

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 September 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 subsidiaries (collectively "the Group") as at 30 September 2018, 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 statements of cash flows and 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

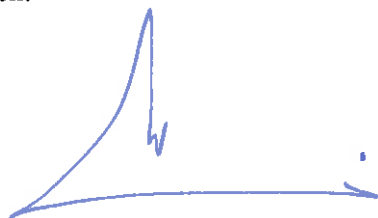
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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, 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 nine month period ended 30 September 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)

6 November 2018
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 KD	2017 KD	2018 KD	2017 KD
Revenues:					
Gross premiums written		12,720,370	12,818,842	69,750,868	59,848,159
Premiums ceded to reinsurers		(4,585,951)	(4,344,415)	(15,400,157)	(15,503,868)
Net premiums written		8,134,419	8,474,427	54,350,711	44,344,291
Movement in unearned premiums		3,434,829	2,031,623	(8,792,662)	(6,318,952)
Net premiums earned		11,569,248	10,506,050	45,558,049	38,025,339
Commission income on ceded reinsurance		1,287,097	1,468,363	4,777,463	5,796,147
Policy issuance fees		112,382	115,343	347,070	376,825
Investment income	6	1,620,449	1,574,654	4,773,564	4,768,629
Net gain on business combinations	3	-	-	3,748,963	-
Rental income from investment properties		144,571	158,869	470,885	487,549
Other income		19,429	253,787	85,260	565,891
Total revenues		14,753,176	14,077,066	59,761,254	50,020,380
Expenses:					
Net claims incurred		10,262,256	9,315,430	29,411,650	25,336,065
Commissions and premiums' acquisition costs		2,889,909	2,551,733	8,469,642	7,184,396
Movement in life mathematical reserve		(2,921,000)	(3,019,000)	3,624,000	2,961,000
Maturity and cancellation of life insurance Policies		75,783	786,174	289,062	942,736
Investment property expenses		21,462	25,270	72,360	64,387
Administrative expenses		1,490,609	1,327,617	4,986,385	4,526,674
Interest expenses		-	50,118	-	203,049
Impairment loss on financial assets available for sale	7	200,000	162,316	3,402,862	436,782
Impairment loss on receivables		230,000	163,364	1,090,000	363,364
Total expenses		12,249,019	11,363,022	51,345,961	42,018,453
Profit before share of associates income		2,504,157	2,714,044	8,415,293	8,001,927
Share of results of associates		(100,920)	(236,635)	(79,390)	(361,694)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		2,403,237	2,477,409	8,335,903	7,640,233
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(22,491)	(24,556)	(71,732)	(67,578)
National Labour Support Tax (NLST)		(83,959)	(64,880)	(215,891)	(188,035)
Zakat		(33,584)	(26,952)	(86,322)	(78,273)
PROFIT FOR THE PERIOD		2,263,203	2,361,021	7,961,958	7,306,347
Attributable to:					
Equity holders of the Parent Company		2,184,450	2,290,956	7,736,750	7,092,506
Non-controlling interests		78,753	70,065	225,208	213,841
		2,263,203	2,361,021	7,961,958	7,306,347
BASIC AND DILUTED EARNINGS PER SHARE	4	11.11 fils	11.66 fils	39.36 fils	36.09 fils

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 KD	2017 KD	2018 KD	2017 KD
Profit for the period		2,263,203	2,361,021	7,961,958	7,306,347
Other comprehensive (loss) income:					
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>					
- Foreign currency translation adjustments		23,898	(86,842)	35,709	(216,912)
- Net unrealised (loss) gain of financial assets available for sale		(160,007)	3,436,923	(78,449)	4,843,380
- Gain on sale of financial assets available for sale	6	(655,014)	(599,435)	(1,049,300)	(1,084,269)
- Impairment loss on financial assets available for sale	7	200,000	162,316	3,402,862	436,782
- Share of other comprehensive income (loss) of associates		19,017	(1,366)	26,609	(7,205)
- Cumulative change in fair value of financial assets available for sale, recycled to interim condensed consolidated statement of income	3	-	-	(3,315,988)	-
- Foreign currency translation reserve of an associate transferred to consolidated statement of income	3	-	-	(392,356)	-
Other comprehensive (loss) income for the period		(572,106)	2,911,596	(1,370,913)	3,971,776
Total comprehensive income for the period		1,691,097	5,272,617	6,591,045	11,278,123
Attributable to:					
Equity holders of the Parent Company		1,602,902	5,182,328	6,369,405	11,025,813
Non-controlling interests		88,195	90,298	221,640	252,310
		1,691,097	5,272,617	6,591,045	11,278,123

