وثاق
wethaq

للتأمين
التكافلي

ANNUAL REPORT 2017

Our values.. Imprinted by our name

Loyalty | Trust | Compliance | Closeness

In The Name Of Allah. The Most Gracious, The Most Merciful

“ And Say, Work And God And His Messenger

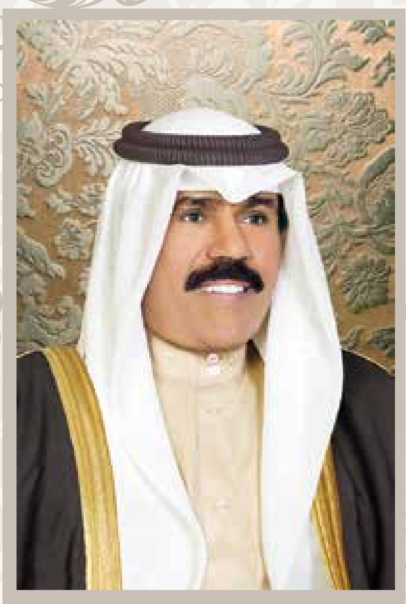
And Believers Will See Your Work”

The Holy Qu’ran, Altawba (105)

Wethaq Takaful Insurance Company (K.S.C.P)
Insurance License No. 25,
Registerd In Accordance With Insurance Companies &
Agent Law No. 24 For 1961 And Its Subsequent Amendment
Authourized & Paid Up Capital K.D. 11,025,000 /-

Kuwait - Sharq - Khalid Bin Al-Waleed st. - City Tower
P.O.Box: 371 Safat 13004 Kuwait
Tel.: 1866662 - Fax: 22491280
www.wethaq.com

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait



His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

His Highness
Sheikh Jaber Mubarak Al-Hamad Al-Sabah
Prime Minister of the State of Kuwait

BOARD OF DIRECTORS

Ibrahim Abbas Othman Sukhi
Chairman

Abdullah Mishari Al-Humaidhi
Vice Chairman

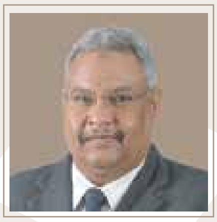
Ziad Ahmed Zaki Motawea
Member

Mubarak A. Mubarak Al Quoud
Member

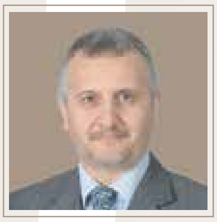
Naser Ali Mohammed Al Obaid
Member

EXECUTIVE MANAGEMENT

Abdulrahman F. Al-Suwaidan
CEO

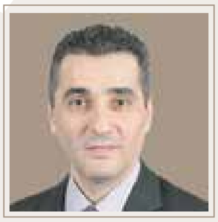


Al-Sadiq A.Al-Tawali
D.CEO



Baha M. Maarouf
A.CEO - Administration & IT

Fawaz Saad El Mazroui
A.CEO - Production,
Marketing & Development



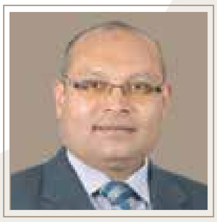
Ayman M. Tahan
Manager Of Marketing
& Development Dept.

Basheer Mohamad Ali
Head of Marine Dept.

Khalid Ghanim Aldeei
Head of Motors Dept.

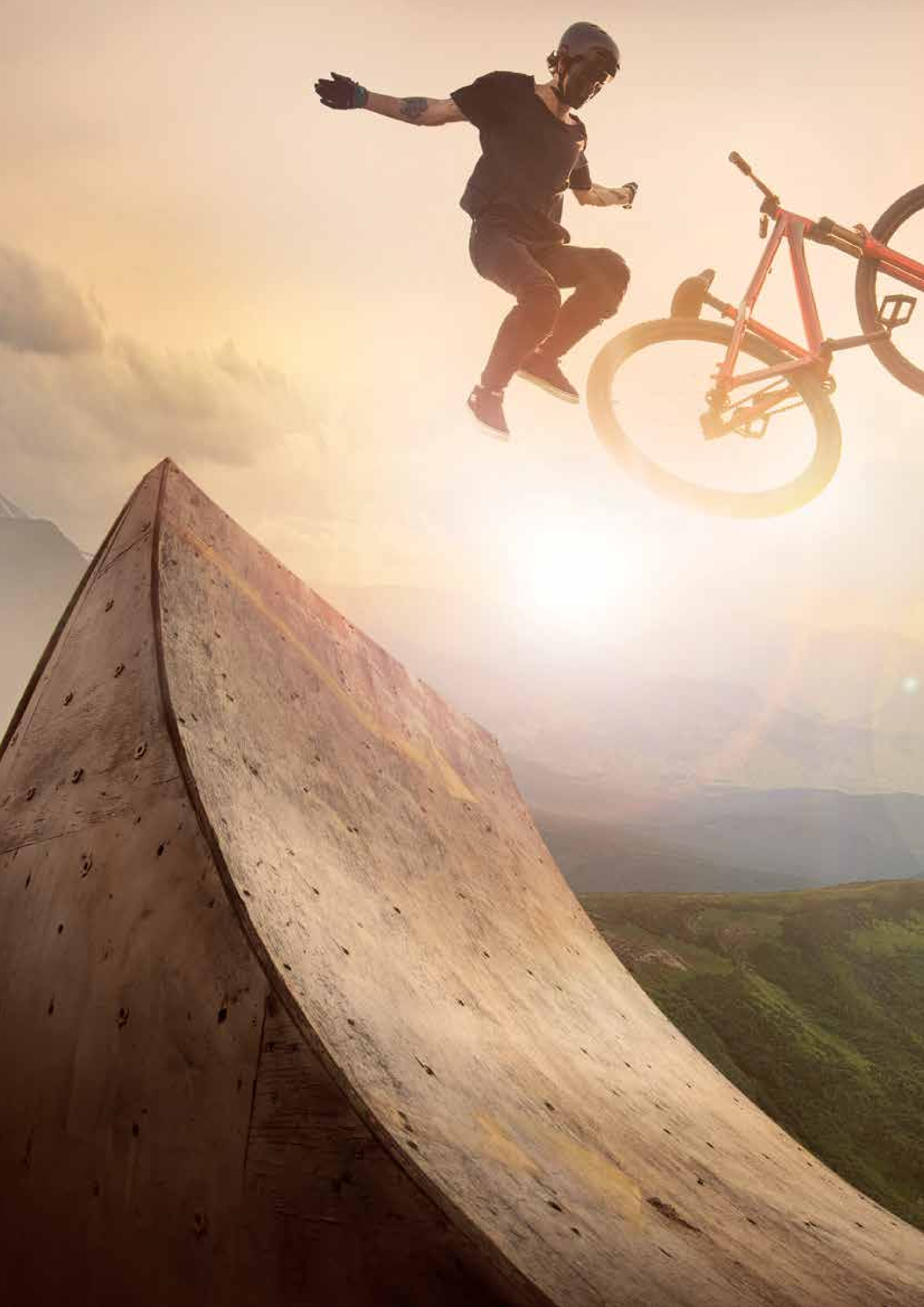
Mohammad A. Alsayed
Head of Internal Audit

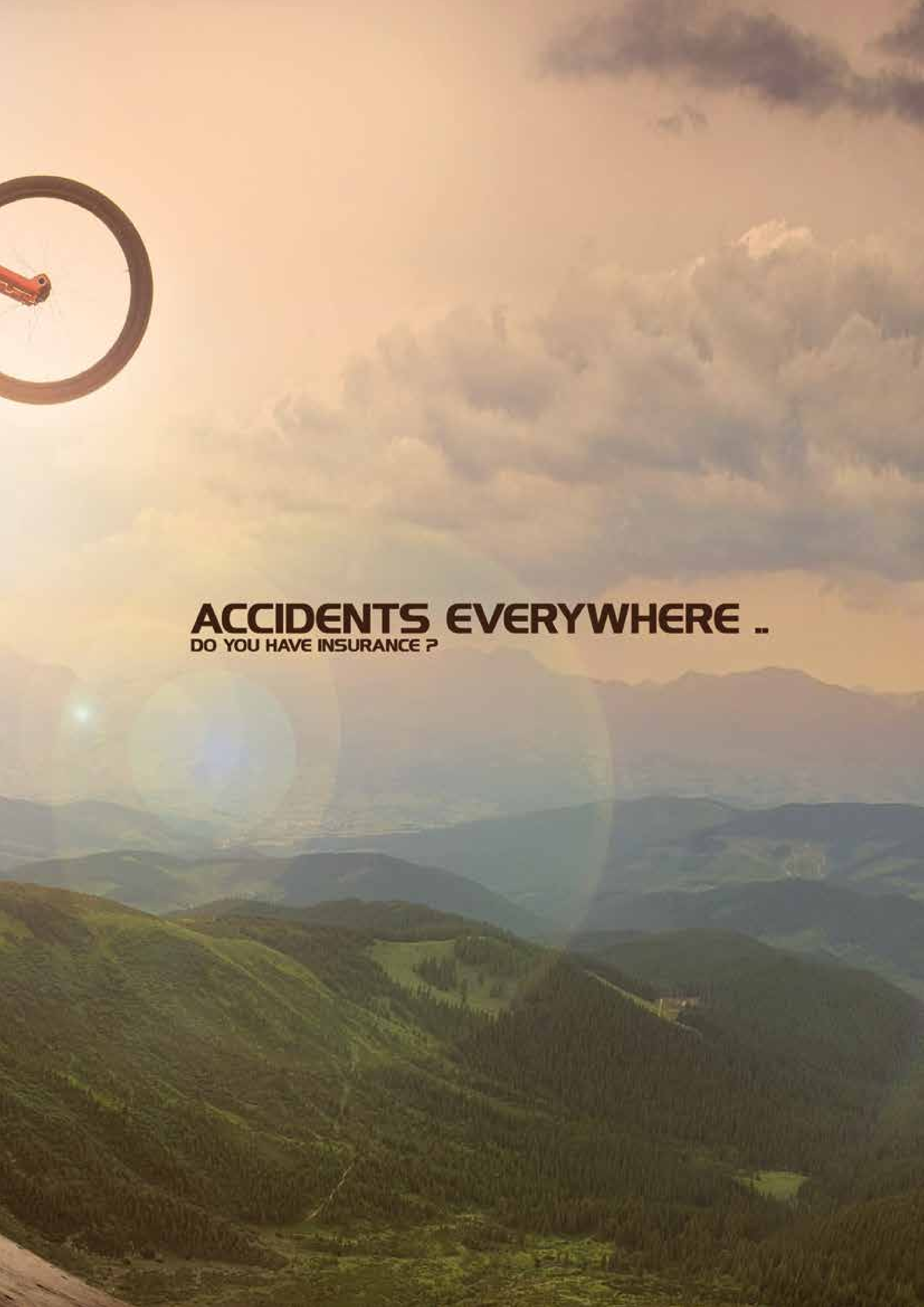
Naser A. Tammam
Head of Finance Dept.



