

**Wethaq Takaful Insurance Company K.S.C.P.
and subsidiaries
State of Kuwait**

**Consolidated Financial Statements and Independent Auditors'
Report for the year ended 31 December 2015**

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Index	Page
Independent auditors' report	1 – 2
Consolidated statement of financial position	3
Consolidated statement of profit or loss	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6 – 7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9 – 53

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Consolidated statement of financial position
as at 31 December 2015

	Note	2015 KD	2014 KD
Assets			
Bank balances and cash		1,308,990	240,860
Investments at fair value through profit or loss	4	275,874	427,511
Other assets		157,243	259,511
Available for sale investments	5	3,878,566	3,833,263
Qard Hassan to policyholders' fund	6	1,625,611	1,625,611
Amounts due from policyholders	6	2,267,261	1,299,350
Investment deposits		-	3,028,364
Investment properties	7	2,945,358	2,719,195
Total assets		<u>12,458,903</u>	<u>13,433,665</u>
Liabilities			
Other liabilities		58,199	449,814
Total liabilities		<u>58,198</u>	<u>449,814</u>
Equity			
	8		
Equity attributable to shareholders of the Company			
Share capital		11,025,000	11,025,000
Share premium		7,340,937	7,340,937
Treasury shares		(50,489)	(50,489)
Treasury shares reserve		3,508	3,508
Statutory reserve		388,139	388,139
Voluntary reserve		388,139	388,139
Cumulative changes in fair value		468,842	355,074
Translation reserve		-	(571,042)
Employee share purchase plan reserve		65,964	65,964
Accumulated losses		(7,229,336)	(7,226,148)
Total equity attributable to shareholders of the Company		12,400,704	11,719,082
Non-controlling interest		-	1,264,769
Total equity		<u>12,400,704</u>	<u>12,983,851</u>
Total liabilities and equity		<u>12,458,903</u>	<u>13,433,665</u>

The accompanying notes form an integral part of these consolidated financial statements.

Abdullah Yousef Al-Saif
Chairman

Abdullah Mishari Al Humaidi
Vice Chairman

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Consolidated statement of profit or loss
for the year ended 31 December 2015

	Note	2015 KD	2014 KD
Continuing operations			
Net investment gain (loss)	9	(24,265)	(669,693)
Management fees from policyholders	14	953,764	865,685
Fair valuation gain of investment properties	7	158,419	42,529
Other income		9,426	-
General and administrative expenses		(112,348)	(65,754)
Loss on sale of subsidiary	15	(1,107,582)	-
Profit for the year before National Labor Support Tax (“NLST”), Zakat and Board of Directors’ remuneration		(122,586)	172,767
NLST		-	(19,123)
Zakat		-	(7,649)
Net (loss) / profit for the year from continuing operations		(122,586)	145,995
Discontinued operations			
Profit from discontinued operations		198,997	277,740
Net profit for the period		76,411	423,735
Attributable to:			
Shareholders of the Company		(3,188)	312,639
Non-controlling interest		79,599	111,096
		76,411	423,735
Basic and diluted earnings per share attributable to shareholders of the Company (fils)	10	(0.029)	2.85
Basic and diluted earnings per share attributable to shareholders of the Company (fils) – continuing operations	10	(1.11)	1.33

The accompanying notes form an integral part of these consolidated financial statements.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	2015	2014
	KD	KD
Profit for the year	<u>76,411</u>	<u>423,735</u>
Other comprehensive (loss) / income		
Changes in fair value reserve	113,768	(333,461)
Transfer to consolidated statement of income on impairment	-	195,762
Translation reserve	<u>502,600</u>	<u>(20,591)</u>
Total other comprehensive (loss) / income	<u>616,368</u>	<u>(158,290)</u>
Total comprehensive income for the year	<u><u>692,779</u></u>	<u><u>265,445</u></u>
Attributable to:		
Shareholders of the Company	681,622	189,750
Non-controlling interest	<u>11,157</u>	<u>75,695</u>
	<u><u>692,779</u></u>	<u><u>265,445</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Consolidated statement of changes in equity
for the year ended 31 December 2015

	<i>Attributable to shareholders of the Company</i>										Total KD	Non- controlling interest KD	Total equity KD
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Translation reserve KD	Employee share purchase plan reserve KD	Accumulated losses KD			
Balance at 1 January 2015	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	355,074	(571,042)	65,964	(7,226,148)	11,719,082	1,264,769	12,983,851
Total comprehensive income for the year													
Profit for the year	-	-	-	-	-	-	-	-	-	(3,188)	(3,188)	79,599	76,411
Other comprehensive (loss) / income	-	-	-	-	-	-	113,768	571,042	-	-	684,810	(68,442)	616,368
Total comprehensive income for the year	-	-	-	-	-	-	113,768	571,042	-	(3,188)	681,622	11,157	692,779
Dividend paid by subsidiary	-	-	-	-	-	-	-	-	-	-	-	(13,369)	(13,369)
Disposal of a subsidiary (note 17)	-	-	-	-	-	-	-	-	-	-	-	(1,262,557)	(1,262,557)
Balance at 31 December 2015	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	468,842	-	65,964	(7,229,336)	12,400,704	-	12,400,704

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Consolidated statement of changes in equity
for the year ended 31 December 2015

	<i>Attributable to shareholders of the Company</i>													
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Translation reserve KD	Employee share purchase plan reserve KD	Accumulated losses KD	Total KD	Non-controlling interest KD	Total equity KD	
Balance at 1 January 2014	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	492,773	(585,852)	65,964	(7,538,787)	11,529,332	1,202,795	12,732,127	
Total comprehensive income for the year														
Profit for the year	-	-	-	-	-	-	-	-	-	312,639	312,639	111,096	423,735	
Other comprehensive (loss) / income	-	-	-	-	-	-	(137,699)	14,810	-	-	(122,889)	(35,401)	(158,290)	
Total comprehensive income for the year	-	-	-	-	-	-	(137,699)	14,810	-	312,639	189,750	75,695	265,445	
Dividend paid by subsidiary	-	-	-	-	-	-	-	-	-	-	-	(13,721)	(13,721)	
Balance at 31 December 2014	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	355,074	(571,042)	65,964	(7,226,148)	11,719,082	1,264,769	12,983,851	

The accompanying notes form an integral part of these consolidated financial statements.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Consolidated statement of cash flows
for the year ended 31 December 2015

	2015	2014
	KD	KD
Cash flows from operating activities		
Profit for the year	76,411	423,735
<i>Adjustments for:</i>		
Net investment loss	151,637	387,279
Changes in fair value of investment properties	(226,163)	(42,529)
Shareholders' share of takaful surplus	-	(391,839)
Management fees from policyholders	(953,764)	(865,685)
Loss on sale of subsidiary	1,107,582	-
	<u>155,703</u>	<u>(489,039)</u>
<i>Changes in:</i>		
Other assets	29,654	(12,350)
Other liabilities	(81,177)	204,328
<i>Net cash generated from (used in) operating activities</i>	<u>104,180</u>	<u>(297,061)</u>
Cash flows from investing activities		
Net movement in investment deposits	-	(1,743,632)
Proceeds from sale of subsidiary	1,300,000	-
Profit from investment deposit received	-	239,885
<i>Net cash (used in) / generated from investing activities</i>	<u>1,300,000</u>	<u>(1,503,747)</u>
Cash flows from financing activities		
Net movement in amounts due to policyholders	(14,147)	410,831
<i>Net cash (used in) / generated from financing activities</i>	<u>(14,147)</u>	<u>410,831</u>
Foreign currency translation differences	(90,033)	14,770
Increase (decrease) in bank balances and cash	1,300,000	(1,375,207)
Bank balances and cash at 1 January	8,990	1,616,067
Bank balances and cash at 31 December	<u>1,308,990</u>	<u>240,860</u>

The accompanying notes form an integral part of these consolidated financial statements.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

1. Reporting entity

Wethaq Takaful Insurance Company K.S.C.P. (“the Company”) is a Kuwaiti shareholding company incorporated in the State of Kuwait under the commercial registration no. 82421 on 30 October 2004. The Company’s shares are listed on the Kuwait Stock Exchange.

