Interim Condensed Consolidated Financial Information and Review Report

Wethaq Takaful Insurance Company – KPSC and Subsidiaries
Kuwait

30 June 2017 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Wethaq Takaful Insurance Company – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Wethaq Takaful Insurance Company (Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 30 June 2017 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation as shown in note 2.

Emphasis of matter
As stated in Notes (10) to the interim condensed consolidated information, the Parent Company's board of directors decided on 21 June 2017 to deduct 20% of profit instead of 20% of revenue as a right to shareholders of the results of policyholders until the balances due from policyholders stated in Notes (8) and (9) are settled and the management of the Parent Company expects that the balances due from policyholders to be settled and the outstanding deficit will be covered during the next years.

Report on review of other legal and regulatory requirements
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and the Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the six-month period ended 30 June 2017 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
30 July 2017

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 30 June 2017 (Unaudited) KD	Three months ended 30 June 2016 (Unaudited) KD	Six months ended 30 June 2017 (Unaudited) KD	Six months ended 30 June 2016 (Unaudited) KD
Revenue					
Loss on disposal of investments available for sale	7c	-	-	**(138,868)**	-
Change in fair value of investments in fair value through profit or loss		**(44,892)**	27,439	**19,750**	31,486
Dividend income received		**1,262**	10,021	**2,512**	14,429
Management fees from policyholders	8	-	216,861	**333,816**	563,962
		(43,630)	254,321	**217,210**	609,877
Expenses and other charges					
General and administrative expenses		**(33,494)**	(41,416)	**(43,247)**	(52,723)
		(33,493)	(41,416)	**(43,247)**	(52,723)
Profit before provisions for National Labour Support Tax (NLST), Zakat and directors' remuneration		**(77,124)**	212,905	**173,963**	557,154
Provision for NLST		-	(4,747)	**(4,349)**	(13,929)
Provision for Zakat		-	(1,899)	**(1,740)**	(5,572)
Provision for directors' remuneration		-	(15,000)	-	(15,000)
(Loss)/profit for the period		**(77,124)**	191,259	**167,874**	522,653
Basic and diluted (loss)/earnings per share (Fils)	6	**(0.70)**	1.74	**1.53**	4.76

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	**30 June 2017 (Unaudited) KD**	30 June 2016 (Unaudited) KD
(Loss)/profit for the period	**(77,124)**	191,259	**167,874**	522,653
Other comprehensive (loss)/income :				
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 period	**(14,310)**	(72,586)	**67,710**	(135,244)
Total other comprehensive (loss)/income	**(14,310)**	(72,586)	**67,710**	(135,244)
Total comprehensive (loss)/ income for the period	**(91,434)**	118,673	**235,584**	387,409

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Assets				
Cash and bank balances		**609,226**	1,309,226	1,308,990
Investment deposit		**10,000**	-	-
Investments at fair value through profit or loss		**278,737**	258,987	307,360
Available for sale investments	7	**3,385,858**	3,521,281	3,739,090
Amount due from policyholders	8	**4,150,966**	3,128,755	2,534,761
Qard Hassan to policyholders' Fund	9	**1,625,611**	1,625,611	1,625,611
Investment properties		**1,627,884**	1,627,284	3,188,834
Other assets		**140,906**	154,671	153,980
Total assets		**11,829,188**	11,625,815	12,858,626
Equity and liabilities				
Equity				
Share capital		**11,025,000**	11,025,000	11,025,000
Share premium		**7,340,937**	7,340,937	7,340,937
Treasury shares		**(50,489)**	(50,489)	(50,489)
Treasury shares reserve		**3,508**	3,508	3,508
Statutory reserve		**388,139**	388,139	388,139
Voluntary reserve		**388,139**	388,139	388,139
Fair value reserve		**386,749**	319,039	333,598
Foreign currency translation reserve		**(1,615,597)**	(1,615,597)	-
Employee share purchase plan reserve		**65,964**	65,964	65,964
Accumulated losses		**(6,157,552)**	(6,325,426)	(6,706,683)
Total Equity		**11,774,798**	11,539,214	12,788,113
Liabilities				
Other liabilities		**54,390**	86,601	70,513
Total Liabilities		**54,390**	86,601	70,513
Total equity and liabilities		**11,829,188**	11,625,815	12,858,626

