

AL-AHLEIA INSURANCE COMPANY S.A.K.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

31 MARCH 2012

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 31 March 2012 and the related interim condensed statement of income, interim condensed statement of comprehensive income, interim condensed statement of cash flows and interim condensed statement of changes in equity for the three month 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 three month period ended 31 March 2012 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

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2012

	Notes	Three months ended 31 March	
		2012 KD	2011 KD
Revenue:			
Gross premiums		10,288,089	9,745,217
Premiums ceded to reinsurers		(7,026,493)	(6,013,716)
Net premiums		3,261,596	3,731,501
Movement in unearned premiums		(378,745)	(218,488)
Net premiums earned		2,882,851	3,513,013
Commission received on ceded reinsurance		1,860,770	1,574,158
Policy issuance fees		150,787	144,605
Net investment income	4	449,984	152,730
Other income		123,115	104,428
Total Revenue		5,467,507	5,488,934
Expenses:			
Net claims incurred		1,893,464	1,772,746
Commissions		734,101	524,258
Increase in life mathematical reserve		461,000	761,500
Maturity and cancellations of life insurance policies		51,227	59,727
Administrative expenses		852,757	947,134
Total Expenses		3,992,549	4,065,365
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		1,474,958	1,423,569
Contribution to KFAS		(13,200)	(14,236)
NLST		(30,025)	(21,566)
Zakat		(12,010)	(8,627)
PROFIT FOR THE PERIOD		1,419,723	1,379,140
BASIC AND DILUTED EARNINGS PER SHARE	3	7.66 fils	7.44 fils

The attached notes 1 to 10 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.


INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

At 31 March 2012

		(Audited)	
	31 March	31 December	31 March
	2012	2011	2011
	KD	KD	KD
ASSETS			
Property and equipment	3,058,710	3,011,871	3,103,409
Investment in associates	13,508,974	13,379,884	13,239,058
Financial assets available for sale	5 77,126,000	74,973,317	72,690,635
Loans secured by life insurance policyholders	94,132	193,532	92,872
Premiums and insurance balances receivable	13,863,387	10,597,015	11,209,615
Reinsurance recoverable on outstanding claims	25,032,786	25,150,734	24,824,930
Accounts receivable and other debit balances	2,036,389	2,199,206	1,901,078
Fixed deposits	17,431,393	15,431,394	17,206,098
Bank balances and cash	600,863	186,569	1,193,848
TOTAL ASSETS	152,752,634	145,123,522	145,461,543
EQUITY AND LIABILITIES			
Equity			
Share capital	6 18,050,713	18,050,713	17,191,155
Statutory reserve	16,258,490	16,258,490	15,450,580
General reserve	16,018,965	16,018,965	15,211,055
Special voluntary reserve	10,000,000	10,000,000	9,500,000
Treasury shares	7 (1,610,308)	(1,642,331)	(1,715,677)
Treasury shares reserve	1,377,869	1,369,420	1,370,511
Cumulative changes in fair values	8,746,698	6,105,861	7,861,099
Foreign currency translation reserve	66,520	73,982	67,546
Retained earnings	15,636,954	14,217,231	15,197,626
Total equity	84,545,901	80,452,331	80,133,895
Liabilities			
Liabilities arising from insurance contracts:			
Outstanding claims reserve	33,960,777	33,738,713	33,093,748
Unearned premiums reserve	3,850,640	3,471,895	3,254,713
Life mathematical reserve	3,901,900	3,440,900	4,400,000
Incurred but not reported reserve	6,700,000	6,700,000	6,700,000
Total liabilities arising from insurance contracts	48,413,317	47,351,508	47,448,461
Insurance payables	8,345,333	6,032,535	6,991,698
Accounts payable and other credit balances	10,261,227	9,658,443	8,880,602
Premiums received in advance	1,186,856	1,628,705	2,006,887
Total liabilities	68,206,733	64,671,191	65,327,648
TOTAL EQUITY AND LIABILITIES	152,752,634	145,123,522	145,461,543


Sulaiman Hamad Al-Dalali
Chairman and Managing Director


Ayman Abdullatif Al-Shayea
Vice Chairman

The attached notes 1 to 10 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

Period ended 31 March 2012

	<i>Three months ended</i>	
	<i>31 March</i>	
	2012	2011
	KD	KD
Profit for the period	1,419,723	1,379,140
Other comprehensive income:		
<i>Financial assets available for sale:</i>		
- Net unrealised gain	2,315,607	9,082
- Recycled to interim condensed statement of income on sale (Note 4)	(16,286)	441
- Impairment loss transferred to interim condensed statement of income (Note 4)	319,394	205,030
	2,618,715	214,553
Share of other comprehensive income of associates	22,122	(51,740)
Foreign currency translation adjustment	(7,462)	(31,733)
Total other comprehensive income for the period	2,633,375	131,080
Total comprehensive income for the period	4,053,098	1,510,220

