للتأمين التكافلي

ANNUAL REPORT

2016

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

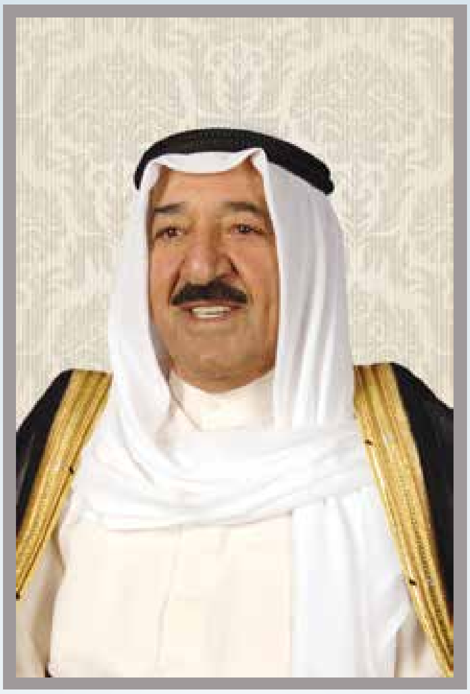
Authourized & Paid Up Capital K.D. 11,025,000/-

Kuwait - Sharq - Khalid Bin Al-Waleed st. - City Tower

P.O.Box: 371 Safat 13004 Kuwait

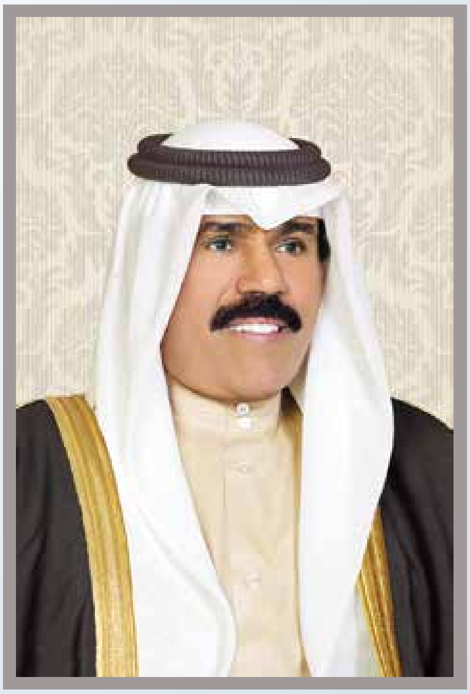
Tel.: 1866662 - Fax: 22491280

www.wethaq.com



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

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



His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince 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

FATWA & SHARIA SUPERVISORY BOARD

Dr. Khalid Al-Mazkour
President

Dr. Essa Zaky Shaqra
Member

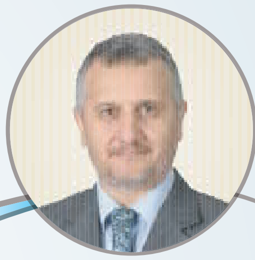
M.Dr. Abdulaziz Al-Qassar
Member & Reporter

EXECUTIVE MANAGEMENT

Majed Y.Al Ali
Chief Executive Officer

Abdulrahman F. Al-Suwaidan
A. CEO

Al-Sadiq A.Al-Tawali
A. CEO - U/W & RI



Baha M. Maarouf
A. CEO - IT

Ayman M. Tahan
Manager- Marketing & Development Dept.

Fawaz Saad El Mazroui
Manager - Production Dept.

Khalid G. Aldeei
Head Of Motor Dept.

Moaz Hassan Alarabi
Head Of Internal Audit

Nasser A. Al-Taher
Head Of HR Legal & Administration Dept.

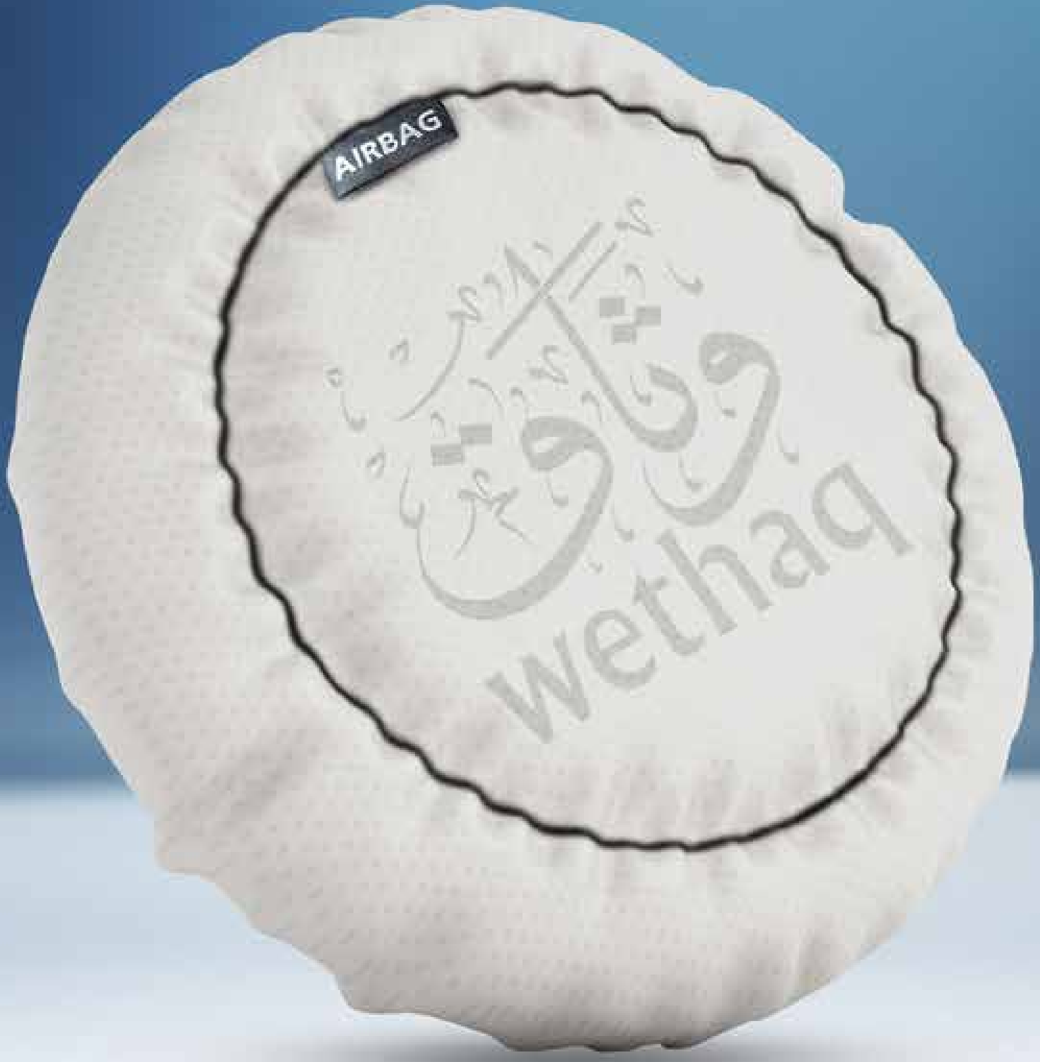
Sherif M. Eita
Acting Head of Finance Dept.

