

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 March 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 31 March 2019, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three 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

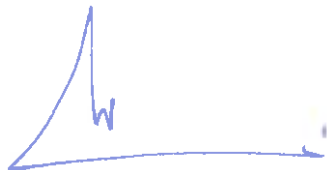
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 three month period ended 31 March 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)

16 May 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
Revenues:			
Gross premiums written		45,248,605	40,672,063
Premiums ceded to reinsurers		(5,579,997)	(5,949,629)
Net premiums written		39,668,608	34,722,434
Movement in unearned premiums		(13,933,551)	(13,250,908)
Net premiums earned		25,735,057	21,471,526
Commission income on ceded reinsurance		1,694,601	2,063,889
Policy issuance fees		99,555	132,024
Investment income	5	3,526,495	1,746,555
Rental income from investment properties		162,531	167,750
Other income		40,249	105,645
Total revenues		31,258,488	25,687,389
Expenses:			
Net claims incurred		(13,373,407)	(8,485,113)
Commissions and premiums' acquisition costs		(3,196,948)	(2,825,151)
Movement in life mathematical reserve		(7,654,000)	(8,797,000)
Maturity and cancellation of life insurance policies		(408,214)	(130,502)
Investment property expenses		(28,188)	(21,010)
Administrative expenses		(1,675,819)	(1,628,881)
Impairment loss on financial assets available for sale	6	(1,023,965)	(391,658)
Impairment loss on receivables		(200,000)	(230,000)
Total expenses		(27,560,541)	(22,509,315)
Profit before share of associates income		3,697,947	3,178,074
Share of results of associates		(338,979)	(133,013)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		3,358,968	3,045,061
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(27,101)	(26,144)
National Labour Support Tax (NLST)		(78,841)	(74,126)
Zakat		(31,536)	(29,650)
PROFIT FOR THE PERIOD		3,221,490	2,915,141
Attributable to:			
Equity holders of the Parent Company		3,101,295	2,836,926
Non-controlling interests		120,195	78,215
		3,221,490	2,915,141
BASIC AND DILUTED EARNINGS PER SHARE	3	15.78 fils	14.43 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 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
Profit for the period		3,221,490	2,915,141
Other comprehensive (loss) income:			
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>			
- Foreign currency translation adjustments		28,377	(102,046)
- Net unrealised (loss) gain of financial assets available for sale		(1,863,848)	760,978
- Gain on sale of financial assets available for sale	5	(2,047,293)	(341,012)
- Impairment loss on financial assets available for sale	6	1,023,965	391,658
- Share of other comprehensive loss of associates		(9,789)	(2,165)
Other comprehensive (loss) income for the period		(2,868,588)	707,413
Total comprehensive income for the period		352,902	3,622,554
Attributable to:			
Equity holders of the Parent Company		185,105	3,544,353
Non-controlling interests		167,797	78,201
		352,902	3,622,554


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 31 March 2019

		(Audited)	
	Notes	31 March 2019 KD	31 December 2018 KD
			31 March 2018 KD
ASSETS			
Property and equipment		3,799,331	3,853,208
Investment properties		11,819,668	11,819,966
Investment in associates		19,241,660	19,574,492
Financial assets held to maturity		19,399,600	19,399,600
Loans secured by life insurance policyholders		99,208	174,707
Financial assets available for sale	6	58,408,839	63,923,359
Financial assets at fair value through profit or loss		1,199,767	1,196,227
Receivables arising from reinsurance contracts and premium accruals		35,578,700	23,121,069
Reinsurance recoverable on outstanding claims		54,121,263	42,632,079
Premiums and insurance balances receivable		19,922,734	20,558,129
Accounts receivable and other debit balances		11,540,565	7,417,085
Term deposits	4	70,197,700	60,918,861
Bank balances and cash	4	4,476,911	5,950,373
TOTAL ASSETS		309,805,946	280,539,155
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent Company			
Share capital		20,000,000	20,000,000
Statutory reserve	7	20,000,000	20,000,000
Voluntary reserve		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
Cumulative changes in fair values reserve		5,466,849	8,411,416
Foreign currency translation reserve		40,699	12,322
Retained earnings		19,401,905	23,179,885
Other reserve		132,418	121,193
Equity attributable to equity holders of the Parent Company		99,237,614	105,920,559
Non-controlling interests		9,548,422	9,402,909
Total equity		108,786,036	115,323,468
Liabilities			
Technical reserves arising from insurance and reinsurance contracts:			
Outstanding claims reserve		110,472,633	96,043,133
Unearned premiums reserve		34,254,480	20,320,929
Life mathematical reserve		14,826,000	7,172,000
Incurred but not reported reserve		14,128,666	13,298,699
Total technical reserves arising from insurance and reinsurance contracts		173,681,779	136,834,761
Bank overdraft	4	26,811	3,305,421
Insurance and reinsurance payables		11,817,363	16,073,005
Accounts payable and other credit balances		15,493,957	8,940,239
Premiums received in advance		-	62,261
Total liabilities		201,019,910	165,215,687
TOTAL EQUITY AND LIABILITIES		309,805,946	280,539,155


