

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2015 (UNAUDITED)**



Building a better  
working world

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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 subsidiary (collectively "the Group") as at 30 September 2015, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three month and nine month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month 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 International Accounting Standard 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. 25 of 2012, as amended and its executive regulation, or of the Parent Company Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 2015 that might have had a material effect on the business of the Parent 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)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2015 (UNAUDITED)

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2015	2014	2015	2014
		KD	KD	KD	KD
<b>Revenue:</b>					
Gross premiums		17,043,105	6,597,489	36,294,224	24,148,595
Premiums ceded to reinsurers		(5,197,403)	(3,548,860)	(17,576,184)	(14,441,999)
Net premiums		11,845,702	3,048,629	18,718,040	9,706,596
Movement in unearned premiums		283,066	291,838	156,440	470,247
Net premiums earned		12,128,768	3,340,467	18,874,480	10,176,843
Commission received on ceded premiums		1,435,684	864,459	5,227,802	4,988,436
Policy issuance fees		154,336	131,431	460,290	457,407
Net investment income	6	2,423,824	763,725	5,164,290	3,315,652
Rental income from investment properties		150,288	-	150,288	-
Net gain on business combinations	3	6,973,401	-	6,973,401	-
Other (loss) income		(16,117)	36,248	152,411	102,970
<b>Total Revenue</b>		<b>23,250,184</b>	<b>5,136,330</b>	<b>37,002,962</b>	<b>19,041,308</b>
<b>Expenses:</b>					
Net claims incurred		7,249,703	1,364,081	10,548,640	4,060,323
Commissions and Premiums' acquisition costs		3,682,410	379,480	5,017,665	1,821,663
Movement in life mathematical reserve		(250,200)	(11,000)	240,000	906,000
Maturity and cancellations of life insurance policies		52,505	90,891	207,340	290,816
Investment property expenses		18,552	-	18,552	-
Administrative expenses		1,578,209	1,467,241	3,894,825	3,593,225
Impairment in financial assets available for sale	7	6,686,356	202,884	6,686,356	585,822
<b>Total Expenses</b>		<b>19,017,535</b>	<b>3,493,577</b>	<b>26,613,378</b>	<b>11,257,849</b>
<b>PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>		<b>4,232,649</b>	<b>1,642,753</b>	<b>10,389,584</b>	<b>7,783,459</b>
Contribution to KFAS		(41,663)	(16,427)	(99,457)	(75,217)
NLST		(107,370)	(37,103)	(227,708)	(160,519)
Zakat		(42,948)	(14,841)	(91,083)	(64,207)
<b>PROFIT FOR THE PERIOD</b>		<b>4,040,668</b>	<b>1,574,382</b>	<b>9,971,336</b>	<b>7,483,516</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		3,988,688	1,574,382	9,919,356	7,483,516
Non-controlling interests		51,980	-	51,980	-
		4,040,668	1,574,382	9,971,336	7,483,516
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	4	<b>20.33 fils</b>	<b>8.03 fils</b>	<b>50.56 fils</b>	<b>38.16 fils</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2015 (UNAUDITED)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 KD	2014 KD	2015 KD	2014 KD
<b>Profit for the period</b>		<b>4,040,668</b>	1,574,382	<b>9,971,336</b>	7,483,516
<b>Other comprehensive income:</b>					
<i>Other comprehensive income (loss) to be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>					
- Net unrealised (loss) gain of financial assets available for sale		(6,191,393)	2,884,867	(5,245,498)	5,257,775
- Gain on sale of financial assets available for sale	6	(788,929)	(258,128)	(893,198)	(588,885)
- Impairment loss on financial assets available for sale	7	6,686,356	202,884	6,686,356	585,822
		(293,966)	2,829,623	547,660	5,254,712
- Share of other comprehensive (loss) income of associates		(146,139)	(4,895)	(8,038)	29,388
- Cumulative change in fair value of associate, recycled to interim condensed consolidated statement of comprehensive income	3	(139,616)	-	(139,616)	-
- Foreign currency translation adjustments		1,754	98,924	146,352	64,909
<b>Other comprehensive (loss) income for the period</b>		<b>(577,967)</b>	2,923,652	<b>546,358</b>	5,349,009
<b>Total comprehensive income for the period</b>		<b>3,462,701</b>	4,498,034	<b>10,517,694</b>	12,832,525
<b>Attributable to:</b>					
Equity holders of the Parent Company		3,454,039	4,498,034	10,509,032	12,832,525
Non-controlling interests		8,662	-	8,662	-
		<b>3,462,701</b>	4,498,034	<b>10,517,694</b>	12,832,525

