.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting.

The interim condensed consolidated financial information are presented in Kuwaiti Dinars which is the functional currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six months' period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendment; Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

The amendment introduced two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

During 2017, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2017. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previous revenue guidance. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied IFRS 15 using the modified retrospective application. Given that the insurance contracts are scoped out of IFRS 15; the Group concluded that it has insignificant impact from the application of IFRS 15.

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

3 BUSINESS COMBINATION

On 31 May 2018 the Parent Company acquired additional 9,986,344 shares in Trade Union Holding CO B.S.C. (Closed) (formerly classified as an associate) (the “acquiree”) as illustrated below :

	<i>Previously held equity interest by the holding company</i>	<i>Additional interest through Mandatory Acquisition proposal</i>	<i>Post- acquisition equity interest</i>
Trade Union Holding Co. B.S.C. (Closed)	20.95%	36.99%	57.94%

Trade Union Holding CO. B.S.C. (Closed) is incorporated in the Kingdom of Bahrain. The main objective of the acquiree is to carry out insurance and reinsurance operations, to establish or subscribe in the formation of insurance or reinsurance companies, and to hold funds, realities or any other investments.

The business combination of Trade Union Holding Co. B.S.C (Closed) was achieved in stages. Accordingly, the Group recognized net gain on business combination of KD 3,748,963 representing gain on bargain purchase, loss on re-measurement of previously held equity interests at the acquisition date fair value, foreign currency translation reserve of an associate transferred to consolidated statement of income and cumulative change in fair value of financial assets available for sale recycled to consolidated statement.

The acquisition has been accounted based on fair values of the identifiable assets and liabilities of the acquired company as on the acquisition date.

The details of the fair values of the assets acquired and liabilities assumed as well as the non-controlling interests at fair value of the acquired company’s identifiable net assets, are summarised as follows:

	<i>30 June 2018 KD</i>
Assets	
Investment in associates*	11,591,397
Financial assets at fair value through profit or loss	1,188,798
Other receivables	28,973
Bank balances***	408,311
	<u>13,217,479</u>
Liabilities	
Other liabilities	419
Due from related party	12,368
	<u>12,787</u>
Net assets acquired	<u>13,204,692</u>
Considerations paid**	4,394,203
Non-controlling interests in the acquired company	5,553,973
Fair value of acquirer’s previously held interest	2,766,771
	<u>12,714,947</u>
Gain on bargain purchase	489,745
Loss on re-measurement of previously held equity interests	(449,126)
Foreign currency translation reserve of an associate transferred to consolidated statement of income	392,356
Cumulative change in fair value of financial assets available for sale, recycled to consolidated statement	3,315,988
Net gain on business combination	<u>3,748,963</u>
Considerations paid **	(4,394,203)
Cash and cash equivalents inflows on acquisition of a subsidiary ***	408,311
Net cash and cash equivalents outflows on acquisition of a subsidiary	<u>(3,985,892)</u>

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

3 BUSINESS COMBINATION (continued)

*As a result of Trade Union Holding CO. B.S.C. (Closed) becoming a subsidiary of the Group, Trade Union Cooperative Insurance Company ("the associate of Trade Union Holding CO. B.S.C.") became an associate of the Group and have been accounted for in accordance with International Accounting Standard 28 ("Investment in Associates") from the date of acquisition of Trade Union Holding CO. B.S.C. (Closed), which represents the effective date that the Group has the ability to exercise significant influence over the operation of Trade Union Cooperative Insurance Company.

Before the acquisition date, the Parent Company held 10% equity interest in Trade Union Cooperative Insurance Company with a carrying amount of KD 5,183,988 classified as financial asset available for sale carried at fair value. Post-acquisition date, the Group's equity interest in Trade Union Cooperative Insurance Company has increased from 10% to 32.36% and has the ability to exercise significant influence over the operation of this Company. As a result, the Group has reclassified its investment in Trade Union Cooperative Insurance Company formerly classified as financial assets available for sale with a carrying amount of KD 5,183,988 to investments in associate by applying a fair value (IFRS 3) approach- ("Piecemeal acquisition of an associate") and recognised gain of KD 3,315,988 which represents cumulative changes in fair values reserve recycled to consolidated statement of income (Note 7).

