

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 March 2018 (UNAUDITED)

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 31 March 2018, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three 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

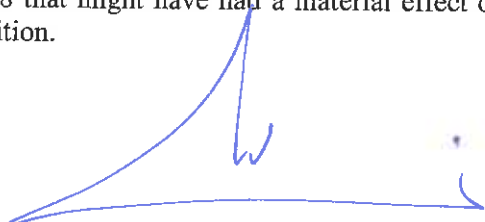
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 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 three month period ended 31 March 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)

2 May 2018
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 KD	2017 KD
Revenues:			
Gross premiums written		40,672,063	31,750,101
Premiums ceded to reinsurers		(5,949,629)	(5,889,101)
Net premiums written		34,722,434	25,861,000
Movement in unearned premiums		(13,250,908)	(7,464,702)
Net premiums earned		21,471,526	18,396,298
Commission income on ceded reinsurance		2,063,889	1,695,003
Policy issuance fees		132,024	141,643
Net investment income	5	1,746,555	1,672,566
Rental income from investment properties		167,750	168,247
Other income		105,645	124,155
Total revenues		25,687,389	22,197,912
Expenses:			
Net claims incurred		(8,485,113)	(15,260,603)
Commissions and premiums' acquisition costs		(2,825,151)	(1,797,052)
Movement in life mathematical reserve		(8,797,000)	(310,000)
Maturity and cancellation of life insurance policies		(130,502)	(68,071)
Investment property expenses		(21,010)	(20,516)
Administrative expenses		(1,628,881)	(1,481,864)
Impairment loss on financial assets available for sale	6	(391,658)	(108,734)
Impairment loss on receivables		(230,000)	(100,000)
Total expenses		(22,509,315)	(19,146,840)
Profit before share of results of associates		3,178,074	3,051,072
Share of results of associates		(133,013)	25,495
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		3,045,061	3,076,567
Contribution to KFAS		(26,144)	(27,449)
NLST		(74,126)	(71,267)
Zakat		(29,650)	(28,548)
PROFIT FOR THE PERIOD		2,915,141	2,949,303
Attributable to:			
Equity holders of the Parent Company		2,836,926	2,883,175
Non-controlling interests		78,215	66,128
		2,915,141	2,949,303
BASIC AND DILUTED EARNINGS PER SHARE	3	14.43 fils	14.68 fils

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 (UNAUDITED)

For the period ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 KD	2017 KD
Profit for the period		2,915,141	2,949,303
Other comprehensive income:			
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>			
- Foreign currency translation adjustment		(102,046)	(55,925)
- Unrealised gain of financial assets available for sale		760,978	2,962,140
- Gain on sale of financial assets available for sale	5	(341,012)	(377,742)
- Impairment loss on financial assets available for sale	6	391,658	108,734
- Share of other comprehensive loss of associates		(2,165)	(813)
Other comprehensive income for the period		707,413	2,636,394
Total comprehensive income for the period		3,622,554	5,585,697
Attributable to:			
Equity holders of the Parent Company		3,544,353	5,496,939
Non-controlling interests		78,201	88,758
		3,622,554	5,585,697


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 (UNAUDITED)

As at 31 March 2018

		(Audited)	
	31 March 2018	31 December 2017	31 March 2017
	KD	KD	KD
ASSETS			
Property and equipment	3,964,419	4,022,945	4,052,051
Investment properties	12,079,309	12,080,381	12,759,288
Investment in associates	5,263,109	5,433,518	6,470,648
Financial assets held to maturity	19,666,000	19,666,000	20,270,856
Loans secured by life insurance policyholders	274,808	205,978	221,865
Financial assets available for sale	6 75,725,093	75,163,864	82,009,091
Receivables arising from reinsurance contracts and premium accruals	28,238,782	17,599,822	23,490,988
Reinsurance recoverable on outstanding claims	46,423,976	48,403,820	35,326,892
Premiums and insurance balances receivable	18,922,768	12,393,257	19,737,662
Accounts receivable and other debit balances	11,561,543	7,002,770	8,457,396
Term deposits	4 56,140,385	51,840,080	45,167,667
Bank balances and cash	4 7,703,494	8,916,922	4,844,363
TOTAL ASSETS	285,963,686	262,729,357	262,808,767
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital	7 20,000,000	20,000,000	20,000,000
Statutory reserve	20,000,000	20,000,000	20,000,000
General reserve	20,000,000	20,000,000	20,000,000
Special voluntary reserve	8 13,000,000	13,000,000	12,000,000
Treasury shares	9 (1,278,932)	(1,278,932)	(1,322,565)
Treasury shares reserve	1,474,675	1,474,675	1,458,169
Cumulative changes in fair values reserve	13,880,627	13,071,154	13,056,860
Foreign currency translation reserve	219,011	321,057	472,559
Retained earnings	17,523,991	21,566,341	23,712,497
Other reserve	105,028	105,028	63,601
Equity attributable to equity holders of the Parent Company	104,924,400	108,259,323	109,441,121
Non-controlling interests	3,558,161	3,479,960	3,424,475
Total equity	108,482,561	111,739,283	112,865,596
Liabilities			
Technical reserves arising from insurance and reinsurance contracts:			
Outstanding claims reserve	94,023,972	97,414,297	86,917,809
Unearned premiums reserve	31,185,256	17,934,348	23,328,086
Life mathematical reserve	14,530,000	5,733,000	5,660,000
Incurred but not reported reserve	12,876,947	12,563,604	12,130,974
Total technical reserves arising from insurance and reinsurance contracts	152,616,175	133,645,249	128,036,869
Bank overdraft	4 -	-	3,649,047
Insurance and reinsurance payables	9,423,289	9,133,006	10,481,067
Accounts payable and other credit balances	15,441,661	8,160,596	7,776,188
Premiums received in advance	-	51,223	-
Total liabilities	177,481,125	150,990,074	149,943,171
TOTAL EQUITY AND LIABILITIES	285,963,686	262,729,357	262,808,767