Naser A. Al-Taher
Head of Legal Dept.

Haytham M. AL Shazli
Head of FGA Dept.




ACCIDENTS EVERYWHERE ..
DO YOU HAVE INSURANCE ?

Content

THE ACCREDITATION REPORT OF FATWA & SHARIA SUPERVISORY BOARD

To: The Shareholder of Wethaq Takaful Insurance Company (K.S.C.P)

Peace, mercy and blessing of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2017 to 31/12/2017. We have carried out the necessary supervisition to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the company on the basis examining each type of operation.

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2017 to 31/12/2017. And which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

Moreover, The Company has to draw the attention of its shareholders to the fact that they should pay their Zakat by themselves.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Prof/ Abdul-Aziz K. Al-Qassar	**Dr. Essa Zaki Essa**	**Dr. Ali Ibrahim Al-Rashed**
Chairman of the Sharia Committee	Sharia Committee Member	Sharia Committee Member

Board of Directors' Statment 2017

Praise be to Allah, the Lord of the Worlds, Prayers and Peace be upon the master of the messengers, our Prophet Muhammad and all his family and companions, and their followers until the Day of Judgment.

Dear Esteemed Shareholders,

Peace, Mercy and Blessing of Allah Be Upon You.

At the onset, I am pleased in my stead, and on behalf of the Directors Board members of "Wethaq Takaful Insurance" Company, to express my gratitude to you for accepting the invitation to attend the 17th General Assembly meeting. We also have the honor to present you with the annual report of the Company's business and results for the fiscal year ended on 31/12/2017, including the Shari'a Supervisory Report by Al-Mashura wal Rayah Islamic Financial Consulting Company, the auditor's report as well as an overview of overall market conditions, the performance and activity of the insurance sector in particular, the company's achievements, and the strategy it followed in order to achieve its objectives.

According to specialist reports, the majority of GCC markets have witnessed weaker performance compared to their global counterparts in year 2017 in light of regional tensions. However, State of Kuwait managed to record its best performance since two years, as Kuwaiti Boursa ranked first as the best GCC market in terms of performance in year 2017. This year, although working conditions have been tightened, consumer trust has been strengthened, and companies have achieved surprising financial results.

On the other hand, GCC stock markets performance was weak, being impacted by the policies of fiscal austerity and political turmoil, so the severity of regional financial challenges environment has been exacerbated due to geopolitical tensions, leading to the loss of some of its attractive edge to foreign investors.
This, in turn, has led to lower corporate revenues and reduced trading activities. GCC disputes have also impacted the performance of stock markets in the region leading most of the stock market to end with declines except Kuwaiti Stock market, as they were the best shares in terms of performance in the GCC.

Board of Directors' Statment 2017

As for the overall impact of oil on the GCC markets trend, it was relatively modest compared to previous years.

The report of the General Secretariat of the Supreme Council for Planning and Development in the State of Kuwait revealed the executive position for the projects of the 2017/2018 annual plan, as they depended, during the current fiscal year, on a set of 29 specific development programs.

Each program includes a package of ancillary projects selected considering their advantage to improve the State's position within global competitiveness, thus achieving Kuwait's vision of being an attractive financial and commercial center for investments.

The report on the projects of the annual plan revealed the existence of 149 projects within the work of the current State future plan, including 48 projects in the preparation phase, 11 projects that have not started yet, 88 projects under implementation, and 2 in the delivery phase. The value of its spending during the current fiscal year has amounted to 937 million and 781 thousand Kuwaiti dinars of KD 2 billion, 507 million and 982 thousand, which is scheduled to be disbursed by the end of next March. While two billion and 274 million and 589 thousand Kuwaiti dinars were spent on projects during the last fiscal year by a difference of 698 million Kuwaiti dinars against the estimated amount.

The report added that, among the ongoing projects, there are 31 strategic projects, including 5 health projects, 8 infrastructure projects, 2 environmental projects, 3 projects related to education, 4 projects for electricity and energy and 7 housing projects, with a total spending amount of 22 billion and 501 million and 641 thousand Dinar since 2010 to date.

The report added that Kuwait has not yet disbursed the total estimated amounts of spending on the development projects. As the expenditures did not exceed 83% of the total estimated amounts from year 2010 to year 2016, while only 37% of the estimated amounts for the current year were spent, and 60% for the previous year.

The major strategic projects include the Sheikh Jaber main bridge, the Doha link, Kuwait railway network project, Kuwait International Airport project (Terminal 2), educational and academic projects that accommodate 40,000 students, the new university campus, Sabah Al Salem University City, Complex of Special Education Schools and the main building of the Ministry of Education, Sabah Al Ahmad City and its south, Jaber Al Ahmad City, South Saad Al Abdullah, South Abdullah Al Mubarak South and West, Mutlaa Residential, the Islamic Center, the Olympic Village in Jaber Al-Ahmad City, the Cultural Center in Sabah Al-Ahmad City, and the study of the metro project in the State.

There are also strategic projects such as Al-Zour refinery, Olefins III and Aromatics II, which is integral with Al-Zour refinery, power station development, Al-Abdalia Power Plant, Expansion of Hospitals as.. Al-Adan, Al-Farwaniya, New Sabah, new Maternity, Jaber Hospital, and Failaka Island.

As for insurance markets in GCC countries, some specialists expected that this sector would witness negative performance, as insurance companies in the GCC have historically enjoyed large reserve funds to maintain capital and benefited from the extensive support in the field of reinsurance. However, the continued adverse conditions may lead to potential fluctuations in operational performance and capitalization of market players.

Thus, the same source indicates that the new market expectations may include the challenges of continuing low oil and gas prices and the consequential pressure on public spending, the start of VAT implementation, political tensions, the trade embargo, and the level of strict price competitiveness in the market.

Insurance companies in the GCC have long relied on government spending to achieve steady growth in premiums, particularly in infrastructure projects.

Board of Directors' Statment 2017

The report also notes that insurance policies related to government engineering and real estate projects are highly profitable and benefit from the large participation in reinsurance expenses and high internal reinsurance commission levels. The deflation in insurance premiums resulting from these insurance policies, even though not essential to the levels of net insurance premiums in insurers, is likely to put pressure on insurance profits.

On the medium term, the report expects to see increasing pressure on returns from reduced margins (Resulting from the IPO because of competition in pricing), in addition to the continued decline and volatility of investment returns. Moreover, the reliance of many businesses on the reinsurance commission and the resulting high concentration on medical insurance and auto insurance on a net basis, still constitutes a source of concern.

On the positive side, companies in the GCC are increasing their focus on risk management. The budgets of insurance companies in the GCC countries generally still have good capital and are capable to withstand the continuing pressures resulting from disasters, although insurers are still more vulnerable to surprises and events in the investment markets, which may become more acute under such economic and political uncertainty. The report considers that insurance companies with strong public budgets have prudent profit distribution policies.

It has always been our belief that the GCC insurance markets need to diversify its production lines and tools and that it is in dire need of spreading sufficient awareness among its individuals.

The most important of these windows is the support of the Central Bank of Kuwait to insurance companies and allowing them to market their insurance products through the windows of banks.

The Ministry of Commerce and Industry has prepared a revised draft law amending certain provisions of the insurance laws and has presented these amendments to the Legal Committee of the Council of Ministers. This law will be the starting stone or starting point for regulating the insurance market. As the Ministry believes that the insurance companies carry out various assessments of their various risks, either with exaggerated caution or considerable rush with the aim of obtaining the largest possible market share, which is reflected on fair pricing.

We believe that this confusion, as it affects the markets, affects the regulatory authorities as well, sometimes by approving the inclusion of health insurance under life and then revoking the decision, and other times by being reluctant to implement some laws, such as the project of increasing health fees for expatriates.

Two takaful insurance companies were established in year 2017, bringing the total number of takaful insurance companies licensed to work in takaful insurance to 17 companies (excluding Takaful units of traditional insurance companies). As for the total number of insurance companies operating in Kuwait of all types, it has reached 37 companies.

Over-all insurance companies have achieved around KD 220 million in the first half of year 2017, with a growth rate of more than 27% compared to year 2016. As total insurance premiums of around KD 440 million expected to be underwritten by the end of year 2017, which represents the highest growth rate since year 2010, following a sharp decline in year 2016.
Where, the total premiums of takaful insurance companies (excluding Takaful windows in traditional companies) are expected to decline to about 23% of the total underwritten premiums after reaching 26% in year 2016. Despite the growth in total premiums in year 2017 compared to year 2016, it is noted that the total number of insurance policies has declined sharply to about 19%.