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period (excluding treasury shares).

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2018 KD</i>	<i>2017 KD</i>	<i>2018 KD</i>	<i>2017 KD</i>
Profit for the period attributable to equity holders of the Parent Company	2,715,374	1,918,375	5,552,300	4,801,550
	<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)	196,550,725	196,516,556	196,550,725	196,472,839
Basic and diluted earnings per share	13.82 fils	9.76 fils	28.25 fils	24.44 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of the interim condensed consolidated financial information.

5 CASH AND CASH EQUIVALENTS

	<i>(Audited)</i>		
	<i>30 June 2018 KD</i>	<i>31 December 2017 KD</i>	<i>30 June 2017 KD</i>
Term deposits	52,037,362	51,840,080	48,501,770
Bank balances and cash	7,576,551	8,916,922	6,012,170
	59,613,913	60,757,002	54,513,940
Less:			
Term deposits with original maturities of more than three Months	(52,037,362)	(51,084,325)	(48,316,209)
Bank overdraft	(3,881,151)	-	(9,006,742)
Cash and cash equivalents	3,695,400	9,672,677	(2,809,011)

Term deposits amounting to KD 3,881,236 (31 December 2017: KD 3,881,236 and 30 June 2017: KD 5,391,736) are held as security against letter of credit granted by banks. Bank balances and deposit amounting to KD 1,874,603 (31 December 2017: KD 1,874,603 and 30 June 2017: KD 1,874,603) have been pledged against initial legal case verdict, which was appealed by the Group.

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6 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2018	2017	2018	2017
	KD	KD	KD	KD
Gain on sale of financial assets available for Sale	53,274	107,092	394,286	484,834
Interest income on bonds and term deposits	668,606	628,737	1,404,026	1,214,896
Dividend income	632,552	730,016	1,254,362	1,390,521
Income from funds	52,128	55,564	100,441	103,724
	1,406,560	1,521,409	3,153,115	3,193,975

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	2018	31 December	30 June
	KD	2017	2017
	KD	KD	KD
<i>Local equity securities:</i>			
Quoted	25,179,477	22,786,959	25,220,869
Unquoted	6,909,474	6,907,698	6,969,748
	32,088,951	29,694,657	32,190,617
<i>Foreign equity securities:</i>			
Quoted	843,604	5,050,189	4,358,929
Unquoted	18,147,049	18,536,182	19,484,230
	18,990,653	23,586,371	23,843,159
Unquoted managed funds	20,471,695	21,246,384	22,924,558
Bonds	471,452	636,452	642,518
	20,943,147	21,882,836	23,567,076
	72,022,751	75,163,864	79,600,852

As at 30 June 2018, the management has performed a review of its financial assets available for sale to assess whether any impairment has occurred in their value. Accordingly, an impairment loss of KD 3,202,862 (31 December 2017: KD 1,403,715 and 30 June 2017: KD 274,466) has been recorded in the interim condensed consolidated statement of income.

During the period, quoted securities amounting to KD 5,183,988 were reclassified to investment in associates as the Group has the ability to exercise significant influence over the investee as a result of the of step acquisition of Trade Union Holding CO. B.S.C. (Closed) (Note 3).

8 SHARE CAPITAL

Authorised, issued and fully paid-up share capital consists of 200,000,000 shares of 100 fils each (31 December 2017: 200,000,000 shares and 31 March 2017: 200,000,000 shares).

On 27 March 2018, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the cash dividends of 35 fils per share for the year ended 31 December 2017, amounting to KD 6,879,276 (2016: 35 fils per share amounting to KD 6,875,352). Accordingly, cash dividends were recorded as dividends payable in the Parent Company's records as of the date of the Ordinary Annual General Assembly and shall be payable to shareholders at the payment date of 19 April 2018 which is defined in accordance with Capital Markets Authority regulations.