Basheer Mohamad Ali
Deputy Head – Marine Dept.

Haytham M. AL Shazli
Assistant Head of FGA

WE ASPIRE TO BE

A SYMBIOTIC PIONEERS INSURANCE INDUSTRY



We aim to provide service and insurance products using the most distinctive means of technology to all segments of customers through innovation of new products aimed at achieving a surplus of insurance activity and maximizing return on investment for each of the policy holders & shareholders.

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THE ACCREDITATION REPORT OF FATWA & SHARIA SUPERVISORY BOARD

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

Praise to almighty Allah and peace and blessing be upon Prophet Mohammed, his family and companions.

Fatwa and Sharia's Supervisory board has reviewed all insurance policies referred to it by the management of Wethaq Takaful Insurance company and approves of them after amending the same in compliance with the provisions of Islamic Sharia's, and follow-up to those who have been issued these insurance policies.

Fatwa and Shari'a Supervisory board answered all questions and inquiries in relation to insurance operations and all activities practiced by the company.

Based on this revision, and the report of Shari'a controller, Fatwa and Shari'a Supervisory board declares that the operations of Wethaq Takaful Insurance company during 2016 are consistent to the glorious islamic Shari'a provisions. The board could not find any violations in all referred matters.

Whereas the company's articles of association does not provide for the payment of Zakat by the company, therefore Zakat payment liability rest with the shareholders and owners.

We appeal to Allah to bless the company's management for further success in their business for the accomplishment of Takaful insurance objectives and all our prospects in compliance with the islamic shari'a and faith.

President	Member	Member & Reporter
Dr. Khaled Abdullah A. Al-Mazkoor	Dr. Essah Zakee Shaqrah	M.Dr. Abdul-Aziz Khalifah Al-Qassar

Board of Directors' Statment 2016

In the Name of Allah, Most Gracious, Most Merciful

Praise be to Allah, prayer and peace be upon our Prophet Muhammad Master of messengers, the honest and his family and companions and those who followed them in truth until the Day of Judgment.

Dear Shareholders,

Peace, Mercy and Blessing of Good Be Upon You.

At the outset, It gives me a great pleasure on behalf of myself and the members of the board of directors of Wethaq Takaful Insurance Company, to present out thanks and appriciation for honoring and accepting this inviattion to attend the 16th Meeting of the General Assembly, in order to review the Annual Report of the company's businesses and results for the ended financial year by 31st December 2016 including a report of Fatwa and Shari'a Supervisory Board, Auditor's Report, and glances on global and local markets' conditions, morever, it includes the performance and activity of insurance sector, also the report includes the achievements realized by the company and the strategy pursued to achieve its objectives.

Year 2016 has witnessed several events, which have great effect on the performance of Kuwait Stock Exchange Market (Boursa) and on the local economy in general, whereas local economic situations have been affected at the beginning of the year, with severe crisis of oil prices' decline, which has broke out by mid of year 2014, as Kuwaiti Oil barrel has reached into its lowest levels, according to overseers, continuous decline in oil prices had negative tangible impacts on the budget of the state, which depends mainly on the oil's revenues, whereas it has recorded actual deficiency for the financial year 2015/2016 which reached into 5.98 Billion Kuwaiti dinars, so purchasing operations have been restricted as a result of several investment refraining and migration of Kuwaiti capitals, further the year 2016 has witnessed the exit of the United Kingdom out of the European Union, and American presidency elections which also had negative impact on performance of international and regional share markets including Kuwait Stock Exchange Market (Boursa).

Board of Directors' Statment 2016

While performance of Kuwait Stock Exchange Market (Boursa) during second half of Year 2016 has shown improvement, after the increase of oil prices, with support of OPEC organization with its agreement to reduce production, morever, the ruling of CMA (Capital Markets Authority) which has maintained balance between supply and demand, and boosted the liquidity of the market, in addition, the waves of optimisim which has been received by Kuwait Stock Exchange Market (Boursa) after the end of National Assembly elections and the announcement of formation of a new cabinet, all this enabled Kuwait Stock Exchange Market (Boursa) to compensate part of its losses.

Further, Markets of GCC countries have been subjected as well to severe fluctuations during year 2016, despite its regression they have concluded their tradings for year 2016 with increase, overseers expect that countries of GCC will recover very quick by year 2017 with support of quick economic growth movement, and profit of the companies, which are still flexible to a great limit. On other hand it is expected to improve way of performing projects in GCC countries comparing to year 2016, whereas projects' market shall maintain its force.

While in respect to development plan, reports for the first nine months of the annual plan 2016/2017 has demonstrated that total projects of the plan reached into 282 projects with total cost amounting around 3 billion Kuwaiti dinars, 48.6% of them has been spent with increase in expenditure percentage on development project with 13.7% comparing to the same duration during last year.

In Addition, total value of awarding for governmental authorities and organizations, in addition to Oil and Petroleum sector for year 2016 have reached into 1.34 billion Kuwaiti dinars distributed into 167 awarding agreement, construction businesses and projects have occupied the first rank, whereas it has reached about 78% of total awarding value, while oil and petroleum projects have occupied the second rank, as it has reached 9% of total awarding value, while the third rank has been occupied by maintenance and restoration projects as it has reached 6% of total awarding value. Further Public Authority of Industry has announced that it aims to increase growth of industrial sector into 8.3% per year.

Within the workframe to develop performance of insurance sector at countries of GCC, it is necessary to expand fields of insurance activities and its variety, inventing insurances products which targets the individual and family that relate for example to life, private property, retirement and medical insurances and other important & vital insurance products which shall increase company's revenues. The Gulf market is in the need of great variation and expansion in the insurance's products and its tools, further it needs to spread enough awareness among its citizens, about importance of these individual and family insurance products.

Further, a law of health insurance services for retired citizens has been approved, as the Ministry of Health has announced that it is about to increase charges of health services on expatriates, whereas it is expected to invent a great and vital opportunities before local insurance companies to attract some of these segments.

Also, we hope that the concerned authorities shall provide better support and permitting the insurance companies to promote its insurance' retail products through channels, as Banks, where its important for all concerned parties, to make sure a strategic insurance premiums up to regional and competable levels, also it increases the insurance awareness through organizations, which are characterized with good reputation and great experiences, further insurance companies shall work side by side to provide creative products to attract different segments of the society, whereas most people are directed toward insurance for a necessity in this regard, and not as personal choice for them, insurance penetration in Kuwait are still at its least levels, whereas it is not exceed 0.5% however the insurance density in Kuwait is the fourth at the gulf area, while it is less than the average rate according to last record for that.

