

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2016 (UNAUDITED)



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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 June 2016, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three month and six month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six 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. 1 of 2016, the executive regulation of Law No. 25 of 2012 and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2016 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)

7 August 2016
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 June 2016 (UNAUDITED)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 KD	2015 KD	2016 KD	2015 KD
Revenue:					
Gross premiums		13,951,762	8,421,326	42,141,787	19,251,119
Premiums ceded to reinsurers		(6,048,609)	(5,073,116)	(14,275,203)	(12,378,781)
Net premiums		7,903,153	3,348,210	27,866,584	6,872,338
Movement in unearned premiums		2,525,047	207,965	(4,692,975)	(126,626)
Net premiums earned		10,428,200	3,556,175	23,173,609	6,745,712
Commission received on ceded premiums		2,077,631	1,390,455	4,902,404	3,792,118
Policy issuance fees		157,341	157,013	329,851	305,954
Net investment income	5	1,307,629	1,130,871	2,979,343	2,740,466
Rental income from investment properties		168,651	-	328,065	-
Other income		18,499	117,809	34,146	168,528
Total Revenue		14,157,951	6,352,323	31,747,418	13,752,778
Expenses:					
Net claims incurred		(6,944,319)	(1,753,935)	(15,044,973)	(3,298,937)
Commissions and premiums' acquisition costs		(2,346,705)	(442,872)	(5,758,885)	(1,335,255)
Movement in life mathematical reserve		(234,000)	(239,500)	(495,000)	(490,200)
Maturity and cancellations of life insurance policies		(24,434)	(39,895)	(94,565)	(154,835)
Investment property expenses		(14,372)	-	(38,552)	-
Administrative expenses		(1,797,276)	(1,256,671)	(3,512,103)	(2,316,616)
Impairment loss on financial assets available for sale	6	(324,567)	-	(747,757)	-
Total Expenses		(11,685,673)	(3,732,873)	(25,691,835)	(7,595,843)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
		2,472,278	2,619,450	6,055,583	6,156,935
Contribution to KFAS		(22,025)	(24,662)	(50,344)	(57,794)
NLST		(64,700)	(54,082)	(138,602)	(120,338)
Zakat		(25,880)	(21,633)	(55,441)	(48,135)
PROFIT FOR THE PERIOD		2,359,673	2,519,073	5,811,196	5,930,668
Attributable to:					
Equity holders of the Parent Company		2,349,277	2,519,073	5,723,519	5,930,668
Non-controlling interests		10,396	-	87,677	-
		2,359,673	2,519,073	5,811,196	5,930,668
BASIC AND DILUTED EARNINGS PER SHARE	3	11.96 fils	12.84 fils	29.15 fils	30.23 fils

The attached notes 1 to 11 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 June 2016 (UNAUDITED)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 KD	2015 KD	2016 KD	2015 KD
Profit for the period		2,359,673	2,519,073	5,811,196	5,930,668
Other comprehensive income:					
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>					
- Net unrealised (loss) gain of financial assets available for sale		(1,354,596)	(1,762,055)	(4,791,395)	945,895
- (Gain) loss on sale of financial assets available for sale recycled to interim condensed consolidated statement of income	5	(286,174)	55,809	(523,822)	(104,269)
- Impairment loss on financial assets available for sale	6	324,567	-	747,757	-
		(1,316,203)	(1,706,246)	(4,567,460)	841,626
- Share of other comprehensive income of associates		(1,242)	121,954	12,918	138,101
- Foreign currency translation adjustments		(152,305)	32,598	(146,909)	144,598
Other comprehensive (loss) income for the period		(1,469,750)	(1,551,694)	(4,701,451)	1,124,325
Total comprehensive income for the period		889,923	967,379	1,109,745	7,054,993
Attributable to:					
Equity holders of the Parent Company		895,338	967,379	1,043,006	7,054,993
Non-controlling interests		(5,415)	-	66,739	-
		889,923	967,379	1,109,745	7,054,993

The attached notes 1 to 11 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 June 2016 (UNAUDITED)

