

Interim Condensed Consolidated Financial Information and Review Report

**Wethaq Takaful Insurance Company – KPSC and Subsidiaries  
Kuwait**

30 September 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 September 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 nine-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*

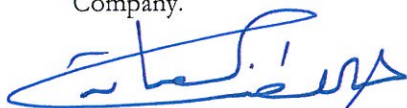
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation as shown in note 2.

### *Emphasis of matter*

As stated in Note (10) to the interim condensed consolidated information, the Parent Company's board of directors decided on 21 June 2017 to calculate management fees to the shareholders at 20% of profit instead of 20% of revenue until the balances due from policyholders stated in Notes (8) and (9) are settled. Management of the Parent Company expects that the balances due from policyholders will be settled and the outstanding deficit will be covered during the future years.

### **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 its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 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 October 2017

## Interim condensed consolidated statement of profit or loss

		Three months ended		Nine months ended	
	Notes	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
<b>Revenue</b>					
Loss on disposal of available for sale investments	7c	-	-	(138,868)	-
Gain from sale of investments at fair value through profit or loss		-	6,175	-	6,175
Change in fair value of investments at fair value through profit or loss		5,624	23,093	25,374	54,579
Dividend income		3,169	-	5,681	-
Interest income		-	-	-	14,429
Management fees from policyholders	8	-	145,343	333,816	709,305
		8,793	174,611	226,003	784,488
<b>Expenses and other charges</b>					
General and administrative expenses		(20,502)	(8,502)	(63,749)	(61,225)
		(20,502)	(8,502)	(63,749)	(61,225)
(Loss)/profit for the period before provisions for National Labour Support Tax (NLST), Zakat and directors' remuneration		(11,709)	166,109	162,254	723,263
Reversal of/(provision for) NLST		293	(4,153)	(4,056)	(18,082)
Reversal of /(provision for) Zakat		117	(1,661)	(1,623)	(7,233)
Provision for Directors' remuneration		-	(7,500)	-	(22,500)
Total (loss)/profit for the period		(11,299)	152,795	156,575	675,448
<b>Basic and diluted (loss)/earnings per share (Fils)</b>					
	6	(0.10)	1.39	1.43	6.15

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



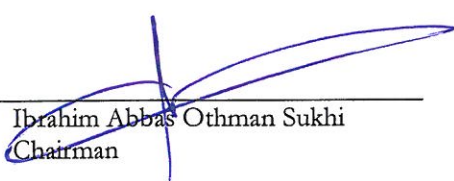
## Interim condensed consolidated statement of profit or loss and other comprehensive income


	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
(Loss)/profit for the period	(11,299)	152,795	156,575	675,448
<b>Other comprehensive income/(loss):</b>				
<i>Items that will be reclassified subsequently to the interim condensed consolidated statement of profit loss:</i>				
<i>Available for sale investments:</i>				
- Net change in fair value arising during the period	(87,836)	33,631	(20,126)	(101,613)
Total other comprehensive (loss)/income	(87,836)	33,631	(20,126)	(101,613)
<b>Total comprehensive (loss)/income for the period</b>	<b>(99,135)</b>	<b>186,426</b>	<b>136,449</b>	<b>573,835</b>

*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 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
<b>Assets</b>				
Cash and bank balances		609,234	1,309,226	1,308,990
Short term deposit		10,000	-	-
Investments at fair value through profit or loss		284,361	258,987	249,953
Available for sale investments	7	3,298,022	3,521,281	3,772,721
Amount due from policyholders	8	4,143,584	3,128,755	2,757,645
Qard Hassan to policyholders' Fund	9	1,625,611	1,625,611	1,625,611
Investment properties		1,629,684	1,627,284	3,192,470
Other assets		138,044	154,671	169,414
<b>Total assets</b>		<b>11,738,540</b>	<b>11,625,815</b>	<b>13,076,804</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
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
Cumulative changes in fair value		298,913	319,039	367,229
Foreign currency translation reserve		(1,615,597)	(1,615,597)	-
Employees' share purchase plan reserve		65,964	65,964	65,964
Accumulated losses		(6,168,851)	(6,325,426)	(6,553,888)
<b>Total Equity</b>		<b>11,675,663</b>	<b>11,539,214</b>	<b>12,974,539</b>
<b>Liabilities</b>				
Other liabilities		62,877	86,601	102,265
<b>Total liabilities</b>		<b>62,877</b>	<b>86,601</b>	<b>102,265</b>
<b>Total equity and liabilities</b>		<b>11,738,540</b>	<b>11,625,815</b>	<b>13,076,804</b>