In this regard, it can be said that takaful insurance companies are facing many challenges today and are still struggling to exert more efforts to achieve better market shares. Among these challenges are government support, technical competencies, supervision and regulation of this sector, insurance awareness, capital, bancassurance, takaful windows of traditional companies, and amendment of the terms of TPL Motor insurance policy, etc.

Hence, "WETHAQ" believes that it must adopt a prudent strategy and develop competitive underwriting tactics and policies to maintain the best reinsurance operations to protect the rights of shareholders and policy's holders.

Board of Directors' Statment 2017

"WETHAQ" has maintained its performance, achieving a slight growth in the overall total, with a strategic growth in some of the insurance types that have been targeted to be increased, while reducing other insurance types that caused losses and harms to the company.

S&P has also enhanced WETHAQ's rating in its annual valuation report for December 2017, as the Agency confirmed the rate of the company and verified it at the level of BB.

The company has also concluded several important strategic agreements at the strategic level, which have increased, compared to year 2016, to a satisfactory and encouraging growth for the forthcoming years, despite the loss of some contracts due to intense competition. However, the growth of the total number of insurance policies issued by the company (except for TPL Motor insurance) has exceeded 18% compared to year 2016.

Accordingly, the release of Company's annual financial statements for the fiscal year ended on 31/12/2017 was approved. The Company did not distribute any bonuses to the Directors Board, and the Board of Directors recommended that no dividends shall be distributed for the year ended as well.

The following is a review of the financial results.

"WETHAQ" achieved a profit of KD 90,032 (0.82 fils per share) in year 2017 compared to 8.23 fils per share for the same period compared to year 2016.
The total asset growth rate was 3.00%, compared to year 2016, and an estimated equity growth of 3.64% compared to last year 2016.

In conclusion, we cannot but extend our sincere thanks and gratitude to His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown Prince, and to His Highness Sheikh Jaber Mubarak Al-Hamad Al-Sabah, Prime Minister, May Allah preserve and protect them, for all their special attention and interest to Islamic companies.

We also thank all the official authorities in Kuwait, headed by the Ministry of Commerce and Industry, the Capital Markets Authority, Kuwaiti Boursa and all our shareholders and our valued customers for the support and encouragement we have received for the takaful work process.

We also extend our sincere thanks and appreciation to the members of the Fatwa and Shari'a Supervisory Company, whose reviews and observations have been of great help to us. We also thank the Executive Management of the company and all its employees for their dedication and willingness to carry out the work entrusted to them with all seriousness and commitment.

Ibrahim Abbas Othman Sukhi
Chairman
31 December 2017

Wethaq Takaful Insurance Company K.S.C.P
And Subsidiary - State of Kuwait

CONSOLIDATED FINANCIAL STATEMENTS & INDEPENDENT AUDITOR'S REPORT

as at 31 December 2017

INDEPENDENT AUDITOR'S REPORT

as at 31 December 2017

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Al-Qatami, Al-Aiban & Partners

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To : The Shareholders of
Wethaq Takaful Insurance Company K.S.C.P.
Kuwait

Report on the Audit of the Consolidated Financial Statements

Qualified opinion

We have audited the consolidated financial statements of Wethaq Takaful Insurance Company - KPSC ("the Parent Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter describe in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As stated in Note (13) to the consolidated financial statements, the value of the investment property has been determined using the lower fair value of two evaluations prepared by external valuators and although this investment property is a part of the assets of the subsidiary in Egypt, no financial statements or information on that subsidiary were available to us and the value of the property has been recognized only after a confirmation by the Parent Company's management that there are no other assets or liabilities associated with this property and carried in the records of that subsidiary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

As stated in Note (17) to the consolidated financial statements, the Parent Company's board of directors decided on 21 June 2017 to calculate management fees to the shareholders at 20% of profit instead of 20% of revenue until the balances due from policyholders stated in Notes (11) and (12) are settled. Management of the Parent Company expects that the balances due from policyholders will be settled and the outstanding deficit will be covered during the future years. However, during the year, the management of the Parent Company recognised impairment losses against the amount due from policyholders and Qard Hassan to policyholders' fund amounting to KD434,574 and KD162,500 respectively.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below as the key audit matter.

Valuation of Investment properties

The Group's investment properties represent 22% of the total assets and comprise of buildings outside Kuwait. The valuation of investment properties is a significant judgment area requiring a number of assumptions including capitalization yields, future rental income, occupancy rates, right of use contract periods and renewability. Changes in these assumptions and judgments could lead to significant movements in valuation of investment properties and consequently unrealized gains or losses in the consolidated statement of profit or loss. The Group's disclosures about its investment properties are included in Note 13.

INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit procedures included assessing the appropriateness of management's process for reviewing and assessing the work of the external valuers and their valuations including management's consideration of competence and independence of the external valuers. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with the management and challenging the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties. We also obtained the underlying information provided by management to the independent valuers in relation to rental income and occupancy rates to confirm that it was consistent with the information obtained during our audit.

Other information included in the Group's Annual Report for the year ended 31 December 2017

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 31 December 2017, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business or financial position of the Parent Company.

Grant Thornton

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton
Al-Qatami, Al-Aiban & Partners
kuwait 19 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the Year ended 31 December 2017

Revenue	Notes	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Loss on sale of available for sale investments		(172,064)	-
Gain from sale of investments at fair value through profit or loss		-	6,175
Change in fair value of investments at fair value through profit or loss		(38,812)	63,613
Net change in fair value of investment properties	13	916,625	49,043
Rental income		16,500	18,019
Dividend income		1,250	-
Income from investment deposits		5,293	19,619
Management fees from policyholders	17	333,816	859,516
		1,062,608	1,015,985
Expenses and other charges			
General and administrative expenses			
Impairment of available for sale investments		(53,002)	(79,291)
Impairment in value of amount due from policyholders	10	(190,633)	-
Impairment in value of Qard Hassan to policyholders' fund	11	(434,574)	-
Impairment in value of other financial assets	12	(162,500)	-
		(128,625)	-
		(969,334)	(79,291)
Profit for the year before provisions for National Labour Support Tax (NLST) and Zakat		93,274	936,694
Provision for NLST		(2,325)	(23,417)
Provision for Zakat		(917)	(9,367)
Profit for the year		90,032	903,910
Basic and diluted earnings per share	8	Fils 0.82	Fils 8.23

The notes set out on pages 21 to 60 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as at 31 December 2017

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Profit for the year	90,032	903,910
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to the consolidated statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	90,347	(149,803)
- Transferred to consolidated statement of profit or loss on impairment	190,633	-
Exchange differences arising on translation of foreign operations	49,151	(1,615,597)
Total other comprehensive income/(loss)	330,131	(1,765,400)
Total comprehensive income/(loss) for the year	420,163	(861,490)

The notes set out on pages 21 to 60 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the Year ended 31 December 2017

Assets	Notes	31 Dec. 2017 KD	31 Dec. 2016 KD
Cash and cash equivalents		168,990	1,309,226
Investments at fair value through profit or loss	9	220,175	258,987
Available for sale investments	10	3,278,130	3,521,281
Amount due from policyholders	11	4,234,083	3,128,755
Qard Hassan to policyholders' fund	12	1,463,111	1,625,611
Investment properties	13	2,597,712	1,627,284
Other assets		20,729	154,671
Total assets		11,982,930	11,625,815
Equity and liabilities			
Equity			
Share capital	14.1	11,025,000	11,025,000
Share premium	14.2	7,340,937	7,340,937
Treasury shares	14.3	(50,489)	(50,489)
Treasury shares reserve	14.3	3,508	3,508
Statutory reserve	15	388,139	388,139
Voluntary reserve	15	388,139	388,139
Fair value reserve		600,019	319,039
Foreign currency translation reserve		(1,566,446)	(1,615,597)
Employees' share purchase plan reserve		65,964	65,964
Accumulated losses		(6,235,394)	(6,325,426)
Total Equity		11,959,377	11,539,214
Liabilities		23,553	86,601
Other liabilities		11,982,930	11,625,815
Total equity and liabilities			

The notes set out on pages 21 to 60 form an integral part of these consolidated financial statements.

Ibrahim Abbas Othman Sukhi
Chairman

Abdullah Meshari Ahmed Al-Humaidhi
Vice Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 31 December 2017

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Employees' share purchase plan reserve KD	Accumulated losses KD	Total KD
Balance at 1 January 2017	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	319,039	(1,615,597)	65,964	(6,325,426)	11,539,214
Profit for the year	-	-	-	-	-	-	-	-	-	90,032	90,032
Other comprehensive income/(loss)	-	-	-	-	-	-	280,980	49,151	-	-	330,131
Total comprehensive income/(loss)for the year	-	-	-	-	-	-	280,980	49,151	-	90,032	420,163
Balance at 31 December 2017	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	600,019	(1,566,446)	65,964	(6,235,394)	11,959,377

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Employees' share purchase plan reserve KD	Accumulated losses KD	Total KD
Balance at 1 January 2016	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	468,842	-	65,964	(7,229,336)	12,400,704
Profit for the year	-	-	-	-	-	-	-	-	-	903,910	903,910
Other comprehensive loss	-	-	-	-	-	-	(149,803)	(1,615,597)	-	-	(1,765,400)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	(149,803)	(1,615,597)	-	903,910	(861,490)
Balance at 31 December 2016	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	319,039	(1,615,597)	65,964	(6,325,426)	11,539,214

The notes set out on pages 21 to 60 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Year ended 31 December 2017

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
OPERATING ACTIVITIES		
Profit for the year	90,032	903,910
Adjustments for:		
Loss on sale of available for sale investments	172,064	-
Gain on sale of investments at fair value through profit or loss	-	(6,175)
Change in fair value of investments at fair value through profit or loss	38,812	(63,613)
Impairment of available for sale investments	190,633	-
Impairment in value of amount due from policyholders	434,574	-
Impairment in value of Qard Hassan to policyholders' fund	162,500	-
Impairment in value of other financial assets	128,625	-
Rental income	(16,500)	(18,019)
Income from investments deposits	(5,293)	(19,619)
Dividend income	(1,250)	-
Change in fair value of investment properties	(916,625)	(49,043)
Management fees from policyholders	(333,816)	(859,516)
	(56,244)	(112,075)
Changes in operating assets and liabilities:		
Other assets	5,317	2,572
Other liabilities	(67,700)	24,206
Amount due from policyholders	(1,206,086)	(1,978)
Net cash (used in)/from operating activities	(1,324,713)	(87,275)
INVESTING ACTIVITIES		
Proceeds from sale of available for sale investments	161,434	207,482
Proceed from sale of investments at fair value through profit or loss	-	86,675
Dividend income received	1,250	-
Rental income received	16,500	-
Income received from investments deposits	5,293	-
Additions to investment properties	-	(244,284)
Short term deposits	-	37,638
Net cash from investing activities	184,477	87,511
(Decrease)/increase in cash and cash equivalents	(1,140,236)	236
Cash and cash equivalents at the beginning of the year	1,309,226	1,308,990
Cash and bank balances at the end of the year	168,990	1,309,226

The notes set out on pages 21 to 60 form an integral part of these consolidated financial statements.