Ibrahim Abbas Othman Sukhi
Chairman

Abdullah Mishari Al-Humaidi
Vice chairman

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Translation reserve KD	Employee share purchase plan reserve KD	Accumulated losses KD	Total KD
Balance at 1 January 2017	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	319,039	(1,615,597)	65,964	(6,325,426)	11,539,214
Profit for the period	-	-	-	-	-	-	-	-	-	**167,874**	**167,874**
Other comprehensive income:											
- Net change in fair value arising during the period	-	-	-	-	-	-	**67,710**	-	-	-	**67,710**
Total other comprehensive income	-	-	-	-	-	-	**67,710**	-	-	-	**67,710**
Total comprehensive income for the period	-	-	-	-	-	-	**67,710**	-	-	**167,874**	**235,584**
Balance at 30 June 2017	**11,025,000**	**7,340,937**	**(50,489)**	**3,508**	**388,139**	**388,139**	**386,749**	**(1,615,597)**	**65,964**	**(6,157,552)**	**11,774,798**
Balance at 1 January 2016	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	468,842	-	65,964	(7,229,336)	12,400,704
Profit for the period	-	-	-	-	-	-	-	-	-	522,653	522,653
Other comprehensive loss:											
- Net change in fair value arising during the period	-	-	-	-	-	-	(135,244)	-	-	-	(135,244)
Total other comprehensive loss	-	-	-	-	-	-	(135,244)	-	-	-	(135,244)
Total comprehensive (loss)/ income for the period	-	-	-	-	-	-	(135,244)	-	-	522,653	387,409
Balance at 30 June 2016	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	333,598	-	65,964	(6,706,683)	12,788,113

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2017 (Unaudited) KD	Six months ended 30 June 2016 (Unaudited) KD
OPERATING ACTIVITIES		
Profit for the period	**167,874**	522,653
Adjustments for:		
Loss on disposal of available for sale investments	**138,868**	-
Change in fair value of investments in fair value through profit or loss	**(19,750)**	(31,486)
Dividend income received	**(2,512)**	(14,429)
	284,480	476,738
Changes in operating assets and liabilities:		
Other assets	**13,765**	17,692
Other liabilities	**(32,211)**	12,314
Amount due from policyholders	**(1,022,211)**	(267,500)
Net cash (used in)/from operating activities	**(756,177)**	239,244
INVESTING ACTIVITIES		
Proceed from disposal of available for sale investments	**64,265**	4,232
Dividend income received	**2,512**	-
Additions to investment properties	**(600)**	(243,476)
Net movement in investment deposit	**(10,000)**	-
Net cash from/(used in) investing activities	**56,177**	(239,244)
Decrease in cash and bank balances	**(700,000)**	-
Cash and bank balances at the beginning of the period	**1,309,226**	1,308,990
Cash and bank balances at the end of the period	**609,226**	1,308,990

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the parent company

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

The group comprises the parent company and its subsidiaries as are described in note 5.

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

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

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

Second: To achieve it's above mentioned objectives and as per its Articles of Association, the company shall have authority to conduct the following businesses 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 nature 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 objectives on the conditions it elects.

c) Purchase, sell, mortgage, lease, replace, possess or endorse in any manner whatsoever any lands, real estate properties, securities, sukuk, stocks or any other moveable or real estate property, or sell, lease, mortgage or dispose of all or part of the company's moveable or real estate property and funds.

d) Provide consultancy 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 it deems appropriate in accordance with governing laws and resolutions.

g) Merge with, incorporate or participate in incorporating and subscribing for share in companies, buy and sell companies' shares and support them in any form in line with the company's objectives 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 company may carry out the above mentioned businesses the State of Kuwait or board as principal capacity or through agency. The company may have an interest or participate in any way with the entities that engage in similar work and that help it achieve its objectives in Kuwait or aboard and it may establish, participate, purchase, and merge with such entities.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities of the parent company (continued)

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

The parent company conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The shareholders are responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The parent company holds the physical custody and title of all assets related to the policyholders' and shareholders' 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 insurance and investment activities are conducted in accordance with Islamic Sharee'a, as approved by Fatwa and Sharee'a Supervisory Board.