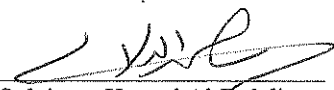
The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015 (UNAUDITED)

		(Audited)	
	30 September	31 December	30 September
	2015	2014	2014
	KD	KD	KD
<b>ASSETS</b>			
Property and equipment	4,306,517	2,649,174	2,687,813
Investment properties	13,352,160	-	-
Investment in associates	6,229,262	16,366,220	16,375,028
Financial assets held to maturity	4,620,605	-	-
Financial assets available for sale	7 90,049,146	79,291,783	77,835,570
Loans secured by life insurance policyholders	82,648	216,448	231,198
Premiums and insurance balances receivable	12,779,125	10,979,968	11,922,739
Reinsurance recoverable on outstanding claims	33,229,060	28,582,341	28,749,835
Receivables arising from reinsurance contracts and premium accruals	29,293,008	-	-
Accounts receivable and other debit balances	8,894,883	1,995,805	1,928,773
Fixed deposits	51,394,397	22,149,263	24,133,822
Bank balances and cash	2,604,898	1,100,666	1,815,761
<b>TOTAL ASSETS</b>	<b>256,835,709</b>	<b>163,331,668</b>	<b>165,680,539</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to Shareholders of Parent Company</b>			
Share capital	8 20,000,000	20,000,000	20,000,000
Statutory reserve	18,171,431	18,171,431	18,171,431
General reserve	18,862,138	18,862,138	17,931,906
Special voluntary reserve	11,000,000	11,000,000	11,000,000
Treasury shares	9 (1,396,217)	(1,414,701)	(1,420,257)
Treasury shares reserve	1,437,973	1,434,528	1,432,820
Cumulative changes in fair values reserve	12,306,402	11,861,293	14,012,363
Foreign currency translation reserve	428,030	283,463	200,765
Retained earnings	21,352,536	17,710,933	17,601,522
<b>Equity attributable to Shareholders of Parent Company</b>	<b>102,162,293</b>	<b>97,909,085</b>	<b>98,930,550</b>
Non-controlling interests	3,350,375	-	-
<b>Total equity</b>	<b>105,512,668</b>	<b>97,909,085</b>	<b>98,930,550</b>
<b>Technical reserve arising from insurance contracts:</b>			
Outstanding claims reserve	74,378,047	38,115,762	38,190,331
Unearned premiums reserve	26,397,271	3,922,843	4,049,314
Life mathematical reserve	5,186,000	4,946,000	5,124,000
Incurred but not reported reserve	11,329,968	4,090,996	4,590,996
<b>Total technical reserve arising from insurance contracts</b>	<b>117,291,286</b>	<b>51,075,601</b>	<b>51,954,641</b>
Insurance payables	12,590,189	7,936,348	8,927,619
Accounts payable and other credit balances	8,113,910	6,335,249	5,867,729
Premiums received in advance	-	75,385	-
Bank overdraft	13,327,656	-	-
<b>Total liabilities</b>	<b>151,323,041</b>	<b>65,422,583</b>	<b>66,749,989</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>256,835,709</b>	<b>163,331,668</b>	<b>165,680,539</b>

  
Sulaiman Hamad Al-Dalali  
Chairman

The attached notes 1 to 13 form part of this interim condensed financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2015 (UNAUDITED)