1 Incorporation and activities of the parent company

Wethaq Takaful Insurance Company (“the parent company) is a Kuwaiti Public Shareholding Company that was incorporated on 30 October 2004 and is registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The shares of the parent company are listed on the Kuwait Stock Exchange.

The group comprises the parent company and its subsidiaries as detailed in note 7.

The parent company is a subsidiary of the Investment Dar Company - KPSC (Closed) (Ultimate Parent Company).

The objectives for which the parent company is incorporated are as follows:

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

Second: To achieve its above mentioned objectives and as per its Article of Association, the parent company shall have authority to conduct the following business and acts as Board of Directors deems appropriate:

a) Acquire and gain the right to all or any part of moveable or immovable properties, as it deems necessary, or any privileges that the company believes to be necessary or appropriate for its business or required for growing its funds.

b) Carry out transactions and enter into all contracts with all legal dispositions as it deems necessary and suitable to achieve and facilitate its objective on the conditions its 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 moveable or real estate property, or sell, lease, mortgage or dispose of all part of the company’s moveable 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 reinsurance business.

e) Act as valuer or appraiser in insurance industry and agent for insurance or reinsurance 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 moveable 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 share in companies, buy and sell companies, shares and support them in any form in line with the company’s objective as per applicable laws .

h) Utilize the financial surpluses available with the company through investing the same in financial portfolios managed by specialised companies and entities.

The parent company may carry out the above mentioned businesses in the State of Kuwait or abroad directly or through agency. The parent company may have an interest or participate in any way with the entities that engage in similar business that help to achieve its objectives in Kuwait or abroad and it may establish, participate, purchase, merge with such entities.

Takaful is an Islamic alternative to a conventional insurance and investment programs, based on the mutual funds concept, where each policyholder will receive his share in the surplus arising from the insurance activities, in accordance with the parent company’s articles of association and the approval of Fatwa and Sharee’a Supervisory Board.

The parent company conducts business on behalf of the policyholders and advances funds to the policyholders’ operations as and when required. The shareholders are responsible for liabilities incurred by policyholders in the event the policyholders’ fund is in deficit and the operations are liquidated. The parent company holds the physical custody and title of all assets related to the policyholders’ and shareholders’ operation. Such assets and liabilities together with the results of policyholders’ lines of business are disclosed in the notes.

The parent company 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.

1. Incorporation and activities of the parent company (Continued)

All takaful and investment activities are conducted in accordance with Islamic Sharee'a, as approved by Fatwa and Sharee'a Supervisory Board.

The address of the parent company's registered office is at City Tower, Khaled Bin Al-Waleed Street, Sharq State of Kuwait.

These consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the board of directors of the parent company on 19 February 2018. The parent company's shareholders has the power to amend these consolidated financial statements after issuance.

2. Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets available for sale and investment properties which have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the parent company.

3. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

4. Changes in accounting policies

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

IAS 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes).

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
    - o changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
    - o a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

The application of the amendments did not have any impact on the consolidated financial statements of the group.

4. Changes in accounting policies (Continued)

4.1 New and amended standards adopted by the group (Continued)

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B10-B16) apply to an entity's interests in a subsidiary, joint venture or an associate irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

The application of the amendments did not have any impact on the consolidated financial statements of the group as none of the group entities are classified as, or included in disposal group that is classified as held for sale.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 2 Share-based Payment- Amendments	1 January 2018
IFRS 4 and IFRS 9 - Amendments	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 2 Share-Based Payment- Classification and Measurement

The amendments relate to clarification on the following:

- IFRS does not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The Amendments address this lack of guidance by clarifying that accounting for these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2
- The amendment adds guidance to IFRS 2 to the effect that a scheme with compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature); and
- The amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements

4. Changes in accounting policies (Continued)

4.2 IASB Standards issued but not yet effective (Continued)

IFRS 4 and IFRS 9 - Amendments

The Amendments provide entities that issue insurance contracts with temporary accounting solutions for the practical challenges of implementing IFRS 9 before the forthcoming new Insurance Contracts Standard.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IFRS 9 Financial Instruments: Classification and Measurement

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace AS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.
The main areas of expected impact are as follows:

- the classification and measurement of the financial assets based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) will be recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI will be recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets will continue to be recognised in profit or loss.

Based on the analysis of the group's financial assets and liabilities as at 31 December 2017 and of the circumstances that existed at that date, management of the parent company have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the group as follows:

Classification and measurement:

As a result of new classifications, Equity investments amounting to KD3,278,130 will be reclassified from Available for Sale to FVOCI and will result in reversal of previously recognised impairment losses amounting to KD190,633 related to these investments from retained earnings to the fair value reserve.

Further, there is no any impact on equity investments classified as investments at fair value through profit or loss (FVTPL) as the group will continue to measure these investments at fair value through profit or loss (FVTPL).

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

There is no impact on the financial liabilities of the group and will continue to be measured at amortised cost.

4. Changes in accounting policies (Continued)

4.2 IASB Standards issued but not yet effective (Continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)

Impairment

The group expects to apply simplified approach to impairment for other assets as required or permitted under the standard.

The management does not expect any material impact to the consolidated financial statements from applying this simplified approach.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. perfor mance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
    - non-cash consideration and asset exchanges
    - contract costs
    - rights of return and other customer options
    - supplier repurchase options
    - warranties
    - principal versus agent
    - licencing
    - breakage
    - non-refundable upfront fees, and
    - consignment and bill-and-hold arrangements.

Management does not anticipate that the application of the standard in the future will have a significant impact on the group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition

4. Changes in accounting policies (Continued)

4.2 IASB Standards issued but not yet effective (Continued)

IFRS 16 Leases (continued)

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IFRS 17 Insurance Contracts

IFRS 17 will replace IFRS 4 Insurance contracts and The Standard introduces insurance contract measurement principles requiring:

- current, explicit and unbiased estimates of future cash flows
- discount rates that reflect the characteristics of the contracts' cash flows
- explicit adjustment for non-financial risk.

Day one profits should be deferred as a contractual service margin and allocated systematically to profit or loss as entities provide coverage and are released from risk. Revenue is no longer equal to written premiums but to the change in the contract liability covered by consideration.

A separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating contracts. Increased disclosure requirements apply.

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts provided certain criteria is met.

Management is in the process of assessing the impact of this standard but in no position to present quantified information as at the reporting date.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

4. Changes in accounting policies (Continued)

4.2 IASB Standards issued but not yet effective (Continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

5 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The group's financial statements consolidate those of the parent company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting date 31 December using consistent accounting policies. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the group gains control, or until the date the group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in consolidated statement of profit or loss and other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the group has directly disposed of the related assets or liabilities.

5 Significant accounting policies (continued)

5.2 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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 remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in consolidated statement of profit or loss or as change to consolidated statement of profit or loss and other comprehensives income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within consolidated statement of profit or loss and other comprehensive income.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.11 for a description of impairment testing procedures.

5.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.4.1 Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

5.4.2 Income from investment deposits

Income from investment deposit is recognised on a time proportion basis taking account of the principal outstanding and profit rate applicable.

5.4.3 Dividend income

Dividend income, other than those from associates, are recognised at the time the right to receive payment is established.

5 Significant accounting policies (Continued)

5.5 Operating expenses

Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.6 Taxation

Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.6.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.6.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the group after deducting directors' remuneration for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.6.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

For the year ended 31 December 2017 and 31 December 2016, the parent company has no liabilities towards KFAS due to accumulated losses. Under the NLST and Zakat regulations no carry forward of losses to the future years or any carry back to prior year is permitted.

5.6.4 Taxation on overseas subsidiaries

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.

5.7 Financial instruments

5.7.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either
  - (a) the group has transferred substantially all the risks and rewards of the asset or
  - (b) the group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

5 Significant accounting policies (continued)

5.7 Financial instruments (Continued)

5.7.1 Recognition, initial measurement and derecognition (Continued)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

5.7.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- available-for-sale (AFS) financial assets.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in the consolidated statement of profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

The group categorises loans and receivables into following categories:

- *Other assets*

Other assets are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, balances in investment portfolios managed by third parties and short term deposits with original maturities not exceeding three months which are not subject to an insignificant risk of changes in value.

Amount due from policyholders

Amount due from policyholders as a result of transactions with policyholders and cash advances to policyholders are included under amount due from policyholders.