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

This interim condensed consolidated financial information for the six-month period ended 30 June 2017 was authorised for issue by the parent company's board of directors on 30 July 2017.

2 Basis of presentation

This interim condensed consolidated financial information of the group for the six-month period ended 30 June 2017 has been prepared in accordance with IAS 34, Interim Financial Reporting. This interim condensed consolidated financial information does not contain all information and disclosures required for complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the six months ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2016.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the most recent annual consolidated financial statements of the group for the year ended 31 December 2016 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

Notes to the interim condensed consolidated financial information (continued)

3 Significant accounting policies

3.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the group but did not have any significant impact on the financial position or the results for the period. Information on these new standards is presented below:

Standard or Interpretation	Effective for annual periods beginning
IAS 7 Statement of Cash Flows- Amendments	1 January 2017

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:

  * 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

  * 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.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, 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 interim condensed consolidated financial information 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 interim condensed consolidated financial information.

Standard or Interpretation	Effective for annual periods beginning
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
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Notes to the interim condensed consolidated financial information (continued)

3 Significant accounting policies (continued)

3.2 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

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 the group makes an irrevocable designation to present them in other comprehensive income. This will affect the group's investments amounting to KD450,031 if still held on 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.

Notes to the interim condensed consolidated financial information (continued)

3 Significant accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

4 Judgement and estimates

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

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

5 Subsidiary companies

The details of the subsidiary companies are as follows:

Subsidiary company	Country of incorporation	Voting Rights and Ownership Percentage			Activities
		30 June 2017 (Unaudited) %	31 Dec. 2016 (Audited) %	30 June 2016 (Unaudited) %	
Wared Rent a Car Company – KSC (Closed)	Kuwait	**93.32**	93.32	93.32	Car leasing, trading cars and spare parts in the State of Kuwait
Wethaq Real Estate Investment Company – W.L.L	Egypt	**99.4**	99.4	-	Buying, selling, leasing and owning lands in Egypt

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

During the year ended 31 December 2016, the parent company incorporated a 99.4% owned subsidiary, Wethaq Real Estate Investment Company – WLL in Egypt with share capital of KD8,256. The other shareholders of the subsidiary have signed letters of assignment in favour of the group. Hence the group owns 100% of the subsidiary.

Notes to the interim condensed consolidated financial information (continued)

6 Basic and diluted (loss)/earnings per share

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

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016
(Loss)/profit for the period (KD)	**(77,124)**	191,259	**167,874**	522,653
Weighted average number of shares outstanding during the period (excluding treasury share) (share)	**109,804,500**	109,804,500	**109,804,500**	109,804,500
Basic and diluted (loss)/earnings per share (Fils)	**(0.70)**	1.74	**1.53**	4.76

7 Available for sale investments

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Quoted securities	**188,723**	187,174	392,363
Unquoted securities	**418,655**	618,143	521,703
Managed funds	**1,517,099**	1,517,099	1,517,141
Managed portfolios	**1,261,381**	1,198,865	1,307,883
	3,385,858	3,521,281	3,739,090

a) Local unquoted securities include securities amounting to KD194,615 (31 December 2016 and 30 June 2016: KD 346,853) recorded at cost less impairment, if any, as their fair value cannot be reliably determined. Management has not been aware of any circumstances that may indicate impairment of these investments.

b) Managed funds are investments in units of private equity funds amounted to KD1,517,099 (KD1,517,099 as at 31 December 2016 and KD1,517,141 as at 30 June 2016). Fair value of these investments is measured through using the net asset value provided by the respective investment managers. Management believes the net asset value provided by the investment managers represents the best estimate of fair value available for these investments.

c) During the period, the Group received cash and shares amounting to KD77,635 for proceed of liquidation of a company within available for sale investments the carrying value of which amounted to KD216,503 resulting in a loss of KD138,868 recognised in the interim condensed consolidated statement of profit or loss for the period.