Ayman Abdullatif Al-Shayea
Chairman


Emad Mohamed Al-Bahar
Vice Chairman

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 CASH FLOWS (UNAUDITED)

For the period ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST, and Zakat		3,045,061	3,076,567
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		63,979	47,183
Share of results of associates		133,013	(25,495)
Gain on sale of financial assets available for sale	5	(341,012)	(377,742)
Impairment loss on financial assets available for sale	6	391,658	108,734
Interest income on bonds and term deposits	5	(735,420)	(586,159)
Dividend income	5	(621,810)	(660,505)
Income from funds	5	(48,313)	(48,160)
Impairment loss on receivables		230,000	100,000
Interest expense		1,996	63,249
Provision for employees' end of service benefits		61,701	62,520
(Gain) loss on sale of property and equipment		(230)	297
		<u>2,180,623</u>	<u>1,760,489</u>
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(10,638,960)	(3,434,349)
Reinsurance recoverable on outstanding claims		1,984,430	(633,105)
Premiums and insurance balances receivable		(6,759,511)	(6,197,687)
Accounts receivable and other debit balances		(4,212,581)	(2,258,326)
Net change in insurance and reinsurance contract liabilities		18,883,879	17,706,183
Insurance and reinsurance payables		290,283	(1,771,708)
Accounts payable and other credit balances		295,833	(173,093)
Premiums received in advance		(51,223)	(62,515)
		<u>1,972,773</u>	<u>4,935,889</u>
Cash flows from operations		1,972,773	4,935,889
Employees' end of service benefits paid		(49,094)	(43,528)
		<u>1,923,679</u>	<u>4,892,361</u>
Net cash flows from operating activities		1,923,679	4,892,361
INVESTING ACTIVITIES			
Purchase of property and equipment		(7,613)	(23,612)
Proceeds from sale of property and equipment		230	6,335
Purchase of financial assets available for sale		(2,471,772)	(2,238,328)
Proceeds from sale of financial assets available for sale		2,677,079	5,254,435
Purchase of partial non-controlling interest's shares		-	(2,012)
Proceeds from redemption of financial assets held to maturity		-	611,871
Net movement in loans secured by life insurance policyholders		(68,830)	(7,973)
Term deposits		(56,060)	165,714
Dividends received		444,527	644,928
Interest income received		571,607	504,317
Income received from funds		48,313	48,160
		<u>1,137,481</u>	<u>4,963,835</u>
Net cash flows from investing activities		1,137,481	4,963,835
FINANCING ACTIVITIES			
Dividends paid		(36,570)	(23,657)
Interest expense paid		(1,996)	(63,249)
		<u>(38,566)</u>	<u>(86,906)</u>
Net cash flows used in financing activities		(38,566)	(86,906)
Foreign currency translation adjustment		8,223	(28,870)
		<u>3,030,817</u>	<u>9,740,420</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,030,817	9,740,420
Cash and cash equivalents at the beginning of the period	4	9,672,677	(8,477,326)
		<u>12,703,494</u>	<u>1,263,094</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	12,703,494	1,263,094

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 (UNAUDITED)