	Notes	Nine months ended 30 September	
		2015 KD	2014 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		9,971,336	7,483,516
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		111,838	127,861
Share of results of associates	6	(1,276,285)	(281,409)
Gain on bargain purchase	3	(9,455,551)	-
Loss on re-measurement of previously held equity interests	3	2,621,766	-
Recycled cumulative change in fair value of associate acquired	3	(139,616)	-
Gain on sale of financial assets available for sale	6	(893,198)	(588,885)
Impairment loss on financial assets available for sale	7	6,686,356	585,822
Interest income	6	(501,905)	(323,160)
Dividend income	6	(2,435,532)	(2,062,587)
Interest expense		108,572	14,261
Provision for employees' end of service benefits		293,680	243,258
		<u>5,091,461</u>	<u>5,198,677</u>
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(1,799,157)	(131,793)
Reinsurance recoverable on outstanding claims		(2,041,312)	(1,562,945)
Accounts receivable and other debit balances		306,996	699,777
Liabilities arising from insurance contracts		2,533,645	568,556
Insurance payable		479,136	(191,838)
Accounts payable and other credit balances		148,042	(144,331)
Premiums received in advance		(75,385)	(85,086)
		<u>4,643,426</u>	<u>4,351,017</u>
Cash flows from operations		4,643,426	4,351,017
Employees' end of service benefits paid		(253,025)	(381,181)
		<u>4,390,401</u>	<u>3,969,836</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(23,659)	(10,648)
Purchase of financial assets available for sale		(8,990,396)	(5,176,549)
Purchase of investment in associates		(399,410)	-
Acquisition of a subsidiary (net of cash and cash equivalents in a subsidiary acquired)		(16,620,505)	-
Proceeds from sale of financial assets available for sale		6,587,365	5,489,332
Movement in loans secured by life insurance policyholders		133,800	(76,110)
Fixed deposits		6,589,948	1,002,127
Dividend income received		2,306,891	2,062,587
Dividend income from investment in associates		368,060	449,974
Interest income received		107,270	68,863
		<u>(9,940,636)</u>	<u>3,809,576</u>
Net cash flows (used in) from investing activities		(9,940,636)	3,809,576
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(6,186,546)	(6,597,815)
Sale of treasury shares		21,929	75,945
Interest expense paid		(108,572)	-
Proceeds from term loan		3,000,000	-
Term loan paid		(3,000,000)	-
		<u>(6,273,189)</u>	<u>(6,521,870)</u>
Net cash flows used in financing activities		(6,273,189)	(6,521,870)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(11,823,424)</u>	<u>1,257,542</u>
Bank balances and cash at the beginning of the period	5	1,100,666	558,219
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<u>(10,722,758)</u>	<u>1,815,761</u>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2015 (UNAUDITED)

	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	Subtotal KD	Non controlling interest KD	Total equity KD
Balance at 1 January 2015 <i>(Audited)</i>	20,000,000	18,171,431	18,862,138	11,000,000	(1,414,701)	1,434,528	11,861,293	283,463	17,710,933	97,909,085	-	97,909,085
Profit for the period	-	-	-	-	-	-	445,109	144,567	9,919,356	589,676	(43,318)	9,971,336
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	546,358
Total comprehensive income for the period	-	-	-	-	-	-	445,109	144,567	9,919,356	10,509,032	8,662	10,517,694
Non-controlling interest resulted from acquired subsidiary	-	-	-	-	-	-	-	-	-	-	3,341,713	3,341,713
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(6,277,753)	(6,277,753)	-	(6,277,753)
Sale of treasury shares	-	-	-	-	18,484	3,445	-	-	-	21,929	-	21,929
<b>Balance at 30 September 2015</b>	<b>20,000,000</b>	<b>18,171,431</b>	<b>18,862,138</b>	<b>11,000,000</b>	<b>(1,396,217)</b>	<b>1,437,973</b>	<b>12,306,402</b>	<b>428,030</b>	<b>21,352,536</b>	<b>102,162,293</b>	<b>3,350,375</b>	<b>105,512,668</b>
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	-	92,297,261
Profit for the period	-	-	-	-	-	-	-	-	7,483,516	7,483,516	-	7,483,516
Other comprehensive income	-	-	-	-	-	-	5,284,100	64,909	-	5,349,009	-	5,349,009
Total comprehensive income for the period	-	-	-	-	-	-	5,284,100	64,909	7,483,516	12,832,525	-	12,832,525
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(6,275,181)	(6,275,181)	-	(6,275,181)
Sale of treasury shares	-	-	-	-	57,900	18,045	-	-	-	75,945	-	75,945
<b>Balance at 30 September 2014</b>	<b>20,000,000</b>	<b>18,171,431</b>	<b>17,931,906</b>	<b>11,000,000</b>	<b>(1,420,257)</b>	<b>1,432,820</b>	<b>14,012,363</b>	<b>200,765</b>	<b>17,601,522</b>	<b>98,930,550</b>	<b>-</b>	<b>98,930,550</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