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 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST, and Zakat		3,358,968	3,045,061
Adjustments to reconcile profit for the period to net cash flows:			
Depreciation of property and equipment		68,245	63,979
Share of results of associates		338,979	133,013
Gain on sale of financial assets available for sale	5	(2,047,293)	(341,012)
Impairment loss on financial assets available for sale	6	1,023,965	391,658
Interest income on bonds and term deposits	5	(783,083)	(735,420)
Dividend income	5	(646,319)	(621,810)
Income from funds		(49,800)	(48,313)
Impairment loss on receivables		200,000	230,000
Interest expense		8,619	1,996
Provision for employees' end of service benefits		71,660	61,701
Loss on sale of property and equipment		-	(230)
		<u>1,543,941</u>	<u>2,180,623</u>
Changes in operating assets and liabilities:			
Receivables arising from reinsurance contracts and premium accruals		(12,457,631)	(10,638,960)
Reinsurance recoverable on outstanding claims		(11,488,025)	1,984,430
Premiums and insurance balances receivable		435,395	(6,759,511)
Accounts receivable and other debit balances		(3,703,451)	(4,212,581)
Net change in insurance and reinsurance contract liabilities		36,814,021	18,883,879
Insurance and reinsurance payables		(4,255,642)	290,283
Accounts payable and other credit balances		(528,218)	295,833
Premiums received in advance		(62,261)	(51,223)
		<u>6,298,129</u>	<u>1,972,773</u>
Cash flows from operations			
Employees' end of service benefits paid		(1,147)	(49,094)
		<u>6,296,982</u>	<u>1,923,679</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment		(14,968)	(7,613)
Proceeds from sale of property and equipment		-	230
Purchase of financial assets available for sale		(2,386,110)	(2,471,772)
Proceeds from sale of financial assets available for sale		6,013,715	2,677,079
Proceeds from investment in associates		53,913	-
Net movement in loans secured by life insurance policyholders		75,499	(68,830)
Term deposits		(3,576,191)	(56,060)
Dividends received		514,271	444,527
Income received from funds		49,800	48,313
Interest received		496,854	571,607
Acquisition of additional shares of the subsidiary		(11,059)	-
		<u>1,215,724</u>	<u>1,137,481</u>
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Dividends paid		(5,330)	(36,570)
Interest expense paid		(8,619)	(1,996)
		<u>(13,949)</u>	<u>(38,566)</u>
Net cash flows used in financing activities			
Foreign currency translation adjustment		9,039	8,223
		<u>7,507,796</u>	<u>3,030,817</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period	4	3,435,050	9,672,677
		<u>10,942,846</u>	<u>12,703,494</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4		

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 31 March 2019

	Share capital KD	Statutory reserve KD	General 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	-	-	-	-	-	-	-	-	3,101,295	-	3,101,295	120,195	3,221,490	
Other comprehensive (loss) income for the period	-	-	-	-	-	(2,944,567)	28,377	-	-	-	(2,916,190)	47,602	(2,868,588)	
Total comprehensive (loss) income for the period	-	-	-	-	-	(2,944,567)	28,377	-	(6,879,275)	-	185,105	167,797	352,902	
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	-	-	(6,879,275)	-	(6,879,275)	
Change of ownership percentage in a subsidiary	-	-	-	-	-	-	-	-	-	11,225	-	(22,284)	(11,059)	
Balance at 31 March 2019	20,000,000	20,000,000	20,000,000	14,000,000	(1,278,932)	1,474,675	5,466,849	40,699	19,401,905	132,418	99,237,614	9,548,422	108,786,036	

	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 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 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	-	-	-	-	-	-	-	-	2,836,926	-	2,836,926	78,215	2,915,141
Other comprehensive income (loss) for the period	-	-	-	-	-	-	809,473	(102,046)	-	-	707,427	(14)	707,413
Total comprehensive income (loss) for the period	-	-	-	-	-	-	809,473	(102,046)	(6,879,276)	-	3,544,353	78,201	3,622,554
Cash dividends (Note 7)	-	-	-	-	-	-	-	-	(6,879,276)	-	(6,879,276)	-	(6,879,276)
Balance at 31 March 2018	20,000,000	20,000,000	20,000,000	13,000,000	(1,278,932)	1,474,675	13,880,627	219,011	17,523,991	105,028	104,924,400	3,558,161	108,482,561