For the period ended 31 March 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	-	-	-	-	-	-	-	-	2,836,926	-	2,836,926	78,215	2,915,141
Other comprehensive income (loss) for the period	-	-	-	-	-	-	809,473	(102,046)	-	-	707,427	(14)	707,413
Total comprehensive income (loss) for the period	-	-	-	-	-	-	809,473	(102,046)	2,836,926	-	3,544,353	78,201	3,622,554
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(6,879,276)	-	(6,879,276)	-	(6,879,276)
Balance at 31 March 2018	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	1,474,675	13,880,627	219,011	17,523,991	105,028	104,924,400	3,558,161	108,482,561
	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 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	-	-	-	-	-	-	-	-	2,883,175	-	2,883,175	66,128	2,949,303
Other comprehensive income (loss) for the period	-	-	-	-	-	-	2,669,689	(55,925)	-	-	2,613,764	22,630	2,636,394
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,669,689	(55,925)	2,883,175	-	5,496,939	88,758	5,585,697
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	1,073	1,073	(3,085)	(2,012)
Balance at 31 March 2017	20,000,000	20,000,000	20,000,000	12,000,000	(1,322,565)	1,458,169	13,056,860	472,559	23,712,497	63,601	109,441,121	3,424,475	112,865,596

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 (UNAUDITED)

As at 31 March 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 subsidiary – Kuwait Reinsurance Company K.S.C.P. (collectively the "Group") for the three month period ended 31 March 2018 were authorised for issuance by the Board of Directors on 1 May 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 three months' period ended 31 March 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 Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2018

3 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</i>	
	<i>31 March</i>	
	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>
Profit for the period attributable to equity holders of the Parent Company	2,836,926	2,883,175
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	196,550,725	196,428,636
Basic and diluted earnings per share	14.43 fils	14.68 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.

4 CASH AND CASH EQUIVALENTS

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Term deposits	56,140,385	51,840,080	45,167,667
Bank balances and cash	7,703,494	8,916,922	4,844,363
	63,843,879	60,757,002	50,012,030
Less:			
Term deposits with original maturities of more than three months	(51,140,385)	(51,084,325)	(45,099,889)
Bank overdraft	-	-	(3,649,047)
Cash and cash equivalents	12,703,494	9,672,677	1,263,094

Term deposits amounting to KD 3,881,236 (31 December 2017: KD 3,881,236 and 31 March 2017: KD 5,380,856) 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 31 March 2017: KD 1,874,603) have been pledged against initial legal case verdict, which was appealed by the Group.

5 NET INVESTMENT INCOME

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>
Gain on sale of financial assets available for sale	341,012	377,742
Interest income on bonds and term deposits	735,420	586,159
Dividend income	621,810	660,505
Income from funds	48,313	48,160
	1,746,555	1,672,566

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2018

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>31 March 2017 KD</i>
<i>Local equity securities:</i>			
Quoted	22,581,917	22,786,959	26,812,180
Unquoted	6,907,698	6,907,698	7,131,034
	<u>29,489,615</u>	<u>29,694,657</u>	<u>33,943,214</u>
<i>Foreign equity securities:</i>			
Quoted	5,696,423	5,050,189	4,601,299
Unquoted	18,264,245	18,536,182	19,477,309
	<u>23,960,668</u>	<u>23,586,371</u>	<u>24,078,608</u>
Unquoted managed funds	21,638,358	21,246,384	23,332,071
Bonds	636,452	636,452	655,198
	<u>22,274,810</u>	<u>21,882,836</u>	<u>23,987,269</u>
	<u>75,725,093</u>	<u>75,163,864</u>	<u>82,009,091</u>

As at 31 March 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 391,658 (31 December 2017: KD 1,403,715 and 31 March 2017: KD 108,734) has been recorded in the interim condensed consolidated statement of income.

7 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, at the date of the Annual General Assembly and accrued to Shareholders registered in the Parent Company's records as at the end of maturity day corresponding to Tuesday 10 April 2018 (excluding treasury shares). Cash dividends shall be distributed to the entitled shareholders as of Thursday corresponding to 19 April 2018, 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).

8 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.

9 TREASURY SHARES

	<i>31 March 2018</i>	<i>(Audited) 31 December 2017</i>	<i>31 March 2017</i>
Number of treasury shares	3,449,275	3,449,275	3,571,364
Percentage of issued shares (%)	1.72	1.72	1.79
Market value (KD)	1,655,652	1,603,913	1,785,682

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2018

9 TREASURY SHARES (continued)

An amount of KD 1,278,932 (31 December 2017: KD 1,278,932 and 31 March 2017: KD 1,322,565) 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 31 March 2018 is 422 fils per share (31 December 2017: 443 fils per share and 31 March 2017: 485 fils per share).

