

AL-AHLEIA INSURANCE COMPANY S.A.K.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

30 JUNE 2010

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Ahleia Insurance Company S.A.K. (the "company") as at 30 June 2010 and the related interim condensed statement of income and interim condensed statement of comprehensive income for the three month and six month periods then ended, and the related interim condensed statement of cash flows and interim condensed statement of changes in equity for the six month period then ended. The management of the company is responsible for the preparation and presentation of this interim condensed 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 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 financial information are 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 financial information is in agreement with the books of the company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the company during the six month period ended 30 June 2010 have occurred that might have had a material effect on the business of company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

15 August 2010

Kuwait



ABDULATIF A. H. AL-MAJID
LICENCE NO. 70 A
OF ALLIED ACCOUNTANTS - MAZARS

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2010

	Notes	Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
		KD	KD	KD	KD
Revenue:					
Gross premiums		8,246,573	6,584,385	16,002,455	13,987,962
Premiums ceded to reinsurers		(4,791,786)	(3,760,760)	(9,979,908)	(8,421,424)
Net premiums		3,454,787	2,823,625	6,022,547	5,566,538
Movement in unearned premiums		19,142	55,315	(230,622)	11,512
Net premiums earned		3,473,929	2,878,940	5,791,925	5,578,050
Commission received on ceded reinsurance		1,675,446	978,156	2,949,070	1,987,717
Policy issuance fees		139,925	135,647	276,234	275,366
Total Revenue		5,289,300	3,992,743	9,017,229	7,841,133
Expenses:					
Claims incurred		1,207,745	1,485,051	2,779,196	2,713,903
Commissions		703,571	415,076	1,138,378	793,027
Increase in life mathematical reserve		160,000	155,000	314,400	59,000
Maturity and cancellations of life insurance policies		42,039	27,758	84,267	109,138
General and administrative expenses from insurance business		916,941	681,074	1,561,825	1,450,347
Total Expenses		3,030,296	2,763,959	5,878,066	5,125,415
NET UNDERWRITING RESULT	3	2,259,004	1,228,784	3,139,163	2,715,718
Investment income	4	1,617,586	2,692,040	3,579,890	6,766,352
Impairment of financial assets available for sale		(950,720)	-	(1,045,740)	(2,328,397)
Other general and administrative expenses		(280,685)	(413,714)	(568,639)	(981,229)
Other income		44,910	13,371	83,865	165,053
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		2,690,095	3,520,481	5,188,539	6,337,497
Contribution to KFAS		(25,385)	(35,205)	(48,899)	(63,375)
NLST		(56,645)	(76,464)	(101,072)	(122,937)
Zakat		(22,658)	(30,586)	(40,429)	(49,175)
PROFIT FOR THE PERIOD		2,585,407	3,378,226	4,998,139	6,102,010
BASIC AND DILUTED EARNINGS PER SHARE	5	15.44 fils	20.21 fils	29.84 fils	36.48 fils

The attached notes 1 to 12 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

Period ended 30 June 2010

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	2,585,407	3,378,226	4,998,139	6,102,010
Other comprehensive income				
- Net unrealized (loss) gain on financial assets available for sale	(5,261,999)	10,553,547	(731,549)	6,304,012
- Impairment loss on financial assets available for sale recognized in the statement of income	950,720	-	1,045,740	2,328,397
- Share of other comprehensive income of associates (Note 6)	(28,224)	-	46,907	-
- Foreign currency translation adjustment (Note 6)	31,576	(23,079)	40,255	155,871
Other comprehensive (loss) income for the period	(4,307,927)	10,530,468	401,353	8,788,280
Total comprehensive (loss) income for the period	(1,722,520)	13,908,694	5,399,492	14,890,290

The attached notes 1 to 12 form part of this interim condensed financial information.


Al-Ahleia Insurance Company S.A.K.

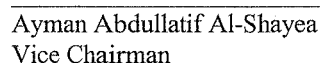
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