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 31 March 2012

	Note	Three months ended 31 March	
		2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the period		1,419,723	1,379,140
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation		41,744	37,295
Share of results of associates	4	(114,430)	442,610
(Gain) loss on sale of financial assets available for sale	4	(16,286)	441
Impairment of financial assets available for sale	4	319,394	205,030
Interest income		(120,526)	(114,095)
Dividend income	4	(477,622)	(652,921)
Interest expense		987	3,662
Provision for employees' end of service benefits		16,121	13,473
		1,069,105	1,314,635
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(3,266,372)	1,669,222
Reinsurance recoverable on outstanding claims		117,948	829,831
Accounts receivable and other debit balances		367,338	380,067
Liabilities arising from insurance contracts		1,061,809	434,013
Insurance payable		2,312,798	564,469
Account payable and other credit balances		592,245	(79,363)
Premiums received in advance		(441,849)	(96,801)
Cash from operations		1,813,022	5,016,073
Employees' end of service benefits paid		(6,569)	(408)
Net cash flows from operating activities		1,806,453	5,015,665
INVESTING ACTIVITIES			
Purchase of property and equipment		(88,583)	(4,425)
Purchase of financial assets available for sale		(3,791,897)	(4,655,043)
Proceeds from sale of financial assets available for sale		3,954,821	1,371,206
Movement in loans secured by life insurance policyholders		99,400	2,970
Fixed deposits		(1,999,999)	(2,198,050)
Dividend income received		370,878	616,965
Interest income received		22,749	25,589
Net cash flows used in investing activities		(1,432,631)	(4,840,788)
FINANCING ACTIVITIES			
Purchase of treasury shares		(9,012)	-
Sale of treasury shares		49,484	-
Net cash flows from financing activities		40,472	-
INCREASE IN CASH AND CASH EQUIVALENTS		414,294	174,877
Cash and cash equivalents at the beginning of the period		186,569	1,018,971
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		600,863	1,193,848

The attached notes 1 to 10 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 31 March 2012

	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 KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2012	18,050,713	16,258,490	16,018,965	10,000,000	(1,642,331)	1,369,420	6,105,861	73,982	14,217,231	80,452,331
Profit for the period	-	-	-	-	-	-	-	-	1,419,723	1,419,723
Other comprehensive income (loss)	-	-	-	-	-	-	2,640,837	(7,462)	-	2,633,375
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,640,837	(7,462)	1,419,723	4,053,098
Purchase of treasury shares	-	-	-	-	(9,012)	-	-	-	-	(9,012)
Sale of treasury shares	-	-	-	-	41,035	8,449	-	-	-	49,484
Balance at 31 March 2012	18,050,713	16,258,490	16,018,965	10,000,000	(1,610,308)	1,377,869	8,746,698	66,520	15,636,954	84,545,901
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	-	-	-	-	-	-	-	-	1,379,140	1,379,140
Other comprehensive income (loss)	-	-	-	-	-	-	162,813	(31,733)	-	131,080
Total comprehensive income (loss) for the period	-	-	-	-	-	-	162,813	(31,733)	1,379,140	1,510,220
Balance at 31 March 2011	17,191,155	15,450,580	15,211,055	9,500,000	(1,715,677)	1,370,511	7,861,099	67,546	15,197,626	80,133,895

The attached notes 1 to 10 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 31 March 2012

1 ACTIVITIES

The interim condensed financial information of Al-Ahleia Insurance Company S.A.K. for the period ended 31 March 2012 were authorised for issue by the Board of Directors on 13 May 2012.

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

- (a) The interim condensed financial information of the Company has been prepared in accordance with International Accounting Standard 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 2011.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

- (b) The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2011. Further, results for the three month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Company did not have any diluted shares as at 31 March.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Profit for the period	<u>1,419,723</u>	<u>1,379,140</u>
	Shares	Shares
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>185,354,010</u>	<u>185,382,461</u>
Basic and diluted earnings per share	<u>7.66 fils</u>	<u>7.44 fils</u>

The basic and diluted earnings per share have been adjusted for the current and previous period following the shareholders' approval of bonus shares at the Extraordinary General Assembly meeting held on 22 April 2012 (Note 6).

Al-Ahleia Insurance Company S.A.K.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 31 March 2012

4 NET INVESTMENT INCOME

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Share of results of associates	114,430	(442,610)
Gain (loss) on sale of financial assets available for sale	16,286	(441)
Impairment loss on financial assets available for sale	(319,394)	(205,030)
Interest on bonds	16,765	-
Interest on fixed deposits	103,761	114,095
Dividend income	477,622	652,921
Other investment income	40,514	33,795
	<u>449,984</u>	<u>152,730</u>

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March</i>	<i>(Audited)</i>	
		<i>31 December</i>	<i>31 March</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Equity securities:			
Quoted	29,026,395	25,883,194	21,076,926
Unquoted	27,442,493	27,412,399	30,335,003
	<u>56,468,888</u>	<u>53,295,593</u>	<u>51,411,929</u>
Funds:			
Quoted	3,159,589	3,596,561	3,983,865
Unquoted	17,147,523	17,731,162	17,294,840
	<u>20,307,112</u>	<u>21,327,723</u>	<u>21,278,705</u>
Debt securities:			
Bonds	350,000	350,001	1
	<u>77,126,000</u>	<u>74,973,317</u>	<u>72,690,635</u>

Impairment loss of KD 156,258 (31 December 2011: KD 559,250 and 31 March 2011: KD 205,030) has been made against quoted financial assets available for sale on which there has been a significant or prolonged decline in fair value below cost.

