

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2017 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AL-AHLEIA INSURANCE COMPANY S.A.K.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiary (collectively "the Group") as at 31 March 2017, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three 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 three months period ended 31 March 2017 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)

25 April 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2017 (UNAUDITED)

	Notes	Three months ended 31 March	
		2017 KD	2016 KD
Revenues:			
Gross premiums written		31,750,101	28,190,025
Premiums ceded to reinsurers		(5,889,101)	(8,226,594)
Net premiums written		25,861,000	19,963,431
Movement in unearned premiums		(7,464,702)	(7,218,022)
Net premiums earned		18,396,298	12,745,409
Commission income on ceded reinsurance		1,695,003	2,824,773
Policy issuance fees		141,643	172,510
Net investment income	5	1,672,566	1,609,662
Rental income from investment properties		168,247	159,414
Other income		124,155	15,647
Total revenues		22,197,912	17,527,415
Expenses:			
Net claims incurred		(15,260,603)	(8,100,654)
Commissions and premiums' acquisition costs		(1,797,052)	(3,412,180)
Movement in life mathematical reserve		(310,000)	(261,000)
Maturity and cancellation of life insurance policies		(68,071)	(70,131)
Investment property expenses		(20,516)	(24,180)
Administrative expenses		(1,481,864)	(1,714,827)
Impairment loss on financial assets available for sale	6	(108,734)	(423,190)
Impairment loss on receivables		(100,000)	-
Total expenses		(19,146,840)	(14,006,162)
Profit before share of associates income		3,051,072	3,521,253
Share of results of associates		25,495	62,052
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		3,076,567	3,583,305
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(27,449)	(28,319)
National Labour Support Tax (NLST)		(71,267)	(73,902)
Zakat		(28,548)	(29,561)
PROFIT FOR THE PERIOD		2,949,303	3,451,523
Attributable to:			
Equity holders of the Parent Company		2,883,175	3,374,242
Non-controlling interests		66,128	77,281
		2,949,303	3,451,523
BASIC AND DILUTED EARNINGS PER SHARE	3	14.68 fils	17.19 fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2017 (UNAUDITED)

		<i>Three months ended</i>	
		<i>31 March</i>	
		<i>2017</i>	<i>2016</i>
<i>Notes</i>		<i>KD</i>	<i>KD</i>
	Profit for the period	2,949,303	3,451,523
	Other comprehensive income (loss):		
	<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>		
	- Foreign currency translation adjustments	(58,548)	5,396
	- Net unrealised gain (loss) of financial assets available for sale	2,964,763	(3,444,546)
	- Gain on sale of financial assets available for sale	5 (377,742)	(229,901)
	- Impairment loss on financial assets available for sale	6 108,734	423,190
	- Share of other comprehensive (loss) income of associates	(813)	14,160
	Other comprehensive income (loss) for the period	2,636,394	(3,231,701)
	Total comprehensive income for the period	5,585,697	219,822
	Attributable to:		
	Equity holders of the Parent Company	5,496,939	147,668
	Non-controlling interests	88,758	72,154
		5,585,697	219,822

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 31 March 2017 (UNAUDITED)