Board of Directors' Statment 2016

The number of active insurance companies in Kuwait has become 35 companies, 13 of them are licensed to practice takaful insurance, total insurance companies have achieved approximately 255 million Kuwaiti dinars within first nine months by year 2016 of a growth rate that is near to 6% than year 2015, whereas it is expected to register total gross insurance premiums of around 340 million Kuwaiti dinars by end of year 2016, which is the least growth percentage since 7 years, also premiums of Takaful Insurance companies (except Takaful windows at Traditional companies) have increased to around 23% of the total of written premiums, after it was 4% only by year 2010, however, despite the growth of written insurance premiums by year 2016 than 2015, whereas it is noticed that the total numbers of general Insurance issued policies retreated around 5%, further it is noticed slight retreat of the total paid claims, and significantly increase of total outstanding claims to a great limit of what may express about retreat quality services of insurance companies.

In this regard, we can say that Takaful Insurance companies achieve good results, and it is still struggling to do extra effort in order to maintain best marketing shares, within light of all these important challenges, including weak governmental support, rare technical qualifications, poor control and organization for this sector, not forming controlling and supervising authority, weak insurance awareness from on the base of depending on the state, weak capitals, deactivation and prohibit Bancassurance, not enforcing many important and necessary insurances, continue carrying out Takaful windows for the traditional insurance companies, not insuring governmental properties, not increasing prices and amending some conditions of the third party liability insurance policies for motors, and rating insurances companies, etc.

In this regard, "WETHAQ" is continuing to consider cautious strategy in order to developing professional underwiting policies and maintaining reinsurance operations at the best international and regional reinsurance rated companies to protect rights of shareholders & policyholders, to maintain the best possible results.

Where the company has recently placed upgraded underwriting tactics which will reflect soon the performance of insurance written premiums, also will protect the company against possible insurance risks and reduce losses of the insurance policies, further it has placed clear indicators about rates of claims and recovery whether the paid or the outstanding, further it appears clearly details of accidents and claims in some insurances which shall be reflected definitely on underwriting policies to provide high profits.

"WETHAQ" has achieved -thanks to God- a growth in its performance and it has achieved several important insurance contracts also has maintained the most important strategic clients through providing the best competing services and it is still enjoying great competing abilities which challenge with great companies.

S&P has enhanced the rating of "WETHAQ" within its annual Evaluation Report on December year 2016, whereas the agency has assured that the company's rating and it has fixed at the BB/stable.

Further, the company has achieved several vital contracts on the strategic level which has grown since year 2015 in a satisfactory and encouraging way for next years, however it has missed some contracts due to severe competition, while the company has issued more than 24 thousand Insurance policies within year 2016, also some growth percentage in insurance activities have jumped qualitative great jumps.

Therefore, it has been agreed to present the annual financial statements of the company for the ended financial year by 31st December 2016, further the company didn't distribute any compensations for members of the board of directors and the board of directors has recommended not distributing profits for the ended year.

The following is an overview of the financial results:

"WETHAQ" has realised profits of 903,910 Kuwaiti dinars, on the basis of 8,23 fils per share by year 2016, vis-à-vis (0.029) fils per share for the same period compared with year 2015.

Finally, we can only extend our sincere thanks and gratitude to His Highness Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, the beloved Amir, and to His Highness Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the honest and trustworthy Crown Prince, and to His Highness Sheikh Jaber Mubarak Al-Hamad Al-Sabah, the Prime Minister, may Allah save and protect them, for the special attention which they devote to the Islamic companies.

Further, we present thanks to all official authorities in the state, on its top Ministry of Commerce and Industry, Capital Markets Authority, Kuwait Stock Exchange Market, and all our honored shareholders and clients for their support and encouragement in our path for Takaful business.

We also extend our sincere thanks and appreciation to the members of Fatwa and Shari'a Supervisory Board at the company whose reviews and feedback have always enriched our endeavors. We'd like also to express our thanks to the Executive Management of the company and all its employees for their dedication and determination to accomplish the work assigned to them in full seriousness and commitment.

God Grants Success.

Best Regards,

Ibrahim Abbas Othman Sukhi
Chairman

31 December 2016

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

CONSOLIDATED FINANCIAL STATEMENTS

& INDEPENDENT AUDITORS' REPORT

as at 31 December 2016

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To shareholders of
Wethaq Takaful Insurance Company K.S.C.P.
Kuwait

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Wethaq Takaful Insurance Company - KPSC ("Parent Company") and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, 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, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, 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 Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' 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 other 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 opinion.

Emphasis of Matter

The group's consolidated financial statements for the year ended 31 December 2015 have been audited by other auditors who issued an unqualified audit reports on 28 February 2016.

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 period. 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 matters described below as the key audit matters.

Valuation of Investment properties

The Group's investment properties represent 14% of the total assets and comprise of buildings as well as located in Kuwait or outside. 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, with reference to development properties, whether or not the fair value can be reliably determined. 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 14.

Our audit procedures included assessing the appropriateness of managements process for reviewing and assessing the work of the external valuers and their valuations including managements 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 independent valuers challenging the estimates, assumptions and valuation methodology used in either 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 to confirm it was consistent with information obtained during our audit.

Other information

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 2016, other than the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other accompanying 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 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.

Auditors' 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 auditors' 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.
- 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 auditors' 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 company audit. We remain solely responsible for our audit opinion.

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 period and are therefore the key audit matters. We describe these matters in our auditors' 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 2016 that might have had a material effect on the business or financial position of the Parent Company.

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

Hend Abdullah Al Surayea
(Licence No. -141A)
Hend Abdullah Al Surayea & Co. Member of MAZARS

kuwait 15 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the Year ended 31 December 2016

	Notes	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Continuing operations			
Revenue			
Net investment gain (loss)	8	107,426	(24,265)
Change in fair value of investment properties	14	49,043	158,419
Management fees from policyholders	17	859,516	953,764
Loss on sale of a subsidiary	7	-	(1,107,582)
Other income		-	9,426
		1,015,985	(10,238)
Expenses and other charges			
General and administrative expenses		(79,291)	(112,348)
		(79,291)	(112,348)
Profit/(loss) for the year before provisions for National Labour Support Tax (NLST) and Zakat		936,694	(122,586)
Provision for NLST		(23,417)	-
Provision for Zakat		(9,367)	-
Profit/(loss) for the year from continuing operations		903,910	(122,586)
Discontinued operations			
Profit for the year from discontinued operations	7	-	198,997
Profit for the year		903,910	76,411
Profit/(loss) for the year attributable to :			
Shareholders of the parent company		903,910	(3,188)
Non-controlling interests		-	79,599
Profit for the year		903,910	76,411
Basic and diluted earnings/(loss) per share attributable to the shareholders of the parent company			
From continuing operations (Fils)	9	8.23	(1.116)
From discontinued operations (Fils)	9	-	1.087
		8.23	(0.029)