		30 June 2016	(Audited) 31 December 2015	30 June 2015
	Notes	KD	KD	KD
ASSETS				
Property and equipment		4,157,385	4,251,006	2,595,595
Investment properties		13,312,023	13,313,380	-
Investment in associates		6,372,206	6,240,661	16,845,011
Financial assets held to maturity		19,841,256	7,498,293	-
Financial assets available for sale	6	80,905,513	86,961,030	85,592,124
Loans secured by life insurance policyholders		191,204	97,487	185,348
Premiums and insurance balances receivable		14,453,632	10,719,665	13,220,452
Reinsurance recoverable on outstanding claims		31,418,893	31,602,446	28,527,543
Receivables arising from reinsurance contracts and premium accruals		28,382,318	24,776,947	-
Accounts receivable and other debit balances		8,038,253	7,271,394	1,937,383
Fixed deposits	4	43,715,159	47,262,857	19,359,315
Bank balances and cash	4	3,614,946	3,042,867	1,488,924
TOTAL ASSETS		254,402,788	243,038,033	169,751,695
EQUITY AND LIABILITIES				
Equity attributable to Shareholders of the Parent Company				
Share capital	7	20,000,000	20,000,000	20,000,000
Statutory reserve		20,000,000	20,000,000	18,171,431
General reserve		20,000,000	20,000,000	18,862,138
Special voluntary reserve		11,000,000	11,000,000	11,000,000
Treasury shares		(1,322,430)	(1,394,366)	(1,414,701)
Treasury shares reserve		1,458,169	1,438,443	1,434,528
Cumulative changes in fair values reserve		7,283,425	11,827,152	12,841,020
Foreign currency translation reserve		312,398	449,184	428,061
Retained earnings		18,506,101	19,657,245	17,363,848
Other reserve		6,806	-	-
Equity attributable to shareholders of the Parent Company		97,244,469	102,977,658	98,686,325
Non-controlling interests		3,395,289	3,473,569	-
Total equity		100,639,758	106,451,227	98,686,325
Liabilities				
Technical reserves arising from insurance contracts				
Outstanding claims reserve		75,237,752	73,431,281	38,082,768
Unearned premiums reserve		25,356,183	20,663,210	4,049,469
Life mathematical reserve		5,477,000	4,982,000	5,436,200
Incurred but not reported reserve		13,369,768	11,592,173	4,054,994
Total technical reserves arising from insurance contracts		119,440,703	110,668,664	51,623,431
Insurance payables		12,524,109	11,428,005	9,881,849
Accounts payable and other credit balances		6,994,071	8,255,242	5,944,760
Premiums received in advance		-	87,780	-
Bank overdraft		-	-	-
Loan	4	14,804,147	6,147,115	615,330
		-	-	3,000,000
Total liabilities		153,763,030	136,586,806	71,065,370
TOTAL EQUITY AND LIABILITIES		254,402,788	243,038,033	169,751,695


Sulaiman Hamad Al-Dalali
Chairman


Ayman Abdullatif Al-Shayea
Vice Chairman

The attached notes 1 to 11 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

For the period ended 30 June 2016 (UNAUDITED)

		<i>Six months ended 30 June</i>	
	<i>Notes</i>	<i>2016 KD</i>	<i>2015 KD</i>
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		6,055,583	6,156,935
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		116,696	74,396
Share of results of associates	5	(142,239)	(515,898)
Rental income from investment properties		(328,065)	-
Gain on sale of financial assets available for sale	5	(523,822)	(104,269)
Impairment loss on financial assets available for sale	6	747,757	-
Interest on bonds and fixed deposits	5	(886,851)	(208,501)
Dividend income	5	(1,370,570)	(1,854,085)
Interest expense		142,097	19,969
Provision for employees' end of service benefits		317,655	235,205
Loss on sale of property and equipment		1,843	-
		<u>4,130,084</u>	<u>3,803,752</u>
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(3,733,967)	(2,240,484)
Receivables arising from reinsurance contracts and premium accruals		(3,605,371)	-
Reinsurance recoverable on outstanding claims		183,553	54,798
Accounts receivable and other debit balances		(543,962)	266,194
Technical reserves		8,772,039	547,830
Insurance payables		1,096,104	1,945,501
Accounts payable and other credit balances		(1,487,554)	(761,796)
Premiums received in advance		(87,780)	(75,385)
		<u>4,723,146</u>	<u>3,540,410</u>
Cash flows from operations		(778,526)	(186,234)
Employees' end of service benefits paid			
Net cash flows from operating activities		<u>3,944,620</u>	<u>3,354,176</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(27,860)	(20,817)
Purchase of financial assets available for sale		(3,500,532)	(7,371,490)
Purchase of investment in associates		-	(137,274)
Proceeds from sale of financial assets available for sale		4,764,653	2,017,044
Placement of financial assets held to maturity		(13,500,000)	-
Proceeds from redemption of financial assets held to maturity		1,137,395	-
Partial acquisition of non-controlling interest of subsidiary		(14,313)	-
Movement in loans secured by life insurance policyholders		(93,717)	31,100
Fixed deposits		3,870,275	2,789,948
Dividend income received		1,343,575	1,802,140
Dividend income received from investment in associates		-	457,080
Interest income received		690,949	52,674
Rental income received		328,065	-
		<u>(5,001,510)</u>	<u>(379,595)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Dividends paid		(6,555,695)	(6,181,684)
Proceeds from sale of treasury shares		91,662	-
Interest expense paid		(142,097)	(19,969)
Proceeds from term loan		-	3,000,000
		<u>(6,606,130)</u>	<u>(3,201,653)</u>
Net cash flows used in financing activities			
Foreign currency translation adjustments		(99,356)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(7,762,376)</u>	<u>(227,072)</u>
Cash and cash equivalents at the beginning of the period	4	(3,104,248)	1,100,666
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>(10,866,624)</u>	<u>873,594</u>

