

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 June 2019 (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 June 2019, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the six month 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 six-month period ended 30 June 2019 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)

8 August 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		KD	KD	KD	KD
Revenues:					
Gross premiums written		19,807,099	16,358,435	65,055,704	57,030,498
Premiums ceded to reinsurers		(4,409,718)	(4,864,577)	(9,989,715)	(10,814,206)
Net premiums written		15,397,381	11,493,858	55,065,989	46,216,292
Movement in unearned premiums		(2,395,916)	1,023,417	(16,329,467)	(12,227,491)
Net premiums earned		13,001,465	12,517,275	38,736,522	33,988,801
Commission income on ceded reinsurance		1,257,268	1,426,477	2,951,869	3,490,366
Policy issuance fees		96,840	102,664	196,395	234,688
Investment income	5	2,170,194	1,406,560	5,696,689	3,153,115
Net gain on business combinations		-	3,748,963	-	3,748,963
Rental income from investment properties		181,491	158,564	344,022	326,314
Other income		7,903	(39,814)	48,152	65,831
Total revenues		16,715,161	19,320,689	47,973,649	45,008,078
Expenses:					
Net claims incurred		(11,319,148)	(10,664,281)	(24,692,555)	(19,149,394)
Commissions and premiums' acquisition costs		(2,901,645)	(2,754,582)	(6,098,593)	(5,579,733)
Movement in life mathematical reserve		2,469,000	2,252,000	(5,185,000)	(6,545,000)
Maturity and cancellation of life insurance policies		(94,110)	(82,777)	(502,324)	(213,279)
Investment property expenses		(25,091)	(29,888)	(53,279)	(50,898)
Administrative expenses		(1,858,019)	(1,866,895)	(3,533,838)	(3,495,776)
Impairment loss on financial assets available for sale	6	(240,515)	(2,811,204)	(1,264,480)	(3,202,862)
Impairment loss on receivables		-	(630,000)	(200,000)	(860,000)
Total expenses		(13,969,528)	(16,587,627)	(41,530,069)	(39,096,942)
Profit before share of associates income		2,745,633	2,733,062	6,443,580	5,911,136
Share of results of associates		437,408	154,543	98,429	21,530
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		3,183,041	2,887,605	6,542,009	5,932,666
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(24,810)	(23,097)	(51,911)	(49,241)
National Labour Support Tax (NLST)		(70,127)	(57,806)	(148,968)	(131,932)
Zakat		(27,988)	(23,088)	(59,524)	(52,738)
PROFIT FOR THE PERIOD		3,060,116	2,783,614	6,281,606	5,698,755
Attributable to:					
Equity holders of the Parent Company		2,849,403	2,715,374	5,950,698	5,552,300
Non-controlling interests		210,713	68,240	330,908	146,455
		3,060,116	2,783,614	6,281,606	5,698,755
BASIC AND DILUTED EARNINGS PER SHARE	3	14.50 fils	13.82 fils	30.28 fils	28.25 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 Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2019

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Profit for the period	3,060,116	2,783,614	6,281,606	5,698,755
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	(34,836)	113,857	(6,459)	11,811
- Net unrealized gain (loss) of financial assets available for sale	1,091,730	(679,420)	(772,118)	81,558
- Gain on sale of financial assets available for sale	5 (675,523)	(53,274)	(2,722,816)	(394,286)
- Impairment loss on financial assets available for sale	6 240,515	2,811,204	1,264,480	3,202,862
- Share of other comprehensive loss of associates	31,561	9,757	21,772	7,592
- Cumulative change in fair value of financial assets available for sale, recycled to consolidated statement of income	-	(3,315,988)	-	(3,315,988)
- Foreign currency translation reserve of an associate transferred to consolidated statement of income	-	(392,356)	-	(392,356)
Other comprehensive income (loss) for the period	653,447	(1,506,220)	(2,215,141)	(798,807)
Total comprehensive income for the period	3,713,563	1,277,394	4,066,465	4,899,948
Attributable to:				
Equity holders of the Parent Company	3,503,980	1,222,150	3,689,085	4,766,503
Non-controlling interests	209,583	55,244	377,380	133,445
	3,713,563	1,277,394	4,066,465	4,899,948