The objectives for which the Company is incorporated are as follows:

First: Carry on all takaful, mutual and retakaful insurance business of all forms in accordance with the provisions of Islamic Sharia and governing laws.

Second: To achieve its above mentioned objective and as per its Articles of Association, the Company shall have authority to conduct the following business and acts as Board of Directors deems appropriate:

- a) Acquire and gain the right to dispose of all or any part of movable or immovable property, as it deems necessary, or any privileges that the Company believes to be necessary or appropriate for the nature of its business and required for growing its funds;
- b) Carry out all transactions and enter into all contracts with all legal dispositions as it deems necessary and suitable to achieve and facilitate its objectives on the conditions it elects;
- c) Purchase, sell, mortgage, lease, replace, possess or endorse in any manner whatsoever any lands, real estate properties, securities, Sukuk, stocks or any other movable or real estate property; or sell, lease, mortgage or dispose of all or part of the Company’s movable or real estate property and funds;
- d) Provide advisories and conduct technical studies in insurance or reinsurance industry for companies and other entities directly interested in engaging in takaful insurance or retakaful business;
- e) Act as valuer or appraiser in takaful industry and agent for takaful or retakaful companies to perform all activities that are consistent with the Islamic Sharia after obtaining the necessary licenses;
- f) Invest all or part of the Company’s movable property or real estate properties in different sectors as it deems appropriate in accordance with governing laws and resolutions;
- g) Merge with, incorporate or participate in incorporating and subscribing for shares in companies; buy and sell companies’ shares and support them in any form in line with the Company’s objectives as per applicable laws; and
- h) Utilize the financial surpluses available with the Company through investing the same in financial portfolios managed by specialized companies and entities.

The Company shall carry on the above mentioned business activities in the State of Kuwait and abroad in principal capacity or through agency. The Company may have an interest or participate in any way with organizations that carry on similar business activities or that may help the Company achieve its objectives in Kuwait or abroad. The Company shall also have the right to establish, participate in or buy these entities or make them subsidiaries to it.

The Company is engaged in transacting co-operative takaful operations and all related activities, including retakaful in the State of Kuwait. In addition, the Company can own, sell and purchase real estate and other financial instruments.

Takaful is an Islamic alternative to a conventional takaful and investment program, based on the mutual funds concept, where each policyholder will receive his share in the surplus arising from the takaful activities, in accordance with the Company’s Articles of Association and the approval of Fatwa and Shari’a Supervisory Board.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

The Group conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Group is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Group holds the physical custody and title of all assets related to the policyholders and shareholders' operations, however, such assets and liabilities together with the results of policyholders' lines of business is disclosed in notes 15 and 16.

The Group maintains separate books of accounts for policyholders and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. Management and the Board of Directors determine the basis of allocation of expenses from joint operations. All takaful and investment activities are conducted in accordance with Islamic Shari'a, as approved by Fatwa and Shari'a Supervisory Board.

The Company is a subsidiary of The Investment Dar Company K.S.C. which is a Kuwaiti shareholding company ("the Ultimate Parent Company").

The Company's registered head office is at City Tower, Khaled Bin Waleed Street, Sharq, State of Kuwait.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, and the executive regulation of Law No. 25 of 2012, as amended, will continue until a new set of executive regulation is issued.

The consolidated financial statements as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as "the Group" and individually "the Group entities"). A list of significant directly owned subsidiaries is as follows:

Subsidiary	Country of incorporation	Percentage of ownership		Principal activities
		2015	2014	
Wethaq Takaful Insurance Company	Egypt	-	60.00%	Takaful and retakaful activities in Egypt
Wared Rent a Car Company K.S.C. (Closed)	Kuwait	93.32 %	93.32 %	Car leasing, trading cars and spare parts in Kuwait

The consolidated financial statements were authorized for issue by the Board of Directors on 18-2-2016 and are subject to the approval of shareholders at the next annual general meeting.

2. Basis of preparation and significant accounting policies

The principal accounting policies have been applied consistently by the Group and are consistent with those used in the previous year, with the exception of new accounting policies as set out in note 2 (e).

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the IFRS promulgated by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Committee of the IASB, the relevant provisions of the Companies Law No. 25 of 2012, as amended and its Executive Regulations, the Company’s Articles and Memorandum of Association and Ministerial Order No. 18 of 1990.

b) Basis of measurement

The consolidated financial statements have been prepared on historical or amortized cost basis except for investments at fair value through profit or loss, available for sale investments and investment properties.

c) Functional and presentation currency

These consolidated financial statements are presented in Kuwaiti Dinars (“KD”), which is the Company’s functional and presentation currency.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

e) Revised and newly issued IFRS adopted by the Group

The Group has adopted the following revised and newly issued IFRS effective for annual periods beginning on or after 1 January 2014:

IFRS 10, IFRS 12 and IAS 27

Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 27 Separate Financial Statements to:

- provide ‘investment entities’ (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries; and
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

Notes to the consolidated financial statements
for the year ended 31 December 2015

IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms.

IAS 36 Impairment of Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosures of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively and accordingly are considered while making disclosures for impairment of non-financial assets in the consolidated financial statements for the year ended 31 December 2014 and would continue to be considered for future disclosures.

IFRIC 21 Levies

IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 ‘Provisions’. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised.

The management anticipates that the above amendments have no significant financial impact on the consolidated financial statements of the Group.

f) Standards and interpretations not yet effective or adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 11 (Amendments) – Accounting for Acquisitions of Interests in Joint Operations

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business; the amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisitions accounted for as a business combination or as the acquisition of a collection of assets. The amendments are applied to annual financial statements beginning on or after 1 January 2016.

IAS 16 (Amendments) – Clarification of Acceptable Methods of Depreciation

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

IAS 38 (Amendments) – Clarification of Acceptable Methods of Amortisation

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are “highly correlated”, or when the intangible asset is expressed as a measure of revenue

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity recognises revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

to all contracts with customers. The standard was issued in May 2014 and applies to annual financial statements beginning on or after 1 January 2017. The Group is in the process of assessing the impact on the financial statements.

IFRS 9 – Financial Instruments

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Company's financial assets but is not expected to have any impact on the classification and measurement of financial liabilities. The Company is in the process of quantifying the impact of this standard on the Company's financial statements, when adopted.

g) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (note 1).

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the net assets (excluding goodwill) of consolidated subsidiaries not attributable directly, or indirectly, to the equity holders of the company.

Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted or as an available for sale investment depending on the level of influence retained.

Notes to the consolidated financial statements
for the year ended 31 December 2015

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition dates. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statement of profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in the consolidated statement of profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the consolidated statement of profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the consolidated statement of profit or loss or in the consolidated statement of comprehensive income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination.

