

AL-AHLEIA INSURANCE COMPANY S.A.K.

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

30 JUNE 2011

**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 2011 and the related interim condensed statement of income, 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 periods 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 2011 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

10 August 2011
Kuwait



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

Al-Ahleia Insurance Company S.A.K.

INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2011

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|---|-------|-------------------------------|------------------|-----------------------------|-------------------|
| | | 2011 | 2010 | 2011 | 2010 |
| | | KD | KD | KD | KD |
| Revenue: | | | | | |
| Gross premiums | | 8,739,230 | 8,246,573 | 18,484,447 | 16,002,455 |
| Premiums ceded to reinsurers | | (4,978,538) | (4,791,786) | (10,992,254) | (9,979,908) |
| Net premiums | | 3,760,692 | 3,454,787 | 7,492,193 | 6,022,547 |
| Movement in unearned premiums | | (321,943) | 19,142 | (540,431) | (230,622) |
| Net premiums earned | | 3,438,749 | 3,473,929 | 6,951,762 | 5,791,925 |
| Commission received on ceded reinsurance | | 1,126,196 | 1,675,446 | 2,700,354 | 2,949,070 |
| Policy issuance fees | | 148,187 | 139,925 | 292,792 | 276,234 |
| Net investment income | 4 | 2,187,244 | 666,866 | 2,339,973 | 2,534,150 |
| Other income | | 8,488 | 44,910 | 112,916 | 83,865 |
| Total Revenue | | 6,908,864 | 6,001,076 | 12,397,797 | 11,635,244 |
| Expenses: | | | | | |
| Claims incurred | | 1,471,477 | 1,207,745 | 3,244,223 | 2,779,196 |
| Commissions | | 518,190 | 703,571 | 1,042,448 | 1,138,378 |
| (Decrease) increase in life mathematical reserve | | (356,000) | 160,000 | 405,500 | 314,400 |
| Maturity and cancellations of life insurance policies | | 31,513 | 42,039 | 91,240 | 84,267 |
| General and administrative expenses | | 1,237,947 | 1,197,626 | 2,185,080 | 2,130,464 |
| Total Expenses | | 2,903,127 | 3,310,981 | 6,968,491 | 6,446,705 |
| PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT | | | | | |
| | | 4,005,737 | 2,690,095 | 5,429,306 | 5,188,539 |
| Contribution to KFAS | | (40,057) | (25,385) | (54,293) | (48,899) |
| NLST | | (94,667) | (56,645) | (116,233) | (101,072) |
| Zakat | | (37,891) | (22,658) | (46,518) | (40,429) |
| PROFIT FOR THE PERIOD | | 3,833,122 | 2,585,407 | 5,212,262 | 4,998,139 |
| BASIC AND DILUTED EARNINGS PER SHARE | | | | | |
| | 5 | 21.73 fils | 14.69 fils | 29.55 fils | 28.38 fils |

The attached notes 1 to 11 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 2011

| | <i>Three months ended</i> | | <i>Six months ended</i> | |
|---|---------------------------|--------------------|-------------------------|------------------|
| | <i>30 June</i> | | <i>30 June</i> | |
| | <i>2011</i> | <i>2010</i> | <i>2011</i> | <i>2010</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Profit for the period | 3,833,122 | 2,585,407 | 5,212,262 | 4,998,139 |
| Other comprehensive (loss) income: | | | | |
| Net unrealised gain on financial assets available for sale | (950,978) | (5,261,999) | (941,455) | (731,549) |
| Impairment loss on financial assets available for sale (Note 4) | 642,382 | 950,720 | 847,412 | 1,045,740 |
| Share of other comprehensive (loss) income of associates (Note 6) | (49,931) | (28,224) | (101,671) | 46,907 |
| Foreign currency translation adjustment (Note 6) | (33,581) | 31,576 | (65,314) | 40,255 |
| Other comprehensive (loss) income for the period | (392,108) | (4,307,927) | (261,028) | 401,353 |
| Total comprehensive income (loss) | 3,441,014 | (1,722,520) | 4,951,234 | 5,399,492 |