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 Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

		(Audited)	
	30 June 2019 KD	31 December 2018 KD	30 June 2018 KD
ASSETS			
Property and equipment	3,737,738	3,853,208	3,935,093
Investment properties	11,819,718	11,819,966	12,080,789
Investment in associates	19,664,102	19,574,492	19,014,334
Financial assets held to maturity	20,136,397	19,399,600	19,666,000
Loans secured by life insurance policyholders	98,208	174,707	258,307
Financial assets available for sale	6	56,808,666	63,923,359
Financial assets at fair value through profit or loss	1,195,633	1,196,227	1,188,798
Receivables arising from reinsurance contracts and premium accruals	39,708,721	23,121,069	28,112,901
Reinsurance recoverable on outstanding claims	48,886,130	42,632,079	47,817,456
Premiums and insurance balances receivable	18,529,413	20,558,129	18,626,984
Accounts receivable and other debit balances	10,316,523	7,417,085	9,739,364
Term deposits	4	66,190,103	60,918,861
Bank balances and cash	4	6,040,187	5,950,373
TOTAL ASSETS	303,131,539	280,539,155	292,076,690
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital	7	20,000,000	20,000,000
Statutory reserve	20,000,000	20,000,000	20,000,000
Voluntary reserve	20,000,000	20,000,000	20,000,000
Special voluntary reserve	8	14,000,000	14,000,000
Treasury shares	9	(1,278,932)	(1,278,932)
Treasury shares reserve	1,474,675	1,474,675	1,474,675
Cumulative changes in fair values reserve	6,156,262	8,411,416	12,665,902
Foreign currency translation reserve	5,863	12,322	(59,488)
Retained earnings	22,251,308	23,179,885	20,239,365
Other reserve	136,892	121,193	117,184
Equity attributable to equity holders of the Parent Company	102,746,068	105,920,559	106,158,706
Non-controlling interests	9,681,793	9,402,909	9,129,095
Total equity	112,427,861	115,323,468	115,287,801
Liabilities			
Technical reserves arising from insurance and reinsurance contracts:			
Outstanding claims reserve	108,227,717	96,043,133	98,310,768
Unearned premiums reserve	36,650,396	20,320,929	30,161,839
Life mathematical reserve	12,357,000	7,172,000	12,278,000
Incurred but not reported reserve	14,303,941	13,298,699	12,948,599
Total technical reserves arising from insurance and reinsurance contracts	171,539,054	136,834,761	153,699,206
Bank overdraft	4	734,687	3,305,421
Insurance and reinsurance payables	9,936,747	16,073,005	11,127,109
Accounts payable and other credit balances	8,493,190	8,940,239	8,081,423
Premiums received in advance	-	62,261	-
Total liabilities	190,703,678	165,215,687	176,788,839
TOTAL EQUITY AND LIABILITIES	303,131,539	280,539,155	292,076,690

