

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2016 (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 2016, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the nine months 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, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 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)

10 November 2016  
Kuwait

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**  
For the period ended 30 September 2016 (UNAUDITED)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 KD	2015 KD	2016 KD	2015 KD
<b>Revenues:</b>					
Gross premiums		8,065,639	17,043,105	50,207,426	36,294,224
Premiums ceded to reinsurers		(4,216,746)	(5,197,403)	(18,491,949)	(17,576,184)
Net premiums		3,848,893	11,845,702	31,715,477	18,718,040
Movement in unearned premiums		5,733,389	283,066	1,040,414	156,440
Net premiums earned		9,582,282	12,128,768	32,755,891	18,874,480
Commission received on ceded premiums		1,232,197	1,435,684	6,134,601	5,227,802
Policy issuance fees		126,792	154,336	456,643	460,290
Net investment income	6	903,695	2,423,824	3,883,038	5,164,290
Rental income from investment properties		168,798	150,288	496,863	150,288
Net gain on business combination	3	-	6,973,401	-	6,973,401
Other income (loss)		21,207	(16,117)	55,353	152,411
<b>Total revenues</b>		<b>12,034,971</b>	<b>23,250,184</b>	<b>43,782,389</b>	<b>37,002,962</b>
<b>Expenses:</b>					
Net claims incurred		7,111,827	7,249,703	22,156,800	10,548,640
Commissions and premiums' acquisition costs		2,585,913	3,682,410	8,344,798	5,017,665
Movement in life mathematical reserve		31,000	(250,200)	526,000	240,000
Maturity and cancellation of life insurance policies		27,927	52,505	122,492	207,340
Investment property expenses		16,605	18,552	55,157	18,552
Administrative expenses		1,863,636	1,578,209	5,375,739	3,894,825
Impairment loss on financial assets available for sale	7	-	6,686,356	707,757	6,686,356
Impairment loss on other receivables		20,000	-	60,000	-
<b>Total expenses</b>		<b>11,656,908</b>	<b>19,017,535</b>	<b>37,348,743</b>	<b>26,613,378</b>
<b>PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>		<b>378,063</b>	<b>4,232,649</b>	<b>6,433,646</b>	<b>10,389,584</b>
Contribution to KFAS		(3,945)	(41,663)	(54,289)	(99,457)
NLST		11,373	(107,370)	(127,229)	(227,708)
Zakat		4,550	(42,948)	(50,891)	(91,083)
<b>PROFIT FOR THE PERIOD</b>		<b>390,041</b>	<b>4,040,668</b>	<b>6,201,237</b>	<b>9,971,336</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		458,994	3,988,688	6,182,513	9,919,356
Non-controlling interests		(68,953)	51,980	18,724	51,980
		390,041	4,040,668	6,201,237	9,971,336
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	4	<b>2.34 fils</b>	<b>20.33 fils</b>	<b>31.48 fils</b>	<b>50.56 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 2016 (UNAUDITED)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<i>Notes</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>390,041</b>	<b>4,040,668</b>	<b>6,201,237</b>	<b>9,971,336</b>
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>				
- Net unrealised gain (loss) of financial assets available for sale	<b>612,572</b>	(6,191,393)	<b>(4,138,823)</b>	(5,245,498)
- Gain on sale of financial assets available for sale recycled to interim condensed consolidated statement of income	6 <b>(105,936)</b>	(788,929)	<b>(629,758)</b>	(893,198)
- Impairment loss on financial assets available for sale transferred to interim condensed consolidated statement of income	7 -	6,686,356	<b>707,757</b>	6,686,356
- Share of other comprehensive income of associates	<b>(6,668)</b>	(146,139)	<b>6,250</b>	(8,038)
- Cumulative change in fair value of associate, recycled to interim condensed consolidated statement of income	3 -	(139,616)	-	(139,616)
- Foreign currency translation adjustments	<b>20,416</b>	1,754	<b>(126,493)</b>	146,352
<b>Other comprehensive income (loss) for the period</b>	<b>520,384</b>	<b>(577,967)</b>	<b>(4,181,067)</b>	<b>546,358</b>
<b>Total comprehensive income for the period</b>	<b>910,425</b>	<b>3,462,701</b>	<b>2,020,170</b>	<b>10,517,694</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	<b>970,795</b>	3,454,039	<b>2,013,801</b>	10,509,032
Non-controlling interests	<b>(60,370)</b>	8,662	<b>6,369</b>	8,662
	<b>910,425</b>	<b>3,462,701</b>	<b>2,020,170</b>	<b>10,517,694</b>


