

AL-AHLEIA INSURANCE COMPANY S.A.K.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

30 SEPTEMBER 2011

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Ahleia Insurance Company S.A.K. (the "company") as at 30 September 2011 and the related interim condensed statements of income and comprehensive income for the three months and nine months periods then ended and the related interim condensed statements of cash flows and changes in equity and for the nine 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

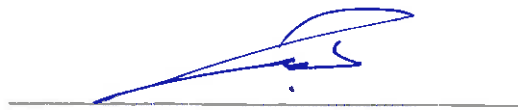
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information are not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed 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 Commercial Companies Law of 1960, as amended, nor of the articles of association of the company during the nine months period ended 30 September 2011 have occurred that might have had a material effect on the business of company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG



ABDULATIF A. H. AL-MAJID
LICENCE NO. 70 A
OF ALLIED ACCOUNTANTS

1 November 2011

Kuwait

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2011

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011	2010	2011	2010
		KD	KD	KD	KD
Revenue:					
Gross premiums		5,583,720	6,137,358	24,068,167	22,139,813
Premiums ceded to reinsurers		(2,797,523)	(3,786,221)	(13,789,777)	(13,766,129)
Net premiums		2,786,197	2,351,137	10,278,390	8,373,684
Movement in unearned premiums		300,525	135,816	(239,906)	(94,806)
Net premiums earned		3,086,722	2,486,953	10,038,484	8,278,878
Commission received on ceded reinsurance		849,619	790,149	3,549,973	3,739,219
Policy issuance fees		118,699	118,065	411,491	394,299
Net investment income	4	259,017	587,554	2,598,990	3,121,704
Other (losses) income		(15,777)	(8,022)	97,139	75,843
Total Revenue		4,298,280	3,974,699	16,696,077	15,609,943
Expenses:					
Claims incurred		1,713,983	1,364,580	4,958,206	4,143,776
Commissions		560,263	399,952	1,602,711	1,538,330
(Decrease) increase in life mathematical reserve		(450,600)	2,790	(45,100)	317,190
Maturity and cancellations of life insurance policies		44,678	12,664	135,918	96,931
General and administrative expenses		943,460	909,325	3,128,540	3,039,789
Total Expenses		2,811,784	2,689,311	9,780,275	9,136,016
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
		1,486,496	1,285,388	6,915,802	6,473,927
Contribution to KFAS		(14,865)	(10,600)	(69,158)	(59,499)
NLST		(39,742)	(25,466)	(155,975)	(126,538)
Zakat		(15,897)	(11,135)	(62,415)	(51,564)
PROFIT FOR THE PERIOD		1,415,992	1,238,187	6,628,254	6,236,326
BASIC AND DILUTED EARNINGS PER SHARE					
	5	8.03 fils	7.04 fils	37.58 fils	35.43 fils

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

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

Period ended 30 September 2011

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	1,415,992	1,238,187	6,628,254	6,236,326
Other comprehensive income:				
Net unrealized loss (gain) on financial assets available for sale	(1,172,128)	2,561,058	(2,113,583)	1,829,509
Impairment loss on financial assets available for sale (Note 4)	335,152	189,530	1,182,564	1,235,270
Share of other comprehensive income of associates (Note 6)	(43,182)	44,732	(144,853)	91,639
Foreign currency translation adjustment (Note 6)	26,832	(84,992)	(38,482)	(44,737)
Other comprehensive (loss) income for the period	(853,326)	2,710,328	(1,114,354)	3,111,681
Total comprehensive income	562,666	3,948,515	5,513,900	9,348,007

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


Al-Ahleia Insurance Company S.A.K.


INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

At 30 September 2011

		30 September 2011 KD	(Audited) 31 December 2010 KD	30 September 2010 KD
ASSETS				
Property and equipment		3,043,414	3,136,279	3,173,937
Investment in associates	6	13,032,824	13,765,141	14,213,062
Financial assets available for sale		74,865,297	69,397,716	72,198,702
Loans secured by life insurance policyholders		190,083	95,842	93,177
Premiums and insurance balances receivable		10,188,839	12,878,837	11,137,207
Reinsurance recoverable on outstanding claims		25,542,406	25,654,761	26,455,142
Other debit balances		2,048,759	2,156,683	2,245,205
Fixed deposits		16,244,756	15,008,048	11,583,047
Bank balances and cash	7	442,859	1,018,971	248,204
TOTAL ASSETS		145,599,237	143,112,278	141,347,683
EQUITY AND LIABILITIES				
Equity				
Share capital	8	18,050,713	17,191,155	17,191,155
Statutory reserve		15,450,580	15,450,580	14,575,372
General reserve		15,211,055	15,211,055	14,335,847
Special voluntary reserve		9,500,000	9,500,000	9,000,000
Treasury shares	9	(1,650,536)	(1,715,677)	(1,941,384)
Treasury shares reserve		1,367,937	1,370,511	1,339,586
Cumulative changes in fair values		6,622,414	7,698,286	9,093,809
Foreign currency translation reserve		60,797	99,279	69,762
Retained earnings		15,388,289	13,818,486	14,029,789
Total equity		80,001,249	78,623,675	77,693,936
Liabilities				
Liabilities arising from insurance contracts:				
Outstanding claims reserve		33,755,674	33,639,723	34,794,942
Unearned premiums reserve		3,276,131	3,036,225	2,609,158
Life mathematical reserve		3,593,400	3,638,500	3,632,190
Additional reserve		6,700,000	6,700,000	6,700,000
Total liabilities arising from insurance contracts		47,325,205	47,014,448	47,736,290
Insurance payable		6,485,561	6,427,229	4,280,258
Other credit balances		8,793,824	8,943,238	8,198,551
Premiums received in advance		1,749,432	2,103,688	1,885,882
Bank overdrafts	7	1,243,966	-	1,552,766
Total liabilities		65,597,988	64,488,603	63,653,747
TOTAL EQUITY AND LIABILITIES		145,599,237	143,112,278	141,347,683


Sulaiman Hamad Al-Dalali
Chairman and Managing Director


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.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 30 September 2011

	Notes	Nine months ended 30 September	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST and Zakat		6,915,802	6,473,927
Adjustments for:			
Share of results of associates	4	308,041	(514,766)
Gain on sale of financial assets available for sale	4	(2,043,790)	(2,337,271)
Impairment loss on financial assets available for sale	4	1,182,564	1,235,270
Interest income		(337,235)	(309,485)
Dividend income	4	(1,589,989)	(1,065,143)
Interest expense		37,992	77,778
Provision for employees' end of service benefits		63,522	72,564
Depreciation of property and equipment		116,628	121,157
		<u>4,653,535</u>	<u>3,754,031</u>
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		2,689,998	(2,607,019)
Reinsurance recoverable on outstanding claims		112,355	(4,464,158)
Other debit balances		373,216	(29,584)
Liabilities arising from insurance contracts		310,757	4,857,531
Insurance payable		58,332	(1,505,402)
Other credit balances		(170,232)	(229,756)
Premiums received in advance		(354,256)	208,859
		<u>7,673,705</u>	<u>(15,498)</u>
Cash from (used in) operations			
Employees' end of service benefits paid		(93,435)	(81,241)
Paid to NLST		(181,516)	(174,122)
Paid to Zakat		(72,606)	(69,649)
Paid to directors		(135,000)	(135,000)
		<u>7,191,148</u>	<u>(475,510)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(23,763)	(8,377)
Purchase of investment in associates	6	-	(907,499)
Purchase of financial assets available for sale		(12,602,090)	(4,838,173)
Proceeds from sale of financial assets available for sale		7,064,716	12,026,572
Movement in loans secured by life insurance policyholders		(94,241)	(36,950)
Movement in fixed deposits		(1,236,708)	(526,142)
Dividends received from associates	6	240,941	137,666
Dividend income received		1,589,989	1,046,925
Interest income received		71,943	52,165
		<u>(4,989,213)</u>	<u>6,946,187</u>
FINANCING ACTIVITIES			
Dividends paid		(4,084,580)	(2,906,920)
Purchase of treasury shares		-	(144,594)
Sale of treasury shares		62,567	252,974
Term loan repaid		-	(2,500,000)
		<u>(4,022,013)</u>	<u>(5,298,540)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,820,078)	1,172,137
Cash and cash equivalents at the beginning of the period		1,018,971	(2,476,699)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	(801,107)	(1,304,562)