This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Notes to the consolidated financial statements
for the year ended 31 December 2015

Acquisitions of non-controlling interests

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

h) Foreign currency transactions

Foreign currency transactions

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate prevailing at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in consolidated statement of profit or loss, except for the differences which are recognized in consolidated statement of comprehensive income arising on the retranslation of available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to the consolidated statement of profit or loss).

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Kuwaiti Dinar at exchange rates prevailing at the reporting date. Income and expenses of foreign operations are translated to Kuwaiti Dinar at exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognized in the consolidated statement of comprehensive income and presented in the foreign currency translation reserve in the consolidated statement of changes in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant portion of the translation difference is allocated to non-controlling interests.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to the consolidated statement of profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognized in the consolidated statement of comprehensive income, and presented in foreign currency translation reserve in the consolidated statement of changes in equity.

i) Financial instruments

i. Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group classifies non-derivative financial assets into the following categories:

- loans and receivables; or
- available for sale investments; or
- fair value through profit or loss

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of cash and cash equivalents and trade and other receivables.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and deposits with original maturities of three months or less from the date of placement less bank overdrafts. The call deposits are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Available for sale investments

Available for sale investments are non-derivative financial assets that are designated as available for sale or are not classified in any of other categories of financial assets.

Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in the consolidated statement of comprehensive income and presented in the fair value reserve in the consolidated statement of changes in equity. When an investment is derecognized, the gain or loss accumulated in the consolidated statement of changes in equity is reclassified to the consolidated statement of profit or loss.

Financial assets at fair value through profit or loss

This category has two sub-categories: investments held for trading and those designated at fair value through statement of profit or loss at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

ii. Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially at the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise of trade and other payables.

Other liabilities

Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less from the financial position date (or in the normal operating cycle of the business if longer); otherwise, they are presented as non-current liabilities.

Other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity

j) Furniture and equipment

Furniture and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

The estimated useful lives for the current and comparative years are as follows:

	Years
Computers and printers	5
Fixtures	3
Furniture and office equipment	10

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate, to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment.

Leasehold land

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Leasehold land is depreciated over the period of lease term or their estimated useful lives whichever is lower, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

k) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise.

Periodically, valuations are carried out by an independent valuer who has recent experience in the location and category of the investment property being valued, on the basis referred to above.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when, there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Notes to the consolidated financial statements
for the year ended 31 December 2015

1) Impairment

i. Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

In addition, for a financial asset in available for sale equity, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortized cost

The Group considers evidence of impairment for financial assets measured at amortized cost at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective profit rate. Losses are recognized in the consolidated statement of profit or loss and reflected in an allowance account against loans and receivables. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of profit or loss.

Available for sale investments

Impairment losses on available for sale investments are recognized by reclassifying the losses accumulated in the fair value reserve in equity to the consolidated statement of profit or loss.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

The cumulative loss that is reclassified from equity to consolidated statement of profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognized previously in the consolidated statement of profit or loss. Changes in cumulative impairment losses attributable to application of the effective profit method are reflected as a component of the consolidated statement of profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in the consolidated statement of profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in the consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

m) Treasury shares

The Company's holding of its own shares is accounted for as treasury shares and is stated at purchase consideration including directly attributable costs.

When the treasury shares are sold, gains are credited to a separate account in equity (treasury share reserve) which is non distributable.

Notes to the consolidated financial statements
for the year ended 31 December 2015

Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury share reserve amount. No cash dividends are distributed on these shares.

The issue of bonus shares increases the number of shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

n) Share-based payment

Share-based payment expense is recognized where the Group purchases goods or services in exchange for shares or rights over shares (“equity-settled transactions”), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”).

Share-based payment transaction

Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transactions”).

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by reference to the fair value being the bid price at the date on which they are granted. The fair value of the options is recognized as an expense over the vesting period with corresponding effect to equity.

The cost of equity settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognized for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest. The consolidated statement of profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

o) Post employment benefits

Kuwaiti employees

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, is charged to the consolidated statement of profit or loss in the year to which they relate.

Expatriate employees

Expatriate employees are entitled to an end of service indemnity payable under the Kuwait Labour Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances.

p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

q) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized:

- Profit on investment deposits is recognized on a time apportionment basis taking into account the outstanding balance and applicable profit rate.
- Dividend income is recognized when the Group's right to receive payment is established.
- Gain on sale of investments is recognized on a trade date basis.

r) Zakat, KFAS and NLST

Zakat, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labour Support Tax (NLST) represent levies/taxes imposed on the Company at the flat percentage of net profits attributable to the Company less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait.

There are no significant differences between the tax/levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

Tax/statutory levy	Rate
Contribution to KFAS	1.0% of net profit less permitted deductions
NLST	2.5% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

s) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

t) Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

u) Taxation

Certain subsidiaries are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of the tax currently payable and deferred tax.

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "financial assets at fair value through profit or loss" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If the third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques (note 18).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Impairment of investments

The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and discount factors for unquoted investments.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

Impairment of receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the party accounts, the customer's credit worthiness and the historic write-off experience.

Fair value of unquoted equity investments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow analysis for various available for sale investments that are not traded in active markets.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Impairment of non-financial assets and useful lives

The Group's management tests annually whether non-financial assets have suffered impairment in accordance with the accounting policies stated in note 2. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives and the related depreciation and amortisation charge.

The depreciation and amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

4. Investments at fair value through profit or loss

	2015	2014
	KD	KD
<i>Quoted securities</i>		
Equities	256,474	388,712
Managed portfolios of quoted securities	19,400	38,799
	<u>275,874</u>	<u>427,511</u>

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

Unrealised loss for the year is analysed as follows:

	2015	2014
	KD	KD
<i>Quoted securities</i>		
Equities	(132,237)	(439,375)
Managed portfolios of quoted securities	(19,400)	5,102
	<u>(151,637)</u>	<u>(434,273)</u>

5. Available for sale investments

	2015	2014
	KD	KD
<i>Quoted securities</i>		
Equities	258,954	269,430
<i>Unquoted securities</i>		
Equities	521,703	556,228
Managed equity funds	1,517,141	1,490,145
Managed portfolios	1,580,768	1,517,460
	<u>3,619,612</u>	<u>3,563,833</u>
	<u>3,878,566</u>	<u>3,833,263</u>

At 31 December 2015, available for sale investments were assessed for impairment which resulted in the recognition of impairment loss amounting to KD Nil (2014: KD 208,641) in the consolidated statement of profit or loss to account for significant or prolonged decline in the fair value of certain financial assets below their cost.

The unquoted equity investments amounting to KD 346,853 (2014: KD 346,853) are carried at cost due to the non-availability of reliable measures of their fair values. In the opinion of the management, no impairment is required to be recognized for the years ended 31 December 2015 and 2014 in respect of these investments.