Notes to the interim condensed consolidated financial information (continued)

8 Amount due from policyholders

	30 June 2017 KD	31 Dec. 2016 KD	30 June 2015 KD
Opening balance	(3,128,755)	(2,267,261)	(2,267,261)
Management fees from policyholders	(333,816)	(859,516)	(563,962)
Net movements during the year	(688,395)	(1,978)	296,462
Closing balance	(4,150,966)	(3,128,755)	(2,534,761)

Net movements in policyholders' account represent the net fund transfers from and to their account in addition to the management fees from policyholders. The Company's management is currently working on finding ways to settle the above due balances and also to settle the Qard Hassan balance (Note 9) in such a way that ensures continuity of the takaful insurance activity of the policyholders.

9 Qard Hassan to policyholders' Fund

In line with the Articles of Association, policyholders' net deficit from insurance activities has been covered by the Qard Hassan from the shareholders. The provided Qard Hassan from shareholders will be settled through the surplus raised from insurance activities in coming years.

10 Consolidated policyholders' result by line of business and fund

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

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Three months period ended 30 June 2017 (Unaudited):					
Premiums written	97,584	549,782	110,899	93,861	852,126
Total revenues	21,300	425,561	29,729	51,704	528,294
Net surplus/(deficit) from takaful operations	26,476	(209,321)	19,357	(74,346)	(237,834)
Investment and other income	6,335	48,061	10,904	5,925	71,225
Net surplus/(deficit) by line of business	32,811	(161,260)	30,261	(68,421)	(166,609)
Income from leasing activities					44,577
Expenses in connection with leasing activities					(43,810)
Management fees to the shareholders – below					-
Net deficit transferred to policyholders' fund					(165,842)

Notes to the interim condensed consolidated financial information (continued)

9 Consolidated policyholders' result by line of business and fund (continued)

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Six months period ended 30 June 2017 (Unaudited):					
Premiums written	**204,049**	**1,380,228**	**748,504**	**188,428**	**2,521,209**
Total revenues	**69,660**	**981,964**	**72,928**	**90,669**	**1,215,221**
Net surplus/(deficit) from takaful operations	**69,818**	**(208,605)**	**53,158**	**34,542**	**(51,087)**
Investment and other income	**8,457**	**69,801**	**18,425**	**7,810**	**104,493**
Net surplus/(deficit) by line of business	**78,275**	**(138,804)**	**71,583**	**42,352**	**53,406**
Income from leasing activities					**87,021**
Expenses in connection with leasing activities					**(83,993)**
Management fees to the shareholders – below					**(333,816)**
Net deficit transferred to policyholders' fund					**(277,382)**

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Three months period ended 30 June 2016 (Unaudited):					
Premiums written	135,259	650,461	112,549	186,034	1,084,303
Total revenues/(losses)	97,014	1,090,372	(436,544)	177,938	928,780
Net (deficit)/surplus from takaful operations	(40,552)	(89,529)	(23,278)	187,181	33,822
Investment and other (losses)/income	(72)	1,722	2,995	(24)	4,621
Net (deficit)/surplus by line of business	(40,624)	(87,807)	(20,283)	187,157	38,443
Income from leasing activities					45,183
Expenses in connection with leasing activities					(47,658)
Management fees to the shareholders					(216,861)
Net deficit transferred to policyholders' fund					(180,893)

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Six months period ended 30 June 2016 (Unaudited):					
Premiums written	210,186	1,462,267	841,659	305,697	2,819,809
Total revenues	64,249	1,152,587	94,607	231,441	1,542,884
Net surplus/(deficit) from takaful operations	7,136	(115,676)	(49,922)	219,907	61,445
Investment and other losses	(646)	(4,495)	(2,588)	(940)	(8,669)
Net surplus/(deficit) by line of business	6,490	(120,171)	(52,510)	218,967	52,776
Income from leasing activities					78,984
Expenses in connection with leasing activities					(91,978)
Management fees to the shareholders					(563,962)
Net deficit transferred to policyholders' fund					(524,180)

According to the company's Articles of Association, shareholders deserve management fees from policyholders up to the percentage of 20% from the total premium written and investment income (note 8).