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

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 September 2011

	Share capital KD	Statutory reserve KD	General reserve KD	Special voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2011	17,191,155	15,450,580	15,211,055	9,500,000	(1,715,677)	1,370,511	7,698,286	99,279	13,818,486	78,623,675
Profit for the period	-	-	-	-	-	-	-	-	6,628,254	6,628,254
Other comprehensive loss	-	-	-	-	-	-	(1,075,872)	(38,482)	-	(1,114,354)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,075,872)	(38,482)	6,628,254	5,513,900
Issue of bounce shares (Note 8)	859,558	-	-	-	-	-	-	-	(859,558)	-
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(4,198,893)	(4,198,893)
Sale of treasury shares	-	-	-	-	65,141	(2,574)	-	-	-	62,567
Balance at 30 September 2011	18,050,713	15,450,580	15,211,055	9,500,000	(1,650,536)	1,367,937	6,622,414	60,797	15,388,289	80,001,249
Balance at 1 January 2010	15,628,323	14,575,372	14,335,847	9,000,000	(2,043,712)	1,333,534	5,937,391	114,499	12,396,944	71,278,198
Profit for the period	-	-	-	-	-	-	-	-	6,236,326	6,236,326
Other comprehensive income (loss)	-	-	-	-	-	-	3,156,418	(44,737)	-	3,111,681
Total comprehensive income (loss) for the period	-	-	-	-	-	-	3,156,418	(44,737)	6,236,326	9,348,007
Issue of bounce shares (Note 8)	1,562,832	-	-	-	-	-	-	-	(1,562,832)	-
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(3,040,649)	(3,040,649)
Purchase of treasury shares	-	-	-	-	(144,594)	-	-	-	-	(144,594)
Sale of treasury shares	-	-	-	-	246,922	6,052	-	-	-	252,974
Balance at 30 September 2010	17,191,155	14,575,372	14,335,847	9,000,000	(1,941,384)	1,339,586	9,093,809	69,762	14,029,789	77,693,936

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. for the period ended 30 September 2011 were authorised for issue by the Board of Directors on 1 November 2011.

Al-Ahleia Insurance Company S.A.K. is a Kuwaiti shareholding company 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 PREPARATION

The interim condensed financial information of the company is prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. 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 2010 except as discussed in the following paragraphs:

The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The interim condensed financial information is presented in Kuwaiti Dinars (KD).

Operating results for the nine month period ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011. For more details please refer to the financial statements for the year ended 31 December 2010.

Changes in accounting policy and disclosures

The following new and amended standards and interpretations are applicable for the company effective from 1 January 2011:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

The revised standards and new amendments above have not had significant impact on the company's interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 September 2011

3 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:

Nine months ended 30 September 2011:

	<i>General risk insurance</i>			<i>Life and health insurance</i> KD	<i>Unallocated</i> KD	<i>Total</i> KD
	<i>Marine and aviation</i> KD	<i>Accident</i> KD	<i>Fire</i> KD			
Segment revenue	<u>2,686,010</u>	<u>5,820,293</u>	<u>881,944</u>	<u>4,611,701</u>	<u>2,696,129</u>	<u>16,696,077</u>
Segment results (net underwriting income)	<u>1,567,628</u>	<u>1,699,674</u>	<u>471,495</u>	<u>1,284,881</u>	<u>1,892,124</u>	<u>6,915,802</u>
Assets				<u>122,846,276</u>	<u>22,752,961</u>	<u>145,599,237</u>

Nine months ended 30 September 2010:

	<i>General risk insurance</i>			<i>Life and health insurance</i> KD	<i>Unallocated</i> KD	<i>Total</i> KD
	<i>Marine and aviation</i> KD	<i>Accident</i> KD	<i>Fire</i> KD			
Segment revenue	<u>2,627,864</u>	<u>4,952,782</u>	<u>926,398</u>	<u>3,905,352</u>	<u>3,197,547</u>	<u>15,609,943</u>
Segment results (net underwriting income)	<u>1,489,035</u>	<u>1,233,979</u>	<u>306,413</u>	<u>1,057,211</u>	<u>2,387,289</u>	<u>6,473,927</u>
Assets				<u>119,787,262</u>	<u>21,560,421</u>	<u>141,347,683</u>