The attached notes 1 to 11 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 2011

| | | 30 June 2011 KD | (Audited) 31 December 2010 KD | 30 June 2010 KD |
|---|---|-----------------------|--|-----------------------|
| ASSETS | | | | |
| Property and equipment | | 3,067,663 | 3,136,279 | 3,212,493 |
| Investment in associates | 6 | 12,887,602 | 13,765,141 | 13,113,704 |
| Financial assets available for sale | | 72,804,567 | 69,397,716 | 69,623,199 |
| Loans secured by life insurance policyholders | | 103,872 | 95,842 | 94,177 |
| Premiums and insurance balances receivable | | 10,342,800 | 12,878,837 | 11,560,398 |
| Reinsurance recoverable on outstanding claims | | 24,336,988 | 25,654,761 | 30,523,086 |
| Other debit balances | | 1,969,680 | 2,156,683 | 2,094,528 |
| Fixed deposits | | 17,013,048 | 15,008,048 | 11,552,188 |
| Bank balances and cash | 7 | 289,816 | 1,018,971 | 355,198 |
| TOTAL ASSETS | | 142,816,036 | 143,112,278 | 142,128,971 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | 8 | 18,050,713 | 17,191,155 | 17,191,155 |
| Statutory reserve | | 15,450,580 | 15,450,580 | 14,575,372 |
| General reserve | | 15,211,055 | 15,211,055 | 14,335,847 |
| Special voluntary reserve | | 9,500,000 | 9,500,000 | 9,000,000 |
| Treasury shares | 9 | (1,691,065) | (1,715,677) | (2,115,115) |
| Treasury shares reserve | | 1,374,560 | 1,370,511 | 1,334,165 |
| Cumulative changes in fair values | | 7,502,572 | 7,698,286 | 6,298,489 |
| Foreign currency translation reserve | | 33,965 | 99,279 | 154,754 |
| Retained earnings | | 13,972,297 | 13,818,486 | 12,791,602 |
| Total equity | | 79,404,677 | 78,623,675 | 73,566,269 |
| Liabilities | | | | |
| Liabilities arising from insurance contracts: | | | | |
| Outstanding claims reserve | | 32,547,255 | 33,639,723 | 38,588,509 |
| Unearned premiums reserve | | 3,576,656 | 3,036,225 | 2,744,974 |
| Life mathematical reserve | | 4,044,000 | 3,638,500 | 3,629,400 |
| Additional reserve | | 6,700,000 | 6,700,000 | 6,700,000 |
| Total liabilities arising from insurance contracts | | 46,867,911 | 47,014,448 | 51,662,883 |
| Insurance payable | | 5,565,426 | 6,427,229 | 4,833,609 |
| Other credit balances | | 8,449,883 | 8,943,238 | 7,512,962 |
| Premiums received in advance | | 1,863,898 | 2,103,688 | 1,968,384 |
| Bank overdrafts | 7 | 664,241 | - | 2,584,864 |
| Total liabilities | | 63,411,359 | 64,488,603 | 68,562,702 |
| TOTAL EQUITY AND LIABILITIES | | 142,816,036 | 143,112,278 | 142,128,971 |


Sulaiman Hamad Al-Dalali
Chairman and Managing Director


Ayman Abdullatif Al-Shayea
Vice Chairman

The attached notes 1 to 11 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 2011