5 Significant accounting policies (continued)

5.7 Financial instruments (Continued)

5.7.2 Classification and subsequent measurement of financial assets (Continued)

- *Financial assets at FVTPL*

Classification of investments as financial assets at FVTPL depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of consolidated statement of profit or loss in the management accounts, they are as designated at FVTPL upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in the consolidated statement of profit or loss and other comprehensive income. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- *AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in the consolidated statement of profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in the consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to the consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in the consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.7.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

Other liabilities

Other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

5.8 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5 Significant accounting policies (continued)

5.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.10 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

5.11 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within "change in fair value of investment properties" and "gain/loss on sale of investment properties"

5 Significant accounting policies (continued)

5.12 Investment properties (continued)

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.

5.13 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the parent company's Articles of Association.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign subsidiaries into Kuwait Dinars.
Fair value reserve – comprises of gains and losses relating to available for sale financial assets.

Accumulated losses include all current and prior period retained earnings/losses. All transactions with owners of the parent company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.14 Treasury shares

Treasury shares consist of the parent company's own issued shares that have been reacquired by the group. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "treasury shares reserve"), which is not distributable. 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 the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.15 Related party transactions

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

5.16 Foreign currency translation

5.16.1 Functional and presentation currency

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using the functional currency.

5 Significant accounting policies (continued)

5.16 Foreign currency translation (continued)

5.16.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.16.3 Foreign operations

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities are translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to consolidated statement of profit or loss and other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.17 Qard Hassan to policyholders

Qard Hassan is an Islamic finance without profit from shareholders to policyholders with respect to the deficit arises from the takaful operations that will be settled from the surplus from this business in the coming years.

5.18 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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.

5.19 Share based payments

Certain senior management employees are granted share options of parent company as part of their remunerations package.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

5 Significant accounting policies (continued)

5.19 Share based payments (continued)

Equity-settled transactions (continued)

That cost is recognised, together with a corresponding increase in staff share bonus reserve in equity, over the period in which vesting conditions are fulfilled. The cumulative expenses recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of profit or loss or credit for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period and is recognised in employee benefits expenses.

When the terms of an equity-settled award are modified, the minimum expenses recognised is the expenses had the terms had not been modified, if the original terms of the awards are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transactions, or is otherwise beneficial to the employees as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computations of diluted earnings per share.

6 Significant management judgements and estimation uncertainty

The preparation of the group's consolidated financial statements requires group's management to make judgments, estimations and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

In the process of applying the group's accounting policies, the group's management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on the management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

The group classifies investments as held to maturity when the group has positive intent and ability to hold to maturity.

Classification of financial assets as at fair value through profit or loss depends on how the management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments, the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.2 Classification of real estate (continued)

The group classifies property as property under development if it is acquired with the intention of development.

The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.3 Control assessment

When determining control, the management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of available for sale equity investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.2 Fair value of financial instruments

The management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires the management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, the management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.3 Revaluation of investment properties

The group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The group engaged independent valuation specialists to determine fair value as at 31 December 2017 and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of the investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

6.2.4 Impairment of loans and receivables

The group's management reviews periodically items classified as loans and receivables to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgement by management is required in the estimation of amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

7 Subsidiary

The details of the subsidiaries are as follows,

Subsidiary company	Country of incorporation	Ownership	Percentage	Principal activities
		31 Dec. 2017 %	31 Dec. 2016 %	
Consolidated with shareholders Wethaq Real Estate Investment Company – WLL	Egypt	99.40	99.40	Buying, selling, leasing and owning lands in Egypt
Consolidated with policyholders Wared Rent a Car Company – KSC (Closed)	Kuwait	93.32	93.32	Car leasing, trading cars and spare parts in the State of Kuwait

7 Subsidiary (continued)

During this year ended 31 December 2016, the parent company incorporated a 99.40% owned subsidiary, Wethaq Real Estate Investment Company – WLL in Egypt with a share capital of KD8,256. The other shareholders of the subsidiary have signed letters of assignment in favour of the group and accordingly the group owns 100% shareholding of the subsidiary.

Also, the other shareholders of Wared Rent a Car Company – KSC (Closed) have signed letters of assignment in favour of the group. Accordingly, the group owns 100% shareholding of the subsidiary. The balances and results of this subsidiary have been consolidated with the policyholders.

8 Basic and diluted earnings per share

Basic and diluted earnings per share is computed by dividing the profit for the year by the weighted average number of shares outstanding during the year (excluding treasury shares) as follows:

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Profit for the year (KD)	90,032	903,910
Weighted average number of shares outstanding during the year	110,250,000	110,250,000
Less: weighted average number of treasury shares outstanding during the year	(445,500)	(445,500)
	109,804,500	109,804,500
Basic and diluted earnings per share (Fils)	0.82	8.23

9 Investments at fair value through profit or loss

	31 Dec. 2017 KD	31 Dec. 2016 KD
Local quoted securities held through managed portfolios	172,991	211,803
Local unquoted securities held through managed portfolios	33,075	33,075
Managed funds	14,109	14,109
	220,175	258,987

Managed funds are investments in units of private equity funds. Fair value of these funds is measured based on the net asset value provided by the respective fund managers. Management believes that the net asset value provided by the fund managers represents the best estimate of fair value available for these investments.

10 Available for sale investments

	31 Dec. 2017 KD	31 Dec. 2016 KD
Local quoted securities	16,059	17,015
Local unquoted securities	40,000	256,503
Managed portfolios	1,108,715	1,194,329
Managed funds	2,113,356	2,053,434
	3,278,130	3,521,281

10 Available for sale investments (continued)

a) Unquoted securities amounting to KD66,699 (2016: KD346,853) are carried at cost due to non-availability of quoted market price or other reliable measure of fair value. The group's management has performed analysis of the underlying investments which indicates that there is no impairment.

b) Managed funds are investments in units of private equity funds. Fair value of these funds is measured based on the net asset value provided by the respective fund managers. Management believes the net asset value provided by the fund managers represents the best estimate of fair value available for these investments.

c) During the year, the group recognised an impairment loss of KD190,633 (2015: KD Nil) against certain available for sale investments.

d) One of the related parties to the group manages investment portfolios and funds owned by the parent company amounting to KD764,789 (2016: KD717,807).

11 Amount due from policyholders

	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	3,128,755	2,267,261
Management fees from policyholders	333,816	859,516
Net movement during the year	1,206,086	1,978
Impairment in value	(434,574)	-
Closing balance	4,234,083	3,128,755

Net movements in policyholders' account represent the net fund transfers from and to their account in addition to the management fees from policyholders. The parent company's management is currently working on securing ways to settle the above due balances and also to settle the Qard Hassan balance (Note 12) in such a way that ensures continuity of the Takaful insurance activity of the policyholders.

12 Qard Hassan to policyholders' fund

In line with the Articles of Association, policyholders' net deficit from insurance activities has been covered by the Qard Hassan from the shareholders. The Qard Hassan provided by shareholders to the policyholders will be settled through the expected surplus from insurance activities in future years. During the year, the group recognised an impairment loss of KD162,500 (2015: KD Nil) against this balance.

13 Investment properties

	31 Dec. 2017 KD	31 Dec. 2016 KD
Carrying value at the begining of year	1,627,284	2,945,358
Additions during the year	-	244,284
Net change in fair value	916,625	49,043
Differences arising from translation of foreign currency	53,803	(1,611,401)
	2,597,712	1,627,284

13 Investment properties (continued)

- The management of the parent company consolidated the assets of the subsidiary in Egypt, which represent only the investment property, with the consolidated financial statements. The management of the group confirms that up to date, no financial statements for the subsidiary were issued, and that the net assets of the subsidiary in Egypt represent the value of the investment property mentioned above.

- The investment property in Egypt, mentioned above, is registered in the name of one of the parent company's directors, who has submitted a letter of assigned in favour of the subsidiary. The management of the parent company is currently in the process of transferring the ownership of the property to the subsidiary in Egypt.

- Investment properties (of the subsidiary) were valued by independent evaluators using market comparable approach that reflects recent transaction prices for similar properties. Gain amounting to KD965,293 is arising from the revaluation (2016: KD49,043).

- The investment properties above include a right of use of hotel apartments in Zamzam Tower in Holly Mecca in the Kingdom of Saudi Arabia. The contract of the right of use expires in 2024. Accordingly, the management of the parent company decided to amortize the balance of this investment amounting to KD389,340 over the remaining period of the contract with an annual charge of KD48,668 starting this year and included within the change in fair value above.

14 Equity

14.1 The authorized, issued and paid up share capital of the parent company as at 31 December 2017comprise of 110, 250,000 share of 100 Fils each (2016: 110,250,000 share of 100 Fils each). All shares are in cash.

14.2 Share premium is not available for distribution.

14.3 The group holds treasury shares as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Number of shares	445,500	445,500
Percentage of issued shares	0.40%	0.40%
Market value (KD)	20,047	13,365
Cost (KD)	50,489	50,489

15 Statutory and voluntary reserves

In accordance with the Companies Law and the parent company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration is to be transferred to statutory reserve. The parent company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend up to 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

In accordance with the parent company's Articles of Association, 10% of the profit for the year before KFAS, Zakat, NLST and directors' remuneration, is to be transferred to the voluntary reserve at the discretion of the board of directors subject to the approval of the general assembly.

There are no restrictions on the distribution of the voluntary reserve.

No transfer is required in a year in which the parent company has incurred a loss or where accumulated losses exist.

16 General Assembly of the Shareholders

The board of directors of the parent company proposed not to distribute dividends for the year ended 31 December 2017, and this proposal is subject to be approved by the general assembly of the parent company's shareholders.

The annual general assembly of the shareholders held on 20 April 2017 approved the consolidated financial statements of the group for the year ended 31 December 2016 and approved not to distribute any dividend for the year then ended (2015: KD Nil).

17 Consolidated policyholders' results by line of business and fund

The significant accounting policies used in accounting for the insurance business are set out below. Policies used in accounting for other accounts and transactions are the same as those adopted by the group.

Revenue recognition

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of net written premiums relating to the unexpired period of coverage that extend beyond the end of the financial year; they are calculated based on a time apportionment basis over the exposure to policies.