The notes set out on pages 21 to 55 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as at 31 December 2016

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Profit for the year	903,910	76,411
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to the statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	(149,803)	113,768
Exchange differences arising on translation of foreign operations	(1,615,597)	502,600
Total other comprehensive (loss)/income	(1,765,400)	616,368
Total comprehensive (loss)/ income for the year	(861,490)	692,779
Total comprehensive (loss)/income for the year attributable to:		
Shareholders of the parent company	(861,490)	681,622
Non-controlling interests	-	11,157
Total comprehensive (loss)/ income for the year	(861,490)	692,779

The notes set out on pages 21 to 55 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the Year ended 31 December 2016

Assets	Notes	31 Dec. 2016 KD	31 Dec. 2015 KD
Cash and bank balances		1,309,226	1,308,990
Investments at fair value through profit or loss	10	258,987	275,874
Available for sale investments	11	3,521,281	3,878,566
Amount due from policyholders	12	3,128,755	2,267,261
Qard Hassan to policyholders' Fund	13	1,625,611	1,625,611
Investment properties	14	1,627,284	2,945,358
Other assets		154,671	157,243
Total assets		11,625,815	12,458,903
Equity and liabilities			
Equity			
Share capital	15	11,025,000	11,025,000
Share premium	15	7,340,937	7,340,937
Treasury shares	15	(50,489)	(50,489)
Treasury shares reserve	15	3,508	3,508
Legal reserve	16	388,139	388,139
Voluntary reserve	16	388,139	388,139
Fair value reserve		319,039	468,842
Foreign currency translation reserve		(1,615,597)	-
Employee share purchase plan reserve		65,964	65,964
Accumulated losses		(6,325,426)	(7,229,336)
Total Equity		11,539,214	12,400,704
Liabilities			
Other liabilities		86,601	58,199
Total equity and liabilities		11,625,815	12,458,903

The notes set out on pages 21 to 55 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 2016

Equity attributable to the shareholders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Legal reserve KD	Voluntary reserve KD	fair value KD	Foreign currency translation reserve KD	Employee share purchase plan reserve KD	Accumulated losses KD	Sub-total KD	Non controlling interest 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	-	12,400,704
Profit for the year	-	-	-	-	-	-	-	-	-	903,910	903,910		903,910
Other comprehensive loss	-	-	-	-	-	-	(149,803)	(1,615,597)	-	-	(1,765,400)	-	(1,765,400)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	(149,803)	(1,615,597)	-	903,910	(861,490)	-	(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	-	11,539,214

Equity attributable to the shareholders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Legal reserve KD	Voluntary reserve KD	fair value KD	Foreign currency translation reserve	Employee share purchase plan reserve KD	Accumulated losses KD	Sub-total KD	Non controlling interest KD	Total KD
Balance at 1 January 2015	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	355,074	(571,042)	65,964	(7,226,148)	11,719,082	1,264,769	12,983,851
(Loss)/profit for the year	-	-	-	-	-	-	-	-	-	(3,188)	(3,188)	79,599	76,411
Other comprehensive income/ (loss)	-	-	-	-	-	-	113,768	571,042	-	-	684,810	(68,442)	616,368
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	113,768	571,042	-	(3,188)	681,622	11,157	692,779
			(50,489)			388,139							
Dividends paid by a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(13,369)	(13,369)
Sale of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,262,557)	(1,262,557)
Balance at 31 December 2015	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	468,842	-	65,964	(7,229,336)	12,400,704	-	12,400,704

The notes set out on pages 21 to 55 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Year ended 31 December 2016

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
OPERATING ACTIVITIES		
Profit for the year	903,910	76,411
Adjustments for:		
Net investments (income)/loss	(107,426)	151,637
Change in fair value of investment properties	(49,043)	(226,163)
Management fees from policy holders properties	(859,516)	(953,764)
Loss on sale of a subsidiary	-	1,107,582
	(112,075)	155,703
Changes in operating assets and liabilities:		
Other assets	2,572	29,654
Other liabilities	28,402	(81,177)
Net cash (used in)/from operating activities	(81,101)	104,180
INVESTING ACTIVITIES		
Proceed from sale of investments at fair value through profit or loss	86,675	-
Proceeds from sale of available for sale investments	207,482	-
Proceed from sale of a subsidiary	-	1,300,000
Additions to investment properties	(244,284)	-
Gain from investment deposit received	37,638	-
Net cash from investing activities	87,511	1,300,000
FINANCING ACTIVITIES		
Net change in amounts due to policyholders	(1,978)	(14,147)
	(1,978)	(14,147)
Net change in cash and bank balances	4,432	1,390,033
Foreign currency adjustment	(4,196)	(90,033)
Cash and bank balances at the beginning of the year	1,308,990	8,990
Cash and bank balances at the end of the year	1,309,226	1,308,990

The notes set out on pages 21 to 55 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 parent company's shares are listed on the Kuwait Stock Exchange.

The group comprises the parent company and its subsidiaries as it is described in note 7.

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

The objective for which the parent company is incorporated is as follows:

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

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

a) Acquire and gain the right to dispose of all or any part of moveable or immovable property, as it deems necessary, or any privileges that the company believes to be necessary or appropriate for the mature of its business and 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 insurers or reinsurance 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 its 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 and

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 the State of Kuwait or board as principal capacity or through agency. The parent company have an interest or participate in any way with the entities that engage in similar work that help to achieve its objectives in Kuwait or aboard and it may establish, participate, purchase, merge with such entities.

Takaful is an Islamic alternative to a conventional insurance and investment program, 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' operations however 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.

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

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

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012. The executive regulations of Law No. 1 of 2016 were issued on 12 July 2016.

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

The board of directors of the parent's company approved these consolidated financial statements for issue on 15 February 2017 and are subject to the approval of the General Assembly of the Shareholders.

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 that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional 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 2016 which have been adopted by the group/company but did not have any significant impact on the financial position or the results for the year. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 ‹Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- *Statement of financial position and statement of profit or loss and other comprehensive income:* The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

4. Changes in accounting policies (Continued)

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

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017 and 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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.

4. Changes in accounting policies (Continued)

4.2 IASB Standards issued but not yet effective (Continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

IFRS 9 Financial Instruments Classification and Measurement

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.

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 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.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the financial assets will need to be reviewed 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. This will have an effect on the group's investments by KD346,853 (see note 11) if it has been kept until 1 January 2018.
- 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 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.