| | Notes | Six months ended 30 June | |
|---|-------|-----------------------------|--------------------|
| | | 2011 KD | 2010 KD |
| OPERATING ACTIVITIES | | | |
| Profit before contribution to KFAS, NLST and Zakat | | 5,429,306 | 5,188,539 |
| Adjustments for: | | | |
| Share of results of associates | 4 | 469,614 | (282,648) |
| Gain on sale of financial assets available for sale | 4 | (2,024,158) | (2,049,441) |
| Impairment loss from financial assets available for sale | 4 | 847,412 | 1,045,740 |
| Interest income | | (222,489) | (205,098) |
| Dividend income | 4 | (1,345,496) | (958,069) |
| Interest expense | | 15,276 | 62,611 |
| Provision for employees' end of service benefits | | 45,437 | 35,008 |
| Depreciation of property and equipment | | 74,498 | 82,528 |
| | | <u>3,289,400</u> | <u>2,919,170</u> |
| Changes in operating assets and liabilities: | | | |
| Premiums and insurance balances receivable | | 2,536,037 | (3,030,210) |
| Reinsurance recoverable on outstanding claims | | 1,317,773 | (8,532,102) |
| Other debit balances | | 415,460 | 24,308 |
| Liabilities arising from insurance contracts | | (146,537) | 8,784,124 |
| Insurance payable | | (861,803) | (952,051) |
| Other credit balances | | (353,273) | (854,889) |
| Premiums received in advance | | (239,790) | 291,361 |
| Cash from (used in) operations | | <u>5,957,267</u> | <u>(1,350,289)</u> |
| Employees' end of service benefits paid | | (21,278) | (61,138) |
| Paid to NLST | | (181,516) | (174,122) |
| Paid to Zakat | | (72,606) | (69,649) |
| Paid to directors | | (135,000) | (135,000) |
| Net cash from (used in) operating activities | | <u>5,546,867</u> | <u>(1,790,198)</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (5,883) | (8,304) |
| Purchase of financial assets available for sale | | (8,019,249) | (3,421,869) |
| Proceeds from sale of financial assets available for sale | | 5,695,101 | 10,336,883 |
| Movement in loans secured by life insurance policyholders | | (8,030) | (37,950) |
| Movement in fixed deposits | | (2,005,000) | (495,283) |
| Dividends received from associates | 6 | 240,940 | 137,667 |
| Dividend income received | | 1,309,540 | 958,069 |
| Interest income received | | 29,988 | 26,345 |
| Net cash (used in) from investing activities | | <u>(2,762,593)</u> | <u>7,495,558</u> |
| FINANCING ACTIVITIES | | | |
| Dividends paid | | (4,206,331) | (2,887,555) |
| Purchase of treasury shares | | - | (99,684) |
| Sale of treasury shares | | 28,661 | 28,912 |
| Term loan repaid | | - | (2,500,000) |
| Net cash used in financing activities | | <u>(4,177,670)</u> | <u>(5,458,327)</u> |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | <u>(1,393,396)</u> | <u>247,033</u> |
| Cash and cash equivalents at the beginning of the period | | <u>1,018,971</u> | <u>(2,476,699)</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 7 | <u>(374,425)</u> | <u>(2,229,666)</u> |

The attached notes 1 to 11 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 2011

| | 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 2011 | 17,191,155 | 15,450,580 | 15,211,055 | 9,500,000 | (1,715,677) | 1,370,511 | 7,698,286 | 99,279 | 13,818,486 | 78,623,675 |
| Profit for the period | - | - | - | - | - | - | - | - | 5,212,262 | 5,212,262 |
| Other comprehensive loss | - | - | - | - | - | - | (195,714) | (65,314) | - | (261,028) |
| Total comprehensive (loss) income for the period | - | - | - | - | - | - | (195,714) | (65,314) | 5,212,262 | 4,951,234 |
| Issue of bounce shares (Note 8) | 859,558 | - | - | - | - | - | - | - | (859,558) | - |
| Cash dividends (Note 8) | - | - | - | - | - | - | - | - | (4,198,893) | (4,198,893) |
| Sale of treasury shares | - | - | - | - | 24,612 | 4,049 | - | - | - | 28,661 |
| Balance at 30 June 2011 | 18,050,713 | 15,450,580 | 15,211,055 | 9,500,000 | (1,691,065) | 1,374,560 | 7,502,572 | 33,965 | 13,972,297 | 79,404,677 |
| 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 |

The attached notes 1 to 11 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 2011 were authorised for issue by the Board of Directors on 10 August 2011.

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 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 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011. For more details please refer to the financial statements for the year ended 31 December 2010.

Changes in accounting policy and disclosures

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 2010 except as discussed in the following paragraphs:

The following new and amended standards and interpretations are applicable for the company effective from 1 January 2011:

IAS 24 *Related Party Disclosures (Amendment)*

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues (Amendment)*

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

The revised standards and new amendments above have not had significant impact on the company's interim condensed financial information.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2011

3 SEGMENT 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 2011:

| | <i>General risk insurance</i> | | | | | <i>Total KD</i> |
|---|---------------------------------------|------------------------|--------------------|---|---|---------------------|
| | <i>Marine and aviation KD</i> | <i>Accident KD</i> | <i>Fire KD</i> | <i>Life and health insurance KD</i> | <i>Unallocated KD</i> | |
| Segment revenue | <u>1,888,057</u> | <u>3,918,464</u> | <u>584,214</u> | <u>3,554,173</u> | <u>2,452,889</u> | <u>12,397,797</u> |
| Segment results (net underwriting income) | <u>1,100,553</u> | <u>1,203,657</u> | <u>306,324</u> | <u>895,363</u> | <u>1,923,409</u> | <u>5,429,306</u> |
| | | | | <i>General risk insurance KD</i> | <i>Life and health insurance KD</i> | <i>Total KD</i> |
| Assets | | | | <u>120,365,314</u> | <u>22,450,722</u> | <u>142,816,036</u> |