Policy issuance fees and policy acquisition costs

Policy issuance fees and policy acquisition costs are recognised at the time of recognition of the related premium.

Reinsurance

In the normal course of business, the group cedes and assumes certain levels of risk in various areas of exposure with other insurance companies or reinsurers. Such reinsurance includes quota share, excess of loss, facultative and other forms of reinsurance on essentially all lines of business.

Reinsurance ceded or assumed are deducted from gross premium to arrive at net premium.

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to consolidated statement of policyholders' results as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the group and those not reported at the financial position date.
The group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the group's prior experience is maintained for the cost of settling claims incurred but not reported at the financial position date. Any difference between the provisions at the financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

Liability adequacy test

At each financial position date, the group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the consolidated statement of policyholders' result and an unexpired risk provision created.
The group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the financial position date.

Premium and reinsurance receivables

Receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Equipment

Equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of equipment.

17 Consolidated policyholders' results by line of business and fund (continued)

Equipment (continued)

The following useful lives are applied:

- Buildings: 20 years
- Equipment: 5 -8 years
- Vehicles: 4 - 5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of policyholders' results.

Leasehold land

Leases are classified as finance leases when they meet their conditions for transfer of most of the risks and rewards connected with ownership to the lessee. All other leases are classified as operating leases.

Group is the lessor

Rent income from operating leases is recognized on the straight-line basis over the lease term. Finance lease income is distributed to the accounting periods to reflect a fixed periodic yield rate on the outstanding group's net investment in the leases.

Group is the lessee

Leased assets are initially recognized in accordance with finance leases as assets in the statement of consolidated financial position at the current value estimated for the minimum limit of the amounts paid for rental. The corresponding liability due to the lessor is carried in the consolidated statement of financial position as a finance lease liability. Operating lease payments are recognized as expense in the consolidated statement of profit or loss on a consistent basis over the lease term.

The leasehold land is depreciated over the lease term or over the estimated useful lives, whichever is less, unless it is reasonably confirmed that the group has obtained ownership at the end of the lease term.

Life mathematical reserve

The provision for life contracts is calculated on the basis of an actuarial valuation method.

Additional reserve

The additional reserve includes amounts reserved for claims Incurred But Not Reported ("IBNR") at the financial position date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the group's prior experience is maintained for the cost of settling claims incurred but not reported at the financial position date.

Provision for employees' end of service benefits

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Estimation uncertainty

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 are discussed below:

17 Consolidated policyholders' results by line of business and fund (continued)

Estimation uncertainty (continued)

Impairment of premiums receivable

An estimate of the collectible amount of premiums receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

Provision for outstanding claims and IBNR

Considerable judgment by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible if significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in the future changes in estimated liabilities. The group generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Reinsurance

The group is exposed to disputes with, and possibility of defaults by, its reinsurers. The group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Consolidated policyholders' results by line of business:

Year ended 31 December 2017:	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Premiums written	306,636	2,772,150	891,936	357,896	4,328,618
Less: reinsurance ceded	(263,950)	(838,926)	(834,085)	(115,502)	(2,052,463)
Net premiums	42,686	1,933,224	57,851	242,394	2,276,155
Movement in unearned premiums	(17,062)	579,112	32,900	-	594,850
Net premium earned	25,624	2,512,336	90,751	242,394	2,871,105
Policy issuance fees	2,036	67,520	3,108	1,139	73,803
Reinsurance commission earned	76,141	59,515	66,879	(1,163)	201,372
Total revenue	103,801	2,639,371	160,738	242,370	3,146,280
Net claims incurred	(23,008)	(1,993,203)	(93,654)	(220,216)	(2,330,081)
Retakaful share of claims incurred	35,610	555,314	31,327	54,289	676,540
Movement in provision for claims incurred but not reported	23,164	(26,754)	(11,370)	-	(14,960)
Movement in life mathematical reserve	-	-	-	(107,988)	(107,988)
Policy acquisition costs	(28,562)	(810,508)	(21,950)	(3,001)	(864,021)
Total expenses	7,204	(2,275,151)	(95,647)	(276,916)	(2,640,510)
Surplus/(deficit) by line of business	111,005	364,220	65,091	(34,546)	505,770
Allocation of general and administrative expenses	(82,229)	(749,706)	(240,835)	(94,561)	(1,167,331)
Net surplus/(deficit) from insurance operations	28,776	(385,486)	(175,744)	(129,107)	(661,561)
Net investment and other income	4,220	36,173	12,361	4,854	57,608
Net surplus/ (deficit) from takaful insurance operations	32,996	(349,313)	(163,383)	(124,253)	(603,953)
Income from leasing operations					162,081
Leasing expenses					(161,427)
Management fees from policyholders* - below					(333,819)
Net deficit transferred to policyholders' fund					(937,118)

17 Consolidated policyholders' results by line of business and fund (continued)

Consolidated policyholders' results by line of business (continued)

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Year ended 31 December 2016:					
Premiums written	284,541	2,506,841	1,088,593	417,608	4,297,583
Less: reinsurance ceded	(256,500)	(460,797)	(1,014,964)	(120,160)	(1,852,421)
Net premiums	28,041	2,046,044	73,629	297,448	2,445,162
Movement in unearned premiums	10,281	185,219	4,392	-	199,892
Net premium earned	38,322	2,231,263	78,021	297,448	2,645,054
Policy issuance fees	16,160	218,421	3,474	1,815	239,870
Reinsurance commission earned	58,703	44,864	83,200	1,795	188,562
Total revenue	113,185	2,494,548	164,695	301,058	3,073,486
Net claims incurred	(53,712)	(1,863,970)	(1,401,815)	(318,376)	(3,637,873)
Retakaful share of claims incurred	51,190	284,045	1,438,296	245,381	2,018,912
Movement in provision for claims incurred but not reported	11,979	105,539	63,412	-	180,930
Movement in life mathematical reserve	-	-	-	104,069	104,069
Policy acquisition costs	(49,086)	(432,457)	(187,794)	(72,042)	(741,379)
Total expenses	(39,629)	(1,906,843)	(87,901)	(40,968)	(2,075,341)
Surplus by line of business	73,556	587,705	76,794	260,090	998,145
Allocation of general and administrative expenses	(66,193)	(583,168)	(253,240)	(90,692)	(993,293)
Net surplus/(deficit) from insurance operations	7,363	4,537	(176,446)	169,398	4,852
Net investment and other income	4,162	42,179	10,417	6,109	62,867
Net surplus/(deficit) from takaful insurance operations	11,525	46,716	(166,029)	175,507	67,719
Income from leasing operations					178,075
Leasing expenses					(179,733)
Management fees from policyholders*					(859,516)
Net deficit transferred to policyholders' fund					(793,455)

* According to the parent company's Articles of Association, shareholders are entitled to management fees from policyholders up to 20% of the total premiums written and investment income (note 11).

In its meeting held on 21 June 2017, the Board of Directors decided to calculate management fees at 20% of the profit instead of 20% of revenue as a right to shareholders of the results of policyholders starting from 1 April 2017 until further notice.

17 Consolidated policyholders' results by line of business and fund (continued)

Consolidated policyholders' assets, liabilities and fund:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Assets		
Cash and cash equivalents	84,023	112,490
Investment deposits	1,546,000	1,542,887
Investments at fair value through profit or loss	305,695	475,652
Accounts receivable and other assets	1,153,865	1,186,529
Premiums receivable	2,195,164	1,881,987
Available for sale investments	150,500	182,656
Goodwill	409,766	409,766
Retakaful share of outstanding claims	4,935,220	4,561,665
Leasehold land	277,750	277,750
Equipment	234,152	251,173
Total assets	11,292,135	10,882,555
Liabilities		
Outstanding claims reserve	4,791,876	8,531,561
Unearned premiums	1,106,998	1,025,368
Incurred but not reported reserve	66,825	177,576
Accounts payable and other liabilities (see a below)	5,517,429	1,946,171
Amount due to shareholders	4,234,083	3,128,755
Qard Hassan from shareholders	1,625,611	1,625,611
Total liabilities	17,777,396	16,435,042
Policyholders' fund		
Policyholders' fund at the beginning of the year	(5,552,487)	(4,759,032)
Net deficit of policyholders for the year	(937,118)	(793,455)
Fair value reserve	4,344	-
Total policyholders' fund at the end of the year	(6,485,261)	(5,552,487)
Total liabilities and policyholders' fund	11,292,135	10,882,555

a) This balance includes an amount relating to liability towards a government institution "prosecutor". During the year, the court of appeal in the State of Kuwait ruled in favour of the prosecutor ordering the group to pay the sum of KD3,636,022. Therefore, the group reclassified the balance from "outstanding claims reserve" to "account payable and other liabilities". However, the group submitted a request to the court of cassation to stop the execution of the judgement where the ruling is still pending.

18 Related party balances and transactions

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiary which is a related party of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of balances transactions between the group and other related parties are disclosed below.

Shareholders	31 Dec. 2017 KD	31 Dec. 2016 KD
Consolidated statement of financial position:		
Investments at fair value through profit or loss	14,109	14,109
Available for sale investments – note 10-d	2,995,778	3,113,428

The available for sale investments above include the group's investments in the shares of subsidiaries of the ultimate parent company (Investment Dar Company and its subsidiaries) amounting to KD2,728,048 (2016: KD2,665,036).

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Key management compensation		
Salaries and other short term benefits	22,750	60,000

Policyholders	31 Dec. 2017 KD	31 Dec. 2016 KD
Consolidated statement of financial position:		
Investments at fair value through profit or loss	-	156,879

	Year ended 31 Dec. 2017 KD	Year ended 31 Dec. 2016 KD
Consolidated policyholders' results:		
General and administrative expenses	-	(33,533)
Key management compensation:		
Salaries and other short term benefits	204,974	204,060
Terminal benefits	234,643	181,444
	439,617	385,504

19 Segmental analysis

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group's profit or loss.