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

		30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
ASSETS				
Property and equipment		3,891,028	4,022,945	3,969,587
Investment properties		12,080,841	12,080,381	12,757,755
Investment in associates	3	18,953,120	5,433,518	6,015,549
Financial assets held to maturity		19,666,000	19,666,000	19,666,000
Loans secured by life insurance policyholders		183,908	205,978	198,312
Financial assets available for sale	7	69,293,090	75,163,864	80,715,537
Financial assets at fair value through profit or loss		1,188,798	-	-
Receivables arising from reinsurance contracts and premium accruals		27,325,846	17,599,822	21,249,525
Reinsurance recoverable on outstanding claims		50,920,797	48,403,820	42,771,540
Premiums and insurance balances receivable		13,166,767	12,393,257	14,339,533
Accounts receivable and other debit balances		9,875,022	7,002,770	8,450,814
Term deposits	5	55,776,531	51,840,080	50,929,455
Bank balances and cash	5	7,526,199	8,916,922	5,783,429
TOTAL ASSETS		289,847,947	262,729,357	266,847,036
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Parent Company				
Share capital	8	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	9	13,000,000	13,000,000	12,000,000
Treasury shares	10	(1,278,932)	(1,278,932)	(1,276,128)
Treasury shares reserve		1,474,675	1,474,675	1,474,675
Cumulative changes in fair values reserve		12,060,456	13,071,154	14,537,390
Foreign currency translation reserve		(35,590)	321,057	311,572
Retained earnings		22,423,815	21,566,341	21,046,476
Other reserve		120,814	105,028	104,397
Equity attributable to equity holders of the Parent Company		107,765,238	108,259,323	108,198,382
Non-controlling interests		9,205,782	3,479,960	3,498,860
Total equity		116,971,020	111,739,283	111,697,242
Liabilities				
Technical reserves arising from insurance and reinsurance contracts:				
Outstanding claims reserve		103,044,690	97,414,297	90,924,679
Unearned premiums reserve		26,727,011	17,934,348	22,182,336
Life mathematical reserve		9,357,000	5,733,000	8,311,000
Incurred but not reported reserve		13,348,700	12,563,604	12,423,072
Total technical reserves arising from insurance and reinsurance contracts		152,477,401	133,645,249	133,841,087
Bank overdraft	5	-	-	2,628,943
Insurance and reinsurance payables		12,227,632	9,133,006	11,064,375
Accounts payable and other credit balances		8,171,894	8,160,596	7,615,389
Premiums received in advance		-	51,223	-
Total liabilities		172,876,927	150,990,074	155,149,794
TOTAL EQUITY AND LIABILITIES		289,847,947	262,729,357	266,847,036