		31 March 2017	(Audited) 31 December 2016	31 March 2016
	Notes	KD	KD	KD
ASSETS				
Property and equipment		4,052,051	4,083,569	4,205,446
Investment properties		12,759,288	12,759,892	13,313,380
Investment in associates		6,470,648	6,471,015	6,317,577
Financial assets held to maturity		20,270,856	20,885,437	8,660,033
Loans secured by life insurance policyholders		221,865	213,892	187,406
Financial assets available for sale	6	82,009,091	82,060,435	83,161,026
Receivables arising from reinsurance contracts and premium accruals		23,490,988	20,056,639	30,946,834
Reinsurance recoverable on outstanding claims		35,326,892	34,693,787	31,703,055
Premiums and insurance balances receivable		19,737,662	13,639,975	12,664,555
Accounts receivable and other debit balances		8,457,396	6,101,651	9,572,594
Term deposits	4	45,167,667	45,332,920	43,373,129
Bank balances and cash	4	4,844,363	4,164,097	8,348,828
TOTAL ASSETS		262,808,767	250,463,309	252,453,863
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Parent Company				
Share capital	7	20,000,000	20,000,000	20,000,000
Statutory reserve		20,000,000	20,000,000	20,000,000
General reserve		20,000,000	20,000,000	20,000,000
Special voluntary reserve	8	12,000,000	12,000,000	11,000,000
Treasury shares	9	(1,322,565)	(1,322,565)	(1,326,133)
Treasury shares reserve		1,458,169	1,458,169	1,457,129
Cumulative changes in fair values reserve		13,056,860	10,387,171	8,595,568
Foreign currency translation reserve		472,559	528,484	454,194
Retained earnings		23,712,497	20,829,322	23,031,487
Other reserve		63,601	62,528	-
Equity attributable to equity holders of the Parent Company		109,441,121	103,943,109	103,212,245
Non-controlling interests		3,424,475	3,338,802	3,545,723
Total equity		112,865,596	107,281,911	106,757,968
Liabilities				
Technical reserves arising from insurance and reinsurance contracts:				
Outstanding claims reserve		86,917,809	76,996,335	74,107,907
Unearned premiums reserve		23,328,086	15,863,384	27,881,232
Life mathematical reserve		5,660,000	5,350,000	5,243,000
Incurred but not reported reserve		12,130,974	12,120,967	13,131,097
Total technical reserves arising from insurance and reinsurance contracts		128,036,869	110,330,686	120,363,236
Bank overdraft	4	3,649,047	12,708,740	4,715,723
Insurance and reinsurance payables		10,481,067	12,252,775	12,320,468
Accounts payable and other credit balances		7,776,188	7,826,682	8,296,468
Premiums received in advance		-	62,515	-
Total liabilities		149,943,171	143,181,398	145,695,895
TOTAL EQUITY AND LIABILITIES		262,808,767	250,463,309	252,453,863

Ayman Abdullatif Al-Shayea
Chairman


Enad Mohamed Al-Bahar
Vice Chairman

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2017 (UNAUDITED)

	Notes	Three months ended 31 March	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST, and Zakat		3,076,567	3,583,305
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		47,183	58,432
Share of results of associates		(25,495)	(62,052)
Rental income from investment properties		(168,247)	(159,414)
Gain on sale of financial assets available for sale	5	(377,742)	(229,901)
Impairment loss on financial assets available for sale	6	108,734	423,190
Interest income on bonds and term deposits	5	(586,159)	(341,138)
Dividend income	5	(660,505)	(943,241)
Income from funds	5	(48,160)	(71,196)
Impairment loss on receivables		100,000	-
Interest expense		63,249	41,564
Provision for employees' end of service benefits		62,520	102,294
Loss on sale of property and equipment		297	-
		<u>1,592,242</u>	<u>2,401,843</u>
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(3,434,349)	(6,169,887)
Reinsurance recoverable on outstanding claims		(633,105)	(100,609)
Premiums and insurance balances receivable		(6,197,687)	(1,944,890)
Accounts receivable and other debit balances		(2,258,326)	(1,892,249)
Net change in insurance and reinsurance contract liabilities		17,706,183	9,694,572
Insurance and reinsurance payables		(1,771,708)	892,463
Accounts payable and other credit balances		(173,093)	(170,504)
Premiums received in advance		(62,515)	(87,780)
Cash flows from operations		<u>4,767,642</u>	<u>2,622,959</u>
Employees' end of service benefits paid		(43,528)	(16,877)
Net cash flows from operating activities		<u>4,724,114</u>	<u>2,606,082</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(23,612)	(14,715)
Net proceeds from sale of property and equipment		6,335	-
Purchase of financial assets available for sale		(2,238,328)	(3,138,930)
Proceeds from sale of financial assets available for sale		5,254,435	3,514,387
Purchase of partial non-controlling interest's shares		(2,012)	-
Purchase of financial assets held to maturity		-	(2,000,000)
Proceeds from redemption of financial assets held to maturity		611,871	818,260
Movement in loans secured by life insurance policyholders		(7,973)	(89,919)
Term deposits		165,714	3,889,728
Dividends received		644,928	628,741
Interest income received		504,317	248,530
Rental income received		168,247	159,414
Income received from funds		48,160	71,196
Net cash flows from investing activities		<u>5,132,082</u>	<u>4,086,692</u>
FINANCING ACTIVITIES			
Dividends paid		(23,657)	(5,469)
Sale of treasury shares		-	86,919
Interest expense paid		(63,249)	(41,564)
Net cash flows (used in) from financing activities		<u>(86,906)</u>	<u>39,886</u>
Foreign currency translation adjustment		(28,870)	4,693
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>9,740,420</u>	<u>6,737,353</u>
Cash and cash equivalents at the beginning of the period	4	(8,477,326)	(3,104,248)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>1,263,094</u>	<u>3,633,105</u>

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 31 March 2017 (UNAUDITED)

