

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
(UNAUDITED)**

30 SEPTEMBER 2019

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 September 2019, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the nine-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

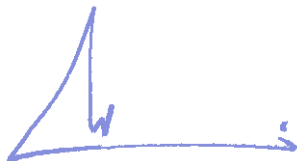
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

4 November 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 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 KD	2018 KD	2019 KD	2018 KD
Revenue:					
Gross premiums written		14,622,784	12,720,370	79,678,488	69,750,868
Premiums ceded to reinsurers		(5,658,961)	(4,585,951)	(15,648,676)	(15,400,157)
Net premiums written		8,963,823	8,134,419	64,029,812	54,350,711
Movement in unearned premiums		3,756,093	3,434,829	(12,573,374)	(8,792,662)
Net premiums earned		12,719,916	11,569,248	51,456,438	45,558,049
Commission income on ceded reinsurance		1,444,199	1,287,097	4,396,068	4,777,463
Policy issuance fees		94,590	112,382	290,985	347,070
Investment income	5	1,569,763	1,620,449	7,266,452	4,773,564
Gain on bargain purchase arising on business combinations		-	-	-	3,748,963
Rental income from investment properties		173,760	144,571	517,782	470,885
Other income		25,778	19,429	73,930	85,260
Total revenue		16,028,006	14,753,176	64,001,655	59,761,254
Expenses:					
Net claims incurred		11,342,434	10,262,256	36,034,989	29,411,650
Commissions and premiums' acquisition costs		2,768,072	2,889,909	8,866,665	8,469,642
Movement in life mathematical reserve		(1,652,000)	(2,921,000)	3,533,000	3,624,000
Maturity and cancellation of life insurance Policies		38,650	75,783	540,974	289,062
Investment property operating expenses		19,681	21,462	72,960	72,360
Administrative expenses		1,392,205	1,490,609	4,926,043	4,986,385
Impairment loss on financial assets available for sale	6	337,549	200,000	1,602,029	3,402,862
Impairment loss on receivables		-	230,000	200,000	1,090,000
Total expenses		14,246,591	12,249,019	55,776,660	51,345,961
Profit before share of associates income		1,781,415	2,504,157	8,224,995	8,415,293
Share of results of associates		394,086	(100,920)	492,515	(79,390)
PROFIT BEFORE CONTRIBUTION TO KFAS, NLST AND ZAKAT		2,175,501	2,403,237	8,717,510	8,335,903
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(18,628)	(22,491)	(70,539)	(71,732)
National Labour Support Tax (NLST)		(52,582)	(83,959)	(201,550)	(215,891)
Zakat		(21,132)	(33,584)	(80,656)	(86,322)
PROFIT FOR THE PERIOD		2,083,159	2,263,203	8,364,765	7,961,958
Attributable to:					
Equity holders of the Parent Company		1,904,325	2,184,450	7,855,023	7,736,750
Non-controlling interests		178,834	78,753	509,742	225,208
		2,083,159	2,263,203	8,364,765	7,961,958
BASIC AND DILUTED EARNINGS PER SHARE	3	9.69 fils	11.11 fils	39.96 fils	39.36 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 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 KD	2018 KD	2019 KD	2018 KD
Profit for the period		2,083,159	2,263,203	8,364,765	7,961,958
Other comprehensive income (loss)					
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>					
<u>Financial assets available for sale:</u>					
- Net change in fair value during the period		407,622	(160,007)	(364,496)	(3,394,437)
- Recycling to the statement of income for impairment	6	337,549	200,000	1,602,029	3,402,862
- Reclassification to the statement of income on disposal	5	(435,817)	(655,014)	(3,158,633)	(1,049,300)
Net gains (losses) on financial assets available for sale		<u>309,354</u>	<u>(615,021)</u>	<u>(1,921,100)</u>	<u>(1,040,875)</u>
<u>Foreign currency translation:</u>					
- Exchange differences on translation on foreign operations		47,786	23,898	41,327	35,709
- Share of exchange differences in associates		(23,475)	19,017	(1,703)	(365,747)
Net foreign currency translation adjustments		<u>24,311</u>	<u>42,915</u>	<u>39,624</u>	<u>(330,038)</u>
Other comprehensive income (loss) for the period		<u>333,665</u>	<u>(572,106)</u>	<u>(1,881,476)</u>	<u>(1,370,913)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>2,416,824</u></u>	<u><u>1,691,097</u></u>	<u><u>6,483,289</u></u>	<u><u>6,591,045</u></u>
Attributable to:					
Equity holders of the Parent Company		2,236,746	1,602,902	5,925,831	6,369,405
Non-controlling interests		180,078	88,195	557,458	221,640
		<u><u>2,416,824</u></u>	<u><u>1,691,097</u></u>	<u><u>6,483,289</u></u>	<u><u>6,591,045</u></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 FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