Ayman Abdullatif Al-Shayea
Chairman

Emad Mohamed Al-Bahar
Vice Chairman

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2018

		<i>Nine months ended 30 September 2018</i>	
		2018	2017
		KD	KD
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST, and Zakat		8,335,903	7,640,233
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		198,274	183,375
Share of results of associates		79,390	361,694
Gain on sale of financial assets available for sale	6	(1,049,300)	(1,084,269)
Impairment loss on financial assets available for sale	7	3,402,862	436,782
Interest income on bonds and term deposits	6	(2,153,160)	(1,836,581)
Dividend income	6	(1,424,002)	(1,688,074)
Impairment loss on receivables		1,090,000	363,364
Interest expense		-	203,049
Provision for employees' end of service benefits		408,703	514,205
(Gain) loss on sale of property and equipment		(260)	510
Net gain on business combination	3	(3,748,963)	-
		5,139,447	5,094,288
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(9,726,024)	(1,183,955)
Reinsurance recoverable on outstanding claims		(2,518,940)	(8,069,780)
Premiums and insurance balances receivable		(1,863,510)	(1,062,922)
Accounts receivable and other debit balances		(2,630,914)	(2,297,116)
Net change in insurance and reinsurance contract liabilities		18,869,452	23,316,088
Insurance and reinsurance payables		3,094,626	(1,188,400)
Accounts payable and other credit balances		(663,483)	(569,281)
Premiums received in advance		(51,223)	(62,515)
Cash flows from operations		9,649,431	13,976,407
Employees' end of service benefits paid		(122,036)	(77,176)
Net cash flows from operating activities		9,527,395	13,899,231
INVESTING ACTIVITIES			
Purchase of property and equipment		(65,432)	(81,072)
Proceeds from sale of property and equipment		260	6,517
Purchase of financial assets available for sale		(8,744,928)	(4,283,577)
Proceeds from sale of financial assets available for sale		9,351,479	10,482,714
Net cash and cash equivalents outflows on acquisition of a subsidiary	3	(3,985,892)	-
Acquisition of additional shares of the subsidiary		(34,005)	(50,383)
Proceeds from redemption of financial assets held to maturity		-	1,219,437
Net movement in loans secured by life insurance policyholders		22,070	15,580
Term deposits		(4,692,206)	(5,633,045)
Dividends received		1,409,505	1,688,074
Interest income received		1,953,108	1,794,645
Net cash flows (used in) from investing activities		(4,786,041)	5,158,890
FINANCING ACTIVITIES			
Dividends paid		(6,877,894)	(7,288,279)
Sale of treasury shares		-	70,732
Purchase of treasury shares		-	(7,789)
Interest expense paid		-	(203,049)
Net cash flows used in financing activities		(6,877,894)	(7,428,385)
Foreign currency translation adjustment		(9,938)	32,883
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,146,478)	11,662,619
Cash and cash equivalents at the beginning of the period	5	9,672,677	(8,477,326)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	7,526,199	3,185,293

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 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 <i>(Audited)</i>	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	-	-	-	-	-	-	-	-	7,736,750	-	7,736,750	225,208	7,961,958
Other comprehensive loss for the period	-	-	-	(1,010,698)	-	-	(356,647)	-	-	-	(1,367,345)	(3,568)	(1,370,913)
Total comprehensive (loss) income for the period	-	-	-	(1,010,698)	-	-	(356,647)	-	7,736,750	-	6,369,405	221,640	6,591,045
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(6,879,276)	-	(6,879,276)	-	(6,879,276)
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	15,786	15,786	(49,791)	(34,005)
Non-controlling interest arising from consolidating of a new subsidiary	-	-	-	-	-	-	-	-	-	-	-	5,553,973	5,553,973
Balance at 30 September 2018	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	1,474,675	12,060,456	(35,590)	22,423,815	120,814	107,765,238	9,205,782	116,971,020
Balance at 1 January 2017 <i>(Audited)</i>	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	-	-	-	-	-	-	-	-	7,092,506	-	7,092,506	213,841	7,306,347
Other comprehensive income (loss)	-	-	-	-	-	-	4,150,219	(216,912)	-	-	3,933,307	38,469	3,971,776
Total comprehensive income (loss) for the period	-	-	-	-	-	-	4,150,219	(216,912)	7,092,506	-	11,025,813	252,310	11,278,123
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(6,875,352)	-	(6,875,352)	-	(6,875,352)
Sale of treasury shares	-	-	-	-	54,226	16,506	-	-	-	-	70,732	-	70,732
Purchase of treasury shares	-	-	-	-	(7,789)	-	-	-	-	-	(7,789)	-	(7,789)
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	41,869	41,869	(92,252)	(50,383)
Balance at 30 September 2017	20,000,000	20,000,000	20,000,000	12,000,000	(1,276,128)	1,474,675	14,537,390	311,572	21,046,476	104,397	108,198,382	3,498,860	111,697,242

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 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 subsidiaries – Kuwait Reinsurance Company K.S.C.P., and Trade Union Holding CO. B.S.C. (Closed), Bahrain, (collectively the "Group") for the Nine month period ended 30 September 2018 were authorised for issuance by the Board of Directors on 6 November 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 nine months' period ended 30 September 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 consolidated 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 Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2018

3 BUSINESS COMBINATION

On 25 June 2018 the Parent Company acquired additional 9,986,344 shares in Trade Union Holding Co. B.S.C. (Closed) (formerly classified as an associate) (the “acquiree”) as illustrated below:

	<i>Previously held equity interest by the holding company</i>	<i>Additional interest through Mandatory Acquisition proposal</i>	<i>Post- acquisition equity interest</i>
Trade Union Holding Co. B.S.C. (Closed)	20.95%	36.99%	57.94%

Trade Union Holding Co. B.S.C. (Closed) is incorporated in the Kingdom of Bahrain. The main objective of the acquiree is to carry out insurance and reinsurance operations, to establish or subscribe in the formation of insurance or reinsurance companies, and to hold funds, realities or any other investments.