Ayman Abdullatif Al-Shayea
Chairman

Emad 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 Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST, and Zakat		6,542,009	5,932,666
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		137,839	130,549
Share of results of associates		(98,429)	(21,530)
Gain on sale of financial assets available for sale	5	(2,722,816)	(394,286)
Impairment loss on financial assets available for sale	6	1,264,480	3,202,862
Interest income on bonds and term deposits	5	(1,619,321)	(1,404,026)
Dividend income	5	(1,244,176)	(1,254,362)
Income from funds	5	(110,376)	(100,441)
Impairment loss on receivables		200,000	860,000
Interest expense		10,112	18,069
Provision for employees' end of service benefits		194,325	354,685
Loss on sale of property and equipment		-	(260)
Net gain on business combination		-	(3,748,963)
		<u>2,553,647</u>	<u>3,574,963</u>
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(16,587,652)	(10,513,079)
Reinsurance recoverable on outstanding claims		(6,253,085)	584,619
Premiums and insurance balances receivable		1,828,716	(7,093,727)
Accounts receivable and other debit balances		(2,522,418)	(2,569,605)
Net change in insurance and reinsurance contract liabilities		34,676,796	20,087,112
Insurance and reinsurance payables		(6,136,258)	1,994,103
Accounts payable and other credit balances		(984,161)	(675,854)
Premiums received in advance		(62,261)	(51,223)
		<u>6,513,324</u>	<u>5,337,309</u>
Cash flows from operations		<u>6,513,324</u>	<u>5,337,309</u>
Employees' end of service benefits paid		(63,349)	(73,515)
Net cash flows from operating activities		<u>6,449,975</u>	<u>5,263,794</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(22,869)	(41,875)
Proceeds from sale of property and equipment		-	260
Purchase of financial assets available for sale		(3,117,477)	(6,761,766)
Proceeds from investment in associates		53,619	-
Proceeds from sale of financial assets available for sale		9,426,535	4,798,836
Purchase of financial assets held to maturity		(712,773)	-
Net movement in loans secured by life insurance policyholders		76,499	(52,329)
Term deposits		(3,911,340)	(953,037)
Dividends received		1,193,436	1,249,989
Income received from funds		110,376	100,441
Interest received		1,294,500	1,268,441
Acquisition of additional shares of the subsidiary		-	(3,985,892)
Net cash flows from (used in) investing activities		<u>4,390,506</u>	<u>(4,376,932)</u>
FINANCING ACTIVITIES			
Dividends paid		(6,800,204)	(6,810,464)
Change of ownership percentage in a subsidiary		(16,135)	(26,127)
Interest expense paid		(10,112)	(18,069)
Net cash flows used in financing activities		<u>(6,826,451)</u>	<u>(6,854,660)</u>
Foreign currency translation adjustment		6,420	(9,479)
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>4,020,450</u>	<u>(5,977,277)</u>
Cash and cash equivalents at the beginning of the period	4	<u>3,435,050</u>	<u>9,672,677</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>7,455,500</u>	<u>3,695,400</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 Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2019

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Special voluntary reserve KD	Treasury Shares KD	Treasury Shares KD	Treasury 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 2019 (Audited)	20,000,000	20,000,000	20,000,000	14,000,000	(1,278,932)	1,474,675	8,411,416	12,322	23,179,885	121,193	105,920,559	9,402,909	115,323,468	
Profit for the period	-	-	-	-	-	-	-	-	5,950,698	-	-	330,908	6,281,606	
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(2,255,154)	(6,459)	-	-	-	46,472	(2,215,141)	
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(2,255,154)	(6,459)	5,950,698	-	-	377,380	4,066,465	
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(6,879,275)	-	-	(6,879,275)	(6,945,937)	
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	-	15,699	(31,834)	(16,135)	
Balance at 30 June 2019	20,000,000	20,000,000	20,000,000	14,000,000	(1,278,932)	1,474,675	6,156,262	5,863	22,251,308	136,892	102,746,068	9,681,793	112,427,861	
Balance at 1 January 2018 (Audited)	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	-	-	-	-	-	-	-	-	5,552,300	-	-	146,455	5,698,755	
Other comprehensive loss for the period	-	-	-	-	-	-	(405,252)	(380,545)	-	-	-	(13,010)	(798,807)	
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(405,252)	(380,545)	(6,879,276)	-	-	133,445	4,899,948	
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(6,879,276)	-	-	-	(6,879,276)	
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	12,156	12,156	(38,283)	(26,127)	
Non-controlling interest arising from consolidating of a new subsidiary	-	-	-	-	-	-	-	-	-	-	-	5,553,973	5,553,973	
Balance at 30 June 2018	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	1,474,675	12,665,902	(59,488)	20,239,365	117,184	106,158,706	9,129,095	115,287,801	

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2019

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 six months period ended 30 June 2019 were authorized for issuance by the Board of Directors on 6 August 2019.

The financial statements of the Parent Company for the year ended 31 December 2018 were approved by the shareholders at the Annual General Assembly Meeting held on 26 March 2019.