Annual Improvements to IFRSs 2014-2016 Cycle

(i) Amendments to IFRS 12 - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B17) apply to an entity's interests 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. Amendment is effective for annual periods beginning on or after 1 January 2017.

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.

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 parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiary are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's 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 subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, 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 subsidiary between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiary is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the group's ownership interests in subsidiary that do not result in the group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

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.

Goodwill 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 (ie gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5. Significant accounting policies (Continued)

5.3 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.

5.3.1 Income from investment deposit

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

5.3.2 Dividend income

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

5.4 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.

5.5 Taxation

5.5.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the parent company 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.

5.5.2 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 parent company after deducting directors' fees 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.

5.5.3 Zakat

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

For the year ended 31 December 2016 and 31 December 2015, 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.

5.5.4 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.

5.6 Financial instruments

5.6.1 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.

5.6 Financial instruments (continued)

5.6.1 Recognition, initial measurement and derecognition (continued)

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.

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.

5.6.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are 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 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.

The group categorises loans and receivables into following category:

Trade Receivables
Receivables 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 and investment deposit
Cash and cash equivalents comprise cash on hand, bank balances and balances in investment portfolios managed by third party which are not subject to an insignificant risk of changes in value.

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

• Financial assets at FVTPL

Classification of investments as financial assets at FVTPL depends on how management monitor 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 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. 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.

5.6 Financial instruments (Continued)

5.6.2 *Classification and subsequent measurement of financial assets* (Continued)

- ***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 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 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 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 consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.6.3 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

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

5.7 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.

5.8 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.

5.9 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in the Notes.

5 Significant accounting policies (Continued)

5.10 Impairment testing of non financial assets

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 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 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.

5.11 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"

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.

5.12 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.

Legal reserve comprises 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 associates into Kuwait Dinars.

Fair value reserve – comprises gains and losses relating to available for sale financial assets.

Accumulated losses include all current and prior period retained 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.

5.13 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.

5 Significant accounting policies (continued)

5.13 Treasury shares (Continued)

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.

5.14 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

5.15 Foreign currency translation

5.15.1 Functional and presentation currency

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

5.15.2 Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective company 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 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.

5.15.3 Foreign operations

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

Assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to 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 equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.16 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.

5.17 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 financial statements, 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 Significant accounting policies (continued)

5.18 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.

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 (note 27). 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 management to make judgments, estimates 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, 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 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.

Classification of financial assets as fair value through profit or loss depends on how 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 statement of income 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.

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 Significant management judgements and estimation uncertainty (Continued)

6.1 Significant management judgments (Continued)

6.1.3 Control assessment

When determining control, 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

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires 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, 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 2016 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

7 Subsidiary

Subsidiary	Country of incorporation	Voting Rights and Ownership Percentage		Activities
		31 Dec. 2016 %	31 Dec. 2015 %	
Wared rent a Car Company – KSC (Closed)	Kuwait	93.32	93.32	Car leasing, trading cars and spare parts in the State of Kuwait
Wethaq Real Estate Investment Company -- WLL	Egypt	99.4	-	Buying, selling, leasing and owing lands in Egypt

The remaining partners of the Wared rent a Car Company – KSC (Closed) have given letters of assignment in favour of the group. Hence the group owns 100% of the subsidiary.

During the year, the parent company incorporated a 99.4% owned subsidiary Capital Wethaq Real Estate Investment Company – WLL in Kuwait with share capital equivalent to KD8,256. The remaining partners of the subsidiary have given letters of assignment in favour of the group. Hence the group owns 100% of the subsidiary.

On 30 June 2015, the Group disposed of its 60% ownership interest in Wethaq Takaful Insurance Company – Egypt (a previous subsidiary) for a total consideration of KD1,300,000. The sale transaction has resulted in a loss of KD1,107,582. Profit from discontinued operations for the year ended 31 December 2015 amounted to KD198,997.

8 Net investment income/(loss)

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Change in fair value of investments at fair value through profit or loss	63,613	(151,637)
Gain from sale of investment at fair value through profit or loss	6,175	-
Gain from investment deposits	19,619	11,340
Gain from available for sale investment	18,019	116,032
	107,426	(24,265)

9 Basic and diluted earnings/(loss) per share attributable to the shareholders of the parent company

Basic and diluted earnings/(loss) per share attributable to the shareholders of the Parent Company is computed by dividing the profit/(loss) for the year attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year (excluding treasury shares) as follows:

	Year ended 31 Dec. 2016 KD	Year ended 31 Dec. 2015 KD
Profit/(loss) for the year attributable to shareholders of the parent company from continuing operations (KD)	903,910	(122,586)
Profit for the year attributable to shareholders of the parent company from discontinued operations (KD)	-	119,398
Weighted average number of shares outstanding during the period (excluding treasury share)(share)	109,804,500	109,804,500
Basic and diluted earnings/(loss) per share attributable to the shareholders of the parent company from continuing operations (Fils)	8.23	(1.116)
Basic and diluted earnings per share attributable to the shareholders of the parent company from discontinued operations (Fils)	-	1.087

10 Investment at fair value through profit or loss

	31 Dec. 2016 KD	31 Dec. 2015 KD
Quoted securities	244,878	256,474
Managed funds	14,109	19,400
	258,987	275,874

Managed funds are investment in units of private property funds amounted to KD 14,109 (KD 19,400 as at 31 December 2015). Fair value of these funds is measured through using 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.

11 Available for sale investments

	31 Dec. 2016 KD	31 Dec. 2015 KD
Quoted securities	187,174	258,954
Unquoted securities	618,143	521,703
Managed funds	1,517,099	1,517,141
Managed portfolios	1,198,865	1,580,768
	3,521,281	3,878,566

a) Investments in unquoted securities amounting to KD346,853 (KD346,853 as at 31 December 2015) were carried at cost less impairment in value due to non-availability of financial information enabling us to measure their fair value reliably. The Group's management believes that the information available for these investments does not indicate any impairment in value.

b) Managed funds are investment in units of private property funds amounted to KD1,517,099 (KD1,517,141 as at 31 December 2015). Fair value of these funds is measured through using 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.

12 Amount due to policyholders

	31 Dec. 2016 KD	31 Dec. 2015 KD
Opening balance	(2,267,261)	(1,229,350)
Management fees from policyholders	(859,516)	(953,764)
Net movements during the year	(1,978)	(14,147)
Closing balance	(3,128,755)	(2,267,261)

Net movements in policyholders' account represent the net fund transfers from and to their account in addition to the management fees from policy holders .

13 Qard Hassan to policyholders' Fund

Along with the primary policy, policyholders' net deficit from insurance activities has been covered by the Qard Hassan from the shareholders. The provided Qard Hassan from shareholders will be settled through the surplus raised from insurance activities in coming years.