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

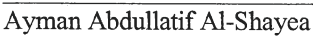
# Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016 (UNAUDITED)

		30 September 2016	(Audited) 31 December 2015	30 September 2015
	Notes	KD	KD	KD
<b>ASSETS</b>				
Property and equipment		4,108,011	4,251,006	4,306,517
Investment properties		13,312,313	13,313,380	13,352,160
Investment in associates		6,332,474	6,240,661	6,229,262
Financial assets held to maturity		19,783,153	7,498,293	4,620,605
Financial assets available for sale	7	81,147,042	86,961,030	90,049,146
Loans secured by life insurance policyholders		211,195	97,487	82,648
Premiums and insurance balances receivable		13,724,275	10,719,665	12,779,125
Reinsurance recoverable on outstanding claims		34,433,006	31,602,446	33,229,060
Receivables arising from reinsurance contracts and premium accruals		22,742,457	24,776,947	29,293,008
Accounts receivable and other debit balances		7,307,701	7,271,394	8,894,883
Fixed deposits	5	45,512,338	47,262,857	51,394,397
Bank balances and cash	5	2,592,502	3,042,867	2,604,898
<b>TOTAL ASSETS</b>		<b>251,206,467</b>	<b>243,038,033</b>	<b>256,835,709</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to Shareholders of the Parent Company</b>				
Share capital	8	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	9	(1,322,430)	(1,394,366)	(1,396,217)
Treasury shares reserve		1,458,170	1,438,443	1,437,973
Cumulative changes in fair values reserve		7,776,480	11,827,152	12,306,402
Foreign currency translation reserve		331,144	449,184	428,030
Retained earnings		18,965,095	19,657,245	21,352,536
Other reserve		35,742	-	-
<b>Equity attributable to shareholders of the Parent Company</b>		<b>98,244,201</b>	<b>102,977,658</b>	<b>102,162,293</b>
Non-controlling interests		3,245,138	3,473,569	3,350,375
<b>Total equity</b>		<b>101,489,339</b>	<b>106,451,227</b>	<b>105,512,668</b>
<b>Liabilities</b>				
<b>Technical reserves arising from insurance contracts</b>				
Outstanding claims reserve		80,088,868	73,431,281	74,378,047
Unearned premiums reserve		19,622,796	20,663,210	26,397,271
Life mathematical reserve		5,508,000	4,982,000	5,186,000
Incurred but not reported reserve		12,680,615	11,592,173	11,329,968
<b>Total technical reserves arising from insurance contracts</b>		<b>117,900,279</b>	<b>110,668,664</b>	<b>117,291,286</b>
Insurance payables		12,065,787	11,428,005	12,590,189
Accounts payable and other credit balances		7,042,298	8,255,242	8,113,910
Premiums received in advance		-	87,780	-
Bank overdraft	5	12,708,764	6,147,115	13,327,656
<b>Total liabilities</b>		<b>149,717,128</b>	<b>136,586,806</b>	<b>151,323,041</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>251,206,467</b>	<b>243,038,033</b>	<b>256,835,709</b>

  
Sulaiman Hamad Al-Dalafi  
Chairman

  
Ayman Abdullatif Al-Shayea  
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

For the period ended 30 September 2016 (UNAUDITED)