19 Segmental analysis (continued)

The group operates in the sectors of investment, takaful insurance and car rental as follows:

Shareholders **Year ended at 31 December 2017**	Investment KD	Takaful insurance KD	Unallocated KD	Total KD
Total revenue	728,792	333,816	-	1,062,608
Profit/(loss) for the year	538,159	(263,258)	(183,969)	90,032
As at 31 December 2017				
Total assets	6,096,017	5,697,194	189,719	11,982,930
Total liabilities	-	-	(23,553)	(23,553)
Net assets	6,096,017	5,697,194	166,166	11,959,377
Shareholders				
Year ended at 31 December 2016	156,469	859,516	-	1,015,985
Total revenue	156,469	859,516	(112,075)	903,910
Profit/(loss) for the year				
As at 31 December 2016				
Total assets	5,407,552	4,754,366	1,463,897	11,625,815
Total liabilities	-	-	(86,601)	(86,601)
Net assets	5,407,552	4,754,366	1,377,296	11,539,214

Policyholders **Year ended at 31 December 2017**	Investment KD	Takaful insurance KD	Cars Rental KD	Unallocated KD	Total KD
Total revenue	57,608	4,328,618	162,081	-	4,548,307
Profit/(loss) for the year	57,608	(995,380)	654	-	(937,118)
As at 31 December 2017					
Total assets	2,279,945	7,130,384	494,564	1,387,283	11,292,176
Total liabilities	-	(16,082,500)	(19,282)	(1,675,451)	(17,777,233)
Net assets	2,279,945	(8,952,116)	475,282	(288,168)	(6,485,057)
Policyholders					
Year ended at 31 December 2016					
Total revenue	62,867	4,297,583	178,075	-	4,538,525
Profit/(loss) for the year	62,867	(854,664)	(1,658)	-	(793,455)
As at 31 December 2016					
Total assets	2,478,945	6,443,652	453,634	1,506,324	10,882,555
Total liabilities	-	(14,488,871)	(99,245)	(1,846,926)	(16,435,042)
Net assets	2,478,945	(8,045,219)	354,389	(340,602)	(5,552,487)

20 Risk management objectives and policies

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

The parent company's board of directors is ultimately responsible for establishing an overall risk management function and approving risk strategies and principles.

20 Risk management objectives and policies (continued))

Law No. 24 of 1961, Law No.13 of 1962 and Decree No. 5 of 1989, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

1. The following are the key regulations governing the operations of the group:
   - For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
   - For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
   - For all other types of insurance, at least 30% of the premiums 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 group's senior management is responsible for monitoring compliance with the above regulation and has a delegated authorities and responsibilities from the board of directors to ensure compliance.

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

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 insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

(1) Non-life insurance contracts

The group principally issues the following types of general insurance contracts: Marine-Cargo, Hull 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, Travel Assistance, Motor Comprehensive, and Motor Third Party Liability. Healthcare contracts provide medical expense cover to policyholders. Risks under non-life insurance policies usually cover twelve-month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities.

Marine and aviation

For marine insurance 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 group has reinsurance cover to limit losses for any individual claim to KD1,400,000 (31 December 2016: KD1,400,000).

20 Risk management objectives and policies (continued)

(1) Non-life insurance contracts (continued)

Fire and accident

For property insurance contracts the main risks are fire and business interruption. In recent years 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 group has reinsurance cover for such damage to limit losses for any individual claim to KD3,250,000 (31 December 2016: KD3,000,000).

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 primarily underwritten comprehensive polices for owner/drivers over 21 years of age. The group has reinsurance cover to limit losses for any individual claim to KD600,000 (31 December 2016: KD600,000).

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.

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 insurance 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. 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 reinsurance arrangements in order to limit exposure to catastrophic events (e.g hurricanes, earthquakes and flood damages).

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

	31 December 2017			31 December 2016		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Marine and aviation	281,662	(248,341)	33,321	528,976	(486,285)	42,691
General accident	3,839,381	(1,591,392)	2,247,989	5,537,707	(1,534,067)	4,003,640
Fire	350,853	(309,240)	41,613	690,442	(640,848)	49,594
Total	4,471,896	(2,148,973)	2,322,923	6,757,125	(2,661,200)	4,095,925

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 one-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.

20 Risk management objectives and policies (continued))

(2) Life insurance contracts

For life insurance the main risks are claims for medical, death or permanent disability.

The underwriting strategy for the life of 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 use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history.

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. Life insurance contracts offered by the group include group whole life insurance, credit life (banks), and group medical including third party administration (TPA).

The main risks that the group is exposed to are as follows.

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk – risk of loss arising due to the annuitant living longer than expected.
- Investment return risk – risk of loss arising from actual returns being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the group as life business mainly written in Gulf countries.

The group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the group to pursue third parties for payment of some or all costs. 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.

For contracts where death or disability are the insured risks the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The insurance risks described above are also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holder behaviour.

The table below sets out the concentration of life insurance and by type of contract.

	31 December 2017			31 December 2016		
Type of contract	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Life takaful insurance	319,980	(260,371)	59,609	678,911	(603,778)	75,133

20 Risk management objectives and policies (continued))

(2) Life insurance contracts (continued)

All life insurance contracts are in Kuwait, the analysis above would not be materially different if based on the countries in which the counterparties are situated.

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 insurance 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.

Financial risks

The group's activities expose it to variety of financial risks: market risk (including currency risk, profit rate risk and equity price risk), credit risk and liquidity risk.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed are described below.

20.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The group's credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or group of customers in specific locations or business through diversification of its activities.

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

	31 Dec. 2017 KD	31 Dec. 2016 KD
Shareholders		
Cash and cash equivalents	168,990	1,309,226
Other assets	20,729	154,671
Qard Hassan to policyholders	1,463,111	1,625,611
Amount due from policyholders	4,234,083	3,128,755
	5,886,913	6,218,263
Policyholders		
Bank balances	73,501	107,339
Investment deposits	1,546,000	1,542,887
Account receivables and other assets	1,112,531	1,165,008
Premiums receivable	2,195,164	1,881,987
Retakaful share of outstanding claims	4,935,220	4,561,665
	9,862,416	9,258,886

Credit quality per class of financial assets

The credit quality of financial assets is managed by the group using internal credit ratings. The table below shows the credit quality by class of asset for related financial position lines, based on the group's credit rating system.

20 Risk management objectives and policies (continued))

20.1 Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2017 and 31 December 2016, credit quality per class is as follows:

	Neither past due nor impaired			
31 December 2017	High grade KD	Standard grade KD	Past due or impaired KD	Total KD
SHAREHOLDERS				
Cash and cash equivalents	168,990	-	-	168,990
Other assets	-	20,729	-	20,729
Qard Hassan to policyholders	-	-	1,463,111	1,463,111
Amount due from policyholders	-	-	4,234,083	4,234,083
	168,990	20,729	5,697,194	5,886,913
POLICYHOLDERS				
Bank balances	73,501	-	-	73,501
Investment deposits	1,546,000	-	-	1,546,000
Account receivables and others assets	762,531	350,000	-	1,112,531
Premiums receivable	1,345,164	850,000	-	2,195,164
Retakaful share of outstanding claims	2,409,344	2,525,876	-	4,935,220
	6,136,540	3,725,876	-	9,862,416
31 December 2016				
SHAREHOLDERS				
Cash and cash equivalents	1,309,226	-	-	1,309,226
Other assets	-	128,625	26,046	154,671
Qard Hassan to policyholders	-	-	1,625,611	1,625,611
Amount due from policyholders	-	-	3,128,755	3,128,755
	1,309,226	128,625	4,780,412	6,218,263
POLICYHOLDERS				
Bank balances	107,339	-	-	107,339
Investment deposits	1,542,887	-	-	1,542,887
Account receivables and others assets	296,632	868,376	-	1,165,008
Premium receivable	470,496	1,411,491	-	1,881,987
Retakaful share of outstanding claims	-	4,561,665	-	4,561,665
	2,417,354	6,841,532	-	9,285,558

20.2 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis. The undiscounted cash outflows for financial liabilities are not materially different from those presented below.

20 Risk management objectives and policies (continued))

20.2 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2017 and 31 December 2016:

31 December 2017	Up to 1 year KD	Over 1 year KD	31 December 2017 KD
SHAREHOLDERS			
Assets			
Cash and cash equivalents	168,990	-	168,990
Investments at fair value through profit or loss	220,175	-	220,175
Available for sale investments	-	3,278,130	3,278,130
Amount due from policyholders	-	4,234,083	4,234,083
Qard Hassan to policyholders' fund	-	1,463,111	1,463,111
Investment properties	-	2,597,712	2,597,712
Other assets	20,729	-	20,729
	409,894	11,573,036	11,982,930
Liabilities			
Other liabilities	23,553	-	23,553
	23,553	-	23,553
Net exposure	386,341	11,573,036	11,959,377
POLICYHOLDERS			
Assets			
Cash and cash equivalents	84,023	-	84,023
Investment deposits	1,546,000	-	1,546,000
Investments at fair value through profit or loss	305,695	-	305,695
Accounts receivables and other assets	1,153,865	-	1,153,865
Premiums receivable	2,195,164	-	2,195,164
Available for sale investments	-	150,500	150,500
Goodwill	-	409,766	409,766
Retakaful share of outstanding claims	-	4,935,220	4,935,220
Leasehold land	-	277,750	277,750
Equipment	-	234,152	234,152
	5,284,747	6,007,388	11,292,135
Liabilities			
Outstanding claims reserve	-	4,791,876	4,791,876
Unearned premiums	-	1,106,998	1,106,998
Incurred but not reported reserve	-	66,825	66,825
Accounts payable and other liabilities	5,517,429	-	5,517,429
Amount due to shareholders	-	4,668,657	4,668,657
Qard Hassan from shareholders	-	1,625,611	1,625,611
	5,517,429	12,259,967	17,777,396
Net exposure	(232,682)	(6,252,579)	(6,485,261)