In its meeting held on 21 June 2017, the board of directors decided to calculate 20% of the profit instead of 20% of revenue as a right to shareholders of the results of policyholders from the three-month period ended 30 June 2017 until further notice.

Notes to the interim condensed consolidated financial information (continued)

10 Consolidated policyholders' result by line of business and fund (continued)

Consolidated policyholders' assets, liabilities and fund are as follows:

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Assets			
Cash and bank balances	**29,004**	112,490	295,944
Investment deposits	**1,546,000**	1,542,887	1,608,250
Investments at fair value through profit or loss	**489,218**	475,652	467,000
Accounts receivable and other debit balances	**1,438,920**	1,186,529	2,609,685
Premiums receivable	**1,954,144**	1,881,987	824,177
Available for sale investments	**182,656**	182,656	182,656
Goodwill	**409,766**	409,766	409,766
Reinsurance share of outstanding claims (Note 14)	**5,348,279**	4,561,665	3,924,588
Leasehold land	**277,750**	277,750	277,750
Equipment	**240,275**	251,173	271,851
Total assets	**11,916,012**	10,882,555	10,871,667
Liabilities			
Outstanding claims reserve (gross) (Note 14)	**8,809,200**	8,531,561	8,402,500
Unearned premiums	**1,128,814**	1,025,368	1,344,637
Incurred but not reported reserve	**-**	177,576	161,036
Accounts payable and accrued expenses	**2,031,290**	1,946,171	2,086,334
Amount due to the shareholders	**4,150,966**	3,128,755	2,534,761
Qard Hassan from the shareholders	**1,625,611**	1,625,611	1,625,611
Total liabilities	**17,745,881**	16,435,042	16,154,879
Policyholders' fund			
Policyholders' fund at the beginning of the period/year	**(5,552,487)**	(4,759,032)	(4,759,032)
Net deficit transferred to policyholders' fund for the period/year	**(277,382)**	(793,455)	(524,180)
Total policyholders' fund at the end of the period/year	**(5,829,869)**	(5,552,487)	(5,283,212)
Total liabilities and policyholders' fund	**11,916,012**	10,882,555	10,871,667

Notes to the interim condensed consolidated financial information (continued)

11 Related party transactions

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

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	**30 June 2017 (Unaudited) KD**	30 June 2016 (Unaudited) KD
Shareholders:				
Interim condensed consolidated statement of profit or loss:				
General and administrative expense	**7,747**	17,000	17,500	19,000

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Investments at fair value through profit or loss	**14,109**	14,109	19,400
Available for sale investments	**3,151,789**	3,151,789	3,030,613

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	**30 June 2017 (Unaudited) KD**	30 June 2016 (Unaudited) KD
Policyholders:				
Interim condensed consolidated statement of profit or loss:				
Unrealized gain/(loss) from investment at fair value through profit or loss	**-**	34,777	**(72,976)**	12,379
Key management compensation:				
Salaries and other short term benefits	**52,102**	16,997	**103,117**	33,990
Terminal benefits	**19,886**	11,033	**65,247**	22,066
	71,988	28,030	**168,364**	56,056

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Investments at fair value through profit or loss	**156,879**	156,879	156,879

12 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.

Notes to the interim condensed consolidated financial information (continued)

12 Segmental analysis (continued)

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

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

Shareholders

For the six months ended 30 June 2017 (Unaudited)	Investment KD	Takaful insurance KD	Unallocated KD	Total KD
(Losses) / revenues	**(116,606)**	**333,816**	**-**	**217,210**
(Loss)/ profit for the period	**(116,606)**	**333,816**	**(49,336)**	**167,874**
Total assets	**5,302,479**	**5,776,577**	**750,132**	**11,829,188**
Total liabilities	**-**	**-**	**(54,390)**	**(54,390)**
Net assets	**5,302,479**	**5,776,577**	**695,742**	**11,774,798**
For the six months ended 30 June 2016 (Unaudited)				
Total income	45,915	563,962	-	609,877
Profit/(loss) for the period	45,915	563,962	(87,224)	522,653
Total assets	7,235,284	4,160,372	1,462,970	12,858,626
Total liabilities	-	-	(70,513)	(70,513)
Net assets	7,235,284	4,160,372	1,392,457	12,788,113