		<i>Nine months ended 30 September</i>	
	<i>Notes</i>	<b>2016</b> <b>KD</b>	<b>2015</b> <b>KD</b>
<b>OPERATING ACTIVITIES</b>			
Profit for the period before contribution to KFAS, NLST and Zakat		<b>6,433,646</b>	10,389,584
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		<b>176,337</b>	111,838
Share of results of associates	6	<b>(110,614)</b>	(1,276,285)
Gain on bargain purchase	3	-	(9,455,551)
Loss on re-measurement of previously held equity interests	3	-	2,621,766
Rental income from investment properties		<b>(496,863)</b>	(150,288)
Cumulative change in fair value of an associate, recycled to interim condensed consolidated statement of comprehensive income	3	-	(139,616)
Gain on sale of financial assets available for sale	6	<b>(629,758)</b>	(893,198)
Impairment loss on financial assets available for sale	7	<b>707,757</b>	6,686,356
Impairment loss on other receivable		<b>60,000</b>	-
Interest on bonds and fixed deposits	6	<b>(1,442,408)</b>	(501,905)
Dividend income	6	<b>(1,609,436)</b>	(2,435,532)
Interest expense		<b>273,834</b>	108,572
Provision for employees' end of service benefits		<b>547,131</b>	293,680
Loss on sale of property and equipment		<b>1,868</b>	-
		<b>3,911,494</b>	5,359,421
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		<b>(3,004,610)</b>	(1,799,157)
Receivables arising from reinsurance contracts and premium accruals		<b>2,034,490</b>	-
Reinsurance recoverable on outstanding claims		<b>(2,830,560)</b>	(2,041,312)
Accounts receivable and other debit balances		<b>169,838</b>	306,996
Liabilities arising from insurance contracts		<b>7,231,615</b>	2,533,645
Insurance payables		<b>637,782</b>	479,136
Accounts payable and other credit balances		<b>(1,083,714)</b>	(270,206)
Premiums received in advance		<b>(87,780)</b>	(75,385)
Cash flows from operations		<b>6,978,555</b>	4,493,138
Employees' end of service benefits paid		<b>(1,082,730)</b>	(253,025)
Net cash flows from operating activities		<b>5,895,825</b>	4,240,113
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(37,521)</b>	(23,659)
Purchase of financial assets available for sale		<b>(5,201,583)</b>	(8,990,396)
Purchase of investment in associates		-	(399,410)
Proceeds from investment in associates		<b>3,955</b>	-
Acquisition of a subsidiary (net of cash and cash equivalents in a subsidiary acquired)	3	-	(16,681,826)
Acquisition of additional shares of the subsidiary		<b>(75,158)</b>	-
Proceeds from sale of financial assets available for sale		<b>6,876,745</b>	6,587,365
Placement of financial assets held to maturity		<b>(13,500,000)</b>	-
Proceeds from redemption of financial assets held to maturity		<b>1,199,706</b>	-
Movement in loans secured by life insurance policyholders		<b>(113,708)</b>	133,800
Fixed deposits		<b>1,819,485</b>	6,651,269
Dividend income received		<b>1,579,609</b>	2,306,891
Dividend received from associates		-	368,060
Interest income received		<b>1,206,090</b>	107,270
Rental income received		<b>496,863</b>	150,288
Net cash flows used in investing activities		<b>(5,745,517)</b>	(9,790,348)
<b>FINANCING ACTIVITIES</b>			
Dividends paid		<b>(6,824,602)</b>	(6,186,546)
Proceeds from sale of treasury shares		<b>91,663</b>	21,929
Interest expense paid		<b>(273,834)</b>	(108,572)
Net cash flows used in financing activities		<b>(7,006,773)</b>	(6,273,189)
Foreign currency translation adjustments		<b>(86,583)</b>	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(6,943,048)</b>	(11,823,424)
Cash and cash equivalents at the beginning of the period	5	<b>(3,104,248)</b>	1,100,666
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	5	<b>(10,047,296)</b>	(10,722,758)