### 1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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.

The interim condensed consolidated financial information of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiary – Kuwait Reinsurance Company (collectively "the Group") (Note 3) for the nine months period ended 30 September 2015 were authorised for issuance by the Board of Directors on 5 November 2015.

The financial statements of the Parent Company for the year ended 31 December 2014 were approved by the shareholders at the Annual General Meeting held on 6 April 2015.

### 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 accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2014 except for newly adopted accounting policies relating to "Insurance Premiums from reinsurance operations, rental income, investment properties, financial assets held to maturity, receivable arising from reinsurance contracts, premiums accruals, payables arising from reinsurance, business combinations (IFRS 3), and basis of consolidation.

Operating results for the nine months period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

#### **Basis of consolidation**

The interim condensed consolidated financial information comprises the interim condensed consolidated financial information of the Parent Company and its subsidiary as at 30 September 2015. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the interim condensed financial information of subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



**2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of consolidation (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded swaps and profit rate contracts in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through statement of income.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

**2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Insurance premium**

Insurance premiums on life are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy becomes effective.

Written premium on general insurance contracts comprises premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period.

Premium earned for the year includes adjustments to premiums written in prior accounting periods and estimates for pipeline or premium not yet advised by the cedant for contracts in force at the end of the year. Where statements of insurance contract accounts have not been received at the end of the year, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium. Premium relating to the expired risk period is taken as earned and recognised as revenue for the year while premium relating to the unexpired risk period is treated as a reserve for unexpired risks. Pipeline premium (being the premium written but not reported to the group as at the reporting date) are reported as 'accrued premiums arising from reinsurance contracts'.

**Rental income**

Rental income arising from operating leases on investment properties are accounted for on a straight line basis over the term of the lease.

**Investment properties**

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date that is determined based on valuation performed by an independent valuer using valuation methods consistent with the nature and usage of the investment properties. Gains or losses arising from changes in the fair value of investment properties are included in the statement of income in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

**Financial assets held to maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement, held to maturity financial assets are measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The amortisation is included in the condensed consolidated statement of income. The losses arising from impairment of such financial assets are recognised in the condensed consolidated statement of income.

**Loans and receivables**

The Group's include receivables arising from reinsurance contracts and premium accruals, reinsurance recoverable on outstanding claims.

**Impairment losses on receivables arising on reinsurance**

The Group reviews its receivables on a quarterly basis to assess whether a provision for impairment should be recorded in the condensed consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

### 2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial liabilities

The Group's amortised cost financial liabilities includes "payables arising from reinsurance contracts".

Amendments to International Financial Reporting Standards ("IFRS") which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

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

#### Standards issued but not yet effective

The following IASB Standards relevant to the Group have been issued but are not yet mandatory are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

##### *IFRS 9: Financial Instruments*

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's interim condensed consolidated financial information, when adopted.

##### *IFRS 15: Revenue from Contracts with customers*

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 Group is in the process of evaluating the effect of IFRS 15 on the Group's interim condensed consolidated financial information, when it will be adopted, and do not expect any significant impact on adoption of this standard.