The business combination of Trade Union Holding Co. B.S.C (Closed) was achieved in stages. Accordingly, the Group recognized net gain on business combination of KD 3,748,963 representing gain on bargain purchase, loss on re-measurement of previously held equity interests at the acquisition date fair value, foreign currency translation reserve of an associate transferred to consolidated statement of income and cumulative change in fair value of financial assets available for sale recycled to the interim condensed consolidated statement.

The acquisition has been accounted based on fair values of the identifiable assets and liabilities of the acquired company as on the acquisition date.

The details of the fair values of the assets acquired and liabilities assumed as well as the non-controlling interests at fair value of the acquired company’s identifiable net assets, are summarised as follows:

	<i>30 June 2018 KD</i>
Assets	
Investment in associates*	11,591,397
Financial assets at fair value through profit or loss	1,188,798
Other receivables	28,973
Bank balances	408,311
	<u>13,217,479</u>
Liabilities	
Other liabilities	419
Due from related party	12,368
	<u>12,787</u>
Net assets acquired	<u>13,204,692</u>
Considerations paid	4,394,203
Non-controlling interests in the acquired company	5,553,973
Fair value of acquirer's previously held interest	2,766,771
	<u>12,714,947</u>
Gain on bargain purchase	489,745
Loss on re-measurement of previously held equity interests	(449,126)
Foreign currency translation reserve of an associate transferred to interim condensed consolidated statement of income	392,356
Cumulative change in fair value of financial assets available for sale, recycled to interim condensed consolidated statement of income	3,315,988
Net gain on business combination	<u>3,748,963</u>
Considerations paid	(4,394,203)
Cash and cash equivalents inflows on acquisition of a subsidiary	408,311
Net cash and cash equivalents outflows on acquisition of a subsidiary	<u>(3,985,892)</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2018

3 BUSINESS COMBINATION (continued)

*As a result of Trade Union Holding Co. B.S.C. (Closed) becoming a subsidiary of the Group, Trade Union Cooperative Insurance Company ("the associate of Trade Union Holding Co. B.S.C.") became an associate of the Group and have been accounted for in accordance with International Accounting Standard 28 ("Investment in Associates") from the date of acquisition of Trade Union Holding CO. B.S.C. (Closed), which represents the effective date that the Group has the ability to exercise significant influence over the operation of Trade Union Cooperative Insurance Company.

Before the acquisition date, the Parent Company held 10% equity interest in Trade Union Cooperative Insurance Company with a carrying amount of KD 5,183,988 classified as financial asset available for sale carried at fair value. Post-acquisition date, the Group's equity interest in Trade Union Cooperative Insurance Company has increased from 10% to 32.36% and has the ability to exercise significant influence over the operation of this Company. As a result, the Group has reclassified its investment in Trade Union Cooperative Insurance Company formerly classified as financial assets available for sale with a carrying amount of KD 5,183,988 to investments in associate by applying fair value (IFRS 3) approach- ("Piecemeal acquisition of an associate") and recognised gain of KD 3,315,988 which represents cumulative changes in fair values reserve recycled to interim condensed consolidated statement of income (Note 7).

4 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>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>
Profit for the period attributable to equity holders of the Parent Company	2,184,450	2,290,956	7,736,750	7,092,506
	<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)	196,550,725	196,557,734	196,550,725	196,501,448
Basic and diluted earnings per share	11.11 fils	11.66 fils	39.36 fils	36.09 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.