	Share capital KD	Statutory reserve KD	General reserve KD	Special voluntary reserve KD	Treasury shares KD	Treasury shares KD	Cumulative changes in fair values Reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Other reserve KD	Subtotal KD	Non controlling interests KD	Total equity KD
Balance at 1 January 2017 (Audited)	20,000,000	20,000,000	20,000,000	12,000,000	(1,322,565)	1,458,169	10,387,171	528,484	20,829,322	62,528	103,943,109	3,338,802	107,281,911
Profit for the period	-	-	-	-	-	-	-	-	2,883,175	-	2,883,175	66,128	2,949,303
Other comprehensive income (loss)	-	-	-	-	-	-	2,669,689	(55,925)	-	-	2,613,764	22,630	2,636,394
Total comprehensive income (loss) for the period	-	-	-	-	-	-	2,669,689	(55,925)	2,883,175	-	5,496,939	88,758	5,585,697
Change of ownership percentage of a subsidiary	-	-	-	-	-	-	-	-	-	1,073	1,073	(3,085)	(2,012)
Balance at 31 March 2017	20,000,000	20,000,000	20,000,000	12,000,000	(1,322,565)	1,458,169	13,056,860	472,559	23,712,497	63,601	109,441,121	3,424,475	112,865,596
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	-	-	-	-	-	-	-	-	3,374,242	-	3,374,242	77,281	3,451,523
Other comprehensive (loss) income	-	-	-	-	-	-	(3,231,584)	5,010	-	-	(3,226,574)	(5,127)	(3,231,701)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(3,231,584)	5,010	3,374,242	-	147,668	72,154	219,822
Sale of treasury shares	-	-	-	-	68,233	18,686	-	-	-	-	86,919	-	86,919
Balance at 31 March 2016	20,000,000	20,000,000	20,000,000	11,000,000	(1,326,133)	1,457,129	8,595,568	454,194	23,031,487	-	103,212,245	3,545,723	106,757,968

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2017 (UNAUDITED)

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Parent Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The Parent Company has been engaging in various insurance and reinsurance activities, as set forth in the Parent Company's Articles of Association. The Parent Company's registered head office address is at P. O. Box 1602, Safat 13017, Kuwait.

The interim condensed consolidated financial information of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiary – Kuwait Reinsurance Company K.S.C.P. (collectively "the Group") for the three months period ended 31 March 2017 were authorised for issuance by the Board of Directors on 25 April 2017.

The financial statements of the Parent Company for the year ended 31 December 2016 were approved by the shareholders at the Annual General Meeting held on 11 April 2017.

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 2016 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 2017 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.

Further, certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications were made in order to more appropriately present certain items of interim condensed consolidated statement of financial position, interim condensed consolidated statement of income and interim condensed consolidated cash flow statement. Such reclassifications do not affect previously reported assets, liabilities, equity and profit for the period, nor materially affect the interim condensed consolidated cash flow statement. The reclassifications are not material to the interim condensed consolidated financial information.

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 2016. Further, operating results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period (excluding treasury shares).

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Profit for the period attributable to equity holders of the Parent Company	<u>2,883,175</u>	<u>3,374,242</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>196,428,636</u>	<u>196,311,856</u>
Basic and diluted earnings per share	<u>14.68 fils</u>	<u>17.19 fils</u>

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2017 (UNAUDITED)

4 CASH AND CASH EQUIVALENTS

	<i>(Audited)</i>		
	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	4,844,363	4,164,097	8,348,828
Term deposits	45,167,667	45,332,920	43,373,129
	<u>50,012,030</u>	<u>49,497,017</u>	<u>51,721,957</u>
Less:			
Term deposits with original maturities of more than three months	(45,099,889)	(45,265,603)	(43,373,129)
Bank overdraft	(3,649,047)	(12,708,740)	(4,715,723)
Cash and cash equivalents	<u>1,263,094</u>	<u>(8,477,326)</u>	<u>3,633,105</u>

Term deposits amounting to KD 5,380,856 (31 December 2016: KD 5,380,856 and 31 March 2016: KD 5,370,356) are held as security against letter of credit granted by banks. Bank balances and deposit amounting to KD 1,874,603 (31 December 2016: KD 1,874,603) have been pledged against legal case verdict, which was appealed by the Group.