6. Qard Hassan to policyholders' fund

	2015	2014
	KD	KD
At 1 January	1,625,611	1,625,611
Settlement of Qard Hassan	-	-
At 31 December	<u>1,625,611</u>	<u>1,625,611</u>

Amounts due (from) / to policyholders as at year end is analysed as follows:

	2015	2014
	KD	KD
At 1 January	(1,299,350)	(452,657)
Management fees from policyholders (note 14)	(953,764)	(865,685)
Policyholders' surplus transferred to Qard Hassan	-	-
Other movement in funds advanced by policyholders	(14,147)	18,992
At 31 December	<u>(2,267,261)</u>	<u>(1,299,350)</u>

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

In accordance with the Company's Memorandum of Association, policyholders' net deficit from each line of business of the takaful operations has been covered by Qard Hassan from shareholders. The Qard Hassan given by the shareholders will be settled through surplus arising from such line of business in future years. As at 31 December 2015, cumulative Qard Hassan due from the policyholders amounted to KD 1,625,611 (2014: KD 1,625,611). During the year, no transfers were made to Qard Hassan due to the deficit incurred from takaful operations after deducting the shareholders' share of takaful surplus from the subsidiary. The management of the Company believes that the takaful business will be able to generate sufficient profits in future to repay the Qard Hassan.

7. Investment properties

	2015	2014
	KD	KD
At 1 January	2,719,195	2,676,666
Addition during the year	67,744	
Change in fair value of investment properties	158,419	42,529
At 31 December	<u>2,945,358</u>	<u>2,719,195</u>

Investment property includes a real estate which is located in Egypt. The property is owned to earn rentals and capital appreciation. The fair value of the investment property is based on the independent valuation carried out by a third party.

8. Equity

8.1 Share capital

The authorized, issued and paid up share capital of the Company is KD 11,025,000 comprised of 110,250,000 shares of 100 fils each (2014: KD 11,025,000 comprised of 110,250,000 shares of 100 fils each) paid in cash.

8.2 Statutory reserve

In accordance with the Kuwait Companies Law and the Company's Articles of Association, 10% of the profit for the year is transferred to a statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

No transfer has been made for the year ended 31 December 2015 on account of accumulated losses brought forward from previous years.

8.3 Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the profit for the year is transferred to a voluntary reserve. Such annual transfers can be discontinued by a resolution of shareholders in the Annual General Assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

No transfer has been made for the year ended 31 December 2015 on account of accumulated losses brought forward from previous years.

8.4 Employee share purchase plan reserve

The Company operates share options scheme to reward the performance of its employees. The scheme is in operation for a period of 10 years, with the first year being the ended 31 December 2006. The scheme is implemented by means of either treasury shares or increase in share capital which should not exceed 10% of the Company's share capital.

The scheme covers all employees who are entitled to receive a portion of their annual bonus in shares to be issued by the Company. The scheme participants are granted an option to subscribe for shares allotted to the employees at the commencement of every two years through five phases exercisable as follows:

- a) 40% after two years from the grant date;
- b) 40% after four years from the grant date; and
- c) 20% after six years from the grant date.

No options were exercised during the year 2015.

Options totalling 5,211,750 shares were outstanding at 31 December 2015 (2014: 5,211,750 shares) and had a weighted average exercise price of 24 Fils (2014: 24 fils).

8.5 Board of Directors' remuneration

According to Article 229 of the Companies' Law no. 25 of 2012, as amended and its Executive Regulations, Board of Directors remuneration should not exceed ten per cent of profit after deducting any depreciation, reserves and distributing profit dividends of at least five per cent of the Company's capital to shareholders or any greater percentage as may be stipulated by the Company contract. The proposed Board of Directors remuneration is subject to the approval of the parent company's shareholders' annual general assembly.

9. Net investment loss

	2015	2014
	KD	KD
Unrealized loss on investments at fair value through profit or loss (note 4)	(151,637)	(434,273)
Impairment loss on available for sale investments (note 5)	-	(208,641)
Others	127,372	(26,779)
	<u>(24,265)</u>	<u>(669,693)</u>

Net investment income from discontinued operations during the year amounted to KD 168,972, (2014: KD 239,884)

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

10. Basic and diluted earnings per share

Earnings per share attributable to shareholders of the Company are calculated by dividing the net profit for the year attributable to the shareholders of the Company by the weighted average number of shares outstanding during the year.

	2015	2014
Net (loss) profit for the year attributable to shareholders of the Company (KD)	(3,188)	312,639
Net (loss) profit for the year attributable to shareholders of the Company (KD) – continuing operations	(122,586)	145,995
Weighted average number of ordinary shares (net of treasury shares), outstanding for the year	109,804,500	109,804,500
Basic and diluted earnings per share (Fils)	(0.029)	2.85
Basic and diluted earnings per share (Fils) – continued operations	(1.11)	1.33

11. Related party transactions

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties include significant shareholders, Directors and executive officers of the Group, close members of their families and companies of which they are the principal owners or over which they are able to exercise significant influence.

Significant related party balances and transactions are as follows:

	2015	2014
	KD	KD
Shareholders		
<i>Consolidated statement of financial position</i>		
<i>Ultimate Parent Company</i>		
Investments at fair value through profit or loss	19,400	38,799
<i>Other related parties</i>		
Investments available for sale	3,358,855	3,255,955
<i>Consolidated statement of profit or loss</i>		
<i>Key management personnel</i>		
Allowances and other benefits	64,346	60,692
<i>Other related parties</i>		
Impairment loss on available for sale investments	-	208,641

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

	2015	2014
	KD	KD
Policyholders		
<i>Policyholders' assets, liabilities and fund</i>		
<i>Ultimate Parent Company</i>		
Investments available for sale	-	551,250
<i>Other related parties</i>		
Investments at fair value through profit or loss	156,879	130,389
<i>Policy holder's consolidated results of operation</i>		
<i>Other related parties</i>		
Unrealized loss on investments at fair value through profit or loss	(33,533)	(116,833)
<i>Key management compensation</i>		
Short-term benefits	196,192	182,076
Termination benefits	24,306	21,223

12. Policyholders' takaful operations

- a) The significant accounting policies used in accounting for the takaful business are set out below. Policies used in accounting for non-takaful operations are consistent with those adopted by the Group. The accounting policies are consistent with those used in the previous year.

i) Contributions written

Gross contributions are credited to income at the inception of the policy and over the period of the takaful coverage, which represent the total contribution written in the year, including contributions on annual policies covering part or all of the following year.

Unearned contribution represents the portion of contributions written related to the unexpired period of coverage. A minimum of 15% (2014: 15%) of the contributions collected are deferred for marine takaful contracts and minimum of 30% (2014: 30%) of the contributions collected are deferred for all other types of takaful contracts except for life takaful as per the Ministry of Commerce regulations.

Unearned contributions are reported as liabilities under policyholders' liabilities.

Contributions ceded to retakaful operations are deducted from gross contributions to arrive at net contribution.

ii) Net claims incurred

Claims incurred in the period are charged to policyholders' consolidated statement of operations.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

iii) Retakaful ceded

Retakaful ceded are the contracts entered into by the Group with retakaful operators under which the Group is compensated for losses on policies issued.

The benefits to which the Group is entitled under its retakaful contracts held are recognized as retakaful assets and included in policyholders' consolidated statement of assets and liabilities. These assets consist of retakaful operator's share of outstanding claims that are dependent on the expected claims and benefits arising under the related retakaful policies. Amounts recoverable from or due to retakaful operators are recognized consistently with the amounts associated with the underlying takaful contracts and in accordance with the terms of each retakaful contract. The retakaful liabilities are primarily contributions payable for retakaful contracts and are recognized as an expense when due in the policyholders' consolidated statement of assets and liabilities.