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 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	-	-	-	-	-	-	-	-	6,182,513	-	6,182,513	18,724	6,201,237
Other comprehensive loss	-	-	-	-	-	-	(4,050,672)	(118,040)	-	-	(4,168,712)	(12,355)	(4,181,067)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(4,050,672)	(118,040)	6,182,513	-	2,013,801	6,369	2,020,170
Cash dividends (note 8)	-	-	-	-	-	-	-	-	(6,874,663)	-	(6,874,663)	-	(6,874,663)
Sale of treasury shares	-	-	-	-	71,936	19,727	-	-	-	-	91,663	-	91,663
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	35,742	35,742	(110,900)	(75,158)
Cash dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	(123,900)	(123,900)
<b>Balance at 30 September 2016</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>11,000,000</b>	<b>(1,322,430)</b>	<b>1,458,170</b>	<b>7,776,480</b>	<b>331,144</b>	<b>18,965,095</b>	<b>35,742</b>	<b>98,244,201</b>	<b>3,245,138</b>	<b>101,489,339</b>
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	-	-	-	-	-	-	-	-	9,919,356	-	9,919,356	51,980	9,971,336
Other comprehensive income	-	-	-	-	-	-	445,109	144,567	-	-	589,676	(43,318)	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 (note 3)	-	-	-	-	-	-	-	-	-	-	-	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
Balance at 30 September 2015	20,000,000	18,171,431	18,862,138	11,000,000	(1,396,217)	1,437,973	12,306,402	428,030	21,352,536	-	102,162,293	3,350,375	105,512,668

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

As at 30 September 2016 (UNAUDITED)

## 1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Al-Ahleia Insurance Company S.A.K.P. is a Kuwaiti shareholding company listed on 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 nine months period ended 30 September 2016 were authorised for issuance by the Board of Directors on 10 November 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. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

## 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 nine months period ended 30 September 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 in May 2014 and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments. 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.



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**3 BUSINESS COMBINATIONS**

On 16 June 2015 the Parent Company had offered the shareholders of Kuwait Reinsurance Company K.S.C.P. "KRE", (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, at the end of mandatory acquisition period, the Parent Company acquired additional 91,899,135 shares that represented 61.27% of the investees share capital that lead to post acquisition equity interest of 91.74%. The Group reclassified its investment in KRE from investment in associate to investment in subsidiary and consolidated KRE from the effective date of control which took place during the third quarter of 2015 and issued the first consolidated financial statements on 30 September 2015. 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 was in the process of determining the fair values of assets and liabilities acquired.

During the period, the Group has concluded that the fair values of the identifiable acquired assets and liabilities assumed are not different from their provisionally determined values on the date of acquisition as follows:

	<i>Fair values</i>
	<i>KD</i>
<b>Assets</b>	
Cash and equivalents *	2,018,128
Term deposits with original maturities of more than three Months	35,260,925
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
	<u>114,766,225</u>
<b>Liabilities</b>	
Technical reserves	69,166,519
Payables arising from reinsurance contracts	3,599,590
Other payables	1,543,546
	<u>74,309,655</u>
<b>Net assets acquired</b>	<u>40,456,570</u>
Considerations paid during the mandatory proposal offer **	<u>(18,699,954)</u>
Non-controlling interests in the acquired Company at provisional value	(3,341,713)
Fair value of acquirer's previously held interest	(8,959,352)
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
<b>Net gain on business combination</b>	<u>6,973,401</u>
Considerations paid during the mandatory proposal offer **	(18,699,954)
Cash and cash equivalents inflows on acquisition of a subsidiary *	2,018,128
Net cash and cash equivalents outflows on acquisition of a subsidiary	<u>(16,681,826)</u>

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**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>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Profit for the period attributable to equity holders of the Parent Company	<b>458,994</b>	3,988,688	<b>6,182,513</b>	9,919,356
	<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>196,428,931</b>	196,194,839	<b>196,387,530</b>	196,194,839
Basic and diluted earnings per share	<b>2.34 fils</b>	20.33 fils	<b>31.48 fils</b>	50.56 fils

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

**5 CASH AND CASH EQUIVALENTS**

	<i>30 September 2016 KD</i>	<i>(Audited) 31 December 2015 KD</i>	<i>30 September 2015 KD</i>
	Bank balances and cash	<b>2,592,502</b>	3,042,867
Fixed deposits	<b>45,512,338</b>	47,262,857	51,394,397
	<b>48,104,840</b>	50,305,724	53,999,295
Less:			
Fixed deposits with original maturities of more than three months	<b>(45,443,372)</b>	(47,262,857)	(51,394,397)
Bank overdraft	<b>(12,708,764)</b>	(6,147,115)	(13,327,656)
Cash and cash equivalents	<b>(10,047,296)</b>	(3,104,248)	(10,722,758)

Fixed deposits amounting to KD 5,370,356 (31 December 2015: KD 5,555,356 and 30 September 2015: KD 5,796,027) are held as security against letter of credit granted by a bank.