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 2018. 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 six months' period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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 2018 except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The adoption of these standards did not have material impact on the financial performance or interim condensed consolidated financial position of the Group.

The Group applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

IFRS 16: Leases ("IFRS 16")

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance cost and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the consolidated statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 16: Leases (“IFRS 16”) (continued)

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases where the Group is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Summary of new accounting policies

The accounting policies of the Group upon adoption of IFRS 16 are as follows:

a. Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

b. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c. Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2019

2.1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial information are listed below. The Group intends to adopt these standards when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

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</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Profit for the period attributable to equity holders of the Parent Company	<u>2,849,403</u>	<u>2,715,374</u>	<u>5,950,698</u>	<u>5,552,300</u>
	<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)	<u>196,550,725</u>	<u>196,550,725</u>	<u>196,550,725</u>	<u>196,550,725</u>
Basic and diluted earnings per share	<u>14.50 fils</u>	<u>13.82 fils</u>	<u>30.28 fils</u>	<u>28.25 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 authorization of the interim condensed consolidated financial information.

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4 CASH AND CASH EQUIVALENTS

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
Term deposits	66,190,103	60,918,861	52,037,362
Bank balances and cash	6,040,187	5,950,373	7,576,551
	<u>72,230,290</u>	<u>66,869,234</u>	<u>59,613,913</u>
Less:			
Term deposits with original maturities of more than three months	(64,040,103)	(60,128,763)	(52,037,362)
Bank overdraft	(734,687)	(3,305,421)	(3,881,151)
Cash and cash equivalents	<u>7,455,500</u>	<u>3,435,050</u>	<u>3,695,400</u>

Term deposits amounting to KD 900,090 (31 December 2018: KD 900,086 and 30 June 2018: KD 3,881,236) are held as security against letter of credit granted by banks. Bank balances and deposit amounting to KD Nil (31 December 2018: KD Nil and 30 June 2018: KD 1,874,603) have been pledged against initial legal case verdict, which was appealed by the Group.

5 INVESTMENT INCOME

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Gain on sale of financial assets available for Sale	675,523	53,274	2,722,816	394,286
Interest income on bonds and term deposits	836,238	668,606	1,619,321	1,404,026
Dividend income	597,857	632,552	1,244,176	1,254,362
Income from funds	60,576	52,128	110,376	100,441
	<u>2,170,194</u>	<u>1,406,560</u>	<u>5,696,689</u>	<u>3,153,115</u>

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 June</i> <i>2018</i> <i>KD</i>
<i>Local equity securities:</i>			
Quoted	23,143,492	22,663,209	25,179,477
Unquoted	4,337,530	5,032,546	6,909,474
	<u>27,481,022</u>	<u>27,695,755</u>	<u>32,088,951</u>
<i>Foreign equity securities:</i>			
Quoted	4,131	625,055	843,604
Unquoted	12,472,790	14,764,309	18,147,049
	<u>12,476,921</u>	<u>15,389,364</u>	<u>18,990,653</u>
<i>Managed funds</i>			
Quoted	450,222	1,101,756	1,276,102
Unquoted	16,084,207	19,395,895	19,195,593
Bonds	316,294	340,589	471,452
	<u>16,850,723</u>	<u>20,838,240</u>	<u>20,943,147</u>
	<u>56,808,666</u>	<u>63,923,359</u>	<u>72,022,751</u>

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6 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

As at 30 June 2019, 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 1,264,480 (31 December 2018: KD 3,902,862 and 30 June 2018: KD 3,202,862) has been recorded in the interim condensed consolidated statement of income.

7 SHARE CAPITAL

Authorized, issued and fully paid-up share capital consists of 200,000,000 shares of 100 fils each (31 December 2018: 200,000,000 shares and 30 June 2018: 200,000,000 shares).

On 26 March 2019, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the cash dividends 35 fils per share for the year ended 31 December 2018, amounting to KD 6,879,275 (2017: 35 fils per share amounting to KD 6,879,276). 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 the shareholders as starting from the payment date of 17 April 2019 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 339,990 (2017: KD 366,300).