		30 September 2019 KD	(Audited) 31 December 2018 KD	30 September 2018 KD
ASSETS				
Property and equipment		3,708,860	3,853,208	3,891,028
Investment properties		11,819,867	11,819,966	12,080,841
Investment in associates		20,078,701	19,574,492	18,953,120
Financial assets held to maturity		20,313,799	19,399,600	19,666,000
Loans secured by life insurance policyholders		112,007	174,707	183,908
Financial assets available for sale	6	56,820,509	63,923,359	69,293,090
Financial assets at fair value through profit or loss		908,871	1,196,227	1,188,798
Receivables arising from reinsurance contracts and premium accruals		35,057,119	23,121,069	27,325,846
Reinsurance recoverable on outstanding claims		50,619,071	42,632,079	50,920,797
Premiums and insurance balances receivable		12,630,242	20,558,129	13,166,767
Accounts receivable and other debit balances		10,306,292	7,417,085	9,875,022
Term deposits	4	73,282,354	60,918,861	55,776,531
Bank balances and cash	4	7,372,747	5,950,373	7,526,199
TOTAL ASSETS		303,030,439	280,539,155	289,847,947
EQUITY AND LIABILITIES				
Equity				
Share capital	7	20,000,000	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	13,000,000
Treasury shares	9	(1,278,932)	(1,278,932)	(1,278,932)
Treasury shares reserve		1,474,675	1,474,675	1,474,675
Fair value reserve		6,440,897	8,411,416	12,060,456
Foreign currency translation reserve		53,649	12,322	(35,590)
Retained earnings		24,155,633	23,179,885	22,423,815
Other reserve		136,892	121,193	120,814
Equity attributable to equity holders of the Parent Company		104,982,814	105,920,559	107,765,238
Non-controlling interests		9,861,871	9,402,909	9,205,782
Total equity		114,844,685	115,323,468	116,971,020
Liabilities				
Technical reserves arising from insurance and reinsurance contracts:				
Outstanding claims reserve		111,637,165	96,043,133	103,044,690
Unearned premiums reserve		32,894,303	20,320,929	26,727,011
Life mathematical reserve		10,705,000	7,172,000	9,357,000
Incurred but not reported reserve		15,079,431	13,298,699	13,348,700
Total technical reserves arising from insurance and reinsurance contracts		170,315,899	136,834,761	152,477,401
Bank overdrafts	4	-	3,305,421	-
Insurance and reinsurance payables		9,210,581	16,073,005	12,227,632
Accounts payable and other credit balances		8,659,274	8,940,239	8,171,894
Premiums received in advance		-	62,261	-
Total liabilities		188,185,754	165,215,687	172,876,927
TOTAL EQUITY AND LIABILITIES		303,030,439	280,539,155	289,847,947