14 Investment properties

	31 Dec. 2016 KD	31 Dec. 2015 KD
Carrying value at the begging of year	2,945,358	2,719,195
Addition during the year	244,284	67,744
Change in fair value	49,043	158,419
Differences arising from translation of foreign currency	(1,611,401)	-
	1,627,284	2,945,358

- Investment properties (of the subsidiary) were valued by independent evaluators using market comparable approach that reflects recent transaction prices for similar properties. Gain amounted to KD49,043 is arising from the revaluation (31 De cember 2015: KD158,419). The other investment properties with amount of KD389,340 (31 December 2015: KD389,340) are not valued by independent evaluators. Management believes that the carrying value of these properties is comparable to its fair value.
- Loss arising from exchange the currency of Egyptian Pound to Kuwaiti Dinar through consolidating the financial statements of the subsidiary in Egypt (the owner of the property) amounted to KD1,611,401 included in the consolidated statement of other comprehensive income.

15 Equity

15.1 The authorized, issued and paid up share capital of the company is 110, 250,000 share amounted to 100 fils for each share (31 December 2015: 110,250,000 share amounted to 100 fils for each share).

15.2 Share premium

Share premium is not available for distribution.

15.3 Treasury share

31 December 2016				31 December 2015			
Number of share	%	Cost	Fair value	Number of share	%	Cost	Fair value
504,890	0.46	50,489	15,147	504,890	0.46	50,489	30,293

16 Legal and voluntary reserve

The Companies Law and the parent company's articles of association require that 10% of the profit for the year before KFAS, NLST and Zakat is transferred to the legal reserve. The shareholders of the parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

According to the parent company's articles of association, 10% of the profit for the year attributable to the owners of the parent company before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve.

No transfer is required in a year when losses are incurred or where cumulative losses exist.

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.

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

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.

The following useful lives are applied:
- Equipment: 4 years
- Vehicles: 3 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.

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.

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

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:

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.

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 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 income 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.
Consolidated results of policy holders as per the business sector, assets and liabilities are as follows:

The consolidated policyholders' results by line of business and assets and liabilities were as follows:
Consolidated policyholders' results by line of business:

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

	Marine and aviation	General accident	Fire	Life	Total
	KD	KD	KD	KD	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
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 repor	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 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 expense					(179,733)
Management fees from policyholders- below					(859,516)
Net deficit transferred to policyholders' fund					(793,455)

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

	Marine and aviation	General accident	Fire	Life	Total
	KD	KD	KD	KD	KD
Year ended 31 December 2016:					
Premiums written	468,263	2,506,472	1,108,123	685,962	4,768,820
Less: reinsurance ceded	(414,319)	(727,608)	(982,758)	(357,020)	(2,481,705)
Net premiums	53,944	1,778,864	125,365	328,942	2,287,115
Movement in unearned premiums	4,851	78,413	22,943	293,763	399,970
Net premium earned	58,795	1,857,277	148,308	622,705	2,687,085
Policy issuance fees	18,968	226,871	3,380	1,094	250,313
Reinsurance commission earned	78,847	67,823	76,212	1,051	223,933
Total revenue	156,610	2,151,971	227,900	624,850	3,161,331
Claims incurred	(13,572)	(2,009,376)	(103,292)	(301,129)	(2,427,369)
Retakaful Share of claims incurred	10,745	201,797	93,230	102,673	408,445
Movement in Provision for Claims incurred but not reported	(1,827)	799,453	(199)	(1,099)	796,328
Movement in life mathematical reserve	-	-	-	(235,205)	(235,205)
Policy acquisition costs	(50,740)	(583,789)	(37,002)	(23,392)	(694,923)
Total expenses	(55,394)	(1,591,915)	(47,263)	(458,152)	(2,152,724)
Surplus by line of business	101,216	560,056	180,637	166,698	1,008,607
Allocation of general and administrative expenses	(95,843)	(510,285)	(226,805)	(140,399)	(973,332)
Net surplus / (deficit) from insurance operations	5,373	49,771	(46,168)	26,299	35,275
Net investment income	(7,641)	(48,702)	(18,083)	(11,194)	(85,620)
Net surplus/ (deficit) from takaful insurance operations	(2,268)	1,069	(64,251)	15,105	(50,345)
Income from leasing operations					204,931
Leasing expense					(200,167)
Management fees from policyholders- below					(953,764)
Net deficit from continuing operations transferred to policyholders' fund					(999,345)
Discontinuing Operations					
Net surplus from discontinuing operations					76,693
Net deficit transferred to policyholders' fund					(922,652)

According to the company's primary policy, shareholders deserve management fees from policyholders up to the percentage of 20% from the total premium written and investment income (note 12).

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

Consolidated policyholders' assets, liabilities and fund:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Assets		
Cash and bank balances	112,490	316,923
Investment deposits	1,542,887	1,892,887
Investments at fair value through profit or loss	475,652	479,380
Accounts receivable and other debit balances	1,186,529	813,302
Premiums receivable	1,881,987	2,210,123
Available for sale investments	182,656	182,656
Goodwill	409,766	409,766
Retakaful share of outstanding claims	4,561,665	3,963,899
Leasehold land	277,750	277,750
Equipment	251,173	287,066
Total assets	10,882,555	10,833,752
Liabilities		
Outstanding claims reserve	8,531,561	7,756,219
Unearned premiums	1,025,368	1,225,260
Incurred but not reported reserve	177,576	326,878
Accounts payable and accrued expenses	1,946,171	2,391,555
Amount due to shareholders	3,128,755	2,267,261
Qard Hassan from shareholders	1,625,611	1,625,611
Total liabilities	16,435,042	15,592,784
Policyholders' fund		
Policyholders' fund at the beginning of the period/year	(4,759,032)	(2,694,695)
Net deficit of policyholders for the period/year	(793,455)	(2,160,046)
Foreign currency translation reserve	-	95,709
Total policyholders' fund at the end of the period/year	(5,552,487)	(4,759,032)
Total liabilities and policyholders' fund	10,882,555	10,833,752

18 Related party transactions

Related parties represent the ultimate parent company, 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 transactions between the group and other related parties are disclosed below.

	31 Dec. 2016 KD	31 Dec. 2015 KD
Consolidated statement of financial statement:		
Investments at fair value through profit or loss (ultimate parent company)	14,109	19,400
Available for sale investments (entities related to the parent company)	3,113,428	3,385,855
Consolidated statement of or profit or loss:		
Key management remunerations		
Salaries and other short term benefits	60,000	64,346

Consolidated statement of financial statement:		
Investments at fair value through profit or loss (other related parties)	156,879	156,879
Policyholders:		
Consolidated statement of profit or loss:	(33,533)	(33,533)
Key management compensation:		
Salaries and other short term benefits	204,060	196,192
Terminal benefits	181,444	24,306
	385,504	220,498

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 profit or loss.

The measurement policies that are used by the group for segmental analysis according to IFRS number 8 is similar to the used information in its annual financial statements.