8 SPECIAL VOLUNTARY RESERVE

On 26 March 2019, the Ordinary Annual General Assembly of the Parent Company's shareholders approved to transfer an amount of KD 1,000,000 (2017: KD 1,000,000) from the profit of the year ended 31 December 2018 to the special voluntary reserve.

9 TREASURY SHARES

	30 June 2019	<i>(Audited)</i> 31 December 2018	30 June 2018
Number of treasury shares	<u>3,449,275</u>	<u>3,449,275</u>	<u>3,449,275</u>
Percentage of issued shares (%)	<u>1.72</u>	<u>1.72</u>	<u>1.72</u>
Market value (KD)	<u>1,465,942</u>	<u>1,472,840</u>	<u>1,390,058</u>

An amount of KD 1,278,932 (31 December 2018: KD 1,278,932 and 30 June 2018: KD 1,278,932) 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 30 June 2019 is 428 fils per share (31 December 2018: 410 fils per share and 30 June 2018: 405 fils per share).

10 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2019, the Group had future capital commitments with respect to financial assets available for sale of KD 3,867,370 (31 December 2018: KD 3,016,376 and 30 June 2018: KD 3,568,895) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 811,142 (31 December 2018: KD 754,099 and 30 June 2018: KD 3,040,596 from which it is anticipated that no material liabilities will arise.

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11 RELATED PARTY TRANSACTIONS

Related parties represent i.e. major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and the board of directors.

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

Six months period ended
30 June 2019

	<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	17,674	595,311	657,299	13,510	1,283,794
Claims incurred	-	333,795	166,482	13,048	513,325

Six months period ended
30 June 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>
Gross premiums	19,848	555,289	685,224	23,866	1,284,227
Claims incurred	340	66,276	154,230	-	220,846

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

30 June 2019	<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	21,100	534,925	2,234,308	3,088	2,793,421
Other credit balances	-	-	-	-	-

31 December 2018 (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	24,062	329,143	2,619,893	2,084	2,975,182
Other credit balances	-	-	-	-	-

30 June 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	25,366	659,930	3,855,908	5,808	4,547,012
Other credit balances	-	-	9,511	-	9,511

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11 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	279,830	199,611	442,346	398,389
Employees' end of service benefits	61,615	32,490	80,113	48,921
	<u>341,445</u>	<u>232,101</u>	<u>522,459</u>	<u>447,310</u>

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 11,248,193 (31 December 2018: KD 13,489,547 and 30 June 2018: KD 15,926,803) are not materially different from their carrying values.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total fair Value</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
30 June 2019			
<i>Financial assets available for sale:</i>			
Quoted equity securities	23,147,623	-	23,147,623
Quoted managed funds	450,222	-	450,222
Unquoted equity securities	-	6,672,904	6,672,904
Unquoted managed funds	-	15,289,724	15,289,724
Total	<u>23,597,845</u>	<u>21,962,628</u>	<u>45,560,473</u>
<i>Financial assets at fair value through profit or loss:</i>			
Unquoted equity securities	-	1,195,633	1,195,633
	-	1,195,633	1,195,633

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<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 December 2018 (Audited)			
<i>Financial assets available for sale:</i>			
Quoted equity securities	23,288,264	-	23,288,264
Quoted managed funds	1,101,756	-	1,101,756
Unquoted equity securities	-	8,683,153	8,683,153
Unquoted managed funds	-	17,360,639	17,360,639
Total	24,390,020	26,043,792	50,433,812
<i>Financial assets at fair value through profit or loss:</i>			
Unquoted equity securities	-	1,196,227	1,196,227
	-	1,196,227	1,196,227
30 June 2018			
<i>Financial assets available for sale:</i>			
Quoted	26,023,081	-	26,023,081
Quoted managed funds	1,276,102	-	1,276,102
Unquoted equity securities	-	11,865,893	11,865,893
Unquoted foreign funds	-	16,930,872	16,930,872
Total	27,299,183	28,796,765	56,095,948
<i>Financial assets at fair value through profit or loss:</i>			
Unquoted equity securities	-	1,188,798	1,188,798
	-	1,188,798	1,188,798

