

AL AHLIA INSURANCE COMPANY B.S.C.

CONDENSED INTERIM
FINANCIAL INFORMATION
SEPTEMBER 30, 2017

AL AHLIA INSURANCE COMPANY B.S.C.

Commercial registration number	5091 obtained on 17 August 1976	
Board of Directors	Dr. Osama Taqi Al Baharna - Chairman Mr. Abdullellah Al Qassimi - Vice Chairman Mr. Abbas Al Radhi Mr. Sharif Mohamed Ahmadi (effective from 15 January 2017) Mr. Hani Al Maskati (effective from 15 January 2017) Mr. M. Venkatesan Dr. Ali Al Wazani (effective from 15 January 2017) Mr. Adel Hassan Al A'Ali (until 15 January 2017)	- Non Independent Non-Executive - Non Independent Non-Executive - Non Independent Non-Executive - Independent Non-Executive - Independent Non-Executive - Non Independent Executive - Non Independent Executive - Independent Non-Executive
Executive committee	Mr. Abbas Al Radhi - Chairman Dr. Osama Taqi Al Baharna Mr. M. Venkatesan Dr. Ali Al Wazani (effective from 15 January 2017)	
Audit committee	Mr. Hani Al Maskati - Chairman (effective from 15 January 2017) Mr. Abdullellah Al Qassimi Mr. Sharif Mohamed Ahmadi (effective from 15 January 2017) Mr. Adel Hassan Al A'Ali (until 15 January 2017)	
Nomination, remuneration corporate governance committee	Mr. Sharif Mohamed Ahmadi - Chairman (effective from 15 January 2017) Mr. Abbas Al Radhi Mr. Hani Al Maskati (effective from 15 January 2017) Mr. Adel Hassan Al A'Ali (until 15 January 2017)	
Registered office	4 th Floor, Chamber of Commerce Building P.O. Box 5282 Manama, Kingdom of Bahrain	
Principal banker	Ahli United Bank	
Auditor	Deloitte & Touche – Middle East P.O. Box 421 Manama, Kingdom of Bahrain	
Actuary	Lux Actuaries & Consultants P.O. Box 50912 Muharraq, Kingdom of Bahrain	

AL AHLIA INSURANCE COMPANY B.S.C.

CONTENTS

	<u>Page (s)</u>
Independent auditor's review report	1
Condensed interim financial information: Interim statement of financial position	2
Interim statement of profit or loss	3
Interim statement of other comprehensive income	4
Interim statement of changes in equity	5
Interim statement of cash flows	6
Notes to the condensed interim financial information	7 to 17

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors
Al Ahlia Insurance Company B.S.C.
Kingdom of Bahrain

Introduction

We have reviewed the accompanying interim statement of financial position of Al Ahlia Insurance Company B.S.C. (the "Company") as at September 30, 2017 and the related interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim 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 condensed interim financial information is not prepared, in all material respect, in accordance with International Accounting Standard 34.

Other matter

The financial statements and the condensed interim financial information of the Company for the year ended December 31, 2016 and nine-month period ended September 30, 2016, were audited and reviewed respectively by another auditor who expressed an unqualified opinion and unqualified conclusion thereon in his report dated February 28, 2017 and November 11, 2016 respectively.

Deloitte & Touche,

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 157

Manama, Kingdom of Bahrain
November 13, 2017

AL AHLIA INSURANCE COMPANY B.S.C.
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2017