19 Segmental analysis (continued)

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

Year ended at 31 December 2016	Investment KD	Takaful insurance KD	Unallocated KD	Total KD
Total income	156,469	859,516	-	1,015,985
Profit/(loss) for the year	156,469	859,516	(112,075)	903,910
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
Year ended at 31 December 2015				
Total income	134,154	45,179	9,426	188,759
Profit/(loss) for the period	134,154	45,179	(102,922)	76,411
Total assets	7,099,798	3,892,872	1,466,233	12,458,903
Total liabilities	-	-	(58,199)	(58,199)
Net assets	7,099,798	3,892,872	1,408,034	12,400,704

Policyholders As of 31 December 2016	Investment KD	Takaful insurance KD	Cars Rental KD	Unallocated KD	Total KD
Total income	62,867	4,297,583	178,075	-	4,538,525
Profit/(loss) for the year	62,867	(854,664)	(1,658)	-	(793,455)
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)
Policyholders					
As of 31 December 2015					
Total income	(85,620)	3,238,024	204,931	-	3,357,335
Profit/(loss) for the period	(85,620)	(841,796)	4,764	(1,237,394)	(2,160,046)
Total assets	2,832,673	6,174,022	442,768	1,384,289	10,833,752
Total liabilities	-	(13,201,229)	(71,385)	(2,320,170)	(15,592,784)
Net assets	2,832,673	(7,027,207)	371,383	(935,881)	(4,759,032)

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.

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.

20 Risk management objectives and policies (Continued)

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 2015: KD1,400,000).

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 KD3,000,000 (31 December 2015: KD3,000,000).

20 Risk management objectives and policies (continued)

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 2015: 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 2016			31 December 2015		
	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	528,976	(486,285)	42,691	248,437	(219,693)	28,744
General accident	5,537,707	(1,534,067)	4,003,640	5,043,539	(966,342)	4,077,197
Fire	690,442	(640,848)	49,594	3,431,582	(2,619,083)	812,499
Total	6,757,125	(2,661,200)	4,095,925	8,723,558	(3,805,118)	4,918,440

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.

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.

20 Risk management objectives and policies (continued)

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 company include company 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 2016			31 December 2015		
	Gross liabilities KD	Reinsurers' share of liabilities	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities	Net liabilities KD
Type of contract						
Life takaful insurance	678,911	(603,778)	75,133	305,056	(158,781)	146,275

20 Risk management objectives and policies (continued))

20.1 Credit risk

Life insurance contracts

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.
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 credit policy and exposure to credit risk is monitored on an ongoing basis. The company 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. 2016 KD	31 Dec. 2015 KD
Shareholders		
Cash and bank balances	1,309,226	1,308,990
Other assets	154,671	157,243
Qard Hassan to policyholders	1,625,611	1,625,611
Amount due from policyholders	3,128,755	2,267,261
	6,218,263	5,359,105
Policyholders		
Cash and bank balances	112,490	316,923
Investment deposits	1,542,887	1,892,887
Account receivables and others debt balances	1,186,529	813,302
premium receivable	1,881,987	2,210,123
Retakaful share of outstanding claims	4,561,665	3,963,899
	9,285,558	9,197,134

20 Risk management objectives and policies (continued))

20.1 Credit risk (Continued)

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.

At 31 December 2016 and 31 December 2015, credit quality per class is as follows:

	Neither past due nor impaired			
31 December 2016	High grade	Standard grade	Past due or impaired	Total
Shareholders	KD	KD	KD	KD
Cash and bank balances	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	4,882,991	26,046	6,218,263
POLICYHOLDERS				
Cash and bank balances	112,490	-	-	112,490
Investment deposits	1,542,887	-	-	1,542,887
Account receivables and others debt balances	296,632	889,897	-	1,186,529
premium receivable	470,496	1,411,491	-	1,881,987
Retakaful share of outstanding claims	-	4,561,665	-	4,561,665
	2,422,505	6,863,053	-	9,285,558
31 December 2015				
SHAREHOLDERS				
Cash and bank balances	1,308,990	-	-	1,308,990
Other assets	-	28,618	128,625	157,243
Qard Hassan to policyholders	-	1,625,611	-	1,625,611
Amount due from policyholders	-	2,267,261	-	2,267,261
	1,308,990	3,921,490	128,625	5,359,105
POLICYHOLDERS				
Cash and bank balances	316,923	-	-	316,923
Investment deposits	1,892,887	-	-	1,892,887
Account receivables and others debt balances	203,326	609,976	-	813,302
premium receivable	552,531	1,657,592	-	2,210,123
Retakaful share of outstanding claims	-	3,963,899	-	3,963,899
	2,965,667	6,231,467	-	9,197,134

20 Risk management objectives and policies (continued))

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.

Maturity profile of assets and liabilities at 31 December 2016 and 31 December 2015:

31 December 2016	Up to 1 year	over 1 year	31 December 2016
	KD	KD	KD
Shareholders			
Assets			
Cash and bank balances	1,309,226	-	1,309,226
Investment at fair value through profit or loss	258,987	-	258,987
Available for sale investments	-	3,521,281	3,521,281
Amount duo from policyholders	3,128,755	-	3,128,755
Qard Hassan to policyholders	-	1,625,611	1,625,611
Investment properties	-	1,627,284	1,627,284
Other assets	154,671	-	154,671
	4,851,639	6,774,176	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 bank balances	112,490	-	112,490
Investment properties	1,542,887	-	1,542,887
Investment at fair value through profit or loss	475,652	-	475,652
Account receivables and other debt balances	1,186,529	-	1,186,529
Premium receivable	1,881,987	-	1,881,987
Available for sale investment	-	182,656	182,656
Good well	-	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 nit reported reserve	-	177,576	177,576
Accounts payable and accrued expenses	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))

20.2 Liquidity risk (Continued)

31 December 2015	Up to 1 year KD	over 1 year KD	Total KD
SHAREHOLDERS			
Assets			
Cash and bank balances	1,308,990	-	1,308,990
Investment at fair value through profit or loss	275,874	-	275,874
Available for sale investments	-	3,878,566	3,878,566
Amount duo from policyholders	2,267,261	-	2,267,261
Qard Hassan to policyholders	-	1,625,611	1,625,611
Investment properties	-	2,945,358	2,945,358
Other assets	157,243	-	157,243
	4,009,368	8,449,535	12,458,903
Liabilities			
Other liabilities	58,199	-	58,199
	58,199	-	58,199
Net exposure	3,951,170	8,449,535	12,400,705
Policyholders			
Assets			
Cash and bank balances	316,923	-	316,923
Investment properties	1,892,887	-	1,892,887
Investment at fair value through profit or loss	479,380	-	479,380
Account receivables and other debt balances	813,302	-	813,302
Premium receivable	2,210,123	-	2,210,123
Available for sale investment	-	182,656	182,656
Good well	-	409,766	409,766
Retakaful share of outstanding claims	-	3,963,899	3,963,899
Leasehold land	-	277,750	277,750
Equipment	287,066	-	287,066
	5,999,681	4,834,071	10,833,752
Liabilities			
Outstanding claims reserve	-	7,756,219	7,756,219
Unearned premiums	-	1,225,260	1,225,260
Incurred but nit reported reserve	-	326,878	326,878
Accounts payable and accrued expenses	2,391,555	-	2,391,555
Amount due to shareholders	-	2,267,261	2,267,261
Qard Hassan from shareholders	-	1,625,611	1,625,611
	2,391,555	13,201,229	15,592,784
Net exposure	3,608,126	(8,367,158)	(4,759,032)