The Ordinary Annual General Assembly approved the Parent Company's board of directors' fees of KD 366,300 (2016: KD 421,321).

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9 SPECIAL VOLUNTARY RESERVE

On 27 March 2018, the Ordinary Annual General Assembly of the Parent Company's shareholders approved to transfer an amount of KD 1,000,000 from the profit of the year ended 31 December 2017 to the special voluntary reserve.

10 TREASURY SHARES

	30 June 2018	<i>(Audited)</i> 31 December 2017	30 June 2017
Number of treasury shares	3,449,275	3,449,275	3,424,937
Percentage of issued shares (%)	1.72	1.72	1.71
Market value (KD)	1,390,058	1,603,913	1,643,970

An amount of KD 1,278,932 (31 December 2017: KD 1,278,932 and 30 June 2017: KD 1,268,339) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from reserves and retained earnings throughout the holding period of treasury shares.

The weighted average market price of the Parent Company's shares for the period ended 30 June 2018 is 405 fils per share (31 December 2017: 443 fils per share and 30 June 2017: 484 fils per share).

11 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2018, the Group had future capital commitments with respect to financial assets available for sale of KD 3,568,895 (31 December 2017: KD 4,165,190 and 30 June 2017: KD 4,540,519) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 3,040,596 (31 December 2017: KD 3,003,096 and 30 June 2017: KD 3,495,690) from which it is anticipated that no material liabilities will arise.

12 RELATED PARTY TRANSACTIONS

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

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

Six months period ended	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
30 June 2018					
Gross premiums	19,848	555,289	685,224	23,866	1,284,227
Claims incurred	340	66,276	154,230	-	220,846
Six months period ended 30 June 2017					
Gross premiums	7,193	590,110	824,090	108,978	1,530,371
Claims incurred	(280)	225,463	318,487	17,085	560,755

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12 RELATED PARTY TRANSACTIONS (continued)

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

30 June 2018	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
Premiums and insurance balances receivable	25,366	659,930	3,855,908	5,808	4,547,012
Other credit balances	-	-	9,511	-	9,511
31 December 2017 (Audited)	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
Premiums and insurance balances receivable	21,807	435,388	4,231,690	311,138	5,000,023
Other credit balances	-	-	95,008	6,710	101,718
30 June 2017	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
Premiums and insurance balances receivable	23,507	672,482	4,268,450	344,505	5,308,944
Other credit balances	-	-	28,746	6,598	35,344
Key management personnel compensation:					
		<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits		199,611	209,183	398,389	392,909
Employees' end of service benefits		32,490	197,386	48,921	241,214
		232,101	406,569	447,310	634,123

13 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, term deposits and bank balances and cash. Financial liabilities consist of insurance and reinsurance payables and accounts payables and other credit balances.

The Group 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.

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13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair values of financial instruments (financial assets and financial liabilities), with the exception of certain financial assets available for sale carried at cost amounting to KD 15,926,803 (31 December 2017: KD 16,806,018 and 30 June 2017: KD 18,523,239) are not materially different from their carrying values.

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) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair Value KD</i>
30 June 2018			
<i>Financial assets available for sale:</i>			
Quoted	26,023,081	-	26,023,081
Unquoted equity securities	-	11,865,893	11,865,893
Unquoted foreign funds	-	18,206,974	18,206,974
Total	26,023,081	30,072,867	56,095,948
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair value KD</i>
31 December 2017 (Audited)			
<i>Financial assets available for sale:</i>			
Quoted	27,837,148	-	27,837,148
Unquoted equity securities	-	11,770,944	11,770,944
Unquoted foreign funds	-	18,749,754	18,749,754
Total	27,837,148	30,520,698	58,357,846
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair value KD</i>
30 June 2017			
<i>Financial assets available for sale:</i>			
Quoted	29,579,798	-	29,579,798
Unquoted equity securities	-	11,821,886	11,821,886
Unquoted managed funds	-	19,675,929	19,675,929
Total	29,579,798	31,497,815	61,077,613