Six months ended 30 June 2010:

| | <i>General risk insurance</i> | | | | | <i>Total KD</i> |
|---|---------------------------------------|------------------------|--------------------|---|---|---------------------|
| | <i>Marine and aviation KD</i> | <i>Accident KD</i> | <i>Fire KD</i> | <i>Life and health insurance KD</i> | <i>Unallocated KD</i> | |
| Segment revenue | <u>1,910,630</u> | <u>3,225,020</u> | <u>692,578</u> | <u>3,189,001</u> | <u>2,618,015</u> | <u>11,635,244</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>2,049,376</u> | <u>5,188,539</u> |
| | | | | <i>General risk insurance KD</i> | <i>Life and health insurance KD</i> | <i>Total KD</i> |
| Assets | | | | <u>122,160,173</u> | <u>19,968,798</u> | <u>142,128,971</u> |

4 NET INVESTMENT INCOME

| | <i>Three months ended 30 June</i> | | <i>Six months ended 30 June</i> | |
|---|---------------------------------------|--------------------|-------------------------------------|--------------------|
| | <i>2011 KD</i> | <i>2010 KD</i> | <i>2011 KD</i> | <i>2010 KD</i> |
| Share of results of associates (Note 6) | (27,004) | 131,235 | (469,614) | 282,648 |
| Gain on sale of financial assets available for sale | 2,024,599 | 1,043,263 | 2,024,158 | 2,049,441 |
| Interest on bonds | - | 7,286 | - | 14,375 |
| Interest on fixed deposits | 108,395 | 95,474 | 222,489 | 190,723 |
| Dividend income | 692,575 | 302,450 | 1,345,496 | 958,069 |
| Other investment income | 31,061 | 37,878 | 64,856 | 84,634 |
| Impairment loss on financial assets available for sale | (642,382) | (950,720) | (847,412) | (1,045,740) |
| | <u>2,187,244</u> | <u>666,866</u> | <u>2,339,973</u> | <u>2,534,150</u> |

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2011

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>30 June</i> | | <i>Six months ended</i> <i>30 June</i> | |
|--|---|--------------------------|---|--------------------------|
| | <i>2011</i> <i>KD</i> | <i>2010</i> <i>KD</i> | <i>2011</i> <i>KD</i> | <i>2010</i> <i>KD</i> |
| Profit for the period | <u>3,833,122</u> | <u>2,585,407</u> | <u>5,212,262</u> | <u>4,998,139</u> |
| | Shares | Shares | Shares | Shares |
| Weighted average number of ordinary shares outstanding during the period (excluding treasury shares) | <u>176,374,483</u> | <u>176,001,509</u> | <u>176,364,046</u> | <u>176,115,731</u> |
| Basic and diluted earnings per share | <u>21.73 fils</u> | <u>14.69 fils</u> | <u>29.55 fils</u> | <u>28.38 fils</u> |

The basic and diluted earnings per share have been adjusted for the current and previous period due to the approval of bonus shares including the Extraordinary General Assembly held on 20 April 2011 (see Note 8).

6 INVESTMENT IN ASSOCIATES

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

| | <i>30 June</i> | <i>(Audited)</i> <i>31 December</i> | <i>30 June</i> |
|--|--------------------------|--|--------------------------|
| | <i>2011</i> <i>KD</i> | <i>2010</i> <i>KD</i> | <i>2010</i> <i>KD</i> |
| Carrying value at the beginning of the period/year | <u>13,765,141</u> | <u>12,881,561</u> | <u>12,881,561</u> |
| Additions | - | 907,498 | - |
| Disposals | - | (30,669) | - |
| Share of results of associates (Note 4) | <u>(469,614)</u> | <u>211,690</u> | <u>282,648</u> |
| Foreign currency translation adjustment | <u>(65,314)</u> | <u>(15,220)</u> | <u>40,255</u> |
| Dividends received | <u>(240,940)</u> | <u>(137,666)</u> | <u>(137,667)</u> |
| Share of other comprehensive income of associates | <u>(101,671)</u> | <u>(52,053)</u> | <u>46,907</u> |
| Carrying value at the end of the period/year | <u>12,887,602</u> | <u>13,765,141</u> | <u>13,113,704</u> |