### 3 BUSINESS COMBINATION

On 16 June 2015 the parent Company had offered the shareholders of Kuwait Reinsurance Company K.S.C.P. (formerly had been classified as associate) a mandatory acquisition proposal, in accordance with the regulations of Capital Markets Authority "CMA" to acquire the shares for 200 fils per share. As a result, the end of mandatory acquisition period, the parent company acquired additional 91,899,135 shares that represent 61.26% of the investees share capital :

	<i>Previously held equity interest by the holding company</i>	<i>Additional interest through Mandatory Acquisition proposal</i>	<i>Post- acquisition equity interest</i>
Kuwait Reinsurance Company K.S.C.P.	30.47%	61.26%	91.74%

Kuwait Reinsurance Company K.S.C.P. (KRE) is incorporated in the State of Kuwait and listed on Kuwait Stock Exchange. The main objective of KRE is to carry out the 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 combinations of Kuwait Reinsurance Company K.S.C.P. (referred to as "acquiree company") was achieved in stages. Accordingly, the Group recognized a net gain of KD 6,973,401 representing gain on bargain purchase, and the recycled amount of cumulative change in fair value of the prior interest hold in the investee, net of the loss on re-measurement of previously held equity interests at the acquisition date fair value, in the consolidated income statement attributable to equity holders of parent company.

The acquisitions have been accounted based on the provisional values assigned to the identifiable assets and liabilities of the acquired company as on the financial statements preceding the acquisition date and the management is in the process of determining the fair values of assets and liabilities acquired.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

### 3 BUSINESS COMBINATION (continued)

The Group recorded the identifiable assets and liabilities of the acquired company at their provisional values as at 30 June 2015. Based on the Group management's assessment there is no significant change in the provisional values of identifiable assets and liabilities of acquired company between 30 June 2015 and the date of acquisition.

The details of the provisional values of the assets acquired and liabilities assumed, equivalent to their carrying values, at 30 June 2015, as well as the non-controlling interests at the provisional value of the acquired Company identifiable net assets, are summarised as follows:

	<i>30 June 2015</i> <i>KD</i>
<b>Assets</b>	
Bank balances, deposits and cash	37,279,053
Financial assets available for sale	14,401,698
Financial assets held to maturity	4,752,602
Receivables arising from reinsurance contracts and premium accruals	33,312,606
Reinsurance recoverable on outstanding claims	1,757,470
Other receivables	8,139,442
Investment properties	13,352,221
Property and equipment	1,771,133
	<hr/>
	114,766,225
	<hr/>
<b>Liabilities</b>	
Technical reserves	69,166,519
Payables arising from reinsurance contracts	3,599,590
Other payables	1,543,546
	<hr/>
	74,309,655
	<hr/>
<b>Net assets acquired</b>	40,456,570
	<hr/>
Considerations Transferred during the mandatory proposal offer	18,699,954
Non-controlling interests in the acquired company at provisional value	3,341,713
Fair value of acquirer's previously held interest	8,959,352
	<hr/>
Gain on bargain purchase	9,455,551
Loss on re-measurement of previously held equity interests	(2,621,766)
Cumulative change in fair value of associate, recycled to interim condensed consolidated statement of comprehensive income	139,616
	<hr/>
<b>Net gain on business combination</b>	6,973,401
	<hr/>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

**4 BASIC AND DILUTED EARNINGS PER SHARE**

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2015 KD</i>	<i>2014 KD</i>	<i>2015 KD</i>	<i>2014 KD</i>
Profit for the period	<b>3,988,688</b>	1,574,382	<b>9,919,356</b>	7,483,516
	<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)	<b>196,194,839</b>	196,126,918	<b>196,194,839</b>	196,088,999
Basic and diluted earnings per share	<b>20.33 fils</b>	8.03 fils	<b>50.56 fils</b>	38.16 fils

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

**5 CASH AND CASH EQUIVALENTS**

	<i>30 September 2015 KD</i>	<i>(Audited) 31 December 2014 KD</i>	<i>30 September 2014 KD</i>
	Bank balances, deposits and cash	<b>53,999,295</b>	23,249,929
Less:			
Time deposits with original maturities of more than three months	<b>(51,394,397)</b>	(22,149,263)	(24,133,822)
Bank overdraft	<b>(13,327,656)</b>	-	-
Cash and cash equivalents	<b>(10,722,758)</b>	1,100,666	1,815,761

Time deposits amounting to KD 5,796,027 are held as security against letter of credit granted by a bank (Note 10).