10 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 March 2018, the Group had future capital commitments with respect to financial assets available for sale of KD 3,973,834 (31 December 2017: KD 4,165,190 and 31 March 2017: KD 4,824,120) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 3,127,387 (31 December 2017: KD 3,003,096 and 31 March 2017: KD 3,455,904) from which it is anticipated that no material liabilities will arise.

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 and the board of directors.

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

Three months period ended	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
31 March 2018					
Gross premiums	2,456	10,027	406,592	26,000	445,075
Claims incurred	-	1,633	110,325	3,023	114,981
Three months period ended					
31 March 2017					
Gross premiums	5,079	24,499	528,410	10,790	568,778
Claims incurred	-	181,532	113,023	12,014	306,569

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

	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
31 March 2018					
Premiums and insurance balances receivable	21,421	219,162	4,178,998	289,050	4,708,631
Other credit balances	-	-	50,455	2,835	53,290

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11 RELATED PARTY TRANSACTIONS (continued)

31 December 2017 (Audited)	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
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

31 March 2017	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
Premiums and insurance balances receivable	33,249	162,021	4,476,632	320,110	4,992,012
Other credit balances	5,297	-	24,807	2,760	32,864

Key management personnel compensation:

	Three months ended 31 March	
	2018 KD	2017 KD
Salaries and other short term benefits	198,778	183,726
Employees' end of service benefits	16,431	43,828
	215,209	227,554

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, 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.

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 16,431,677 (31 December 2017: KD 16,806,018 and 31 March 2017: KD 18,784,845) are not materially different from their carrying values.

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair Value KD</i>
31 March 2018			
<i>Financial assets available for sale:</i>			
Quoted	28,278,340	-	28,278,340
Unquoted equity securities	-	11,778,819	11,778,819
Unquoted foreign funds	-	19,236,257	19,236,257
Total	28,278,340	31,015,076	59,293,416
	<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>
31 March 2017			
<i>Financial assets available for sale:</i>			
Quoted	31,413,479	-	31,413,479
Unquoted equity securities	-	11,978,851	11,978,851
Unquoted foreign funds	-	19,831,916	19,831,916
Total	31,413,479	31,810,767	63,224,246

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12 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.

	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
31 March 2018					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	11,770,944	7,875	-	-	11,778,819
Unquoted managed funds	18,749,754	690,528	(91,658)	(112,367)	19,236,257
	<u>30,520,698</u>	<u>698,403</u>	<u>(91,658)</u>	<u>(112,367)</u>	<u>31,015,076</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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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At the beginning of the period KD	Net results recorded in the interim consolidated statement of comprehensive income KD	Net results recorded in the interim consolidated statement of income KD	Net purchases, transfer, sales and settlements KD	At the end of the period KD
31 March 2017					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	12,021,728	(50,328)	7,451	-	11,978,851
Unquoted managed funds	20,766,053	(146,293)	195,340	(983,184)	19,831,916
	<u>32,787,781</u>	<u>(196,621)</u>	<u>202,791</u>	<u>(983,184)</u>	<u>31,810,767</u>

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 1,178 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 1,178 thousands. An increase (decrease) by 10% in the Discount for lack of would result in increase (decrease) in fair value by KD 1,924 thousands.

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13 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:

	General risk insurance						Total KD
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	Investment KD	
31 March 2018							
Segment revenue	863,660	2,405,778	502,584	10,988,389	8,907,028	1,914,305	25,687,389
Segment results	380,560	1,071,440	333,417	(17,143)	1,067,449	584,783	3,045,061
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD
Liabilities				25,606,667	126,927,112	88,281,359	45,148,548
				38,823,403	81,288,979	-	57,368,743
							285,963,686
							177,481,125
31 December 2017 (Audited)				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD
Segment revenue	2,991,856	8,962,704	1,761,132	13,408,433	30,028,348	6,801,687	64,534,355
Segment results	1,031,729	2,986,952	536,094	852,795	3,345,795	1,952,158	9,777,897
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD
Liabilities				14,849,968	116,258,199	88,857,630	42,763,560
				28,719,720	70,524,339	-	51,746,015
							262,729,357
							150,990,074

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13 SEGMENT RESULTS (continued)

31 March 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	784,308	2,393,061	451,323	10,471,316	6,132,936	1,840,813	124,155	22,197,912
Segment results	60,011	985,316	281,637	43,297	880,708	1,003,759	(178,161)	3,076,567
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
Liabilities				20,873,669	112,878,634	94,276,922	34,779,542	262,808,767
				33,409,893	70,512,153	-	46,021,125	149,943,171