7 CASH AND CASH EQUIVALENTS

| | <i>30 June</i> | <i>(Audited)</i> <i>31 December</i> | <i>30 June</i> |
|---------------------------|--------------------------|--|---------------------------|
| | <i>2011</i> <i>KD</i> | <i>2010</i> <i>KD</i> | <i>2010</i> <i>KD</i> |
| Cash in hand and at banks | <u>289,816</u> | <u>1,018,971</u> | <u>355,198</u> |
| Bank overdrafts | <u>(664,241)</u> | <u>-</u> | <u>(2,584,864)</u> |
| | <u>(374,425)</u> | <u>1,018,971</u> | <u>(2,229,666)</u> |

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

At 30 June 2011

8 SHARE CAPITAL

Authorised, issued and fully paid-up share capital consists of 180,507,130 shares of 100 fils each (31 December 2010: 171,911,550 and 30 June 2010: 171,911,550 shares).

On 20 April 2011, the Ordinary Annual General Assembly of the company's shareholders approved the payment of cash dividends related to the year ended 31 December 2010 of 25% of paid-up share capital (2009: 20%). On the same date, the Extraordinary General Assembly of the company's shareholders approved the increase of share capital from KD 17,191,155 to KD 18,050,713 through issuance of 8,595,580 bonus shares of 100 fils each for the year ended 31 December 2010 equivalent to 5% of paid-up share capital (2009: 10%).

9 TREASURY SHARES

| | <i>30 June</i> <i>2011</i> | <i>(Audited)</i> <i>31 December</i> <i>2010</i> | <i>30 June</i> <i>2010</i> |
|------------------------------------|-------------------------------|---|-------------------------------|
| Number of treasury shares (shares) | <u>4,093,634</u> | <u>3,955,842</u> | <u>4,905,842</u> |
| Percentage of issued shares (%) | <u>2.27</u> | <u>2.3</u> | <u>2.85</u> |
| Market value (KD) | <u>1,985,412</u> | <u>2,057,038</u> | <u>2,379,333</u> |

10 RELATED PARTY TRANSACTIONS

These represent major shareholders, directors and key management personnel of the company, and entities controlled, jointly controlled or significantly influenced by such parties. 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>KD</i> | <i>Major</i> <i>shareholders</i> <i>KD</i> | <i>Six months ended 30 June</i> | |
|-----------------|--------------------------------|--|---------------------------------|--------------------------|
| | | | <i>2011</i> <i>KD</i> | <i>2010</i> <i>KD</i> |
| Premium written | 460,459 | 1,682,980 | 2,143,439 | 2,273,687 |
| Claims incurred | 41,690 | 545,749 | 587,439 | 1,316,852 |

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

| | <i>Associates</i> <i>KD</i> | <i>Major</i> <i>shareholders</i> <i>KD</i> | <i>30 June</i> <i>2011</i> <i>KD</i> | <i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i> | <i>30 June</i> <i>2010</i> <i>KD</i> |
|--|--------------------------------|--|--|--|--|
| Premiums and insurance balances receivable | 636,453 | 3,124,820 | 3,761,273 | 3,207,443 | 2,155,384 |
| Other credit balances | 47,243 | 233,916 | 281,159 | 210,186 | 51,472 |

Key management compensation:

| | <i>Six months ended 30 June</i> | |
|--|---------------------------------|--------------------------|
| | <i>2011</i> <i>KD</i> | <i>2010</i> <i>KD</i> |
| Salaries and other short term benefits | 227,979 | 200,054 |
| Employees' end of service benefits | 101,065 | 91,065 |
| | <u>329,044</u> | <u>291,119</u> |

11 CAPITAL COMMITMENTS

At the reporting date, the company had future capital commitments with respect to financial assets available for sale of KD 6,226,674 (31 December 2010: KD 6,490,463 and 30 June 2010: KD 7,536,680) and had contingent liabilities in respect of letter of credit granted by a bank amounting to KD Nil (31 December 2010: KD Nil and 30 June 2010: KD 500,000).