**6 NET INVESTMENT INCOME**

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2015 KD</i>	<i>2014 KD</i>	<i>2015 KD</i>	<i>2014 KD</i>
Share of results of associates	<b>760,387</b>	13,823	<b>1,276,285</b>	281,409
Gain on sale of financial assets available for sale	<b>788,929</b>	258,128	<b>893,198</b>	588,885
Interest on bonds and fixed deposits	<b>293,404</b>	108,109	<b>501,905</b>	323,160
Dividend income	<b>581,438</b>	347,898	<b>2,435,532</b>	2,062,587
Other investment income	<b>(334)</b>	35,767	<b>57,370</b>	59,611
	<b>2,423,824</b>	763,725	<b>5,164,290</b>	3,315,652

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September 2015 KD</i>	<i>(Audited) 31 December 2014 KD</i>	<i>30 September 2014 KD</i>
<i>Local equity securities:</i>			
Quoted	24,970,814	23,128,020	22,296,580
Unquoted	7,645,791	7,765,112	8,015,112
	<u>32,616,605</u>	<u>30,893,132</u>	<u>30,311,692</u>
<i>Foreign equity securities:</i>			
Quoted	4,331,828	7,400,871	7,360,972
Unquoted	21,292,229	18,737,635	18,654,139
	<u>25,624,057</u>	<u>26,138,506</u>	<u>26,015,111</u>
Unquoted foreign funds	30,790,265	21,910,145	21,158,767
Bonds	1,018,219	350,000	350,000
	<u>90,049,146</u>	<u>79,291,783</u>	<u>77,835,570</u>

As at 30 September 2015, Management has performed a review of its financial assets available for sale to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 6,686,356 (31 December 2014: KD 702,884 and 30 September 2014: KD 585,822) has been recognised in the interim condensed consolidated statement of income.

8 SHARE CAPITAL

Authorised, issued and fully paid-up share capital consists of 200,000,000 shares of 100 fils each (31 December 2014: 200,000,000 and 30 September 2014: 200,000,000 shares).

On 6 April 2015, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the payment of cash dividend of 32% for the year ended 31 December 2014, totaling KD 6,277,753 (2013: 32% totaling KD 6,275,181) and board of directors' remuneration of KD 409,847 (2013: KD180,000).

9 TREASURY SHARES

	<i>30 September 2015</i>	<i>(Audited) 31 December 2014</i>	<i>30 September 2014</i>
Number of treasury shares	3,769,335	3,819,235	3,834,235
Percentage of issued shares (%)	1.88	1.91	1.92
Market value (KD)	1,526,581	1,890,521	1,897,946

10 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 September 2015, the Group had future capital commitments with respect to financial assets available for sale of KD 5,220,714 (31 December 2014: KD 4,276,722 and 30 September 2014: KD 4,512,332) and had contingent liabilities in respect of letter of credit granted by a bank amounting to KD 4,897,006 from which it is anticipated that no material liabilities will arise.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

### 11 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.

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

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Nine months ended 30 September</i>	
			<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Gross premiums	1,142,294	3,544,628	4,686,922	2,803,934
Claims incurred and other costs	446,177	952,552	1,398,729	1,242,924

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Three months ended 30 September</i>	
			<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Gross premiums	81,179	690,662	771,841	745,803
Claims incurred and other costs	69,128	423,260	492,388	403,774

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

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>30 September</i> <i>2015</i> <i>KD</i>	<i>(Audited)</i>	
				<i>31 December</i> <i>2014</i> <i>KD</i>	<i>30 September</i> <i>2014</i> <i>KD</i>
Premiums and insurance balances receivable	709,579	4,696,454	5,406,033	4,008,721	3,764,938
Accounts payable and other credit balances	-	61,102	61,102	158,438	344,674