20 Risk management objectives and policies (continued))

20.2 Liquidity risk (continued)

31 December 2016	Up to 1 year KD	Over 1 year KD	31 Dec. 2016 KD
SHAREHOLDERS			
Assets			
Cash and cash equivalents	1,309,226	-	1,309,226
Investments at fair value through profit or loss	258,987	-	258,987
Available for sale investments	-	3,521,281	3,521,281
Amount due from policyholders	-	3,128,755	3,128,755
Qard Hassan to policyholders' fund	-	1,625,611	1,625,611
Investment properties	-	1,627,284	1,627,284
Other assets	154,671	-	154,671
	1,722,884	9,902,931	11,625,815
Liabilities			
Other liabilities	86,601	-	86,601
	86,601	-	86,601
Net exposure	4,765,038	6,774,176	11,539,214
POLICYHOLDERS			
Assets			
Cash and cash equivalents	112,490	-	112,490
Investment deposits	1,542,887	-	1,542,887
Investments at fair value through profit or loss	475,652	-	475,652
Accounts receivables and other assets	1,186,529	-	1,186,529
Premiums receivable	1,881,987	-	1,881,987
Available for sale investments	-	182,656	182,656
Goodwill	-	409,766	409,766
Retakaful share of outstanding claims	-	4,561,665	4,561,665
Leasehold land	-	277,750	277,750
Equipment	251,173	-	251,173
	5,450,718	5,431,837	10,882,555
Liabilities			
Outstanding claims reserve	-	8,531,561	8,531,561
Unearned premiums	-	1,025,368	1,025,368
Incurred but not reported reserve	-	177,576	177,576
Accounts payable and other liabilities	1,946,171	-	1,946,171
Amount due to shareholders	-	3,128,755	3,128,755
Qard Hassan from shareholders	-	1,625,611	1,625,611
	1,946,171	14,488,871	16,435,042
Net exposure	3,504,547	(9,057,034)	(5,552,487)

20 Risk management objectives and policies (continued))

20.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (profit rate risk) and market prices (equity price risk).

The group limits market risk by maintaining a diversified portfolio and by monitoring the developments in markets.

(a) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group is not exposed to significant currency risk because the group's significant transactions, assets and liabilities are dominated in its functional currency.

(b) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. As the group's interest bearing assets are deposits with banks mostly at fixed rates over the contractual term, the group's income and operating cash flows are substantially independent of changes in market interest rates. The group does not have any interest bearing liabilities.

c) Equity price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as investments at fair value through profit or loss and available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had been 5% (31 December 2016: 5%) higher/lower, the effect on the loss for the year and equity would have been as follows:

	31 December 2017		31 December 2016	
	Increase 5%	Decrease 5%	Increase 5%	Decrease 5%
SHAREHOLDERS				
Impact on equity	31,685	(31,685)	176,064	(176,064)
Impact on profit for the year	23,035	(8,650)	12,949	(12,949)
POLICYHOLDERS				
Impact on policyholders' fund	8,809	(8,809)	32,915	(32,915)
Impact on policyholders' results	1,284	(1,284)	2,045	(2,045)

21 Fair value measurement

21.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

21 Fair value measurement (continued)

21.1 Fair value hierarchy (continued)

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

• Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21.2 Fair value measurement of financial instruments

The carrying value of the group's financial assets and liabilities stated in the consolidated statement of financial position are as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Shareholders' assets and liabilities		
Financial assets:		
Loans and receivables at amortised cost:		
Cash and cash equivalents	168,990	1,309,226
Amount due form policyholders (net of provision)	4,234,083	3,128,755
Qard Hassan to policyholders' fund (net of provision)	1,463,111	1,625,611
Other assets	20,729	154,671
Available for sale investments:		
At fair value	3,211,431	3,174,428
At cost	66,699	346,853
Investments at fair value through profit or loss:		
At fair value	220,175	258,987
	9,385,218	9,998,531
Financial liabilities:		
Financial liabilities at amortised cost:		
Accounts payable and other liabilities	23,553	86,601
	23,553	86,601
Policyholders' assets and liabilities		
Financial assets:		
Loans and receivables at amortised cost:		
Cash and cash equivalents	84,023	112,490
Investment deposits	1,546,000	1,542,887
Accounts receivable and other assets	1,153,865	1,186,529
Premiums receivable	2,195,164	1,881,987
Retakaful share of outstanding claims	4,935,220	4,561,665
Available for sale investments:		
At fair value	150,500	-
At cost	-	182,656
Investments at fair value through profit or loss		
At fair value	305,695	475,652
	10,370,467	9,943,866

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments (continued)

	31 Dec. 2017 KD	31 Dec. 2016 KD
Financial liabilities:		
Financial liabilities at amortised cost:		
Unearned premiums	1,106,998	1,025,368
Accounts payable and other liablities	5,517,266	1,946,171
Amount due to shareholders	4,234,083	3,128,755
Qard Hassan from shareholders	1,625,611	1,625,611
	12,918,532	7,725,905

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortized cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2017

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held though managed portfolios	172,991	-	-	172,991
- Local unquoted securities held though managed portfolios	-			
- Managed funds	-	33,075	-	33,075
		14,109	-	14,109
Available for sale investments				
- Local quoted securities	16,059	-	-	16,059
- Managed portfolios	444,648	-	637,368	1,082,016
- Managed funds	-	2,113,356	-	2,113,356
	633,698	2,160,540	637,368	3,431,606
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held though managed portfolios	25,677	-	-	25,677
- Managed funds	-	280,018	-	280,018
Available for sale investment				
- Managed portfolios	-	-	150,500	150,500
	25,677	280,018	150,500	456,195

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments (continued)

31 December 2016 SHAREHOLDERS	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
- Local quoted securities held though managed portfolios	211,803	-	-	211,803
- Local unquoted securities held though managed portfolios	-	33,075	-	33,075
- Managed funds	-	14,109	-	14,109
Available for sale investments				
- Local quoted securities	17,015	-	-	17,015
- Local unquoted securities	-	-	216,503	216,503
- Managed portfolio	375,381	-	512,095	887,476
- Managed funds	-	2,053,434	-	2,053,434
	604,199	2,100,618	728,598	3,433,415
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held though managed portfolios	40,916	-	-	40,916
- Managed funds	-	434,736	-	434,736
	40,916	434,736	-	475,652

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

c) Managed funds and portfolios

the underlying investments of managed funds and portfolios primarily comprise of local and foreign quoted and unquoted securities whose fair values have been determined based on the fund's/portfolio's managers report as at the reporting dates.

Level 3 fair value measurements

The group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

	Policyholders		Shareholders	
	Available for sale investments		Available for sale investments	
	Unquoted securities		Unquoted securities	
	31 Dec. 2017 KD	31 Dec. 2016 KD	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	-	-	728,598	174,850
Transfer	182,656	-	232,180	457,308
Disposal	(36,500)	-	(216,503)	-
Net change in fair value	4,344	-	(106,907)	96,440
Closing balance	150,500	-	637,368	728,598

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Level 3 are described below:

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the consolidated statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

21.3 Fair value measurement of non-financial assets

The following table shows the fair value hierarchy of non-financial assets measured at fair value

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2017				
Investment property				
- Investment building in Egypt	-	-	2,313,693	2,313,693
	-	-	2,313,693	2,313,693
31 December 2016				
Investment property	-	-		
- Investment building in Egypt	-	-	1,294,597	1,294,597
			1,294,597	1,294,597

21 Fair value measurement (continued)

21.3 Fair value measurement of non-financial assets (continued)

Fair value of the group's investment property is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

Investment property in the Arab Republic of Egypt

The investment property in Egypt (owned by the subsidiary) represents three residential and commercial towers categorized as "Investment Building". The fair value of the building has been determined based on valuations obtained from two independent valuers, who are specialized in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. The valuers who are local reputable valuers have valued the building primarily by using market comparison. When the market comparison approach is used adjustments have been incorporated for factors specific to the building such as plot size, location current use rental yield, age of building and its general condition.

Further information regarding the fair value measurements is set out in the table below:

31 December 2017

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment building in Egypt	Market comparison approach	Estimated market price for building (per sqm)	KD 414	Higher the price per square meter, higher the fair value

31 December 2016

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment building in Egypt	Market comparison approach	Estimated market price for building (per sqm)	KD 414	Higher the price per square meter, higher the fair value

The non-financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investment Property	
	31 Dec. 2017 KD	31 Dec. 2016 KD
Opening balance	1,294,597	2,612,671
Additions	-	244,284
Change in fair value	965,293	49,043
Foreign currency adjustment arising on translation of the balances Egypt's subsidiary	53,803	(1,611,401)
	2,313,693	1,294,597
Total amount included in profit or loss for unrealised gains on level 3 assets	965,293	49,043

22 Contingent liabilities

The group is a defendant in a number of legal cases filed by Takaful contract holders in respect of claims subject of dispute with the group including a legal case filed by a government institution against the group for an amount of KD3,636,022 which the group has provided for the accounts payable and other liabilities. Although the court of appeal issued its ruling in favour of the State and the parent company submitted a request to the court of cassation to stop the execution, the parent company has made provisions which, in its opinion, are adequate to cover any resultant liabilities (note 17a).

23 Capital management objectives

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital consists of total equity. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The group monitors its capital by way of return on equity. This is calculated by reference to profit for the year divided by total equity as follows:

	31 Dec. 2017 KD	31 Dec. 2016 KD
Profit for the year	90,032	903,910
Total equity	11,959,377	11,539,214
Return on equity	0.75%	7.8%

24 Comparative amounts

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including total assets, total liabilities, equity and net profit.