Management has performed a review of its unquoted financial assets available for sale to assess whether impairment has occurred in the value of these investments and accordingly has recognised an impairment of KD 163,136 (31 December 2011: KD 1,563,657 and 31 March 2011: KD Nil) in the statement of income.

Al-Ahleia Insurance Company S.A.K.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 31 March 2012

6 SHARE CAPITAL

Authorised, issued and fully paid-up share capital consists of 180,507,130 shares of 100 fils each (31 December 2011: 180,507,130 and 31 March 2011: 171,911,550 shares).

On 22 April 2012, the Ordinary Annual General Assembly of the Company's shareholders approved the payment of cash dividend of 25% for the year ended 31 December 2011 (2010: 25%), totaling KD 4,415,587 (2010: KD 4,198,892) and board of directors' remuneration of KD 172,500 (2010: KD 135,000).

On the same date, the Extraordinary General Assembly of the Company's shareholders approved the increase of share capital from KD 18,050,713 to KD 18,953,248 through issuance of 9,025,356 bonus shares of 100 fils each for the year ended 31 December 2011 (2010: 8,595,580 shares).

7 TREASURY SHARES

	31 March 2012	<i>(Audited)</i> 31 December 2011	31 March 2011
Number of treasury shares (shares)	<u>3,923,634</u>	<u>4,003,634</u>	<u>3,955,842</u>
Percentage of issued shares (%)	<u>2.17</u>	<u>2.22</u>	<u>2.30</u>
Market value (KD)	<u>1,961,817</u>	<u>2,081,890</u>	<u>2,017,479</u>

8 CAPITAL COMMITMENTS

As at 31 March 2012, the Company had future capital commitments with respect to financial assets available for sale of KD 5,103,029 (31 December 2011: KD 5,297,020 and 31 March 2011: KD 6,101,223).

9 RELATED PARTY TRANSACTIONS

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

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

	<i>Associates</i> KD	<i>Major shareholders</i> KD	<i>Three months ended 31 March</i>	
			2012 KD	2011 KD
Gross premiums	103,824	2,125,173	2,228,997	438,340
Claims incurred	19,441	207,730	227,171	226,699

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

	<i>Associates</i> KD	<i>Major shareholders</i> KD	31 March 2012 KD	<i>(Audited)</i> 31 December 2011 KD	31 March 2011 KD
Premiums and insurance balances receivable	414,945	4,089,780	4,504,725	2,955,343	3,131,310
Accounts payable and other credit balances	76,005	69,398	145,403	68,973	53,918

Al-Ahleia Insurance Company S.A.K.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 31 March 2012

9 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	<i>Three months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	25,769	27,308
Employees' end of service benefits	108,600	98,572
	<u>134,369</u>	<u>125,880</u>

10 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:

Three months ended 31 March 2012:

	<i>General risk insurance</i>			<i>Life and health</i>	<i>Unallocated</i>	<i>Total</i>
	<i>Marine and</i>	<i>Accident</i>	<i>Fire</i>	<i>insurance</i>	<i>KD</i>	<i>KD</i>
	<i>aviation</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	<u>1,196,826</u>	<u>2,103,171</u>	<u>390,178</u>	<u>1,204,233</u>	<u>573,099</u>	<u>5,467,507</u>
Segment results (net underwriting income)	<u>691,925</u>	<u>277,281</u>	<u>197,472</u>	<u>(76,939)</u>	<u>329,984</u>	<u>1,419,723</u>
				<i>General risk</i>	<i>Life and health</i>	<i>Total</i>
				<i>insurance</i>	<i>insurance</i>	<i>KD</i>
				<i>KD</i>	<i>KD</i>	<i>KD</i>
Assets				<u>130,538,342</u>	<u>22,214,292</u>	<u>152,752,634</u>

Three months ended 31 March 2011:

	<i>General risk insurance</i>			<i>Life and health</i>	<i>Unallocated</i>	<i>Total</i>
	<i>Marine and</i>	<i>Accident</i>	<i>Fire</i>	<i>insurance</i>	<i>KD</i>	<i>KD</i>
	<i>aviation</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	<u>935,012</u>	<u>2,032,081</u>	<u>308,199</u>	<u>1,956,484</u>	<u>257,158</u>	<u>5,488,934</u>
Segment results (net underwriting income)	<u>489,912</u>	<u>616,319</u>	<u>54,168</u>	<u>197,419</u>	<u>21,322</u>	<u>1,379,140</u>
				<i>General risk</i>	<i>Life and health</i>	<i>Total</i>
				<i>insurance</i>	<i>insurance</i>	<i>KD</i>
				<i>KD</i>	<i>KD</i>	<i>KD</i>
Assets				<u>123,424,873</u>	<u>22,036,670</u>	<u>145,461,543</u>