  
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

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Employee share purchase plan reserve KD	Accumulated losses KD	Total KD
Balance at 1 January 2017 (audited)	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	-	-	-	-	-	-	-	-	-	-	156,575
Other comprehensive loss	-	-	-	-	-	-	(20,126)	-	-	-	(20,126)
Total comprehensive income	-	-	-	-	-	-	(20,126)	-	-	156,575	136,449
Balance at 30 September 2017 (unaudited)	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	298,913	(1,615,597)	65,964	(6,168,851)	11,675,663
Balance at 1 January 2016 (audited)	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	-	-	-	-	-	-	-	-	-	-	675,488
Other comprehensive loss	-	-	-	-	-	-	(101,613)	-	-	-	(101,613)
Total comprehensive loss	-	-	-	-	-	-	(101,613)	-	-	675,448	573,835
Balance at 30 September 2016 (unaudited)	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	367,229	-	65,964	(6,553,888)	12,974,539

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

	Nine months ended 30 Sept. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2016 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>		
Profit for the period	156,575	675,448
<b>Adjustments for:</b>		
Loss on disposal of available for sale investments	138,868	-
Gain on sale of investments at fair value through profit or loss	-	(6,175)
Interest income	-	(14,429)
Change in fair value of investments in fair value through profit or loss	(25,374)	(54,579)
Dividend income	(5,681)	-
	264,388	600,265
<b>Changes in operating assets and liabilities:</b>		
Other assets	16,627	2,258
Other liabilities	(23,724)	44,066
Amount due from policyholders	(1,014,829)	(490,384)
<b>Net cash (used in)/from operating activities</b>	<b>(757,538)</b>	<b>156,205</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of available for sale investments	64,265	4,232
Proceeds from disposal of investments at fair value through profit or loss	-	86,675
Dividend income received	5,681	-
Additions to investment properties	(2,400)	-
Short term deposit	(10,000)	(247,112)
<b>Net cash from/(used in) investing activities</b>	<b>57,546</b>	<b>(156,205)</b>
<b>Decrease in cash and bank balances</b>	<b>(699,992)</b>	<b>-</b>
Cash and bank balances at the beginning of the period	1,309,226	1,308,990
<b>Cash and bank balances at the end of the period</b>	<b>609,234</b>	<b>1,308,990</b>

*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 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 its above mentioned objectives and as per its Articles of Association, the parent company shall have authority to conduct the following businesses and acts as Board of Directors deem appropriate:

- a) Acquire and gain the right to possess and 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 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 properties 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 properties 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.
- 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 in the State of Kuwait or board directly or through agency. The company may have an interest or participate in any way with the entities that engage in similar business and that help it achieve its objectives in Kuwait or abroad and it may establish, participate, purchase, and merge with such entities.

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.



## Notes to the interim condensed consolidated financial information (continued)

### 1 Incorporation and activities of the parent company (continued)

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, 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 nine-month period ended 30 September 2017 was authorised for issue by the parent company's board of directors on 30 October 2017.

### 2 Basis of preparation

The interim condensed consolidated financial information of the group for the nine-month period ended 30 September 2017 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the 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.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars (KD), which is the functional and presentation currency of the group.

This interim condensed consolidated financial information does not include 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 nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2016.