#### Key management personnel compensation:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Salaries and other short term benefits	185,387	527,952	292,112	649,937
Employees' end of service benefits	522,559	190,155	704,139	195,727
	<u>707,946</u>	<u>718,107</u>	<u>996,251</u>	<u>845,664</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

**12 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 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.

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 5,004,316, 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 observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair Value KD</i>
<b>30 September 2015</b>				
<i>Financial assets available for sale:</i>				
Quoted	29,302,642	-	-	29,302,642
Unquoted	-	12,010,147	43,732,041	55,742,188
<b>Total</b>	<b>29,302,642</b>	<b>12,010,147</b>	<b>43,732,041</b>	<b>85,044,830</b>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair value KD</i>
<b>31 December 2014 (Audited)</b>				
<i>Financial assets available for sale:</i>				
Quoted	30,528,891	-	-	30,528,891
Unquoted	-	12,337,816	36,425,076	48,762,892
<b>Total</b>	<b>30,528,891</b>	<b>12,337,816</b>	<b>36,425,076</b>	<b>79,291,783</b>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair Value KD</i>
<b>30 September 2014</b>				
<i>Financial assets available for sale:</i>				
Quoted	29,657,552	-	-	29,657,552
Unquoted	-	12,743,037	35,434,981	48,178,018
<b>Total</b>	<b>29,657,552</b>	<b>12,743,037</b>	<b>35,434,981</b>	<b>77,835,570</b>



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

**12 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 consolidated statement of comprehensive income KD</i>	<i>Net results recorded in the interim condensed consolidated statement of income KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>At the end of the period / year KD</i>
<b>30 September 2015</b>					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	14,514,931	2,822,587	-	(255,871)	17,081,647
Unquoted managed funds	30,017,201	(83,600)	(589,995)	(2,693,212)	26,650,394
	<u>44,532,132</u>	<u>2,738,987</u>	<u>(589,995)</u>	<u>(2,949,083)</u>	<u>43,732,041</u>
<b>31 December 2014 (Audited)</b>					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	14,006,653	508,278	-	-	14,514,931
Unquoted managed funds	20,417,746	1,474,204	(382,938)	401,133	21,910,145
	<u>34,424,399</u>	<u>1,982,482</u>	<u>(382,938)</u>	<u>401,133</u>	<u>36,425,076</u>
<b>30 September 2014</b>					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	14,006,653	-	-	-	14,006,653
Unquoted managed funds	20,417,746	1,948,935	(382,938)	(555,415)	21,428,328
	<u>34,424,399</u>	<u>1,948,935</u>	<u>(382,938)</u>	<u>(555,415)</u>	<u>35,434,981</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

13 SEGMENT RESULTS

The Group operates in 3 segments: general risk insurance and life and medical insurance and Reinsurance. The following are the details of these segments:

*Nine Months ended 30 September 2015:*

	<i>General risk insurance</i>			<i>Life and medical insurance KD</i>	<i>Reinsurance 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	2,791,466	7,393,882	1,384,369	3,722,770	9,881,234	11,829,241	37,002,962
Segment results (net underwriting income)	1,277,788	2,279,070	690,112	1,098,963	662,488	3,962,915	9,971,336
Assets				<i>General risk insurance KD</i>	<i>Reinsurance KD</i>	<i>Life and medical insurance KD</i>	<i>Total KD</i>
				125,285,167	109,916,941	21,633,601	256,835,709

*31 December 2014:*

Assets	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>Total KD</i>
	143,188,214	20,143,454	-	163,331,668

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2015 (UNAUDITED)

13 SEGMENT RESULTS (Continued)

Nine Months ended 30 September 2014:

	General risk insurance			Life and medical insurance KD	Reinsurance KD	Unallocated KD	Total KD
	Marine and aviation KD	Accident KD	Fire KD				
Segment revenue	2,818,732	7,690,919	1,344,053	3,768,982	-	3,418,622	19,041,308
Segment results (net underwriting income)	1,634,662	2,251,053	753,378	1,244,414	-	1,600,009	7,483,516
Assets				General risk insurance KD	Reinsurance KD	Life and medical insurance KD	Total KD
				144,525,416	-	21,155,123	165,680,539