At 30 June 2010

		30 June 2010 KD	(Audited) 31 December 2009 KD	30 June 2009 KD
ASSETS				
Property and equipment		3,212,493	3,286,717	3,361,683
Investment in associates	6	13,113,704	12,881,561	12,744,580
Financial assets available for sale		69,623,199	75,220,321	86,388,126
Loans secured by life insurance policyholders		94,177	56,227	73,320
Premiums and insurance balances receivable		11,560,398	8,530,188	11,238,507
Reinsurance recoverable on outstanding claims		30,523,086	21,990,984	18,322,316
Other debit balances		2,094,528	1,940,083	2,058,619
Fixed deposits		11,552,188	11,056,905	10,706,905
Bank balances and cash	7	355,198	333,749	381,925
TOTAL ASSETS		142,128,971	135,296,735	145,275,981
EQUITY AND LIABILITIES				
Equity				
Share capital	8	17,191,155	15,628,323	15,628,323
Statutory reserve		14,575,372	14,575,372	13,712,799
General reserve		14,335,847	14,335,847	13,473,274
Special voluntary reserve		9,000,000	9,000,000	9,000,000
Treasury shares	9	(2,115,115)	(2,043,712)	(2,305,308)
Treasury shares reserve		1,334,165	1,333,534	1,327,180
Cumulative changes in fair values		6,298,489	5,937,391	11,275,654
Foreign currency translation reserve		154,754	114,499	84,740
Retained earnings		12,791,602	12,396,944	12,060,992
Total equity		73,566,269	71,278,198	74,257,654
Liabilities				
Liabilities arising from insurance contracts:				
Outstanding claims reserve		38,588,509	30,349,407	26,684,178
Unearned premiums reserve		2,744,974	2,514,352	2,757,671
Life mathematical reserve		3,629,400	3,315,000	3,465,000
Additional reserve		6,700,000	6,700,000	6,700,000
Total liabilities arising from insurance contracts:		51,662,883	42,878,759	39,606,849
Insurance payable		4,833,609	5,785,660	5,190,634
Other credit balances		7,512,962	8,366,647	8,237,000
Premiums received in advance		1,968,384	1,677,023	1,683,584
Term loans	10	-	2,500,000	13,000,000
Bank overdrafts	7	2,584,864	2,810,448	3,300,260
Total liabilities		68,562,702	64,018,537	71,018,327
TOTAL EQUITY AND LIABILITIES		142,128,971	135,296,735	145,275,981


Sulaiman Hamad Al-Dalali
Chairman and Managing Director


Ayman Abdullatif Al-Shayea
Vice Chairman

The attached notes 1 to 12 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 KD	2009 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST and Zakat		5,188,539	6,337,497
Adjustments for:			
Share of results of associates	4&6	(282,648)	66,129
Excess of fair value of investment in an associate over acquisition price	4&6	-	(2,640,015)
Gain on sale of financial assets available for sale	4	(2,049,441)	(1,517,098)
Impairment of financial assets available for sale		1,045,740	2,328,397
Interest income		(205,098)	(310,012)
Dividend income	4	(958,069)	(2,121,037)
Interest expense		62,611	637,446
Provision for employees' end of service benefits		35,008	42,375
Depreciation of property and equipment		82,528	82,166
		<u>2,919,170</u>	<u>2,905,848</u>
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(3,030,210)	(1,648,744)
Reinsurance recoverable on outstanding claims		(8,532,102)	(884,248)
Other debit balances		24,308	162,551
Liabilities arising from insurance contracts		8,784,124	516,377
Insurance payable		(952,051)	347,317
Other credit balances		(854,889)	463,526
Premiums received in advance		291,361	(164,184)
		<u>(1,350,289)</u>	<u>1,698,443</u>
Cash (used in) from operations		(1,350,289)	1,698,443
Employees' end of service benefits paid		(61,138)	(35,777)
Paid to KFAS		(174,122)	-
Paid to Zakat		(69,649)	-
Paid to directors		(135,000)	-
		<u>(1,790,198)</u>	<u>1,662,666</u>
Net cash (used in) from operating activities		(1,790,198)	1,662,666
INVESTING ACTIVITIES			
Purchase of property and equipment		(8,304)	(61,837)
Purchase of investment in associates	6	-	(107,780)
Purchase of financial assets available for sale		(3,421,869)	(5,578,187)
Proceeds from sale of financial assets available for sale		10,336,883	11,236,188
Movement in loans secured by life insurance policyholders		(37,950)	(6,249)
Movement in fixed deposits		(495,283)	(79,718)
Dividends received from investments in associates		137,667	552,293
Dividend income received		958,069	2,118,229
Interest income received		26,345	37,614
		<u>7,495,558</u>	<u>8,110,553</u>
Net cash from investing activities		7,495,558	8,110,553
FINANCING ACTIVITIES			
Dividends paid		(2,887,555)	(49,181)
Purchase of treasury shares		(99,684)	(134,733)
Sale of treasury shares		28,912	38,945
Term loan repaid		(2,500,000)	(9,500,000)
		<u>(5,458,327)</u>	<u>(9,644,969)</u>
Net cash used in financing activities		(5,458,327)	(9,644,969)
INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>247,033</u>	<u>128,250</u>
Cash and cash equivalents at the beginning of the period		(2,476,699)	(3,046,585)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	<u>(2,229,666)</u>	<u>(2,918,335)</u>

The attached notes 1 to 12 form part of this interim condensed financial information.