5 CASH AND CASH EQUIVALENTS

	<i>30 September</i> <i>2018</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>KD</i>	<i>30 September</i> <i>2017</i> <i>KD</i>
Term deposits	55,776,531	51,840,080	50,929,455
Bank balances and cash	7,526,199	8,916,922	5,783,429
	63,302,730	60,757,002	56,712,884
Less:			
Term deposits with original maturities of more than three months	(55,776,531)	(51,084,325)	(50,898,648)
Bank overdraft	-	-	(2,628,943)
Cash and cash equivalents	7,526,199	9,672,677	3,185,293

Term deposits amounting to KD 900,086 (31 December 2017: KD 3,881,236 and 30 September 2017: KD 5,391,736) 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 30 September 2017: KD 1,874,603) have been pledged against initial legal case verdict, which was appealed by the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2018

6 INVESTMENT INCOME

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 KD</i>	<i>2017 KD</i>	<i>2018 KD</i>	<i>2017 KD</i>
Gain on sale of financial assets available for sale	655,014	599,435	1,049,300	1,084,269
Interest income on bonds and term deposits	749,134	621,685	2,153,160	1,836,581
Dividend income	169,640	297,553	1,424,002	1,688,074
Income from funds	46,661	55,981	147,102	159,705
	1,620,449	1,574,654	4,773,564	4,768,629

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
	<i>Local equity securities:</i>		
Quoted	23,103,537	22,786,959	25,784,483
Unquoted	6,650,513	6,907,698	6,907,698
	29,754,050	29,694,657	32,692,181
<i>Foreign equity securities:</i>			
Quoted	787,374	5,050,189	5,341,670
Unquoted	18,144,535	18,536,182	19,453,534
	18,931,909	23,586,371	24,795,204
Unquoted managed funds	20,160,415	21,246,384	22,585,634
Bonds	446,716	636,452	642,518
	20,607,131	21,882,836	23,228,152
	69,293,090	75,163,864	80,715,537

As at 30 September 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 3,402,862 (31 December 2017: KD 1,403,715 and 30 September 2017: KD 436,782) has been recorded in the interim condensed consolidated statement of income.

During the period, quoted securities amounting to KD 5,183,988 were reclassified to investment in associates as the Group has the ability to exercise significant influence over the investee as a result of the of step acquisition of Trade Union Holding Co. B.S.C. (Closed) (Note 3).

8 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 30 September 2017: 200,000,000 shares 100 fils each).

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 as of the date of the Ordinary Annual General Assembly and was paid to shareholders at the payment date of 19 April 2018 which was defined 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).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2018

9 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.

10 TREASURY SHARES

	<i>30 September 2018</i>	<i>(Audited) 31 December 2017</i>	<i>30 September 2017</i>
Number of treasury shares	<u>3,449,275</u>	<u>3,449,275</u>	<u>3,443,025</u>
Percentage of issued shares (%)	<u>1.72</u>	<u>1.72</u>	<u>1.72</u>
Market value (KD)	<u>1,448,696</u>	<u>1,603,913</u>	<u>1,446,071</u>

An amount of KD 1,278,932 (31 December 2017: KD 1,278,932 and 30 September 2017: KD 1,276,128) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from reserves throughout the holding period of treasury shares.

The weighted average market price of the Parent Company's shares for the period ended 30 September 2018 is 409 fils per share (31 December 2017: 443 fils per share and 30 September 2017: 446 fils per share).

11 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 September 2018, the Group had future capital commitments with respect to financial assets available for sale of KD 3,363,543 (31 December 2017: KD 4,165,190 and 30 September 2017: KD 4,387,632) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 807,640 (31 December 2017: KD 3,003,096 and 30 September 2017: KD 3,151,145) from which it is anticipated that no material liabilities will arise.

12 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:

Nine months period ended	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
30 September 2018					
Gross premiums	20,410	580,609	1,062,071	28,441	1,691,531
Claims incurred	340	146,596	180,978	-	327,914
Nine months period ended 30 September 2017					
Gross premiums	7,007	600,208	1,205,868	236,808	2,049,891
Claims incurred	-	324,976	398,474	21,928	745,378
Maturity of life insurance policies	-	-	-	703,456	703,456

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2018

12 RELATED PARTY TRANSACTIONS (continued)

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

30 September 2018	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
Premiums and insurance balances receivable	24,252	540,330	3,843,880	-	4,408,462
Other credit balances	-	-	-	182	182
31 December 2017 (Audited)	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
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
30 September 2017	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
Premiums and insurance balances receivable	22,172	437,472	4,154,251	378,319	4,992,214
Other credit balances	-	-	71,085	702,172	773,257