Policyholders

For the six months ended 30 June 2017 (Unaudited)	Investment KD	Takaful insurance KD	Cars rental KD	Unallocated KD	Total KD
Revenues	**104,493**	**1,215,221**	**87,021**	**-**	**1,406,735**
Profit / (loss) for the period	**104,493**	**(384,903)**	**3,028**	**-**	**(277,382)**
Total assets	**2,495,624**	**7,302,423**	**486,274**	**1,631,691**	**11,916,012**
Total liabilities	**-**	**(15,714,590)**	**(14,016)**	**(2,017,275)**	**(17,745,881)**
Net assets	**2,495,624**	**(8,412,167)**	**472,258**	**(385,584)**	**(5,829,869)**
For the six months ended 30 June 2016 (Unaudited)					
Total income	(8,669)	1,542,884	78,984	-	1,613,199
Profit/(loss) for the period	(8,669)	(502,517)	(12,994)	-	(524,180)
Total assets	2,535,656	4,748,765	449,089	3,138,157	10,871,667
Total liabilities	-	(14,068,545)	(19,766)	(2,066,568)	(16,154,879)
Net assets	2,535,656	(9,319,780)	429,323	1,071,589	(5,283,212)

Notes to the interim condensed consolidated financial information (continued)

13 General Assembly of shareholders

On 20 April 2017, the general assembly approved the consolidated financial statements of the group for the year ended 31 December 2016 and the proposal of the board of directors not to distribute cash dividends for the year then ended.

14 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 filed by a government institution against the company for the amount of KD3,447,427(KD3,447,427 as at 31 December 2016 and as at 30 June 2016) which the company has provided for in the compensation reserve balances under settlement. As 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.

In contrast, compensations under settlement include potential compensation balances the total of which amounted to KD5,348,279(KD4,561, 665 on 31 December 2016 and KD3,924,588 on 30 June 2016), being potential compensations which are under study by the Company's management to determine the possibility of collecting same.

15 Fair value measurement

15.1 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 six Levels of a fair value hierarchy. The six 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).

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

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

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

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

Notes to the interim condensed consolidated financial information (continued)

15 Fair value measurement (continued)

15.1 Fair value hierarchy (continued)

30 June 2017 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Quoted securities	264,628	-	-	264,628
- Managed funds	-	14,109	-	14,109
Available for sale investments				
- Quoted securities	188,723	-	-	188,723
- Unquoted securities	-	-	224,040	224,040
- Managed funds	-	1,517,099	-	1,517,099
- Managed portfolios	1,261,381	-	-	1,261,381
	1,714,732	1,531,208	224,040	3,469,980
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Quoted securities	40,637	-	-	40,637
- Managed funds	-	448,581	-	448,581
	40,637	448,581	-	489,218

31 December 2016 (audited)

	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
	1,630,917	1,531,208	271,290	3,433,415
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

Notes to the interim condensed consolidated financial information (continued)

15 Fair value measurement (continued)

15.1 Fair value hierarchy (continued)

30 June 2016 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Quoted securities	287,960	-	-	287,960
- Managed Funds	-	19,400	-	19,400
Available for sale investments				
- Quoted securities	392,363	-	-	392,363
- Unquoted securities	-	-	174,850	174,850
- Managed funds	-	1,517,099	-	1,517,099
- Managed portfolios	1,307,883	-	-	1,307,883
	1,988,206	1,536,499	174,850	3,699,555
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Quoted securities	37,444	-	-	37,444
- Managed funds	-	429,556	-	429,556
	37,444	429,556	-	467,000

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.

15.2 Measuring the fair value of financial instruments

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		
	30 June 2017 KD	31 Dec. 2016 KD	30 June 2016 KD
Shareholders			
Opening balance	**271,290**	174,850	174,850
Gains or losses recognised in:			
- Other comprehensive income	**(47,250)**	96,440	-
Closing balance	**224,040**	271,290	174,850

Notes to the interim condensed consolidated financial information (continued)

15 Fair value measurement (continued)

Level 3 fair value measurements (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 interim condensed 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 interim condensed consolidated statement of profit or loss, total assets, total liabilities or total equity.