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 September 2019

	Notes	Nine months ended 30 September	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST and Zakat		8,717,510	8,335,903
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		210,334	198,274
Share of results of associates		(492,515)	79,390
Gain on sale of financial assets available for sale	5	(3,158,633)	(1,049,300)
Impairment loss on financial assets available for sale	6	1,602,029	3,402,862
Interest income on bonds and term deposits	5	(2,554,040)	(2,153,160)
Dividend income	5	(1,392,022)	(1,424,002)
Impairment loss on receivables		200,000	1,090,000
Provision for employees' end of service benefits		260,374	408,703
Loss on sale of property and equipment		-	(260)
Net gain on business combination		-	(3,748,963)
		<u>3,393,037</u>	<u>5,139,447</u>
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(11,936,050)	(9,726,024)
Reinsurance recoverable on outstanding claims		(7,986,605)	(2,518,940)
Premiums and insurance balances receivable		7,727,887	(1,863,510)
Accounts receivable and other debit balances		(2,419,804)	(2,630,914)
Net change in insurance and reinsurance contract liabilities		33,470,138	18,869,452
Insurance and reinsurance payables		(6,862,424)	3,094,626
Accounts payable and other credit balances		(922,696)	(663,483)
Premiums received in advance		(62,261)	(51,223)
		<u>14,401,222</u>	<u>9,649,431</u>
Cash flows from operations		(82,527)	(122,036)
Employees' end of service benefits paid			
Net cash flows from operating activities		<u>14,318,695</u>	<u>9,527,395</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(66,186)	(65,432)
Proceeds from sale of property and equipment		-	260
Purchase of financial assets available for sale		(4,173,672)	(8,744,928)
Proceeds from sale of financial assets available for sale		10,843,065	9,351,479
Proceed from investment in associates		53,967	-
Proceed from investment at fair value through profit or loss		287,356	-
Purchase of financial assets held to maturity		(867,511)	-
Net cash and cash equivalents outflows on acquisition of a subsidiary		-	(3,985,892)
Net movement in loans secured by life insurance policyholders		62,700	22,070
Term deposits		(11,003,591)	(4,692,206)
Dividends received		1,387,530	1,409,505
Interest received		2,089,713	1,953,108
Change of ownership percentage in a subsidiary		(16,135)	(34,005)
		<u>(1,402,764)</u>	<u>(4,786,041)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Dividends paid		(6,834,798)	(6,877,894)
Net cash flows used in financing activities		<u>(6,834,798)</u>	<u>(6,877,894)</u>
Foreign currency translation adjustment		6,564	(9,938)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>6,087,697</u>	<u>(2,146,478)</u>
Cash and cash equivalents at 1 January	4	3,435,050	9,672,677
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	<u>9,522,747</u>	<u>7,526,199</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 September 2019

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Special voluntary reserve KD	Treasury shares KD	Fair values reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Other reserve KD	Subtotal KD	Non- controlling interests KD	Total equity KD
As at 1 January 2019 (Audited)	20,000,000	20,000,000	20,000,000	14,000,000	(1,278,932)	8,411,416	12,322	23,179,885	121,193	105,920,559	9,402,909	115,323,468
Profit for the period	-	-	-	-	-	-	-	7,855,023	-	7,855,023	509,742	8,364,765
Other comprehensive (loss) income for the period	-	-	-	-	-	(1,970,519)	41,327	-	-	(1,929,192)	47,716	(1,881,476)
Total comprehensive (loss) income for the period	-	-	-	-	-	(1,970,519)	41,327	7,855,023	-	5,925,831	557,458	6,483,289
Cash dividends (Note 7)	-	-	-	-	-	-	-	(6,879,275)	-	(6,879,275)	(66,662)	(6,945,937)
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	15,699	15,699	(31,834)	(16,135)
As at 30 September 2019	20,000,000	20,000,000	20,000,000	14,000,000	(1,278,932)	6,440,897	53,649	24,155,633	136,892	104,982,814	9,861,871	114,844,685

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Special voluntary reserve KD	Treasury shares KD	Fair values reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Other reserve KD	Subtotal KD	Non- controlling interests KD	Total equity KD
As at 1 January 2018 (Audited)	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	13,071,154	321,057	21,566,341	105,028	108,259,323	3,479,960	111,739,283
Profit for the period	-	-	-	-	-	-	-	7,736,750	-	7,736,750	225,208	7,961,958
Other comprehensive loss for the period	-	-	-	-	-	(1,010,698)	(356,647)	-	-	(1,367,345)	(3,568)	(1,370,913)
Total comprehensive (loss) income for the period	-	-	-	-	-	(1,010,698)	(356,647)	7,736,750	-	6,369,405	221,640	6,591,045
Cash dividends (Note 7)	-	-	-	-	-	-	-	(6,879,276)	-	(6,879,276)	-	(6,879,276)
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	15,786	15,786	(49,791)	(34,005)
Non-controlling interest arising from consolidating of a new subsidiary	-	-	-	-	-	-	-	-	-	-	5,553,973	5,553,973
As at 30 September 2018	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	12,060,456	(35,590)	22,423,815	120,814	107,765,238	9,205,782	116,971,020

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

1 CORPORATE INFORMATION

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 is principally engaged in various insurance and reinsurance activities, as set forth in the Parent Company's Articles of Association. The Parent Company's head office is located at Ahmad Al-Jaber street and its registered postal address is P. O. Box 1602, Safat 13017, Kuwait.