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 31 March 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 three months period ended 31 March 2019 were authorized for issuance by the Board of Directors on 13 May 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 three months' period ended 31 March 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 statements 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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 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 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 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 31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Profit for the period attributable to equity holders of the Parent Company	3,101,295	2,836,926
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	196,550,725	196,550,725
Basic and diluted earnings per share	15.78 fils	14.43 fils

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2019

4 CASH AND CASH EQUIVALENTS

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
Term deposits	70,197,700	60,918,861	56,140,385
Bank balances and cash	4,476,911	5,950,373	7,703,494
	<u>74,674,611</u>	<u>66,869,234</u>	<u>63,843,879</u>
Less:			
Term deposits with original maturities of more than three months	(63,704,954)	(60,128,763)	(51,140,385)
Bank overdraft	(26,811)	(3,305,421)	-
	<u>10,942,846</u>	<u>3,435,050</u>	<u>12,703,494</u>

Term deposits amounting to KD 900,086 (31 December 2018: KD 900,086 and 31 March 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 31 March 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>31 March</i>	
	<i>2019</i> <i>KD</i>	<i>2018</i> <i>KD</i>
Gain on sale of financial assets available for sale	2,047,293	341,012
Interest income on bonds and term deposits	783,083	735,420
Dividend income	646,319	621,810
Income from funds	49,800	48,313
	<u>3,526,495</u>	<u>1,746,555</u>

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March</i> <i>2019</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2018</i> <i>KD</i>	<i>31 March</i> <i>2018</i> <i>KD</i>
<i>Local equity securities:</i>			
Quoted	23,787,093	22,663,209	22,581,917
Unquoted	4,337,530	5,032,546	6,907,698
	<u>28,124,623</u>	<u>27,695,755</u>	<u>29,489,615</u>
<i>Foreign equity securities:</i>			
Quoted	812,447	625,055	5,696,423
Unquoted	12,517,459	14,764,309	18,264,245
	<u>13,329,906</u>	<u>15,389,364</u>	<u>23,960,668</u>
Managed funds			
Quoted	446,444	1,101,756	1,339,675
Unquoted	16,167,277	19,395,895	20,298,683
Bonds	340,589	340,589	636,452
	<u>16,954,310</u>	<u>20,838,240</u>	<u>22,274,810</u>
	<u>58,408,839</u>	<u>63,923,359</u>	<u>75,725,093</u>

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6 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

As at 31 March 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 1,023,965 (31 December 2018: KD 1,406,274 and 31 March 2018: KD 391,658) 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 31 March 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 from the profit of the year ended 31 December 2018 to the special voluntary reserve.

9 TREASURY SHARES

	<i>31 March 2019</i>	<i>(Audited) 31 December 2018</i>	<i>31 March 2018</i>
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>1,483,188</u>	<u>1,472,840</u>	<u>1,655,652</u>

An amount of KD 1,278,932 (31 December 2018: KD 1,278,932 and 31 March 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 31 March 2019 is 429 fils per share (31 December 2018: 410 fils per share and 31 March 2018: 422 fils per share).

10 CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 March 2019, the Group had future capital commitments with respect to financial assets available for sale of KD 4,078,581 (31 December 2018: KD 3,016,376 and 31 March 2018: KD 3,973,834) and has contingent liabilities in respect of letter of credit granted by a bank amounting to KD 3,577,679 (31 December 2018: KD 754,099 and 31 March 2018: KD 3,127,387 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:

Three months period ended	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
31 March 2019					
Gross premiums	1,692	18,990	465,713	-	486,395
Claims incurred	-	127,119	49,969	-	177,088

Three months period ended	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
31 March 2018					
Gross premiums	2,456	10,027	406,592	26,000	445,075
Claims incurred	-	1,633	110,325	3,023	114,981

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

	Key management and board members KD	Associates KD	Parent Company's shareholders KD	Others KD	Total KD
31 March 2019					
Premiums and insurance balances receivable	23,305	199,288	2,506,482	1,860	2,730,935
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	-	-	-	-	-
31 March 2018					
Premiums and insurance balances receivable	21,421	219,162	4,178,998	289,050	4,708,631
Other credit balances	-	-	50,455	2,835	53,290