Retakaful assets are assessed for impairment on a periodic basis. If there is objective evidence that the retakaful asset is impaired, the carrying amount of the retakaful asset is reduced to its recoverable amount and an impairment loss is recognized in the policyholders' consolidated statement of operations. Objective evidence for impairment is assessed as a result of an event that occurred after initial recognition of the retakaful asset that the Group may not be able to receive all the amounts due under the terms of the policy and that the event has a reliably measurable impact on the amounts that the Group will receive from the retakaful operator.

iv) Contributions receivable

Contributions receivable represent contributions under collection on account of policies underwritten and are carried at its nominal value less impairment losses, if any.

v) Incurred but not reported and outstanding claims reserves

Estimates have to be made for both the expected cost of claims at the reporting date and for the expected cost of claims incurred but not reported at the reporting date. Outstanding claims reserve is based on estimates of the loss which will eventually be payable on each unpaid claim, established by management based on available information and on past experience and modified for changes in current conditions, increased exposure, rising claims cost and the severity and frequency of recent claims as appropriate.

Incurred But Not Reported ("IBNR") claims are provided based on statistical information related to past experience.

Outstanding claims from prior years are reviewed periodically and adjusted based on current circumstances.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

vi) *Liability adequacy test*

At each reporting date, liability adequacy test is performed to ensure the adequacy of the takaful liabilities using current estimates of future cash flows under takaful contracts. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to the policyholders' consolidated statement of operations by establishing a provision for losses.

b) Use of estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation and uncertainty

i) *The ultimate liability arising from claims made under takaful policies*

The estimation of the ultimate liability arising from the claims made under takaful contract is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that will ultimately pay for such claims.

Estimation of the ultimate cost of certain claims is a complex process and cannot be done using conventional techniques and therefore it is estimated based on management assessment.

The management believes that the liability for takaful claims carried at the reporting date is adequate.

ii) *Allowance for contributions receivable*

The recoverable amount of contributions receivable is calculated as the present value of the expected future cash flows, discounted at the original effective profit rate. Short-term balances are not discounted.

Specific provision for impairment is established if there is objective evidence that all the amounts due will not be collected. The amount of specific provision is determined as the difference between the carrying amount and the recoverable amount of the receivable.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the policyholders' consolidated statement of operations.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

13. Policyholders' consolidated statement of assets and liabilities

	2015	2014
	KD	KD
Assets		
Bank balances and cash	316,923	424,469
Investment deposits	1,892,887	8,361,860
Investments at fair value through profit or loss	479,380	500,257
Accounts receivable and prepayments	813,302	1,278,330
Contributions receivable	1,195,522	1,503,180
Available for sale investments	182,656	733,906
Goodwill	409,766	409,766
Retakaful share of outstanding claims	3,963,899	4,126,672
Retakaful contributions receivables	1,014,601	905,210
Leasehold land	277,750	277,750
Furniture and equipment	287,066	919,262
Total assets	<u>10,833,752</u>	<u>19,440,662</u>
Liabilities		
Takaful reserves		
Outstanding claims	7,756,219	9,938,997
Unearned contributions	1,225,260	4,726,985
Incurred but not reported reserve	326,878	209,586
	<u>9,308,357</u>	<u>14,875,568</u>
Other reserves	-	1,308,728
Reserve retained on retakaful business	-	831,490
Accounts payable and accruals	2,391,555	2,062,001
Bank overdraft	-	132,609
Amounts due to shareholders	2,267,261	1,299,350
Qard Hassan from shareholders	1,625,611	1,625,611
Net deficit from policy holder's operations	(4,759,031)	(2,694,695)
Total reserves and liabilities	<u>10,833,752</u>	<u>19,440,662</u>

Movement in policyholders' fund:

	2015	2014
	KD	KD
At 1 January	(2,694,695)	(1,851,756)
Net deficit from policyholders' operations	(922,652)	(888,334)
Foreign currency translation difference	95,709	45,395
Closing balance	<u>(3,521,638)</u>	<u>(2,694,695)</u>

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

14. Policyholders' consolidated statement of operations

2015	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Contributions written	468,263	2,506,472	1,108,123	685,962	4,768,820
Retakaful ceded	(414,319)	(727,608)	(982,758)	(357,020)	(2,481,705)
Net contributions written	53,944	1,778,864	125,365	328,942	2,287,115
Movement in unearned contributions	4,851	78,413	22,943	293,763	399,970
Net contributions earned	58,795	1,857,277	148,308	622,705	2,687,085
Policy issuance fees and others	18,968	226,871	3,380	1,094	250,313
Retakaful commission	78,847	67,823	76,212	1,051	223,933
Total takaful revenues	156,610	2,151,971	227,900	624,850	3,161,331
Claims incurred	(13,572)	(2,009,376)	(103,292)	(301,129)	(2,427,369)
Retakaful share of claims incurred	10,745	201,797	93,230	102,673	408,445
Movement in provision for claims incurred but not reported	(1,827)	799,453	(199)	(1,099)	796,328
Life mathematical reserve	-	-	-	235,205	235,205
Policy acquisition costs	(46,034)	(552,798)	(36,925)	(23,392)	(659,149)
Other takaful expenses	(4,706)	(30,991)	(77)	-	(35,774)
Total takaful expenses	(55,394)	(1,591,915)	(47,263)	(458,152)	(2,152,724)
Surplus from takaful operations	101,216	560,056	180,637	166,698	1,008,607
Allocation of general and administrative expenses	(95,843)	(510,285)	(226,805)	(140,399)	(973,332)
Net surplus from takaful operations	5,373	49,771	(46,168)	26,299	35,275
Net investment income	(7,641)	(48,702)	(18,083)	(11,194)	(85,620)
Net surplus / (deficit) from takaful operations	(2,268)	1,069	(64,251)	15,105	(50,345)
Income from leasing activities					204,931
Expenses in connection with leasing activities					(200,167)
Management fees to shareholders of the Company					(953,764)
Deficit transferred to policyholders' fund					(999,345)
Discontinued operations Surplus from discontinued operations					76,693
Deficit transferred to policyholders' fund					(922,652)