### 3 Changes in 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:

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies

#### 3.1 New and amended standards adopted by the Group (continued)

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
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 non-cash 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 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 interim condensed consolidated financial information.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018



## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### *IFRS 10 and IAS 28 Sale or Contribution of Assets between 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 an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

##### *IFRS 15 Revenue from Contracts with Customers*

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

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### *IFRS 15 Revenue from Contracts with Customers (continued)*

The five steps in the model are as follows:

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

The standard includes important guidance, such as

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

##### *IFRS 16 Leases*

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

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

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.



## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### *Annual Improvements to IFRSs 2014-2016 Cycle*

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

### 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 Sept. 2017 (Unaudited) %	31 Dec. 2016 (Audited) %	30 Sept. 2016 (Unaudited) %	
<b>Consolidated with policyholders</b>					
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
<b>Consolidated with shareholders</b>					
Wethaq Real Estate Investment Company – W.L.L	Egypt	99.40	99.40	-	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. Accordingly, the group owns 100% shareholding 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 99.40% 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 and accordingly the group owns 100% shareholding 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 is computed by dividing the (loss)/profit for the period by the weighted average number of shares outstanding during the period (excluding treasury shares) as follows:

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2017	30 Sept. 2016	30 Sept. 2017	30 Sept. 2016
(Loss)/profit for the period (KD)	(11,299)	152,795	156,575	675,448
Weighted average number of shares outstanding during the period	110,250,000	110,250,000	110,250,000	110,250,000
Less: Weighted average number of treasury shares outstanding during the period	(504,890)	(504,890)	(504,890)	(504,890)
	109,804,500	109,804,500	109,804,500	109,804,500
Basic and diluted (loss)/earnings per share (Fils)	(0.10)	1.39	1.43	6.15

### 7 Available for sale investments

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Quoted securities	185,783	187,174	425,994
Unquoted securities	333,760	618,143	521,703
Managed funds	1,517,099	1,517,099	1,517,141
Managed portfolios	1,261,380	1,198,865	1,307,883
	3,298,022	3,521,281	3,772,721

a) Unquoted securities include securities amounting to KD130,350 (31 December 2016 and 30 September 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 (31 December 2016: KD1,517,099 and 30 September 2016: KD1,517,141). Fair value of these investments is measured using 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 as proceeds resulting from liquidation of an investment. Carrying value of the investment as of the date of disposal 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 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Opening balance	3,128,755	2,267,261	2,267,261
Management fees from policyholders for the period/year	333,816	859,516	709,305
Net movements during the period/year	681,013	1,978	(218,921)
Closing balance	4,143,584	3,128,755	2,757,645

Net movements in policyholders' account represent the net fund transfers from and to their account in addition to the management fees from policyholders. The parent company's management is currently working on 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 Qard Hassan provided by shareholders will be settled through the surplus from insurance activities in future 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
<b>Three months ended 30 September 2017 (Unaudited):</b>					
Premiums written	63,350	635,511	64,818	101,821	865,500
Total revenues	26,530	204,153	33,049	100,000	363,732
Net surplus/(deficit) from takaful operations	3,082	(35,027)	(47,312)	12,898	(66,359)
Investment and other income	1,710	14,250	5,088	3,226	24,274
Net surplus/(deficit) by line of business	4,792	(20,777)	(42,224)	16,124	(42,085)
Income from leasing activities					36,014
Expenses in connection with leasing activities					(42,248)
Management fees to the shareholders *					-
Net deficit transferred to policyholders' fund					(48,319)