The interim condensed consolidated financial information of Al-Ahleia Insurance Company S.A.K.P. (the "Parent Company") and its subsidiaries – Kuwait Reinsurance Company K.S.C.P., and Trade Union Holding CO. B.S.C. (Closed), Bahrain, (collectively, the "Group") for the nine months period ended 30 September 2019 was authorized for issuance by the Board of Directors on 4 November 2019.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the shareholders of the parent company at the annual general assembly meeting (AGM) held on 26 March 2019.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP ACCOUNTING POLICIES

The interim condensed consolidated financial information for the nine months ended 30 September 2019 has been prepared in accordance with International Accounting Standard (IAS 34), *Interim Financial Reporting*.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars which is the functional currency of the Parent Company.

The interim condensed consolidated financial information does not include all the information and disclosures required for annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

2.1 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 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.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. 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').

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP ACCOUNTING POLICIES
(continued)**

2.1 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:

➤ **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.

➤ **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.

➤ **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).

The Group has adopted IFRS 16 ‘Leases’ (“IFRS 16”) for the first time effective as of 1 January 2019. Management assessed that the Group has only short-term leases and leases of low-value assets. Therefore, the adoption of this new standard has no impact on the interim condensed financial information of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
Profit for the period attributable to equity holders of the Parent Company	<u>1,904,325</u>	<u>2,184,450</u>	<u>7,855,023</u>	<u>7,736,750</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>9.69 fils</u>	<u>11.11 fils</u>	<u>39.96 fils</u>	<u>39.36 fils</u>

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the period.

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.

4 CASH AND CASH EQUIVALENTS

	<i>30 September 2019 KD</i>	<i>(Audited) 31 December 2018 KD</i>	<i>30 September 2018 KD</i>
Term deposits	<u>73,282,354</u>	60,918,861	55,776,531
Bank balances and cash	<u>7,372,747</u>	5,950,373	7,526,199
	80,655,101	66,869,234	63,302,730
Cash and short term deposits			
Term deposits with original maturities of more than three months	<u>(71,132,354)</u>	(60,128,763)	(55,776,531)
Bank overdrafts	<u>-</u>	(3,305,421)	-
Cash and cash equivalents	<u>9,522,747</u>	3,435,050	7,526,199

Term deposits amounting to KD 900,090 (31 December 2018: KD 900,086 and 30 September 2018: KD 900,086) are pledged as security to fulfill collateral requirements. Bank balances and deposit amounting to KD Nil (31 December 2018: KD Nil and 30 September 2018: KD 1,874,603) have been pledged against initial legal case verdict, which was appealed by the Group.

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5 INVESTMENT INCOME

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</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	435,817	655,014	3,158,633	1,049,300
Interest income on bonds and term deposits	934,719	749,134	2,554,040	2,153,160
Dividend income	147,846	169,640	1,392,022	1,424,002
Income from funds	51,381	46,661	161,757	147,102
	<u>1,569,763</u>	<u>1,620,449</u>	<u>7,266,452</u>	<u>4,773,564</u>

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>30 September</i> <i>2018</i> <i>KD</i>
	<i>Local equity securities:</i>		
Quoted	23,803,953	22,663,209	23,103,537
Unquoted	4,337,530	5,032,546	6,650,513
	<u>28,141,483</u>	<u>27,695,755</u>	<u>29,754,050</u>
<i>Foreign equity securities:</i>			
Quoted	3,891	625,055	787,374
Unquoted	12,485,231	14,764,309	18,144,535
	<u>12,489,122</u>	<u>15,389,364</u>	<u>18,931,909</u>
<i>Managed funds</i>			
Quoted	445,937	1,101,756	1,297,396
Unquoted	15,427,673	19,395,895	18,863,019
Bonds	316,294	340,589	446,716
	<u>16,189,904</u>	<u>20,838,240</u>	<u>20,607,131</u>
	<u>56,820,509</u>	<u>63,923,359</u>	<u>69,293,090</u>

As at 30 September 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 1,602,029 (31 December 2018: KD 3,902,862 and 30 September 2018: KD 3,402,862) has been recorded in the interim condensed consolidated statement of income for the period then ended.

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 September 2018: 200,000,000 shares of 100 fils each).