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13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	<i>At the beginning of the period KD</i>	<i>Net results recorded in the interim consolidated statement of comprehensive income KD</i>	<i>Net results recorded in the interim consolidated statement of income KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>At the end of the period KD</i>
30 June 2018					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	11,770,944	94,949	-	-	11,865,893
Unquoted managed funds	18,749,754	404,565	(618,835)	(328,510)	18,206,974
	<u>30,520,698</u>	<u>499,514</u>	<u>(618,835)</u>	<u>(328,510)</u>	<u>30,072,867</u>
31 December 2017 (Audited)					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	12,021,728	(250,784)	-	-	11,770,944
Unquoted managed funds	20,766,053	157,506	(277,272)	(1,896,533)	18,749,754
	<u>32,787,781</u>	<u>(93,278)</u>	<u>(277,272)</u>	<u>(1,896,533)</u>	<u>30,520,698</u>

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13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At the beginning of the period KD	Net results recorded in the interim condensed consolidated statement of comprehensive income KD	Net results recorded in the interim condensed consolidated statement of income KD	Net purchases, transfer, sales and settlements KD	At the end of the period KD
30 June 2017					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	12,021,728	(199,842)	-	-	11,821,886
Unquoted managed funds	20,766,053	12,585	230,242	(1,332,951)	19,675,929
	32,787,781	(187,257)	230,242	(1,332,951)	31,497,815

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

Valuation Technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Unquoted equity securities	Discount for lack of marketability & lack of Control Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	10%	An increase (decrease) by 10% in the discount for lack of marketability & lack of control would result in increase (decrease) in fair value by KD 1,187 thousands.
Unquoted foreign funds	Price to book value Adjusted net assets value	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 1,187 thousands. An increase (decrease) by 10% in the Discount for lack of would result in increase (decrease) in fair value by KD 1,821 thousands.

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14 SEGMENT RESULTS

The Group operates in 4 segments: General risk insurance, Life & Medical insurance, Reinsurance and Investment. The following are the details of these segments:

30 June 2018	General risk insurance						Total KD	
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	Investment KD		Unallocated KD
Segment revenue	1,718,906	4,083,960	785,072	12,628,370	18,497,547	7,228,392	65,831	45,008,078
Segment results	758,197	1,234,751	396,244	150,601	2,013,782	2,522,162	(1,143,071)	5,932,666
Assets				<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>Investment KD</i>	<i>General risk insurance KD</i>	<i>Total KD</i>
Liabilities				20,413,276	129,842,514	99,104,205	42,716,695	292,076,690
				37,911,620	83,218,076	12,787	55,646,406	176,788,889
31 December 2017 (Audited)	General risk insurance						Total KD	
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	Investment KD		Unallocated KD
Segment revenue	2,991,856	8,962,704	1,761,132	13,408,433	30,028,348	6,801,687	580,195	64,534,355
Segment results	1,031,729	2,986,952	536,094	852,795	3,345,795	1,952,158	(927,626)	9,777,897
Assets				<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>Investment KD</i>	<i>General risk insurance KD</i>	<i>Total KD</i>
Liabilities				14,849,968	116,258,199	88,857,630	42,763,560	262,729,357
				28,719,720	70,524,339	-	51,746,015	150,990,074

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14 SEGMENT RESULTS (continued)

30 June 2017	General risk insurance							Total KD
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	Investment KD	Unallocated KD	
Segment revenue	1,601,865	4,439,843	830,334	11,483,553	13,752,961	3,597,596	237,162	35,943,314
Segment results	401,881	1,411,329	403,766	(106)	1,936,436	1,523,681	(514,163)	5,162,824
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
Liabilities				19,454,319	118,357,994	92,027,236	34,708,135	264,547,684
				31,933,816	74,503,584	-	51,631,379	158,068,779