The attached notes 1 to 11 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 June 2016 (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	Other reserve KD	Subtotal KD	Non controlling interests KD	Total equity KD
Balance at 1 January 2016 (Audited)	20,000,000	20,000,000	20,000,000	11,000,000	(1,394,366)	1,438,443	11,827,152	449,184	19,657,245	-	102,977,658	3,473,569	106,451,227
Profit for the period	-	-	-	-	-	-	-	-	5,723,519	-	5,723,519	87,677	5,811,196
Other comprehensive loss	-	-	-	-	-	-	(4,543,727)	(136,786)	-	-	(4,680,513)	(20,938)	(4,701,451)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(4,543,727)	(136,786)	5,723,519	-	1,043,006	66,739	1,109,745
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(6,874,663)	-	(6,874,663)	-	(6,874,663)
Sale of treasury shares	-	-	-	-	71,936	19,726	-	-	-	-	91,662	-	91,662
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	6,806	6,806	(21,119)	(14,313)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(123,900)	(123,900)
Balance at 30 June 2016	20,000,000	20,000,000	20,000,000	11,000,000	(1,322,430)	1,458,169	7,283,425	312,398	18,506,101	6,806	97,244,469	3,395,289	100,639,758
Balance at 1 January 2015 (Audited)	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	-	-	-	-	-	-	-	-	5,930,668	-	5,930,668	-	5,930,668
Other comprehensive income	-	-	-	-	-	-	979,727	144,598	-	-	1,124,325	-	1,124,325
Total comprehensive income for the period	-	-	-	-	-	-	979,727	144,598	5,930,668	-	7,054,993	-	7,054,993
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(6,277,753)	-	(6,277,753)	-	(6,277,753)
Balance at 30 June 2015	20,000,000	18,171,431	18,862,138	11,000,000	(1,414,701)	1,434,528	12,841,020	428,061	17,363,848	-	98,686,325	-	98,686,325

The attached notes 1 to 11 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 June 2016 (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 K.S.C.P. (collectively "the Group") for the six months period ended 30 June 2016 were authorised for issuance by the Board of Directors on 7 August 2016.

The financial statements of the Parent Company for the year ended 31 December 2015 were approved by the shareholders at the Annual General Meeting held on 5 April 2016.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5 the new Law will be effective retrospectively from 26 November 2012 and the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

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 consolidated financial statements for the year ended 31 December 2015 except for the adoption of the amendments and annual improvements to International Financial Reporting Standards ("IFRS"), relevant to the Group which are effective for annual reporting period starting from 1 January 2016 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information are presented in Kuwaiti Dinars which is the functional currency 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 IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015. Further, Operating results for the six months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2016 (UNAUDITED)

3 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</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Profit for the period	2,349,277	2,519,073	5,723,519	5,930,668
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	196,420,140	196,180,765	196,366,602	196,180,765
Basic and diluted earnings per share	11.96 fils	12.84 fils	29.15 fils	30.23 fils

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

4 CASH AND CASH EQUIVALENTS

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Bank balances and cash	3,614,946	3,042,867	1,488,924
Fixed deposits	43,715,159	47,262,857	19,359,315
Less:	47,330,105	50,305,724	20,848,239
Fixed deposits with original maturities of more than three months	(43,392,582)	(47,262,857)	(19,359,315)
Bank overdraft	(14,804,147)	(6,147,115)	(615,330)
Cash and cash equivalents	(10,866,624)	(3,104,248)	873,594

Fixed deposits amounting to KD 5,370,356 (31 December 2015: KD 5,555,356 and 30 June 2015: KD Nil) are held as security against letter of credit granted by a bank.