**6 NET INVESTMENT INCOME**

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Share of results of associates	<b>(31,625)</b>	760,387	<b>110,614</b>	1,276,285
Gain on sale of financial assets available for sale	<b>105,936</b>	788,929	<b>629,758</b>	893,198
Interest on bonds and fixed deposits	<b>555,557</b>	293,404	<b>1,442,408</b>	501,905
Dividend income	<b>238,866</b>	581,438	<b>1,609,436</b>	2,435,532
Other investment income (loss)	<b>34,961</b>	(334)	<b>90,822</b>	57,370
	<b>903,695</b>	2,423,824	<b>3,883,038</b>	5,164,290

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7 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September 2016 KD</i>	<i>(Audited) 31 December 2015 KD</i>	<i>30 September 2015 KD</i>
<i>Local equity securities:</i>			
Quoted	25,002,310	23,681,741	24,970,814
Unquoted	8,019,337	7,820,659	7,645,791
	<u>33,021,647</u>	<u>31,502,400</u>	<u>32,616,605</u>
<i>Foreign equity securities:</i>			
Quoted	2,833,839	4,799,220	4,331,828
Unquoted	19,016,900	20,107,925	21,292,229
	<u>21,850,739</u>	<u>24,907,145</u>	<u>25,624,057</u>
Unquoted foreign funds	25,262,763	29,533,262	30,790,265
Bonds	1,011,893	1,018,223	1,018,219
	<u>26,274,656</u>	<u>30,551,485</u>	<u>31,808,484</u>
	<u><u>81,147,042</u></u>	<u><u>86,961,030</u></u>	<u><u>90,049,146</u></u>

As at 30 September 2016, 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 707,757 (31 December 2015: KD 8,801,136 and 30 September 2015: KD 6,686,356) has been recorded 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 2015: 200,000,000 and 30 September 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).

9 TREASURY SHARES

	<i>30 September 2016</i>	<i>(Audited) 31 December 2015</i>	<i>30 September 2015</i>
Number of treasury shares	3,571,069	3,765,323	3,769,335
Treasury shares as a percentage of total shares issued	1.79%	1.88%	1.88%
Cost of treasury shares (KD)	1,322,430	1,394,366	1,396,217
Market value of treasury shares (KD)	1,624,836	1,995,621	1,526,581

The Parent Company is committed to keeping reserves and retained profits equal to the purchased treasury shares which are non-distributable along acquisition period according to the instructions of the concerned regulatory authorities.

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**10 CAPITAL COMMITMENTS AND CONTINGENCIES**

As at 30 September 2016, the Group had future capital commitments with respect to financial assets available for sale of KD 5,558,921 (31 December 2015: KD 5,514,216 and 30 September 2015: KD 5,220,714) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 3,763,480 (31 December 2015: KD 4,629,463 and 30 September 2015: KD 4,897,006) 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:

	<i>Key management and board members</i> KD	<i>Associates</i> KD	<i>Major shareholders</i> KD	<i>Nine months ended 30 September</i>	
				2016 KD	2015 KD
Gross premiums	177,818	675,428	2,107,540	2,960,786	4,719,746
Claims incurred	-	129,618	499,366	628,984	1,398,729

	<i>Key management and board members</i> KD	<i>Associates</i> KD	<i>Major shareholders</i> KD	<i>Three months ended 30 September</i>	
				2016 KD	2015 KD
Gross premiums	87,196	25,110	480,763	593,069	780,434
Claims incurred	-	5,936	189,539	195,475	492,388

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

	<i>Key management and board members</i> KD	<i>Associates</i> KD	<i>Major shareholders</i> KD	<i>30 September 2016</i> KD	<i>(Audited)</i>	
					<i>31 December 2015</i> KD	<i>30 September 2015</i> KD
Premiums and insurance balances receivable	18,409	918,303	4,749,413	5,686,125	5,423,780	5,406,033
Accounts payable and other credit balances	2,257	-	17,977	20,234	58,547	62,889

**Key management personnel compensation:**

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2016 KD	2015 KD	2016 KD	2015 KD
Salaries and other short term benefits	101,532	185,387	487,957	292,112
Employees' end of service benefits	225,655	522,559	440,645	704,139
	<u>327,187</u>	<u>707,946</u>	<u>928,602</u>	<u>996,251</u>