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2010

	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 KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2010	15,628,323	14,575,372	14,335,847	9,000,000	(2,043,712)	1,333,534	5,937,391	114,499	12,396,944	71,278,198
Profit for the period	-	-	-	-	-	-	-	-	4,998,139	4,998,139
Other comprehensive income	-	-	-	-	-	-	361,098	40,255	-	401,353
Total comprehensive income for the period	-	-	-	-	-	-	361,098	40,255	4,998,139	5,399,492
Issue of bounce shares (Note 8)	1,562,832	-	-	-	-	-	-	-	(1,562,832)	-
Cash dividends (Note 8)	-	-	-	-	-	-	-	-	(3,040,649)	(3,040,649)
Purchase of treasury shares	-	-	-	-	(99,684)	-	-	-	-	(99,684)
Sale of treasury shares	-	-	-	-	28,281	631	-	-	-	28,912
Balance at 30 June 2010	17,191,155	14,575,372	14,335,847	9,000,000	(2,115,115)	1,334,165	6,298,489	154,754	12,791,602	73,566,269
Balance at 1 January 2009	15,628,323	13,712,799	13,473,274	9,000,000	(2,217,777)	1,335,437	2,643,245	(71,131)	5,958,982	59,463,152
Profit for the period	-	-	-	-	-	-	-	-	6,102,010	6,102,010
Other comprehensive income	-	-	-	-	-	-	8,632,409	155,871	-	8,788,280
Total comprehensive income for the period	-	-	-	-	-	-	8,632,409	155,871	6,102,010	14,890,290
Purchase of treasury shares	-	-	-	-	(134,733)	-	-	-	-	(134,733)
Sale of treasury shares	-	-	-	-	47,202	(8,257)	-	-	-	38,945
Balance at 30 June 2009	15,628,323	13,712,799	13,473,274	9,000,000	(2,305,308)	1,327,180	11,275,654	84,740	12,060,992	74,257,654

The attached notes 1 to 12 form part of this interim condensed financial information.

1 ACTIVITIES

The interim condensed financial information of Al-Ahleia Insurance Company S.A.K. for the period ended 30 June 2010 were authorised for issue by the Board of Directors on 15 August 2010.

Al-Ahleia Insurance Company S.A.K is a Kuwaiti Shareholding Company 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.

2 BASIS OF PREPARATION

The interim condensed financial information of the company is prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009.

The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The interim condensed financial information is presented in Kuwaiti Dinars (KD).

Operating results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010. For more details please refer to the financial statements for the year ended 31 December 2009.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2010

3 DEPARTMENT RESULTS

The company operates in two segments, general risk insurance and life and health insurance; there are no inter-segment transactions. The following are the details of these two primary segments:

Six months ended 30 June 2010:

	<i>General risk insurance</i>			<i>Life and health insurance</i> KD	<i>Total</i> KD
	<i>Marine and aviation</i> KD	<i>Accident</i> KD	<i>Fire</i> KD		
Segment revenue	<u>1,910,630</u>	<u>3,225,020</u>	<u>692,578</u>	<u>3,189,001</u>	<u>9,017,229</u>
Segment results (net underwriting income)	<u>1,030,644</u>	<u>644,823</u>	<u>329,389</u>	<u>1,134,307</u>	<u>3,139,163</u>
			<i>General risk insurance</i> KD	<i>Life and health insurance</i> KD	<i>Total</i> KD
Assets			<u>122,160,173</u>	<u>19,968,798</u>	<u>142,128,971</u>

Six months ended 30 June 2009:

	<i>General risk insurance</i>			<i>Life and health insurance</i> KD	<i>Total</i> KD
	<i>Marine and aviation</i> KD	<i>Accident</i> KD	<i>Fire</i> KD		
Segment revenue	<u>1,619,211</u>	<u>3,041,315</u>	<u>635,498</u>	<u>2,545,109</u>	<u>7,841,133</u>
Segment results (net underwriting income)	<u>933,208</u>	<u>993,837</u>	<u>119,168</u>	<u>669,505</u>	<u>2,715,718</u>
			<i>General risk insurance</i> KD	<i>Life and health insurance</i> KD	<i>Total</i> KD
Assets			<u>123,577,136</u>	<u>21,698,845</u>	<u>145,275,981</u>