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
2014					
Contributions written	356,639	2,425,561	1,150,426	390,802	4,323,428
Retakaful ceded	<u>(333,283)</u>	<u>(273,062)</u>	<u>(1,076,685)</u>	<u>(107,287)</u>	<u>(1,790,317)</u>
Net contributions written	23,356	2,152,499	73,741	283,515	2,533,111
Movement in unearned contributions	<u>(77,244)</u>	<u>(29,816)</u>	<u>(5,572)</u>	<u>72,064</u>	<u>(40,568)</u>
Net contributions earned	<u>(53,888)</u>	<u>2,122,683</u>	<u>68,169</u>	<u>355,579</u>	<u>2,492,543</u>
Policy issuance fees and others	31,919	279,320	3,151	321	314,711
Retakaful commission	<u>87,136</u>	<u>49,127</u>	<u>82,358</u>	<u>2,046</u>	<u>220,667</u>
Total takaful revenues	<u>65,167</u>	<u>2,451,130</u>	<u>153,678</u>	<u>357,946</u>	<u>3,027,921</u>
Claims incurred	(8,221)	(1,359,688)	(1,100)	(89,000)	(1,458,009)
Movement in provision for claims incurred but not reported	2,950	290,049	(129,125)	(12,752)	151,122
Life mathematical reserve	-	-	-	(17,144)	(17,144)
Policy acquisition costs	(13,716)	(596,652)	(35,751)	(27,050)	(673,169)
Other takaful expenses	<u>(4,692)</u>	<u>(29,924)</u>	<u>(45)</u>	<u>-</u>	<u>(34,661)</u>
Total takaful expenses	<u>(23,679)</u>	<u>(1,696,215)</u>	<u>(166,021)</u>	<u>(145,946)</u>	<u>(2,031,861)</u>
Surplus from takaful operations	41,488	754,915	(12,343)	212,000	996,060
Allocation of general and administrative expenses	<u>(77,397)</u>	<u>(535,834)</u>	<u>(249,663)</u>	<u>(84,811)</u>	<u>(947,705)</u>
Net deficit from takaful operations	(35,909)	219,081	(262,006)	127,189	48,355
Net investment income	<u>(16,716)</u>	<u>(114,129)</u>	<u>(53,922)</u>	<u>(18,317)</u>	<u>(203,084)</u>
Net surplus / (deficit) from takaful operations	<u>(52,625)</u>	<u>104,952</u>	<u>(315,928)</u>	<u>108,872</u>	<u>(154,729)</u>
Income from leasing activities					218,817
Expenses in connection with leasing activities					(237,882)
Management fees to shareholders of the Company					<u>(865,685)</u>
Deficit transferred to policyholders' fund					<u>(1,039,479)</u>
Discontinued operations					
Surplus from discontinued operations					<u>151,145</u>
Deficit transferred to policyholders' fund					<u>(888,334)</u>

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

During the year, certain available for sale investments were assessed for impaired which resulted in the recognition of impairment loss amounting to KD Nil (2014: 236,251) in the policyholders' statement of operations to account for significant or prolonged decline in the fair value of such investments below their cost.

As per the Company's Articles of Association, the shareholders of the Company are entitled to management fees from policyholders of the Company up to 20% of the gross contribution written and investment income.

15. Loss on sale of a subsidiary

During the year, the management of the Group agreed to sell all the equity interest in Wethaq Takaful Insurance Company – Egypt (a former subsidiary). As at 30 June 2015, final negotiations for the sale were completed and the agreement signed. The results of the former subsidiary for the period ended 30 June 2015 are presented below:

	Six month period ended 30 June 2015 KD	year ended 31 December 2014 KD
Net investment income	168,972	239,884
Shareholders' share of takaful surplus	239,491	391,839
Other income	17,130	10,814
General and administrative expenses	(90,622)	(129,860)
Profit before Taxation	<u>334,971</u>	<u>512,677</u>
Taxation	(135,974)	(234,937)
Profit for the year from discontinued operations	<u>198,997</u>	<u>277,740</u>
Basic and diluted earnings per share (fils) – discontinued operations	<u>1.81</u>	<u>2.53</u>

The net assets of the former subsidiary on the date of disposal was KD 3,120,992 and selling price was KD 1,300,000. The disposal transaction after considering the foreign currency translation reserve resulted loss of KD 1,107,582.

The legal formalities relating to the transfer of shares is still under process.

Accordingly, the Group operates in one geographical segment.

16. Financial risk management

a) Governance framework

The Group's risk and financial management framework is to protect the Group's shareholders and policyholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

recognizes the critical importance of having efficient and effective risk management systems in place.

The Group is establishing a risk management function with clear terms of reference from the Board of Directors and the associated executive management committees. This will supplement with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

Regulatory framework

Law No.13 of 1962, Decree No. 5 of 1989 and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the takaful industry in the State of Kuwait. All takaful companies operating in Kuwait are required to follow these rules and regulations.

The following are the key regulations governing the operations of the Company:

- For the life and capital takaful contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine takaful contracts, at least 15% of the contributions collected in the previous year are to be retained in Kuwait.
- For all other types of takaful, at least 30% of the contributions collected in the previous year are to be retained in Kuwait.

The funds retained in Kuwait should be invested as under:

- A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
- A maximum of 25% could be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies)
- A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
- A maximum of 15% should be in a current account with a bank operating in Kuwait

The residual value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.

The management is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the Board of Directors to ensure compliance.

b) Takaful risk

The risk under any one takaful contract is the possibility that the insured events occurs and the uncertainty of the amount of resulting claim. By the very nature of a takaful contract, this risk is random and therefore unpredictable.

Takaful risk is the risk that actual claims payable to policyholders in respect of insured events exceed the carrying amount of takaful liabilities. This could occur because the frequency or amounts of claims are more than expected.

Notes to the consolidated financial statements
for the year ended 31 December 2015

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly marine and aviation, fire and general accident, motor and life risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate takaful risk. The Group also manages these risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk.

Non-life takaful contracts

The Group principally issues the following types of general takaful contracts: Marine-Cargo, Comprehensive & Third Party Liability, Fire, House-holders Comprehensive, Contractors All Risks, Erection All Risks, Machinery Breakdown, Electronic Equipment, Burglary, Personal Accident, Cash in Transit, Fidelity Guarantee, Plate Glass, Workmen Compensation, Third Party Liability, Professional Indemnity, Bankers Blanket, D and O, Travel Assistance, Motor Comprehensive, and Motor Third Party Liability. Healthcare contracts provide medical expense cover to policyholders. Risks under non-life takaful policies usually cover twelve months duration.

For general takaful contracts the most significant risks arise from climate changes, natural disasters and terrorist activities. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of retakaful arrangements in order to limit exposure to catastrophic events (e.g hurricanes, earthquakes and flood damages).

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

The table below sets out the concentration of non-life takaful contract liabilities by type of contract:

	31 December 2015			31 December 2014		
	Gross liabilities KD	Retakaful share of liabilities KD	Net Liabilities KD	Gross liabilities KD	Retakaful share of liabilities KD	Net liabilities KD
Marine and aviation	248,437	219,693	28,744	270,370	146,759	123,611
Fire	3,431,582	3,043,470	388,112	2,816,308	2,192,282	624,026
General accident	5,043,539	966,342	4,077,197	11,371,031	1,506,687	9,864,344
	<u>8,723,558</u>	<u>4,229,505</u>	<u>4,494,053</u>	<u>14,457,709</u>	<u>3,845,728</u>	<u>10,611,981</u>

The geographical concentration of the Group's non-life takaful contract liabilities is noted below. The disclosure is based on the countries where the business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

	31 December 2015			31 December 2014		
	Gross liabilities KD	Retakaful share of liabilities KD	Net Liabilities KD	Gross liabilities KD	Retakaful share of liabilities KD	Net liabilities KD
Kuwait	8,723,558	4,229,505	4,494,053	9,093,172	2,914,003	6,179,169
Egypt	-	-	-	5,364,537	931,725	4,432,812
	<u>8,723,558</u>	<u>4,229,505</u>	<u>4,494,053</u>	<u>14,457,709</u>	<u>3,845,728</u>	<u>10,611,981</u>

Notes to the consolidated financial statements
for the year ended 31 December 2015

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

Marine

For marine takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has automatic retakaful cover to limit losses for any individual claim to KD 1,400,000 (net retention of KD 25,000) and any claim exceeding this limit is covered by facultative placement.