5 NET INVESTMENT INCOME

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Share of results of associates	80,187	237,751	142,239	515,898
Gain (loss) on sale of financial assets available for sale	286,174	(55,809)	523,822	104,269
Interest on bonds and fixed deposits	482,264	99,234	886,851	208,501
Dividend income	427,329	817,183	1,370,570	1,854,085
Other investment income	31,675	32,512	55,861	57,713
	1,307,629	1,130,871	2,979,343	2,740,466

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2016 (UNAUDITED)

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	30 June 2016 KD	<i>(Audited)</i> 31 December 2015 KD	30 June 2015 KD
<i>Local equity securities:</i>			
Quoted	22,826,651	23,681,741	26,097,262
Unquoted	8,022,987	7,820,659	7,765,112
	30,849,638	31,502,400	33,862,374
<i>Foreign equity securities:</i>			
Quoted	3,535,866	4,799,220	7,779,435
Unquoted	19,032,605	20,107,925	21,638,732
	22,568,471	24,907,145	29,418,167
Unquoted foreign funds	26,469,181	29,533,262	21,961,583
Bonds	1,018,223	1,018,223	350,000
	27,487,404	30,551,485	22,311,583
	80,905,513	86,961,030	85,592,124

As at 30 June 2016, 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 747,757 (31 December 2015: KD 8,801,136 and 30 June 2015: KD Nil) has been recognised 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 2015: 200,000,000 and 30 June 2015: 200,000,000 shares).

On 5 April 2016, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the payment of cash dividend of 35% for the year ended 31 December 2015, totaling KD 6,874,663 (2014: 32% totaling KD 6,277,753) and board of directors' remuneration of KD 569,000 (2014: KD 409,847).

8 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2016, the Group had future capital commitments with respect to financial assets available for sale of KD 6,045,892 (31 December 2015: KD 5,514,216 and 30 June 2015: KD 5,311,392) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 4,135,873 (31 December 2015: KD 4,629,463 and 30 June 2015: KD Nil) 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

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9 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>Six months ended 30 June</i>	
			<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Gross premiums	650,318	1,626,777	2,277,095	3,915,081
Claims incurred	123,682	309,827	433,509	906,341

	<i>Associates</i> <i>KD</i>	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Three months ended 30 June</i>	
			<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Gross premiums	556,023	940,479	1,496,502	2,322,025
Claims incurred	102,800	102,462	205,262	487,052

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 June</i> <i>2016</i> <i>KD</i>	<i>(Audited)</i>	<i>30 June</i> <i>2015</i> <i>KD</i>
				<i>31 December</i> <i>2015</i> <i>KD</i>	
Premiums and insurance balances receivable	999,623	4,832,626	5,832,249	5,423,780	5,708,366
Other credit balances	-	56,848	56,848	55,972	147,589

Key management personnel compensation:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Salaries and other short term benefits	187,736	55,522	386,425	106,725
Employees' end of service benefits	147,060	181,580	214,990	181,580
	<u>334,796</u>	<u>237,102</u>	<u>601,415</u>	<u>288,305</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2016 (UNAUDITED)

10 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 19,449,662 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>
30 June 2016				
<i>Financial assets available for sale:</i>				
Quoted	26,362,517	-	-	26,362,517
Unquoted	-	-	35,093,334	35,093,334
Total	26,362,517	-	35,093,334	61,455,851
31 December 2015 (Audited)				
<i>Financial assets available for sale:</i>				
Quoted	28,480,961	-	-	28,480,961
Unquoted	-	-	41,600,095	41,600,095
Total	28,480,961	-	41,600,095	70,081,056
30 June 2015				
<i>Financial assets available for sale:</i>				
Quoted	33,876,697	-	-	33,876,697
Unquoted	-	12,429,930	39,285,497	51,715,427
Total	33,876,697	12,429,930	39,285,497	85,592,124