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11 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short term benefits	162,516	198,778
Employees' end of service benefits	18,498	16,431
	<u>181,014</u>	<u>215,209</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 11,561,387 (31 December 2018: KD 13,489,547 and 31 March 2018: KD 16,431,677) 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</i>	<i>Significant</i>	
	<i>active markets</i>	<i>unobservable</i>	
	<i>(Level 1)</i>	<i>inputs</i>	<i>Total fair</i>
	<i>KD</i>	<i>(Level 3)</i>	<i>Value</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
31 March 2019			
<i>Financial assets available for sale:</i>			
Quoted equity securities	24,599,540	-	24,599,540
Quoted managed funds	446,444	-	446,444
Unquoted equity securities	-	6,717,574	6,717,574
Unquoted managed funds	-	15,083,894	15,083,894
Total	<u>25,045,984</u>	<u>21,801,468</u>	<u>46,847,452</u>
<i>Financial assets at fair value through profit or loss:</i>			
Unquoted equity securities	-	1,199,767	1,199,767
	-	1,199,767	1,199,767

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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			
<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
31 March 2018			
<i>Financial assets available for sale:</i>			
Quoted equity securities	28,278,340	-	28,278,340
Quoted managed funds	1,339,675	-	1,339,675
Unquoted equity securities	-	11,778,819	11,778,819
Unquoted managed funds	-	17,896,582	17,896,582
Total	29,618,015	29,675,401	59,293,416

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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 consolidated statement of comprehensive income KD</i>	<i>Net results recorded in the interim consolidated statement of income KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>At the end of the period KD</i>
31 March 2019					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	8,683,153	(1,965,579)	-	-	6,717,574
Unquoted managed funds	17,360,639	(337,026)	-	(1,939,719)	15,083,894
	<u>26,043,792</u>	<u>(2,302,605)</u>	<u>-</u>	<u>(1,939,719)</u>	<u>21,801,468</u>
<i>Financial assets at fair value through profit or loss:</i>					
Unquoted equity securities	1,196,227	3,540	-	-	1,199,767
	<u>1,196,227</u>	<u>3,540</u>	<u>-</u>	<u>-</u>	<u>1,199,767</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 (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>1,196,227</u>	<u>1,196,227</u>

	<i>At the beginning of the period</i> KD	<i>Net results recorded in the interim condensed consolidated statement of comprehensive income</i> KD	<i>Net results recorded in the interim condensed consolidated statement of income</i> KD	<i>Net purchases, transfer, sales and settlements</i> KD	<i>At the end of the period</i> KD
31 March 2018					
<i>Financial assets available for sale:</i>					
Unquoted equity securities	11,770,944	7,875	-	-	11,778,819
Unquoted managed funds	17,445,993	654,615	(91,658)	(112,368)	17,896,582
	<u>29,216,937</u>	<u>662,490</u>	<u>(91,658)</u>	<u>(112,368)</u>	<u>29,675,401</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	Discount for lack of marketability & lack of Control Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	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 7,917 thousands.
Unquoted managed funds	Price to book value Adjusted net assets value	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 7,917 thousands. An increase (decrease) by 10% in the Discount for lack of marketability would result in increase (decrease) in fair value by KD 15,084 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:

31 March 2019	General risk insurance				Life and medical insurance KD	Reinsurance KD	Investment KD	Unallocated KD	Total KD
	Marine and aviation KD	Accident KD	Fire KD						
Segment revenue	909,788	2,040,381	336,892		12,220,598	12,021,554	3,689,026	40,249	31,258,488
Segment results	196,347	159,127	117,014		302,880	1,714,326	1,222,224	(352,950)	3,358,968
Assets								General risk insurance KD	Total KD
Liabilities									
					20,662,970	147,545,104	96,205,088	45,392,784	309,805,946
					42,075,211	97,997,564	16,807	60,930,328	201,019,910
31 December 2018 (Audited)	General risk insurance				Life and medical insurance KD	Reinsurance KD	Investment KD	Unallocated KD	Total KD
	Marine and aviation KD	Accident KD	Fire KD						
Segment revenue	3,246,266	7,409,150	1,902,113		14,035,643	38,343,042	10,578,564	168,831	75,683,619
Segment results	1,740,389	1,957,056	975,225		541,330	3,708,204	3,742,835	(1,723,170)	10,941,879
Assets								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 RESULTS (continued)

31 March 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	863,660	2,405,778	502,584	10,988,389	8,907,028	1,914,305	105,645	25,687,389
Segment results	380,560	1,071,440	333,417	(17,143)	1,067,449	584,783	(375,445)	3,045,061
Assets				Life and medical insurance KD	Reinsurance KD	Investment KD	General risk insurance KD	Total KD
Liabilities				25,606,667	126,927,112	88,281,359	45,148,548	285,963,686
				38,823,403	81,288,979	-	57,368,743	177,481,125