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12 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>At the beginning of the period KD</i>	<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 June 2019					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	8,683,153	(2,010,249)	-	-	6,672,904
Unquoted managed funds	17,360,639	(211,505)	(1,340)	(1,858,070)	15,289,724
	<u>26,043,792</u>	<u>(2,221,754)</u>	<u>(1,340)</u>	<u>(1,858,070)</u>	<u>21,962,628</u>
<i>Financial assets at fair value through profit or loss:</i>					
Unquoted equity securities	1,196,227	-	-	(594)	1,195,633
	<u>1,196,227</u>	<u>-</u>	<u>-</u>	<u>(594)</u>	<u>1,195,633</u>

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>At the beginning of the year</i> KD	<i>Net result recorded in the consolidated statement of comprehensive income</i> KD	<i>Net result recorded in the consolidated statement of income</i> KD	<i>Net purchase, transfer, sale & settlements</i> KD	<i>At the end of the year</i> KD
31 December 2018 (<i>Audited</i>)					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	11,770,944	(3,087,791)	-	-	8,683,153
Unquoted managed funds	17,445,993	616,238	(618,835)	(82,757)	17,360,639
	<u>29,216,937</u>	<u>(2,471,553)</u>	<u>(618,835)</u>	<u>(82,757)</u>	<u>26,043,792</u>
<i>Financial assets at fair value through profit or loss:</i>					
Unquoted equity securities				1,196,227	1,196,227
				<u>1,196,227</u>	<u>1,196,227</u>
30 June 2018					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	11,770,944	94,949	-	-	11,865,893
Unquoted managed funds	17,445,993	415,885	(618,835)	(312,171)	16,930,872
	<u>29,216,937</u>	<u>510,834</u>	<u>(618,835)</u>	<u>(312,171)</u>	<u>28,796,765</u>
<i>Financial assets at fair value through profit or loss:</i>					
Unquoted equity securities				1,188,798	1,188,798
				<u>1,188,798</u>	<u>1,188,798</u>

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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	Price to book value Discount for lack of marketability & lack of Control	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 787 thousands.
Unquoted managed funds	Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments" 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 787 thousands. An increase (decrease) by 10% in the Discount for lack of marketability would result in increase (decrease) in fair value by KD 1,529 thousands.

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13 SEGMENT RESULTS

The Group operates in 4 segments: General risk insurance, life and medical insurance, reinsurance and investment. The following are the details of these segments:

30 June 2019	General risk insurance					Total KD		
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD			
Segment revenue	1,710,314	3,709,252	678,205	13,530,109	22,256,906	47,973,649		
Segment results	528,618	337,247	323,202	206,872	3,007,370	6,542,009		
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	Unallocated KD	Total KD
				20,613,932	151,289,636	91,449,861	39,778,110	303,131,539
Liabilities				40,134,620	100,510,884	18,844	50,039,330	190,703,678
31 December 2018 (Audited)	General risk insurance					Total KD		
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD			
Segment revenue	3,246,266	7,409,160	1,902,113	14,035,643	38,343,042	75,683,619		
Segment results	1,740,389	1,957,066	975,225	541,330	3,708,204	10,941,879		
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	Unallocated KD	Total KD
				14,063,858	129,470,870	94,180,080	42,824,347	280,539,155
Liabilities				32,025,405	80,777,069	15,448	52,397,765	165,215,687

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13 SEGMENT RESULTS (continued)

30 June 2018	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	1,718,906	4,083,960	785,072	12,628,370	18,497,547	7,228,392	65,831	45,008,078
Segment results	758,197	1,234,751	396,244	150,601	2,013,782	2,522,162	(1,143,071)	5,932,666
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
Liabilities				20,413,276	129,842,514	99,104,205	42,716,695	292,076,690
				37,911,620	83,218,076	12,787	55,646,406	176,788,889