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2016 (UNAUDITED)

10 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</i> KD	<i>Arising from consolidated subsidiary</i> KD	<i>Net result recorded in the interim consolidated statement of comprehensive income</i> KD	<i>Net results recorded in the interim consolidated statement of income</i> KD	<i>Net purchases, transfer, sales and settlements</i> KD	<i>At the end of the period</i> KD
30 June 2016						
<i>Financial assets available for sale:</i>						
Unquoted equity securities	16,054,908	-	921,752	-	(4,463,512)	12,513,148
Unquoted managed funds	25,545,187	-	(1,464,241)	303,641	(1,804,401)	22,580,186
	<u>41,600,095</u>	<u>-</u>	<u>(542,489)</u>	<u>303,641</u>	<u>(6,267,913)</u>	<u>35,093,334</u>
			<i>Net result recorded in consolidated statement of comprehensive income</i> KD	<i>Net result recorded in consolidated statement of income</i> KD	<i>Net purchase, transfer, sale & settlements</i> KD	<i>At the end of the year</i> KD
31 December 2015 (Audited)						
<i>Financial assets available for sale:</i>						
Unquoted equity securities	14,514,931	-	2,887,095	-	(1,347,118)	16,054,908
Unquoted managed funds	21,058,806	-	194,575	(625,831)	(2,985,885)	17,641,665
	<u>-</u>	<u>8,471,674</u>	<u>(346,578)</u>	<u>35,837</u>	<u>(257,411)</u>	<u>7,903,522</u>
<i>Arising from consolidated subsidiary</i>						
Unquoted managed funds	35,573,737	8,471,674	2,735,092	(589,994)	(4,590,414)	41,600,095

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2016 (UNAUDITED)

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At the beginning of the period KD	Arising from consolidated subsidiary KD	Net result recorded in the interim condensed statement of comprehensive income KD	Net results recorded in the interim condensed statement of income KD	Net purchases, transfer, sales and settlements KD	At the end of the period KD
30 June 2015						
<i>Financial assets available for sale:</i>						
Unquoted equity securities	14,514,931	-	2,808,980	-	-	17,323,911
Unquoted managed funds	21,058,806	-	614,028	77,367	211,385	21,961,586
	<u>35,573,737</u>	<u>-</u>	<u>3,423,008</u>	<u>77,367</u>	<u>211,385</u>	<u>39,285,497</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2016 (UNAUDITED)

11 SEGMENT RESULTS

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

Six Months ended 30 June 2016:

	General risk insurance						Total KD	
	Marine and Aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	Investment KD		Unallocated KD
Segment revenue	1,908,955	4,835,895	986,394	3,628,540	18,239,291	2,114,197	34,146	31,747,418
Segment results	851,400	1,679,269	649,000	873,395	1,100,715	1,136,690	(234,886)	6,055,583
Assets				General risk insurance KD	Reinsurance KD	Life and medical insurance KD	Unallocated KD	Total KD
				120,555,440	111,895,499	21,951,849	-	254,402,788
Liabilities				61,267,162	70,544,019	21,951,849	-	153,763,030

General risk insurance

31 December 2015 (Audited)

	General risk insurance						Total KD	
	Marine and Aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	Investment KD		Unallocated KD
Segment revenue	3,491,996	9,532,062	1,810,775	4,298,318	17,976,932	14,450,391	196,190	51,756,664
Segment results	1,772,084	2,697,941	896,108	1,150,628	1,188,087	5,164,508	(443,228)	12,426,128
Assets				General risk insurance KD	Reinsurance KD	Life and medical insurance KD	Unallocated KD	Total KD
				116,074,046	105,896,612	21,067,375	-	243,038,033
Liabilities				51,457,254	64,062,177	21,067,375	-	136,586,806

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
As at 30 June 2016 (UNAUDITED)

11 SEGMENT RESULTS (continued)

Six Months ended 30 June 2015	General risk insurance					Total KD
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	
Segment revenue	2,029,506	4,914,726	1,007,407	2,892,145	-	13,752,778
Segment results	1,014,541	1,477,835	470,961	853,674	-	6,156,935
				General risk insurance KD	Life and medical insurance KD	Total KD
Assets				148,614,175	21,137,520	169,751,695
Liabilities				49,919,469	21,145,901	71,065,370