	Notes	(Unaudited) September 30, 2017 BD	(Audited) December 31, 2016 BD	(Unaudited) September 30, 2016 BD
ASSETS				
Cash and cash equivalents		1,912,413	10,439,741	9,636,903
Term deposits	5	10,755,249	-	-
Statutory deposit		125,000	125,000	125,000
Investments	6	4,971,058	6,592,510	7,471,420
Insurance receivables	7	6,385,440	5,707,137	6,277,458
Deferred policy acquisition costs		283,440	380,335	311,506
Reinsurer's share of technical provisions	8	6,669,331	5,439,787	5,558,078
Other receivables		407,259	291,242	270,918
Property and equipment		840,100	850,475	852,034
Total assets		<u>32,349,290</u>	<u>29,826,227</u>	<u>30,503,317</u>
LIABILITIES				
Technical provisions	9	14,984,210	12,819,071	13,612,442
Insurance payables	10	1,773,955	1,167,677	1,266,447
Other payables		2,288,722	2,006,071	1,568,185
Employees' terminal benefits		170,456	154,769	163,357
Total liabilities		<u>19,217,343</u>	<u>16,147,588</u>	<u>16,610,431</u>
Total net assets		<u>13,131,947</u>	<u>13,678,639</u>	<u>13,892,886</u>
SHAREHOLDERS' EQUITY				
Share capital	11	6,184,939	6,184,939	6,184,939
Reserves (page 5)		4,660,697	4,970,175	4,761,459
Retained earnings (page 5)		2,286,311	2,523,525	2,946,488
TOTAL SHAREHOLDERS' EQUITY		<u>13,131,947</u>	<u>13,678,639</u>	<u>13,892,886</u>


The condensed interim financial information was approved and authorised for issue on November 13, 2017 and signed on behalf of the Directors by:



Dr. Osama Taqi Al Baharna
Chairman



Abdullellah Al Qassimi
Vice Chairman



Jawad Mohammed
General Manager

The attached notes 1 to 17 form part of this condensed interim financial information

AL AHLIA INSURANCE COMPANY B.S.C.
INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

		(Unaudited) Nine month period ended September 30, 2017 BD	(Unaudited) Nine month period ended September 30, 2016 BD	(Unaudited) Three month period ended September 30, 2017 BD	(Unaudited) Three month period ended September 30, 2016 BD
Gross premiums		10,397,345	10,591,138	3,026,953	3,428,579
Reinsurance ceded		(5,423,822)	(4,738,247)	(1,507,684)	(1,416,134)
Retained premiums		4,973,523	5,852,891	1,519,269	2,012,445
Adjustment in unearned premiums		47,837	(363,721)	132,124	(74,389)
Net premiums earned		5,021,360	5,489,170	1,651,393	1,938,056
Gross claims paid		(5,974,032)	(4,078,299)	(2,708,982)	(1,776,944)
Claims recovered from reinsurers		2,189,241	1,307,652	1,172,048	667,302
Outstanding claims adjustment – gross		(2,461,205)	(1,940,392)	205,422	(553,589)
Outstanding claims adjustment – reinsurance recoveries		1,362,716	945,132	(421,175)	201,602
Net claims incurred		(4,883,280)	(3,765,907)	(1,752,687)	(1,461,629)
Management expenses		(476,708)	(446,684)	(154,927)	(165,562)
Net commission income		66,291	184,063	(2,533)	73,018
Underwriting (loss)/profit for the period	14	(272,337)	1,460,642	(258,754)	383,883
Investment income	13	722,520	242,213	142,554	2,089
Other income		27,658	7,657	22,302	164
General and administrative expenses		(715,055)	(670,022)	(232,358)	(218,347)
Impairment on available-for-sale investments		-	(588,900)	-	(342,200)
Net (loss)/profit for the period		(237,214)	451,590	(326,256)	(174,411)
Basic and diluted earnings per share	12	(Fils 3.84)	Fils 7.30	(Fils 5.28)	(Fils 2.82)

The condensed interim financial information was approved and authorised for issue on November 13, 2017 and signed on behalf of the Directors by:



Dr. Osama Taqi Al Baharna
Chairman



Abdullellah Al Qassimi
Vice Chairman



Jawad Mohammed
General Manager

The attached notes 1 to 17 form part of this condensed interim financial information