Fire

For property takaful contracts the main risks are fire and business interruption. The Group has only underwritten policies for properties containing fire detection equipment. These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has treaty retakaful cover for such damage to limit losses for any individual claim to KD 3,000,000 and any claim exceeding this limit is covered by facultative placement.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the Group has only underwritten comprehensive policies for owner/drivers over 21 years of age. The Company has retakaful cover to limit losses for any claim (per event) exceeding KD 20,000 up to KD 600,000 and up to unlimited cover for bodily injury and third party property damage.

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to motor vehicles are the key factors that influence the level of claims. Other key assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

Life takaful contracts

For life takaful the main risks are claim for medical, death or permanent disability.

The reinsuring strategy for the life business is to ensure that policies are well diversified in terms of type of risk and level of insured benefit. This is achieved through the terms of the policies with the insurer to cover the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

The table below sets out the concentration of life takaful liabilities:

	31 December 2015			31 December 2014		
	Gross liabilities KD	Retakaful share of liabilities KD	Net Liabilities KD	Gross liabilities KD	Retakaful share of liabilities KD	Net liabilities KD
Life	305,056	158,781	146,275	417,859	280,944	136,915

The geographical concentration of the Group's life takaful contract liabilities is noted below. The disclosure is based on the countries where the business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

	31 December 2015			31 December 2014		
	Gross liabilities KD	Retakaful share of liabilities KD	Net Liabilities KD	Gross liabilities KD	Retakaful share of liabilities KD	Net liabilities KD
Kuwait	305,056	158,781	146,275	262,812	212,878	49,934
Egypt	-	-	-	155,047	68,066	86,981
	350,056	158,781	146,275	417,859	280,944	136,915

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life takaful contract estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

Retakaful risk

In order to minimise financial exposure arising from large claims, the Group, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Retakaful ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the retakaful agreements.

The policyholders' five largest reinsurers account for 72% of the credit exposure at 31 December 2015 (2014: 71%).

The principal risk the Group faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

The majority of takaful business ceded is placed on a quota share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts. Although the Group has retakaful arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded takaful, to the extent that any reinsurer is unable to meet its obligations assumed under such retakaful agreements.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

The Group's placement of retakaful is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single retakaful contract. There is no single counterparty exposure that exceeds 5% of total retakaful assets at the reporting date.

A 5% change in takaful loss ratio will have the following impact on the takaful surplus for the year:

	2015	2014
	KD	KD
General	80,849	81,917
Life and medical	2,045	2,431

A 5% negative fluctuation in the takaful loss would have the same, but opposite, effect on the takaful surplus for the year.

c) Financial risks

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board of Directors. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Retakaful is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparty limits that are set on a yearly basis by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of retakaful operators and updates the retakaful purchase strategy, ascertaining suitable allowance for impairment.
- Maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings.
- The credit risk in respect of customer balances, incurred on non-payment of contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

The tables below show the maximum exposure to credit risk for the components of the statement of financial position:

	2015	2014
	KD	KD
Shareholders		
Bank balances	1,308,990	222,724
Investment deposits	-	3,028,364
Other assets	157,243	259,511
Qard Hassan to policyholders	1,625,611	1,625,611
Amounts due from policyholders	<u>2,267,261</u>	<u>1,299,350</u>
	<u>5,359,105</u>	<u>6,435,560</u>
Policyholders		
Bank balances	315,198	424,469
Investment deposits	1,958,250	8,361,860
Accounts receivable and prepayments	553,116	1,278,330
Contributions receivable	2,210,123	1,503,180
Retakaful recoverable on outstanding claims	3,963,899	4,126,672
Retakaful contributions receivable	<u>1,014,601</u>	<u>905,210</u>
	<u>10,015,187</u>	<u>16,599,721</u>

Credit quality per class of financial assets

The tables below provide information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties:

	<u>Neither past due nor impaired</u>		Past due but not impaired	Total
	High grade	Standard grade	not impaired	Total
	KD	KD	KD	KD
2015				
<i>Shareholders</i>				
Bank balances	1,308,990	-	-	1,308,990
Other assets	-	28,618	128,625	157,243
	<u>1,308,990</u>	<u>28,618</u>	<u>128,625</u>	<u>1,466,233</u>
<i>Policyholders</i>				
Bank balances	315,198	-	-	315,198
Investment deposits	1,958,250	-	-	1,958,250
Accounts receivable and prepayments	-	-	553,116	553,116
Contributions receivable	-	-	-	-
Retakaful recoverable on outstanding claims	-	-	3,963,899	3,963,899
Retakaful contributions receivable	-	-	1,014,601	1,014,601
	<u>2,273,448</u>	<u>-</u>	<u>5,531,616</u>	<u>7,805,064</u>

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

	Neither past due nor impaired		Past due but not impaired	Total KD
	High grade KD	Standard grade KD	KD	
2014				
<i>Shareholders</i>				
Bank balances	222,724	--	-	222,724
Investment deposits	3,028,364	--	-	3,028,364
Other assets	-	119,239	140,272	259,511
	<u>3,251,088</u>	<u>119,239</u>	<u>140,272</u>	<u>3,510,599</u>
<i>Policyholders</i>				
Bank balances	424,469	-	-	424,469
Investment deposits	8,361,860	-	-	8,361,860
Accounts receivable and prepayments	-	-	1,278,330	1,278,330
Contributions receivable	-	118,601	1,384,579	1,503,180
Retakaful recoverable on outstanding claims	-	-	4,126,672	4,126,672
Retakaful contributions receivable	-	-	905,210	905,210
	<u>8,786,329</u>	<u>118,601</u>	<u>7,694,791</u>	<u>16,599,721</u>

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group deals only with recognized, creditworthy third parties. It is the Group's policy that all participants and reinsurers are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

The following table represents the ageing analysis of financial assets past due but not impaired:

	Less than 90 days KD	91 to 180 days KD	Above 180 days KD	Total past due but not impaired KD
2015				
<i>Shareholders</i>				
Other assets	-	-	128,625	128,625
Total	<u>-</u>	<u>-</u>	<u>128,625</u>	<u>128,625</u>
<i>Policyholders</i>				
Accounts receivable and prepayments	200,145	104,127	248,844	553,116
Contributions receivable				
Retakaful recoverable on outstanding claims	-	3,963,899	-	3,963,899
Retakaful contributions receivable	-	1,014,601	-	1,014,601
Total	<u>200,145</u>	<u>5,082,627</u>	<u>248,844</u>	<u>5,531,616</u>

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

	Less than 90 days KD	91 to 180 days KD	Above 180 days KD	Total past due but not impaired KD
2014				
Shareholders				
Other assets	-	-	140,272	140,272
Total	<u>-</u>	<u>-</u>	<u>140,272</u>	<u>140,272</u>
Policyholders				
Accounts receivable and prepayments	496,818	55,679	725,833	1,278,330
Contributions receivable	172,516	110,832	988,939	1,272,287
Retakaful recoverable on outstanding claims	-	4,126,672	-	4,126,672
Retakaful contributions receivable	-	905,210	-	905,210
Total	<u>669,334</u>	<u>5,198,393</u>	<u>1,714,772</u>	<u>7,582,499</u>

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets are based on expected recovery dates and those of liabilities are based on contractual maturity dates. The maturity profile for investment at fair value through profit or loss, investment properties and in available for sale investments is based on management's estimate of liquidation of those investments.