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.

8 SPECIAL VOLUNTARY RESERVE

The shareholders of the parent company in the AGM held on 26 March 2019, 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.

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

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9 TREASURY SHARES

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 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>
Cost (KD)	<u>1,278,932</u>	<u>1,278,932</u>	<u>1,278,932</u>
Market value (KD)	<u>1,483,188</u>	<u>1,472,840</u>	<u>1,448,696</u>

Reserves amounting to KD 1,278,932 (31 December 2018: KD 1,278,932 and 30 September 2018: KD 1,278,932) equivalent to the cost of the treasury shares held, are not available for distribution during the holding period of such shares as per CMA guidelines.

The weighted average market price of the Parent Company's shares for the period ended 30 September 2019 is 428 fils per share (31 December 2018: 410 fils per share and 30 September 2018: 409 fils per share).

10 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 September 2019, the Group had future capital commitments with respect to financial assets available for sale of KD 4,547,177 (31 December 2018: KD 3,016,376 and 30 September 2018: KD 3,363,543) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 791,003 (31 December 2018: KD 754,099 and 30 September 2018: KD 807,640 from which it is anticipated that no material liabilities will arise.

11 RELATED PARTY DISCLOSURES

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

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

Nine months ended 30 September 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	18,111	629,058	971,019	8,305	1,626,493
Claims incurred	-	451,251	217,672	-	668,923

Nine months ended 30 September 2018

	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
Gross premiums	20,410	580,609	1,062,071	28,441	1,691,531
Claims incurred	340	146,596	180,978	-	327,914

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11 RELATED PARTY DISCLOSURES (continued)

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

	<i>Key management and board members KD</i>	<i>Associates KD</i>	<i>Parent Company's shareholders KD</i>	<i>Others KD</i>	<i>Total KD</i>
30 September 2019					
Premiums and insurance balances receivable	18,265	435,638	2,247,680	3,543	2,705,126
Other credit balances	-	-	-	-	-
31 December 2018 (Audited)					
Premiums and insurance balances receivable	24,062	329,143	2,619,893	2,084	2,975,182
Other credit balances	-	-	-	-	-
30 September 2018					
Premiums and insurance balances receivable	24,252	540,330	3,843,880	-	4,408,462
Other credit balances	-	-	-	182	182

Key management personnel compensation:

Key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
Salaries and other short term benefits	143,388	171,200	585,734	569,589
Employees' end of service benefits	17,561	16,335	97,674	65,256
	<u>160,949</u>	<u>187,535</u>	<u>683,408</u>	<u>634,845</u>

On 26 March 2019, the Ordinary Annual General Assembly approved the Parent Company's board of directors' fees of KD 339,990 (2017: KD 366,300).

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of available-for-sale financial assets, 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:

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 11,199,728 (31 December 2018: KD 13,489,547 and 30 September 2018: KD 15,421,092) are not materially different from their carrying values.

The following table provides the fair value measurement hierarchy of the Group's financial assets measured at fair value on a recurring basis:

	Fair value measurement using		
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total KD</i>
30 September 2019			
<i>Financial assets available for sale:</i>			
Quoted equity securities	23,807,844	-	23,807,844
Quoted managed funds	445,937	-	445,937
Unquoted equity securities	-	6,686,734	6,686,734
Unquoted managed funds	-	14,680,266	14,680,266
Total	24,253,781	21,367,000	45,620,781
<i>Financial assets at fair value through profit or loss:</i>			
Unquoted equity securities	-	908,871	908,871
	-	908,871	908,871
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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2019

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Fair value measurement using		
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
30 September 2018			
<i>Financial assets available for sale:</i>			
Quoted equity securities	23,890,911	-	23,890,911
Quoted managed funds	1,297,396	-	1,297,396
Unquoted equity securities	-	11,863,379	11,863,379
Unquoted managed funds	-	16,820,312	16,820,312
Total	25,188,307	28,683,691	53,871,998
<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)

Reconciliation of recurring fair value measurement categorized within level three of the fair value hierarchy:

	<i>As at 1 January 2019 KD</i>	<i>Remeasurement recognized in OCI KD</i>	<i>Remeasurement recognized in statement of income KD</i>	<i>Net purchase (sales) KD</i>	<i>As at 30 September 2019 KD</i>
30 September 2019					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	8,683,153	(1,996,419)	-	-	6,686,734
Unquoted managed funds	17,360,639	(470,005)	(338,889)	(1,871,479)	14,680,266
	<u>26,043,792</u>	<u>(2,466,424)</u>	<u>(338,889)</u>	<u>(1,871,479)</u>	<u>21,367,000</u>
<i>Financial assets at fair value through profit or loss:</i>					
Unquoted equity securities	1,196,227	-	-	(287,356)	908,871
	<u>1,196,227</u>	<u>-</u>	<u>-</u>	<u>(287,356)</u>	<u>908,871</u>

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As at 30 September 2019

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of recurring fair value measurement categorized within level three of the fair value hierarchy (continued):

	As at 1 January 2018 KD	Remeasurement recognized in OCI KD	Remeasurement recognized in statement of income KD	Net purchase (sales) KD	As at 31 December 2018 KD
31 December 2018 (Audited)					
<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>-</u>	<u>-</u>	<u>-</u>	<u>1,196,227</u>	<u>1,196,227</u>

	As at 1 January 2018 KD	Remeasurement recognized in OCI KD	Remeasurement recognized in statement of income KD	Net purchase (sales) KD	As at 30 September 2018 KD
30 September 2018					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	11,770,944	92,435	-	-	11,863,379
Unquoted managed funds	17,445,993	208,361	(618,835)	(215,207)	16,820,312
	<u>29,216,937</u>	<u>300,796</u>	<u>(618,835)</u>	<u>(215,207)</u>	<u>28,683,691</u>
<i>Financial assets at fair value through profit or loss:</i>					
Unquoted equity securities	-	-	-	1,188,798	1,188,798
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,188,798</u>	<u>1,188,798</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the nine months ended 30 September 2019.

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Set out below are the significant unobservable inputs to valuation as at 30 September 2019:

	<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 (DLOM)	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.
		PBV multiple derived from quoted prices of peers		
		company adjusted for the effect of non-marketability of the equity securities	10%	An increase (decrease) by 10% in the adjusted market multiple of the peer group would result in increase (decrease) in fair value by KD 787 thousands.
Unquoted managed funds	Adjusted net assets value	Discount for lack of marketability	10%	An increase (decrease) by 10% in the Discount for lack of would result in increase (decrease) in fair value by KD 1,529 thousands.

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13 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has four reportable segments: General risk insurance, life and medical insurance, reinsurance and investment. The following table presents revenue, profit, (loss), assets, and liabilities information of the Group's reportable segments:

	General risk insurance						Total KD	
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD	Investment KD		Unallocated KD
30 September 2019								
Segment revenue	2,656,255	5,248,855	1,052,177	14,276,920	32,909,284	7,784,234	64,001,655	
Segment results	1,117,591	660,697	515,057	(491,357)	4,044,815	3,429,909	8,717,510	
Assets								
Liabilities								
				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
				14,586,618	150,491,107	95,590,201	42,362,513	303,030,439
				38,492,023	98,793,993	16,152	50,883,586	188,185,754
31 December 2018 (Audited)								
				Life and medical insurance KD	Reinsurance KD	Investment KD	Unallocated KD	Total KD
				14,035,643	38,343,042	10,578,564	168,831	75,683,619
				541,330	3,708,204	3,742,835	(1,723,170)	10,941,879
Segment revenue	3,246,266	7,409,160	1,902,113	14,035,643	38,343,042	10,578,564	168,831	75,683,619
Segment results	1,740,389	1,957,066	975,225	541,330	3,708,204	3,742,835	(1,723,170)	10,941,879
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
Liabilities				14,063,858	129,470,870	94,180,080	42,824,347	280,539,155
				32,025,405	80,777,069	15,448	52,397,765	165,215,687

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13 SEGMENT INFORMATION (continued)

30 September 2018	General risk insurance					Total KD		
	Marine and aviation KD	Accident KD	Fire KD	Life and medical insurance KD	Reinsurance KD			
Segment revenue	2,461,478	5,824,232	1,129,715	13,129,945	28,137,212	59,761,254		
Segment results	1,248,410	1,699,099	560,926	195,758	3,109,725	8,335,903		
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
				14,301,849	132,336,748	98,513,914	44,695,436	289,847,947
Liabilities				35,579,211	84,433,542	12,787	52,851,387	172,876,927