5 NET INVESTMENT INCOME

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Gain on sale of financial assets available for sale	377,742	229,901
Interest income on bonds and term deposits	586,159	341,138
Dividend income	660,505	943,241
Income from funds	48,160	71,196
Other investment income	-	24,186
	<u>1,672,566</u>	<u>1,609,662</u>

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>(Audited)</i>		
	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Local equity securities:</i>			
Quoted	26,812,180	26,358,882	22,864,706
Unquoted	7,131,034	7,291,137	8,065,629
	<u>33,943,214</u>	<u>33,650,019</u>	<u>30,930,335</u>
<i>Foreign equity securities:</i>			
Quoted	4,601,299	4,280,472	3,820,259
Unquoted	19,477,309	18,918,237	19,464,378
	<u>24,078,608</u>	<u>23,198,709</u>	<u>23,284,637</u>
Unquoted foreign funds	23,332,071	24,556,509	26,427,831
Bonds	655,198	655,198	2,518,223
	<u>23,987,269</u>	<u>25,211,707</u>	<u>28,946,054</u>
	<u>82,009,091</u>	<u>82,060,435</u>	<u>83,161,026</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2017 (UNAUDITED)

6 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

As at 31 March 2017, 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 108,734 (31 December 2016: KD 1,907,757 and 31 March 2016: KD 423,190) has been recorded in the interim condensed consolidated statement of income.

7 SHARE CAPITAL

Authorised, issued and fully paid-up share capital consists of 200,000,000 shares of 100 fils each (31 December 2016: 200,000,000 and 31 March 2016: 200,000,000 shares).

On 11 April 2017, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the payment of cash dividends of 35 fils per share for the year ended 31 December 2016, amounting to KD 6,875,352 (2015: 35 fils per share amounting to KD 6,874,663) and the Parent Company's board of directors' fees of KD 421,321 (2015: KD 454,000).

8 SPECIAL VOLUNTRRY RESERVE

On 11 April 2017, 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 2016 to the special voluntary reserve.

9 TREASURY SHARES

	<i>31 March</i> <i>2017</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i>	<i>31 March</i> <i>2016</i>
Number of treasury shares	<u>3,571,364</u>	<u>3,571,364</u>	<u>3,581,069</u>
Percentage of issued shares (%)	<u>1.79</u>	<u>1.79</u>	<u>1.79</u>
Market value (KD)	<u>1,785,682</u>	<u>1,624,971</u>	<u>1,736,818</u>

An amount of KD 1,322,565 (31 December 2016: KD 1,322,565 and 31 March 2016: KD 1,326,133 equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from reserves and retained earnings throughout the holding period of treasury shares.

The weighted average market price of the Parent Company's shares for the period ended 31 March 2017 is 485 fils per share (31 December 2016: 447 fils per share and 31 March 2016: 442 fils per share).

10 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 March 2017, the Group had future capital commitments with respect to financial assets available for sale of KD 4,824,120 (31 December 2016: KD 5,161,430 and 31 March 2016: KD 6,758,032) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 3,455,904 (31 December 2016: KD 3,666,762 and 31 March 2016: KD 4,345,185) 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2017 (UNAUDITED)

11 RELATED PARTY TRANSACTIONS (continued)

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

Three months period ended 31 March 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>
	Gross premiums	5,079	24,499	528,410	10,790
Claims incurred	-	181,532	113,023	12,014	306,569

Three months period ended 31 March 2016	<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>
	Gross premiums	1,426	51,509	688,024	43,197
Claims incurred	-	10,308	209,179	75,264	294,751

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

31 March 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	33,249	162,021	4,476,632	320,110
Other credit balances	5,297	-	24,807	2,760	32,864

31 December 2016 (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	20,621	427,510	4,679,745	355,510
Other credit balances	2,761	-	139,591	2,271	144,623

31 March 2016	<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	-	314,395	4,507,525	604,870
Other credit balances	3,010	-	97,350	-	100,360

Key management personnel compensation:

	<i>Three months ended 31 March</i>	
	<i>2017 KD</i>	<i>2016 KD</i>
Salaries and other short term benefits	183,726	198,689
Employees' end of service benefits	43,828	67,930
	<u>227,554</u>	<u>266,619</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2017 (UNAUDITED)