4 NET INVESTMENT INCOME

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2011</i> KD	<i>2010</i> KD	<i>2011</i> KD	<i>2010</i> KD
Share of results of associates (Note 6)	161,573	232,118	(308,041)	514,766
Gain on sale of financial assets available for sale	19,632	287,830	2,043,790	2,337,271
Interest on bonds	-	7,247	-	21,622
Interest on fixed deposits	114,746	97,141	337,235	287,863
Dividend income	244,493	107,074	1,589,989	1,065,143
Other investment income	53,725	45,674	118,581	130,309
Impairment loss on financial assets available for sale	(335,152)	(189,530)	(1,182,564)	(1,235,270)
	<u>259,017</u>	<u>587,554</u>	<u>2,598,990</u>	<u>3,121,704</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 September 2011

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted 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) as follows:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>	<i>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>
Profit for the period	1,415,992	1,238,187	6,628,254	6,236,326
	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	176,368,711	175,847,807	176,385,838	176,025,442
Basic and diluted earnings per share	8.03 fils	7.04 fils	37.58 fils	35.43 fils

The basic and diluted earnings per share have been adjusted for the current and previous period due to the approval of bonus shares including the Extraordinary General Assembly held on 20 April 2011 (see Note 8).

6 INVESTMENT IN ASSOCIATES

The movement of the investment in associates during the period/year is as follows:

	<i>30 September</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 September</i>
	<i>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>	<i>2010</i> <i>KD</i>
Carrying value at the beginning of the period/year	13,765,141	12,881,561	12,881,561
Additions	-	907,498	907,499
Disposals	-	(30,669)	-
Share of results of associates (Note 4)	(308,041)	211,690	514,766
Foreign currency translation adjustment	(38,482)	(15,220)	(44,737)
Dividends received	(240,941)	(137,666)	(137,666)
Share of other comprehensive income of associates	(144,853)	(52,053)	91,639
Carrying value at the end of the period/year	13,032,824	13,765,141	14,213,062

7 CASH AND CASH EQUIVALENTS

	<i>30 September</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 September</i>
	<i>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>	<i>2010</i> <i>KD</i>
Cash in hand and at banks	442,859	1,018,971	248,204
Bank overdrafts	(1,243,966)	-	(1,552,766)
	(801,107)	1,018,971	(1,304,562)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 September 2011

8 SHARE CAPITAL

Authorised, issued and fully paid-up share capital consists of 180,507,130 shares of 100 fils each (31 December 2010: 171,911,550 and 30 September 2010: 171,911,550 shares).

On 20 April 2011, the Ordinary Annual General Assembly of the company's shareholders approved the payment of cash dividends related to the year ended 31 December 2010 of KD 4,198,893 (2009: KD 3,040,649). On the same date, the Extraordinary General Assembly of the company's shareholders approved the increase of share capital from KD 17,191,155 to KD 18,050,713 through issuance of 8,595,580 bonus shares of 100 fils each for the year ended 31 December 2010 (2009: 15,628,320 shares).

9 TREASURY SHARES

	<i>30 September 2011</i>	<i>(Audited) 31 December 2010</i>	<i>30 September 2010</i>
Number of treasury shares (shares)	<u>4,023,634</u>	<u>3,955,842</u>	<u>4,485,842</u>
Percentage of issued shares (%)	<u>2.23</u>	<u>2.30</u>	<u>2.61</u>
Market value (KD)	<u>1,911,226</u>	<u>2,057,038</u>	<u>2,332,638</u>

10 RELATED PARTY TRANSACTIONS

These represent 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 KD</i>	<i>Major Shareholders KD</i>	<i>Nine months ended 30 September</i>	
			<i>2011 KD</i>	<i>2010 KD</i>
Premium written	570,180	2,077,590	2,647,770	2,506,956
Claims incurred	171,550	685,744	857,294	1,047,483

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

	<i>Associates KD</i>	<i>Major shareholders KD</i>	<i>30 September 2011 KD</i>	<i>(Audited) 31 December 2010 KD</i>	<i>30 September 2010 KD</i>
Premiums and insurance balances receivable	602,295	2,608,407	3,210,702	3,207,443	2,340,579
Other credit balances	30,945	74,118	105,063	210,186	16,655

Key management compensation:

	<i>Nine months ended 30 September</i>	
	<i>2011 KD</i>	<i>2010 KD</i>
Salaries and other short term benefits	256,825	220,823
Employees' end of service benefits	103,256	93,256
	<u>360,081</u>	<u>314,079</u>

11 CAPITAL COMMITMENTS

At the reporting date, the company had future capital commitments with respect to financial assets available for sale of KD 5,853,500 (31 December 2010: KD 6,490,463 and 30 September 2010: KD 7,334,996).