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. The group is not exposed to significant profit rate risk because there are no assets and liabilities that are dominated in fluctuation profit rate.

c) Equity price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as 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 2015: 5%) higher/lower, the effect on the loss for the year and equity would have been as follows:

	31 December 2016		31 December 2015	
	Increase 5%	Decrease 5%	Increase 5%	Decrease 5%
SHAREHOLDERS				
Impact on equity	176,064	(176,064)	193,928	(193,928)
Impact on profit for the year	12,949	(12,949)	13,794	(13,794)
POLICYHOLDERS				
Impact on policyholders' fund	32,915	(32,915)	33,102	(33,102)

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 interim condensed 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:

- 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 interim condensed consolidated statement of financial position may be classified as follows:

	31 Dec. 2016	31 Dec. 2016
Shareholders	KD	KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and bank balances	1,309,226	1,308,990
Amount due form policyholders	3,128,755	2,267,261
Qard Hassan to policyholders' fund	1,625,611	1,625,611
Other assets	154,671	157,243
Available for sale investments:		
At fair value	3,174,428	3,531,713
At cost	346,853	346,853
Investments at fair value through profit or loss		
At fair value	258,987	275,874
	9,998,531	9,513,545
Financial liabilities:		
Financial liabilities at amortised cost:		
Accounts payable and accrued expenses	86,601	58,199
	86,601	58,199
Policyholders' assets and liabilities		
Financial assets:		
Loans and receivables at amortised cost:		
Cash and bank balances	112,490	316,923
Investment deposits	1,542,887	1,892,887
Accounts receivable and other debit balance	1,186,529	813,302
Premiums receivable	1,881,665	2,210,123
Retakaful share of outstanding claims	4,561,665	3,963,899
Available for sale investments:		
At cost	182,656	182,656
Investment at fair value through profit or loss		
At fair value	475,652	479,380
	9,943,866	9,859,170

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments (continued)

	31 Dec. 2016 KD	31 Dec. 2016 KD
Financial liabilities:		
Financial liabilities at amortised cost:		
Unearned premiums	1,025,368	1,225,260
Accounts payable and accrued expenses	1,946,171	2,391,555
Amount due to shareholders	3,128,755	2,267,261
Qard Hassan from shareholders	1,625,611	1,625,611
	7,725,905	7,509,687

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortized cost, approximate their fair values. Available for sale investments were carried at cost for the disclosed reason in note 11.

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 2016	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Quoted securities	244,878	-	-	244,878
- Managed funds	-	14,109	-	14,109
Available for sale investments				
- Quoted securities	187,174	-	-	187,174
- Unquoted securities	-	-	271,290	271,290
- Managed funds	-	1,517,099	-	1,517,099
- Managed portfolios	1,198,865	-	-	1,198,865
	447,304	3,073,977	271,290	3,521,281
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Quoted securities	40,916	-	-	40,916
- Managed funds	-	434,736	-	434,736
	40,916	434,736	-	475,652

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments (continued)

31 December 2015 SHAREHOLDERS	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
- Quoted securities	256,473	-	-	256,473
- Managed funds	-	19,400	-	19,400
Available for sale investments				
- Quoted securities	258,954	-	-	258,954
- Unquoted securities	-	-	174,850	174,850
- Managed funds	-	1,517,141	-	1,517,141
- Managed portfolios	1,198,865	-	-	1,198,865
	1,714,292	1,536,541	174,850	3,425,683
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Quoted securities	34,036	-	-	34,036
- Managed funds	-	445,344	-	445,344
	34,036	445,344	-	479,380

There have been no significant 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.

Level 3 fair value measurements

The group's financial assets and liabilities 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:

	Available for sale investments	
	Unquoted securities	
	31 Dec. 2016 KD	31 Dec. 2016 KD
Shareholders		
Opening balance	174,850	174,850
Gains or losses recognised in:		
- Other comprehensive income/(loss)	96,440	-
Closing balance	271,290	174,850

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments (continued)

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%.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

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 2016				
Investment property				
- Building in Egypt	-	-	1,294,597	1,294,597
	-	-	1,294,597	1,294,597
31 December 2015				
Investment property				
- Building in Egypt	-	-	2,612,671	2,612,671
	-	-	2,612,671	2,612,671

Fair value of the group's main property assets 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.

Building in Egypt

The building in Egypt (for the subsidiary) represents building 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. One of these valuers is a local bank who has valued the building using the Yield Method. The other valuer who is a local reputable valuer has 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 2016

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

21 Fair value measurement (continued)

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

31 December 2015

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building in Egypt	Yield method and Market comparison approach	Estimated market price for building (per sqm)	KD 835	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. 2016 KD	31 Dec. 2015 KD
Opening balance	2,612,671	2,329,855
Additions	244,284	67,744
Change in fair value	49,043	158,419
Foreign currency adjustment	(1,611,401)	56,653
	1,294,597	2,612,671
Total amount included in profit or loss for unrealised gains on level 3 assets	49,043	158,419

22 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 loss for the year divided by total equity as follows:

	31 Dec. 2016 KD	31 Dec. 2015 KD
Profit for the year	903,910	76,411
Total equity	11,539,214	12,400,704
Return on equity	7.8%	0.6%

23 General Assembly of shareholders

The board of directors proposed not to distribute dividends for the year ended 31 December 2016, and this proposal is subject to be approved by the general assembly.

On 30 March 2016, the general assembly approved the audited consolidated financial statements of the group for the financial year ended 31 December 2015 and the proposal of the board of directors not to distribute dividends for the year ended 31 December 2015.

24 Contingent liabilities

The group is a defendant in a number of legal cases filed by Takaful contract holders in respect to claims subject of dispute with the group including a legal case file by a government institution against the company for the amount of KD3,447,427 which the company has provided for in the compensation reserve balances under settlement. It is not possible to predict the eventual outcome of such legal actions, management has made provisions which, in their opinion, are adequate to cover any resultant liabilities.

التكافل لتأمين كافة المخاطر ..

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