AL AHLIA INSURANCE COMPANY B.S.C.
INTERIM STATEMENT OF
OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	<u>(Unaudited)</u> <u>Nine month</u> <u>period ended</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Unaudited)</u> <u>Nine month</u> <u>period ended</u> <u>September 30,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Unaudited)</u> <u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Net (loss)/profit for the period	(237,214)	451,590	(326,256)	(174,411)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Net change in fair value of financial assets at fair value through other comprehensive income	6 5,171	-	23,578	-
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of financial assets classified as available-for-sale investments	6 -	384,532	-	14,624
Transfer of impairment losses to statement of profit or loss on impairment of available-for-sale investments	-	(12,160)	-	(68,990)
Reclassification adjustments relating to available-for-sale investments disposed of in the period.	-	115,313	-	79,286
Total other comprehensive income for the period	5,171	487,685	23,578	24,920
Total comprehensive (loss)/profit for the period	(232,043)	939,275	(302,678)	(149,491)

The attached notes 1 to 17 form part of this condensed interim financial information

AL AHLIA INSURANCE COMPANY B.S.C.
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

	Reserves						Total reserves BD	Retained earnings BD	Total BD
	Share Capital BD	Statutory reserve BD	Investment fair value reserve BD	Property revaluation reserve BD	Total reserves BD	Total reserves BD			
As at December 31, 2015 (audited)	6,184,939	2,406,473	1,119,989	747,312	4,273,774	4,273,774	2,494,898	12,953,611	
Total comprehensive income for the period	-	-	487,685	-	487,685	487,685	451,590	939,275	
As at September 30, 2016 (unaudited)	6,184,939	2,406,473	1,607,674	747,312	4,761,459	4,761,459	2,946,488	13,892,886	
As at December 31, 2016 (audited)	6,184,939	2,409,654	1,813,209	747,312	4,970,175	4,970,175	2,523,525	13,678,639	
Transition adjustment on adoption of IFRS 9 (Note 13)	-	-	(314,649)	-	(314,649)	(314,649)	-	(314,649)	
Total comprehensive income for the period	-	-	5,171	-	5,171	5,171	(237,214)	(232,043)	
As at September 30, 2017 (unaudited)	6,184,939	2,409,654	1,503,731	747,312	4,660,697	4,660,697	2,286,311	13,131,947	

The attached notes 1 to 17 form part of this condensed interim financial information

AL AHLIA INSURANCE COMPANY B.S.C.
INTERIM STATEMENT OF CASH FLOWS

	Notes	(Unaudited) Nine-month period ended September 30, 2017 BD	(Unaudited) Nine-month period ended September 30, 2016 BD
Cash flows from operating activities			
Net (loss)/profit for the period		(237,214)	451,590
Adjustments for:			
Depreciation		18,183	18,501
Dividend income	13	(287,163)	(337,770)
Interest income	13	(217,812)	(54,093)
Impairment losses on available-for-sale investments		-	588,900
Net loss on sale of available-for-sale investments	13	-	149,650
Transition adjustment on adoption of IFRS 9	13	(314,649)	-
Gain on sale of property and equipment		-	(3,850)
Gain on sale of held to maturity investments	13	(10,320)	-
Accretion of premium on held to maturity investments	13	1,358	-
Loss on sale of financial assets at fair value through profit or loss	13	89,049	-
Employee end of service benefits – charge, net		15,687	9,498
Changes in operating assets and liabilities:			
Insurance receivables		(678,303)	(1,348,088)
Deferred policy acquisition costs		96,895	(26,532)
Reinsurer's share of technical provisions		(1,229,544)	(2,350,930)
Other receivables		(116,017)	(21,822)
Technical provisions		2,165,139	3,685,093
Insurance payables		606,278	(53,874)
Other payables		282,651	(192,507)
Net cash generated from operating activities		<u>184,218</u>	<u>513,766</u>
Cash flows from investing activities			
Increase in term deposits		(10,755,249)	-
Dividends received		287,163	337,770
Interest received		217,812	54,093
Payments to acquire investments	6	(5,599,375)	(51,360)
Proceeds from disposal of investments		7,145,911	413,095
Payments to acquire property and equipment		(7,808)	(47,051)
Proceeds from disposal of Property and equipment		-	3,850
Net cash (used in)/generated from investing activities		<u>(8,711,546)</u>	<u>710,397</u>
Cash flows from financing activity			
Dividends paid		-	(51,407)
Net (decrease)/increase in cash and cash equivalents		<u>(8,527,328)</u>	<u>1,172,756</u>
Cash and cash equivalents, beginning of the period		<u>10,439,741</u>	<u>8,464,147</u>
Cash and cash equivalents, end of the period		<u><u>1,912,413</u></u>	<u><u>9,636,903</u></u>