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of financial assets available for sale, loans secured by life insurance policyholders, premiums and insurance balances receivable, reinsurance recoverable on outstanding claims, accounts receivables and other debit balances, term deposits and bank balances and cash. Financial liabilities consist of insurance and reinsurance payables and accounts payables and other credit balances.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The fair values of financial instruments (financial assets and financial liabilities), with the exception of certain financial assets available for sale carried at cost amounting to KD 18,784,845 (31 December 2016: KD 18,633,300 and 31 March 2016: KD 21,461,269) 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>
31 March 2017			
<i>Financial assets available for sale:</i>			
Quoted	31,413,479	-	31,413,479
Unquoted equity securities	-	11,978,851	11,978,851
Unquoted foreign funds	-	19,831,916	19,831,916
Total	31,413,479	31,810,767	63,224,246
31 December 2016 (Audited)			
<i>Financial assets available for sale:</i>			
Quoted	30,639,354	-	30,639,354
Unquoted equity securities	-	12,021,728	12,021,728
Unquoted foreign funds	-	20,766,053	20,766,053
Total	30,639,354	32,787,781	63,427,135
31 March 2016			
<i>Financial assets available for sale:</i>			
Quoted	26,684,965	-	26,684,965
Unquoted equity securities	-	12,676,975	12,676,975
Unquoted foreign funds	-	22,337,817	22,337,817
Total	26,684,965	35,014,792	61,699,757

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
As at 31 March 2017 (UNAUDITED)

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	<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>
31 March 2017					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	12,021,728	(50,328)	7,451	-	11,978,851
Unquoted managed funds	20,766,053	(146,293)	195,340	(983,184)	19,831,916
	<u>32,787,781</u>	<u>(196,621)</u>	<u>202,791</u>	<u>(983,184)</u>	<u>31,810,767</u>
31 December 2016 (Audited)					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	16,054,908	1,073,980	-	(5,107,160)	12,021,728
Unquoted managed funds	25,545,187	(1,346,007)	648,288	(4,081,415)	20,766,053
	<u>41,600,095</u>	<u>(272,027)</u>	<u>648,288</u>	<u>(9,188,575)</u>	<u>32,787,781</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
As at 31 March 2017 (UNAUDITED)

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At the beginning of the period KD	Net result recorded in the interim condensed consolidated statement of comprehensive income KD	Net results recorded in the interim condensed consolidated statement of income KD	Net purchases, transfer, sales and settlements KD	At the end of the period KD
31 March 2016					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	16,054,908	1,351,507	-	(4,729,440)	12,676,975
Unquoted managed funds	25,545,187	(1,171,393)	115,209	(2,151,186)	22,337,817
	<u>41,600,095</u>	<u>180,114</u>	<u>115,209</u>	<u>(6,880,626)</u>	<u>35,014,792</u>

Al-Ahleia Insurance Company S.A.K.P. and its Subsidiary
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
As at 31 March 2017 (UNAUDITED)

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:

	<i>General risk insurance</i>							
	<i>Marine and aviation KD</i>	<i>Accident KD</i>	<i>Fire KD</i>	<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
<i>Three Months ended 31 March 2017</i>								
Segment revenue	784,308	2,393,061	451,323	10,471,316	6,132,936	1,866,308	124,155	22,223,407
Segment results	60,011	985,316	281,637	43,297	880,708	1,003,759	(178,161)	3,076,567
Assets				<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>General risk insurance KD</i>		<i>Total KD</i>
Liabilities				33,409,893	112,878,634	116,520,240	262,808,767	
				33,409,893	70,512,153	46,021,125	149,943,171	
<i>31 December 2016 (Audited)</i>								
	<i>General risk insurance</i>							
	<i>Marine and aviation KD</i>	<i>Accident KD</i>	<i>Fire KD</i>	<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>Investment KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Segment revenue	3,169,751	8,966,460	1,837,304	5,449,305	30,749,729	6,055,459	144,182	56,372,190
Segment results	1,619,480	3,699,909	1,129,539	1,206,975	1,025,440	2,914,448	(1,417,771)	10,178,020
Assets				<i>Life and medical insurance KD</i>	<i>Reinsurance KD</i>	<i>General risk insurance KD</i>		<i>Total KD</i>
Liabilities				21,900,933	103,530,539	125,031,837	250,463,309	
				21,900,933	60,808,739	60,471,726	143,181,398	

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2017 (UNAUDITED)

13 SEGMENT RESULTS (continued)

Three Months ended 31 March 2016:	General risk insurance					Life and medical insurance KD	Reinsurance KD	Investment KD	Unallocated KD	Total KD
	Marine and Aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD					
Segment revenue	1,146,092	2,764,849	583,491	1,406,128	9,842,132	1,831,128	15,647	17,589,467		
Segment results	460,994	1,150,277	352,987	75,026	578,785	1,127,353	(162,117)	3,583,305		
Assets										
Liabilities										
				Life and medical insurance KD	Reinsurance KD	General risk insurance KD	Total KD			
				21,994,419	116,026,486	114,432,958	252,453,863			
				21,994,419	73,100,053	50,601,423	145,695,895			