## Notes to the interim condensed consolidated financial information (continued)

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

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
<b>Nine months ended 30 September 2017</b>					
<b>(Unaudited):</b>					
Premiums written	267,399	2,015,739	813,322	290,249	3,386,709
Total revenues	96,190	1,186,117	105,977	190,669	1,578,953
Net surplus/(deficit) from takaful operations	72,900	(243,632)	5,846	47,440	(117,446)
Investment and other income	10,167	84,051	23,513	11,036	128,767
Net surplus/(deficit) by line of business	83,067	(159,581)	29,359	58,476	11,321
Income from leasing activities					123,035
Expenses in connection with leasing activities					(126,241)
Management fees to the shareholders *					(333,816)
Net deficit transferred to policyholders' fund					(325,701)
<b>Three months ended 30 September 2016</b>					
<b>(Unaudited):</b>					
Premiums written	27,298	530,038	97,990	71,389	726,715
Total revenues	11,724	1,275,101	134,756	84,518	1,506,099
Net (deficit)/surplus from takaful operations	(33,093)	271,362	115,983	(391,656)	(37,404)
Investment and other income	2,372	18,971	9,415	3,680	34,438
Net (deficit)/surplus by line of business	(30,721)	290,333	125,398	(387,976)	(2,966)
Income from leasing activities					37,535
Expenses in connection with leasing activities					(40,903)
Management fees to the shareholders					(145,343)
Net deficit transferred to policyholders' fund					(151,677)
<b>Nine months ended 30 September 2016</b>					
<b>(Unaudited):</b>					
Premiums written	237,484	1,992,305	939,649	377,086	3,546,524
Total revenues	75,973	2,427,688	229,363	315,959	3,048,983
Net (deficit)/surplus from takaful operations	(25,957)	155,686	66,061	(171,749)	24,041
Investment and other income	1,726	14,476	6,827	2,740	25,769
Net (deficit)/surplus by line of business	(24,231)	170,162	72,888	(169,009)	49,810
Income from leasing activities					116,519
Expenses in connection with leasing activities					(132,881)
Management fees to the shareholders					(709,305)
Net deficit transferred to policyholders' fund					(675,857)

## Notes to the interim condensed consolidated financial information (continued)

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

\* According to the parent company's Articles of Association, shareholders are entitled to management fees from policyholders upto 20% of the total premium written and investment income (note 8).

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

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

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
<b>Assets</b>			
Cash and bank balances	199,290	112,490	372,534
Investment deposits	1,546,000	1,542,887	1,608,250
Investments at fair value through profit or loss	501,275	475,652	470,141
Accounts receivable and other assets	1,320,627	1,186,529	1,180,049
Premiums receivable	2,029,749	1,881,987	1,526,616
Available for sale investments	182,656	182,656	182,656
Goodwill	409,766	409,766	409,766
Reinsurance share of outstanding claims (Note 14)	5,222,104	4,561,665	3,527,280
Leasehold land	277,750	277,750	277,750
Equipment	223,184	251,173	229,581
<b>Total assets</b>	<b>11,912,401</b>	<b>10,882,555</b>	<b>9,784,623</b>
<b>Liabilities</b>			
Outstanding claims reserve (gross) (Note 14)	8,497,440	8,531,561	8,068,600
Unearned premiums	1,235,916	1,025,368	491,662
Incurred but not reported reserve	66,825	177,576	234,170
Accounts payable and accrued expenses	2,221,213	1,946,171	2,041,824
Amount due to the shareholders	4,143,584	3,128,755	2,757,645
Qard Hassan from the shareholders	1,625,611	1,625,611	1,625,611
<b>Total liabilities</b>	<b>17,790,589</b>	<b>16,435,042</b>	<b>15,219,512</b>
<b>Policyholders' fund</b>			
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	(325,701)	(793,455)	(675,857)
<b>Total policyholders' fund at the end of the period/year</b>	<b>(5,878,188)</b>	<b>(5,552,487)</b>	<b>(5,434,889)</b>
<b>Total liabilities and policyholders' fund</b>	<b>11,912,401</b>	<b>10,882,555</b>	<b>9,784,623</b>

### 11 Related party balances and transactions

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



## Notes to the interim condensed consolidated financial information (continued)

### 11 Related party balances and transactions (continued)

#### Shareholders:

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
<b>Interim condensed consolidated statement of profit or loss:</b>				
General and administrative expense	8,750	-	26,250	4,000
<b>Key management compensation:</b>				
Provision for directors' remuneration	-	7,500	-	22,250
	-	7,500	-	22,250