The attached notes 1 to 17 form part of this condensed interim financial information

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

1. INCORPORATION AND ACTIVITIES:

Al Ahlia Insurance Company B.S.C. (the “Company”) is a public shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 5091 obtained on August 17, 1976.

The Company is licensed to carry out insurance and reinsurance of all risks.

The Company is a subsidiary of Solidarity Group Holding B.S.C. (c) (the “Parent Company”), a company registered in the Kingdom of Bahrain.

The registered office of the Company is at the 4th Floor, Bahrain Chamber of Commerce Building, Manama, Kingdom of Bahrain.

2. BASIS OF PREPARATION:

The condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

The condensed interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. For more details, please refer to the audited financial statements for the year ended December 31, 2016.

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 period are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2017.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs):

3.1 Early adopted Standard during the current period

The Company early adopted IFRS 9 with a date of initial application of January 1, 2017. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: *Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes to the Company’s accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated.

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs): (CONTINUED)

3.1 Early adopted Standard during the current period (Continued)

Classification of financial assets and financial liabilities (continued)

Instead, the whole hybrid instrument is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

Financial liabilities previously measured at amortised cost under IAS 39 have been classified and measured under IFRS 9 at amortised cost using the effective interest rate method. There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9.

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required.

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs): (CONTINUED)

3.1 Early adopted Standard during the current period (Continued)

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis without restatement of prior periods as permitted by the Standard. The condensed interim financial information has been prepared under the historical cost convention, modified by the valuation of financial assets measured at their fair values.

Except for the effects of early adoption of IFRS 9 *Financial Instruments*, as detailed in Note 6, the same accounting policies, presentation and methods of computation are followed in this condensed interim financial information as were applied in the preparation of the Company's financial statements for the year ended December 31, 2016.

Standards affecting the disclosures and presentation in the current period

None of the revised Standards that have been adopted in the current period which are effective for annual periods beginning on or after January 1, 2017 have affected the disclosures and presentation in the financial information.

No other standards apart from those disclosed under note 3.1 have been early adopted by the Company during the period ended September 30, 2017.

4. JUDGEMENTS AND ESTIMATES:

The preparation of the condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements as at and for the year ended December 31, 2016.

5. TERM DEPOSITS:

Term deposits comprise of fixed deposits made with banks having maturities of more than three months, and which are subject to insignificant risk of changes in fair value.

The term deposits carry a profit rate which varies from 1.55% to 3.90% p.a. (2016: nil).

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

6. **INVESTMENTS:**

	<u>(Unaudited)</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Equity investments:			
- At FVTPL	-	-	-
- At FVTOCI	1,890,093	-	-
- Available-for-sale	-	6,592,510	7,471,420
Debt investments:			
- At FVTOCI	1,538,198	-	-
- At amortised cost	1,542,767	-	-
	-----	-----	-----
	4,971,058	6,592,510	7,471,420
	=====	=====	=====

As referred in Note 3.1, the Company adopted IFRS 9 at January 1, 2017 and designated certain investments amounting to BD 4,723,140 at FVTPL and BD 1,869,370 at FVTOCI respectively. In 2016, these investments were classified as available-for-sale.