4 INVESTMENT INCOME

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2010</i> KD	<i>2009</i> KD	<i>2010</i> KD	<i>2009</i> KD
Share of results of associates (Note 6)	131,235	217,887	282,648	(66,129)
Excess of fair value of investment in an associate over acquisition price	-	-	-	2,640,015
Gain on sale of financial assets available for sale	1,043,263	1,380,667	2,049,441	1,517,098
Interest on bonds	7,286	7,286	14,375	14,375
Interest on fixed deposits	95,474	148,052	190,723	295,637
Dividend income	302,450	875,076	958,069	2,121,037
Other investment income	37,878	63,072	84,634	244,319
	<u>1,617,586</u>	<u>2,692,040</u>	<u>3,579,890</u>	<u>6,766,352</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2010

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	2,585,407	3,378,226	4,998,139	6,102,010
	Shares	Shares	Shares	Shares
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	167,405,931	167,131,146	167,520,154	167,247,913
Basic and diluted earnings per share	15.44 fils	20.21 fils	29.84 fils	36.48 fils

The comparative basic and diluted earnings per share have been restated due to the issuance of bonus shares (see Note 8).

6 INVESTMENT IN ASSOCIATES

The movement of the investment in associates during the period is as follows:

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2010</i>	<i>31 December</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Carrying value at the beginning of the period/year	12,881,561	4,737,162	4,737,162
Additions	-	133,693	107,780
Share of results of associates (Note 4)	282,648	15,181	(66,129)
Foreign currency translation adjustment	40,255	185,630	155,871
Transfers to financial assets available for sale	-	(1,069,067)	(1,069,067)
Transfers from financial assets available for sale	-	6,791,240	6,791,241
Excess of fair value of investment in an associate over acquisition price (Note 4)	-	2,640,015	2,640,015
Dividends received	(137,667)	(552,293)	(552,293)
Share of other comprehensive income of associates	46,907	-	-
Carrying value at the end of the period/year	13,113,704	12,881,561	12,744,580

7 CASH AND CASH EQUIVALENTS

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2010</i>	<i>31 December</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cash in hand and at banks	355,198	333,749	381,925
Bank overdrafts	(2,584,864)	(2,810,448)	(3,300,260)
	(2,229,666)	(2,476,699)	(2,918,335)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2010

8 SHARE CAPITAL

Authorized, issued and fully paid-up share capital consists of 171,911,550 shares of 100 fils each (31 December 2009: 156,283,230 and 30 June 2009: 156,283,230 shares).

- On 20 April 2010, the Ordinary Annual General Assembly of the company's shareholders approved the payment of cash dividends related to the year ended 31 December 2009 of 20% of paid-up share capital (2008: Nil).
- On 10 May 2010, the Extraordinary General Assembly of the company's shareholders approved the increase of share capital from KD 15,628,323 to KD 17,191,155 through issuance of 15,628,320 bonus shares of 100 fils each for the year ended 31 December 2009 which is equivalent to 10% of paid-up share capital (2008: Nil).

9 TREASURY SHARES

	30 June	<i>(Audited)</i> 31 December	30 June
	2010	2009	2009
Number of treasury shares (shares)	<u>4,905,842</u>	<u>4,310,571</u>	<u>4,865,571</u>
Percentage of issued shares (%)	<u>2.85</u>	<u>2.76</u>	<u>3.11</u>
Market value (KD)	<u>2,379,333</u>	<u>2,284,603</u>	<u>2,432,786</u>

10 TERM LOANS

During the period, the balance outstanding of KD 2,500,000 was repaid against the loan obtained from a local bank of KD 25,000,000.

11 RELATED PARTY TRANSACTIONS

These represent associates, major shareholders, directors and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such party. Pricing policies and terms of these transactions are approved by the company's management.

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

	<i>Associates</i>	<i>Major</i>	<i>Six months ended 30 June</i>	
	<i>KD</i>	<i>shareholders</i>	2010	2009
		<i>KD</i>	KD	KD
Premium written	960,953	1,312,734	2,273,687	944,813
Claims incurred	595,752	721,100	1,316,852	716,971

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

	<i>Associates</i>	<i>Major</i>	30 June	<i>(Audited)</i> 31 December	30 June
	<i>KD</i>	<i>shareholders</i>	2010	2009	2009
		<i>KD</i>	KD	KD	KD
Premiums and insurance balances receivable	523,423	1,631,961	2,155,384	1,172,999	1,757,171
Other credit balances	36,547	14,925	51,472	1,027,452	22,512

11 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	200,054	80,385
Employees' end of service benefits	91,065	81,065
	291,119	161,450

12 CAPITAL COMMITMENTS

At the reporting date, the company had future capital commitments with respect to purchase of financial assets available for sale amounting to KD 7,536,680 (31 December 2009: KD 8,130,183 and 30 June 2009: KD 8,045,538) and had contingent liabilities in respect of letter of credit granted by a bank amounting to KD Nil (31 December 2009: KD 500,000 and 30 June 2009: KD 500,000).