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**12 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, financial assets held to maturity, 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 Accounts payable & 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 19,815,054 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)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total fair value</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>30 September 2016</b>				
<i>Financial assets available for sale:</i>				
Quoted	27,836,149	-	-	27,836,149
Unquoted	-	-	33,495,839	33,495,839
<b>Total</b>	<b>27,836,149</b>	<b>-</b>	<b>33,495,839</b>	<b>61,331,988</b>
<i>31 December 2015 (Audited)</i>				
<i>Financial assets available for sale:</i>				
Quoted	28,480,961	-	-	28,480,961
Unquoted	-	-	41,600,095	41,600,095
<b>Total</b>	<b>28,480,961</b>	<b>-</b>	<b>41,600,095</b>	<b>70,081,056</b>
<i>30 September 2015</i>				
<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>

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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 KD</i>	<i>Arising from consolidated subsidiary KD</i>	<i>Net results recorded in the interim consolidated statement of comprehensive income KD</i>	<i>Net results recorded in the interim consolidated statement of income KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>At the end of the period KD</i>
<b>30 September 2016</b>						
<i>Financial assets available for sale:</i>						
Unquoted equity securities	16,054,908	-	901,383	-	(4,729,440)	12,226,851
Unquoted managed funds	25,545,187	-	(1,355,157)	694,186	(3,615,228)	21,268,988
	<u>41,600,095</u>	<u>-</u>	<u>(453,774)</u>	<u>694,186</u>	<u>(8,344,668)</u>	<u>33,495,839</u>
<b>31 December 2015 (Audited)</b>						
<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>35,573,737</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 Unquoted managed funds</i>		<u>8,471,674</u>	<u>2,735,092</u>	<u>(589,994)</u>	<u>(4,590,414)</u>	<u>41,600,095</u>

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At the beginning of the period KD	Arising from consolidated subsidiary 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
30 September 2015						
<i>Financial assets available for sale:</i>						
Unquoted equity securities	14,514,931	-	2,822,587	-	(255,871)	17,081,647
Unquoted managed funds	21,058,806	-	243,206	(271,255)	(2,168,028)	18,862,729
<i>Arising from consolidated subsidiary</i>						
Unquoted managed funds	-	8,471,674	(460,740)	35,837	(259,106)	7,787,665
	35,573,737	8,471,674	2,605,053	(235,418)	(2,683,005)	43,732,041

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13 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:

	General risk insurance					Total KD
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	
<i>Nine Months ended 30 September 2016</i>						
Segment revenue	2,524,864	6,916,926	1,396,810	4,566,425	25,954,630	43,782,389
Segment results	1,213,314	2,412,211	772,365	936,555	235,832	6,433,646
Assets				General risk insurance KD	Reinsurance KD	Life and medical insurance KD
Liabilities				121,741,839	106,435,068	23,029,560
				60,586,464	66,101,104	23,029,560
						251,206,467
						149,717,128
<i>31 December 2015 (Audited)</i>						
Segment revenue	3,491,996	9,532,062	1,810,775	4,298,318	17,976,932	51,756,664
Segment results	1,772,084	2,697,941	896,108	1,150,628	1,188,087	12,426,128
Assets				General risk insurance KD	Reinsurance KD	Life and medical insurance KD
Liabilities				116,074,046	105,896,612	21,067,375
				51,457,254	64,062,177	21,067,375
						243,038,033
						136,586,806



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13 SEGMENT RESULTS (continued)

Nine Months ended 30 September 2015

	General risk insurance					Total KD	
	Marine and Aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD		
Segment revenue	2,791,466	7,393,882	1,384,369	3,722,770	9,881,234	11,676,830	
Segment results	1,277,788	2,279,070	690,112	1,098,963	662,488	4,857,252	
						152,411	
						(476,089)	
						37,002,962	
						10,389,584	
Assets				General risk insurance KD	Reinsurance KD	Life and medical insurance KD	Total KD
				125,285,167	109,916,941	21,633,601	256,835,709
Liabilities				60,289,484	69,522,754	21,510,803	151,323,041