	<u>(Unaudited)</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
<u>Movement in available-for-sale investments:</u>			
Opening balance	6,592,510	8,084,020	8,084,020
Reclassified to FVTPL	(4,723,140)	-	-
Reclassified to FVTOCI	(1,869,370)	-	-
Additions during the year	-	51,360	51,360
Disposals during the year	-	(1,791,529)	(447,432)
Impairment losses for the year / period	-	(228,760)	(601,060)
Unrealised fair value gain recognised in statement of other comprehensive income	-	477,419	384,532
	-----	-----	-----
Closing balance	-	6,592,510	7,471,420
	=====	=====	=====

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

6. **INVESTMENTS: (CONTINUED)**

	<u>(Unaudited)</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
<u>Movement in FVTPL:</u>			
Reclassified from available-for-sale investments	4,723,140	-	-
Additions during the period	11,820	-	-
Disposals during the period	(4,734,960)	-	-
Closing balance	----- -	----- -	----- -
	=====	=====	=====
<u>Movement in FVTOCI:</u>			
Reclassified from available-for-sale investments	1,869,370	-	-
Additions during the period	1,553,750	-	-
Unrealised fair value gain recognised in other comprehensive income	5,171	-	-
Closing balance	----- 3,428,291	----- -	----- -
	=====	=====	=====
<u>Movement in amortised cost</u>			
Reclassified from available-for-sale investments	-	-	-
Additions during the period	4,033,805	-	-
Disposals during the period	(2,489,680)	-	-
Accretion of premium on held to maturity investments	(1,358)	-	-
	----- 1,542,767	----- -	----- -
	=====	=====	=====

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

7. INSURANCE RECEIVABLES:

	<u>(Unaudited)</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Balances with policyholders	2,073,861	2,679,973	2,779,066
Balances with brokers	407,522	656,563	548,264
Balances with insurance companies in relation to subrogation	2,684,427	2,064,402	2,618,815
Balances with insurance and reinsurance companies	1,677,392	763,961	722,024
	-----	-----	-----
Provision for impaired receivables	6,843,202 (457,762)	6,164,899 (457,762)	6,668,169 (390,711)
	-----	-----	-----
	<u>6,385,440</u>	<u>5,707,137</u>	<u>6,277,458</u>

8. REINSURER'S SHARE OF TECHNICAL PROVISIONS:

	<u>(Unaudited)</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Deferred reinsurance premiums	2,576,708	2,709,878	2,898,833
Outstanding claims recoverable from reinsurers	4,092,623	2,729,909	2,659,245
	-----	-----	-----
	<u>6,669,331</u>	<u>5,439,787</u>	<u>5,558,078</u>

9. TECHNICAL PROVISIONS:

	<u>(Unaudited)</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Outstanding claims reserve	8,945,599	6,484,739	6,953,643
Unearned gross premiums	5,761,093	5,942,100	6,277,672
Unearned commissions	277,518	392,232	381,127
	-----	-----	-----
	<u>14,984,210</u>	<u>12,819,071</u>	<u>13,612,442</u>

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

10. **INSURANCE PAYABLES:**

	<u>(Unaudited)</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Policyholders	1,666,603	702,993	1,048,217
Insurance and reinsurance companies	107,352	464,684	218,230
	-----	-----	-----
	<u>1,773,955</u>	<u>1,167,677</u>	<u>1,266,447</u>

11. **SHARE CAPITAL:**

	<u>(Unaudited)</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Audited)</u> <u>December 31,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Authorised share capital			
100,000,000 shares of 100 fils each (2016: 100,000,000 shares of 100 fils each)	10,000,000	10,000,000	10,000,000
	-----	-----	-----
<u>Issued and fully paid-up share capital</u>			
61,886,633 shares of 100 fils each (2016: 61,886,633 shares of 100 fils each)	6,188,663	6,188,663	6,188,663
	-----	-----	-----
Treasury shares	(3,724)	(3,724)	(3,724)
	-----	-----	-----
	<u>6,184,939</u>	<u>6,184,939</u>	<u>6,184,939</u>