The maturity profile of assets and liabilities at 31 December was as follows:

	Up to 1 year KD	Above 1 year KD	Total KD
2015			
Shareholders			
Assets			
Bank balances	1,308,990	-	1,308,990
Investments at fair value through profit or loss	275,874	-	275,874
Other assets	157,243	-	157,243
Available for sale investments	-	3,878,566	3,878,566
Qard Hassan to policyholders	-	1,625,611	1,625,611
Amounts due from policyholders	2,267,261	-	2,267,261
Investment properties	-	2,945,358	2,945,358
Total assets	<u>4,009,368</u>	<u>8,449,535</u>	<u>12,458,903</u>
Liabilities			
Other liabilities	58,198	-	58,198
Total liabilities	<u>58,198</u>	<u>-</u>	<u>58,198</u>
Net liquidity	<u>3,951,170</u>	<u>8,449,535</u>	<u>12,400,705</u>

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

	Up to 1 year KD	Above 1 year KD	Total KD
Policyholders			
Assets			
Bank balances	315,198		315,198
Investment deposits	350,000	1,608,250	1,958,250
Investments at fair value through profit or loss	479,380	-	479,380
Accounts receivable and prepayments	553,116	-	553,116
Goodwill	409,766	-	409,766
Contributions receivable	2,210,123	-	2,210,123
Available for sale investments	-	182,656	182,656
Retakaful recoverable on outstanding claims	3,963,899	-	3,963,899
Retakaful receivables	1,014,601	-	1,014,601
Leasehold land	-	277,750	277,750
Furniture and equipment	-	100,436	100,436
Total assets	9,296,083	2,169,092	11,465,175
Liabilities			
Unearned contributions	1,528,993	-	1,528,993
Outstanding claims reserve	5,185,478	1,992,265	7,177,743
Reserve for claims incurred but not reported	326,878	-	326,878
Accounts payable and accruals	2,065,327	-	2,065,327
Amounts due to shareholders	2,267,261	-	2,267,261
Qard Hassan	1,625,611	-	1,625,611
Total liabilities	12,999,548	1,992,265	14,991,813
Net liquidity	(3,706,465)	176,827	(3,526,638)

2014

Shareholders

Assets

Bank balances	222,724	-	222,724
Investments at fair value through profit or loss	427,511	-	427,511
Other assets	259,511	-	259,511
Available for sale investments	-	3,833,263	3,833,263
Qard Hassan to policyholders	-	1,625,611	1,625,611
Amounts due from policyholders	1,299,350	-	1,299,350
Investment deposit	3,028,364	-	3,028,364
Investment properties	-	2,719,195	2,719,195
Total assets	5,237,460	8,178,069	13,415,529

Liabilities

Other liabilities	449,814	-	449,814
Total liabilities	449,814	-	449,814
Net liquidity	4,787,646	8,178,069	12,965,715

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

	Up to 1 year KD	Above 1 year KD	Total KD
Policyholders			
Assets			
Bank balances	424,469	-	424,469
Investment deposits	-	8,361,860	8,361,860
Investments at fair value through profit or loss	500,257	-	500,257
Accounts receivable and prepayments	1,278,330	-	1,278,330
Goodwill	-	409,766	409,766
Contributions receivable	1,503,180	-	1,503,180
Available for sale investments	-	733,906	733,906
Retakaful recoverable on outstanding claims	4,126,672	-	4,126,672
Retakaful receivables	905,210	-	905,210
Leasehold land	-	277,750	277,750
Furniture and equipment	-	919,262	919,262
Total assets	<u>8,738,118</u>	<u>10,702,544</u>	<u>19,440,662</u>
Liabilities			
Unearned contributions	4,726,985	-	4,726,985
Outstanding claims reserve	7,851,808	2,087,189	9,938,997
Reserve for claims incurred but not reported	209,586	-	209,586
Reserve retained on retakaful business	-	831,490	831,490
Other reserves	1,308,728	-	1,308,728
Accounts payable and accruals	2,062,001	-	2,062,001
Bank overdraft	132,609	-	132,609
Amounts due to shareholders	1,299,350	-	1,299,350
Qard Hassan	1,625,611	-	1,625,611
Total liabilities	<u>19,216,678</u>	<u>2,918,679</u>	<u>22,135,357</u>
Net liquidity	<u>(10,478,560)</u>	<u>7,783,865</u>	<u>(2,694,695)</u>

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group's exposure to market risk arises from:

- Currency risk
- Profit rate risk
- Equity price risk

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not exposed to

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

significant currency risk, because the Group's significant transactions, assets and liabilities are dominated in its functional currency.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk as the Group does not have assets and liabilities subject to variable profit rates.

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Group manages this risk through diversification of investments which is done in accordance with the limits set by the Group's management.

The effects on profit (loss) before taxation and Directors' remuneration and other comprehensive income ("OCI") (as a result of a change in the fair value of equity instruments carried at fair value through income statement and available for sale at 31 December) due to a reasonably possible change in equity indices of Kuwait Stock Exchange, with all other variables held constant are as follows:

	Increase in equity price in %	2015		2014	
		Effect on profit KD	Effect on OCI KD	Effect on profit KD	Effect on OCI KD
Shareholders					
Quoted investments	5%	12,824	38,620	19,436	41,283
Managed portfolios	5%	970	154,893	1,940	150,380
Policyholders					
Managed portfolios	5%	22,267	-	22,198	-

The decrease in equity price percentage will have the opposite effect on profit (loss) before taxation and Directors' remuneration and OCI.

17. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. Capital comprises equity attributable to shareholders of the Company excluding cumulative change in fair values reserve.

Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait

Notes to the consolidated financial statements
for the year ended 31 December 2015

18. Fair value

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, receivables and investments. Financial liabilities consist of payables. The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of financial instruments with the exception of certain available for sale investments carried at cost (note 5) are not significantly different from their carrying values at the reporting date.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or 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: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at the reporting date, the Group held the following financial instruments measured at fair value:

	Level 1	Level 2	Total
	KD	KD	KD
2015			
Shareholders			
Investments at fair value through income statement	275,875	-	275,875
Available for sale investments	258,954	3,619,612	3,878,566
	<u>534,829</u>	<u>3,619,612</u>	<u>4,154,441</u>
Policyholders			
Investments at fair value through income statement	34,045	445,344	479,388
	<u>34,045</u>	<u>445,344</u>	<u>479,388</u>
2014			
Shareholders			
Investments at fair value through income statement	427,511	-	427,511
Available for sale investments	269,430	3,216,980	3,486,410
	<u>696,941</u>	<u>3,216,980</u>	<u>3,913,921</u>
Policyholders			
Investments at fair value through income statement	56,245	444,282	500,257
	<u>56,245</u>	<u>444,282</u>	<u>500,257</u>

The fair value of investments under Level 2 is determined by a related party investment manager.

**Wethaq Takaful Insurance Company K.S.C.P. and subsidiaries
State of Kuwait**

Notes to the consolidated financial statements
for the year ended 31 December 2015

19. Earnings prohibited under Shari'a

There were no earnings retained during the years 2015 and 2014 from transactions which are not permitted under Shari'a.

20. Contingencies and commitments

The Group is a defendant in a number of cases brought by takaful contract holders in respect of claims which the Group disputes. While it is not possible to predict the eventual outcome of such legal actions, management has made provisions which, in their opinion, are adequate to cover any resultant liabilities.

21. General assembly

On 9 April 2015, the Annual General Assembly of the shareholders was held and the shareholders approved the audited consolidated financial statements of the Group as at and for the year ended 31 December 2014. No dividends have been declared by the Company