Key management personnel compensation:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 KD</i>	<i>2017 KD</i>	<i>2018 KD</i>	<i>2017 KD</i>
Salaries and other short term benefits	171,200	169,694	569,589	562,603
Employees' end of service benefits	16,335	58,134	65,256	299,348
	<u>187,535</u>	<u>227,828</u>	<u>634,845</u>	<u>861,951</u>

13 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 September 2018

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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 15,421,092 (31 December 2017: KD 16,806,018 and 30 September 2017: KD 18,436,704) 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 unobservable inputs (Level 3) KD</i>	<i>Total fair Value KD</i>
30 September 2018			
<i>Financial assets available for sale:</i>			
Quoted	23,890,911	-	23,890,911
Unquoted equity securities	-	11,863,379	11,863,379
Unquoted foreign funds	-	18,117,708	18,117,708
Total	<u>23,890,911</u>	<u>29,981,087</u>	<u>53,871,998</u>
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	<u>27,837,148</u>	<u>30,520,698</u>	<u>58,357,846</u>
30 September 2017			
<i>Financial assets available for sale:</i>			
Quoted	31,126,153	-	31,126,153
Unquoted equity securities	-	11,791,190	11,791,190
Unquoted managed funds	-	19,361,490	19,361,490
Total	<u>31,126,153</u>	<u>31,152,680</u>	<u>62,278,833</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2018

13 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.

	<i>Net results recorded in the interim condensed statement of comprehensive income KD</i>	<i>Net results recorded in the interim condensed statement of income KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>At the end of the period KD</i>
30 September 2018				
<i>Financial assets available for sale:</i>				
Unquoted equity securities	92,435	-	-	11,863,379
Unquoted managed funds	218,335	(618,835)	(231,546)	18,117,708
	<u>310,770</u>	<u>(618,835)</u>	<u>(231,546)</u>	<u>29,981,087</u>
31 December 2017 (Audited)				
<i>Financial assets available for sale:</i>				
Unquoted equity securities	(250,784)	-	-	11,770,944
Unquoted managed funds	157,506	(277,272)	(1,896,533)	18,749,754
	<u>(93,278)</u>	<u>(277,272)</u>	<u>(1,896,533)</u>	<u>30,520,698</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2018

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>At the beginning of the period 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>
30 September 2017					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	12,021,728	(230,538)	-	-	11,791,190
Unquoted managed funds	20,766,053	180,083	290,006	(1,874,652)	19,361,490
	<u>32,787,781</u>	<u>(50,455)</u>	<u>290,006</u>	<u>(1,874,652)</u>	<u>31,152,680</u>

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

<i>Valuation Technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
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 1,187 thousands.
Unquoted foreign funds	Price to book value Adjusted net assets value Discount for lack of marketability	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 1,187 thousands. An increase (decrease) by 10% in the Discount for lack of marketability would result in increase (decrease) in fair value by KD 1,812 thousands.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2018

14 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	
30 September 2018						
Segment revenue	2,461,478	5,824,232	1,129,715	13,129,945	28,137,212	59,761,254
Segment results	1,248,410	1,699,099	560,926	195,758	3,109,725	8,335,903
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD
				14,301,849	132,336,748	98,513,914
Liabilities				35,579,211	84,433,542	12,787
					General risk insurance KD	Total KD
					44,695,436	289,847,947
					52,851,387	172,876,927
31 December 2017 (Audited)						
				Life and medical insurance KD	Reinsurance KD	Investment KD
Segment revenue	2,991,856	8,962,704	1,761,132	13,408,433	30,028,348	7,731,859
Segment results	1,031,729	2,986,952	536,094	852,795	3,345,795	1,952,158
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD
				14,849,968	116,258,199	88,857,630
Liabilities				28,719,720	70,524,339	-
					General risk insurance KD	Total KD
					42,763,560	262,729,357
					51,746,015	150,990,074

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at for the period ended 30 September 2018

14 SEGMENT RESULTS (continued)

30 September 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	2,295,494	6,820,419	1,172,007	12,281,681	21,628,711	5,344,484	477,584	50,020,380
Segment results	808,915	2,338,441	261,909	49,258	2,926,144	2,058,273	(802,707)	7,640,233
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
Liabilities				14,621,529	120,744,793	92,901,810	38,578,904	266,847,036
				31,187,566	74,872,981	-	49,089,247	155,149,794