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

12. BASIC EARNINGS AND DILUTED EARNINGS PER SHARE:

	<u>(Unaudited)</u> <u>Nine month</u> <u>period ended</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Unaudited)</u> <u>Nine month</u> <u>period ended</u> <u>September 30,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Unaudited)</u> <u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Net (loss)/profit attributable to the shareholders	(237,214)	451,590	(326,256)	(174,411)
Number of ordinary shares	61,840,215	61,840,215	61,840,215	61,840,215
Basic and diluted earnings per 100 fils share	(Fils 3.84)	Fils 7.30	(Fils 5.28)	(Fils 2.82)

The earnings per share has been computed on the basis of net profit for the period divided by the number of shares outstanding for the period, net of 46,416 treasury shares. The Company does not have any potentially dilutive ordinary shares, hence the diluted earnings per share and basic earnings per share are identical.

13. INVESTMENT INCOME:

	<u>(Unaudited)</u> <u>Nine month</u> <u>period ended</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Unaudited)</u> <u>Nine month</u> <u>period ended</u> <u>September 30,</u> <u>2016</u> <u>BD</u>	<u>(Unaudited)</u> <u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2017</u> <u>BD</u>	<u>(Unaudited)</u> <u>Three month</u> <u>period ended</u> <u>September 30,</u> <u>2016</u> <u>BD</u>
Dividend income	287,163	337,770	32,063	10,670
Net loss on disposal of financial assets at FVTPL	(89,049)	-	-	-
Net loss on disposal of available-for-sale investments	-	(149,650)	-	(30,950)
Interest income	217,812	54,093	112,033	22,369
Gain on sale of held to maturity investments	10,320	-	-	-
Accretion of premium on held to maturity investments	(1,358)	-	-	-
Foreign exchange (loss) / gain	(17,017)	-	(1,542)	-
	407,871	242,213	142,554	2,089
Transition adjustment on adoption of IFRS 9	314,649	-	-	-
	<u>722,520</u>	<u>242,213</u>	<u>142,554</u>	<u>2,089</u>

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

14. **SEGMENTAL UNDERWRITING RESULTS:**

The Company's insurance business is organised into four main business segments as follows:

- Fire, general accident and engineering
- Marine cargo, marine hull and aviation
- Life and medical
- Motor - Third party liability and comprehensive

	<u>Nine-month period ended</u> <u>September 30, 2017</u>				
	<u>Fire and</u> <u>general</u>		<u>Life</u> <u>and</u>		
	<u>accident and</u>	<u>Marine</u>	<u>and</u>	<u>Motor</u>	<u>Total</u>
	<u>engineering</u>	<u>and</u>	<u>medical</u>	<u>BD</u>	<u>BD</u>
	<u>BD</u>	<u>aviation</u>	<u>BD</u>	<u>BD</u>	<u>BD</u>
Gross premiums	1,349,126	266,554	4,000,907	4,780,758	10,397,345
Reinsurance ceded	(1,202,504)	(247,381)	(3,636,656)	(337,281)	(5,423,822)
Retained premiums	146,622	19,173	364,251	4,443,477	4,973,523
Adjustment in unearned premium	(3,717)	5,588	54,234	(8,268)	47,837
Net premiums earned	142,905	24,761	418,485	4,435,209	5,021,360
Net earned commission income / (expense)	196,730	30,564	(24,851)	(136,152)	66,291
Net claims incurred	(98,923)	(3,364)	(338,017)	(4,442,976)	(4,883,280)
Management expenses	(61,856)	(12,221)	(183,438)	(219,193)	(476,708)
Underwriting profit / (loss) for the period	178,856	39,740	(127,821)	(363,112)	(272,337)
Loss ratios	69%	14%	81%	100%	97%

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

14. **SEGMENTAL UNDERWRITING RESULTS: (CONTINUED)**

	<u>Nine-month period ended</u> <u>September 30, 2016</u>				
	<u>Fire and</u> <u>general</u> <u>accident</u> <u>and</u> <u>engineering</u> <u>BD</u>	<u>Marine</u> <u>and</u> <u>aviation</u> <u>BD</u>	<u>Life</u> <u>and</u> <u>medical</u> <u>BD</u>	<u>Motor</u> <u>BD</u>	<u>Total</u> <u>BD</u>
Gross premiums	1,658,657	309,489	3,861,226	4,761,766	10,591,138
Reinsurance ceded	(1,500,066)	(280,861)	(2,686,561)	(270,759)	(4,738,247)
Retained premiums	158,591	28,628	1,174,665	4,491,007	5,852,891
Adjustment in unearned premium	17,466	9,273	71,067	(461,527)	(363,721)
Net premiums earned	176,057	37,901	1,245,732	4,029,480	5,489,170
Net earned commission income/(expense)	301,482	43,349	14,397	(175,165)	184,063
Net claims incurred	(14,913)	(13,186)	(1,177,948)	(2,559,860)	(3,765,907)
Management expenses	(69,954)	(13,053)	(162,848)	(200,829)	(446,684)
Underwriting profit for the period	392,672	55,011	(80,667)	1,093,626	1,460,642
Loss ratios	8%	35%	95%	64%	69%

The activities of the Company are restricted to carrying out insurance and re-insurance business, a significant portion of which is concentrated in the GCC countries which are subject to similar risks and rewards and, therefore, no geographical segmental information has been presented.

15. **INTERIM RESULTS:**

The interim net profit for the nine months period ended September 30, 2016 may not represent a proportionate share of the annual net profit or loss mainly due to the variability in timing of the receipt of dividend and investment income.

The Company's income from development is cyclical and is linked to various project progress milestones and hence reported income of one period is not comparable with other period.

AL AHLIA INSURANCE COMPANY B.S.C.
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

16. **MERGER WITH SOLIDARITY GENERAL TAKAFUL B.S.C. (c):**

The Parent Company acquired 71.46% of the total issued and paid up ordinary shares of the Company in December 2016, via a voluntary conditional offer. As part of the Parent Company's strategic plan for the Company, the Parent Company intends to convert the Company from its conventional nature to being a Takaful company and merge with Solidarity General Takaful B.S.C. (c) ("SGT"), a wholly-owned subsidiary of the Parent Company.

Such a merger is to take place through the transfer of business, assets and liabilities as an ongoing concern from SGT to the Company against issuance of ordinary shares in the Company to the shareholders of SGT at a swap ratio in accordance with the procedure laid out by the Central Bank of Bahrain, Bahrain Bourse and other laws and regulations as applicable.

An Extra Ordinary General Meeting was held on 3 August 2017, whereby the following was resolved:

- The conversion of the Company's insurance license from Conventional insurance licensee to Islamic insurance licensee (Takaful) subject to the necessary approval from the regulatory authorities.
- The merger between the Company and SGT via transfer of business, assets and liabilities from SGT to the Company against issuance of ordinary shares in the Company at the Swap Ratio of 2.5:1 to SGT shareholders, and to approve the Merger Agreement between SGT and the Company to capture the transfer of assets and liabilities, subject to the necessary approval from the regulatory authorities.
- Changing the Company's name from Al Ahlia Insurance Company B.S.C. to Solidarity Bahrain B.S.C. upon conclusion of merger in line with the Merger Agreement.
- The increase of the issued and paid up share capital of the Company (for the purpose of paying the consideration for the acquisition of SGT' assets and businesses) from BHD 6,188,663 represents (61,886,633 shares) to 11,188,663 represents (111,886,633 shares) through the issuance of 50,000,000 new ordinary shares representing this increase, with each share remaining at a nominal value of 100 Fils in favour of the shareholders of SGT subject to the approval of the regulatory authorities.

Following the merger all rights and liabilities of SGT will be transferred to the Company and SGT shall cease business and be dissolved.

17. **COMPARATIVE FIGURES:**

Certain prior period figures have been represented to conform to the current period presentation. This did not affect the financial position or results for the period.