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
<b>Interim condensed consolidated statement of financial position:</b>			
Investments at fair value through profit or loss	14,109	14,109	19,400
Available for sale investments	3,151,789	3,113,428	3,030,654

#### Policyholders:

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
<b>Interim condensed consolidated statement of profit or loss:</b>				
Change in fair value of investments at fair value through profit or loss	98,599	12,540	25,623	25,769
<b>Key management compensation:</b>				
Salaries and other short term benefits	61,056	16,995	164,173	50,985
End of service benefits	49,961	11,033	115,208	33,099
	111,017	28,028	279,381	84,084
<b>Interim condensed consolidated statement of financial position:</b>				
Investments at fair value through profit or loss	156,879	156,879	156,879	156,879



## Notes to the interim condensed consolidated financial information (continued)

### 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.

The measurement policies that are used by the group for segmental analysis according to IFRS 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 nine months ended 30 September 2017 (Unaudited)	Investment KD	Takaful insurance KD	Unallocated KD	Total KD
(Losses) / revenues	(107,813)	333,816	-	226,003
(Loss)/ profit for the period	(107,813)	333,816	(69,428)	156,575
Total assets	5,222,067	5,769,195	747,278	11,738,540
Total liabilities	-	-	(62,877)	(62,877)
Net assets	5,222,067	5,769,195	684,401	11,675,663
<b>For the nine months ended 30 September 2016 (Unaudited)</b>				
Revenues	75,183	709,305	-	784,488
Profit/(loss) for the period	75,183	709,305	(109,040)	675,448
Total assets	7,215,144	4,383,256	1,478,404	13,076,804
Total liabilities	-	-	(102,265)	(102,265)
Net assets	7,215,144	4,383,256	1,376,139	12,974,539

#### Policyholders

For the nine months ended 30 September 2017 (Unaudited)	Investment KD	Takaful insurance KD	Cars rental KD	Unallocated KD	Total KD
Revenues	128,767	1,578,953	123,035	-	1,830,755
Profit / (loss) for the period	128,767	(451,262)	(3,206)	-	(325,701)
Total assets	2,569,931	7,251,853	478,322	1,612,295	11,912,401
Total liabilities	-	(15,569,376)	(13,175)	(2,208,038)	(17,790,589)
Net assets	2,569,931	(8,317,523)	465,147	(595,743)	(5,878,188)
<b>For the nine months ended 30 September 2016 (Unaudited)</b>					
Revenues	25,769	3,048,983	116,519	-	3,191,271
Profit/(loss) for the period	25,769	(685,264)	(16,362)	-	(675,857)
Total assets	2,538,797	5,053,441	444,073	1,748,312	9,784,623
Total liabilities	-	(13,177,688)	(21,204)	(2,020,620)	(15,219,512)
Net assets	2,538,797	(8,124,247)	422,869	(272,308)	(5,434,889)

## Notes to the interim condensed consolidated financial information (continued)

### 13 General Assembly of shareholders

On 20 April 2017, the general assembly of the shareholders 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 of disputed claims including a legal case filed by a government institution for the amount of KD3,447,427 (31 December 2016: KD3,447,427 and 30 September 2016: KD3,447,427) which the group has provided for in the outstanding claim reserve balances. The management has provided provisions which it deems sufficient to cover any potential liabilities.

In contrast, reinsurance share of outstanding claims include potential compensation balances of KD5,222,104 (31 December 2016: KD4,561,665 and 30 September 2016: KD3,527,280).

### 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 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).

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 in the interim condensed consolidated statement of 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 September 2017 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>SHAREHOLDERS</b>				
Investments at fair value through profit or loss				
- Quoted securities	270,252	-	-	270,252
- Managed funds	-	14,109	-	14,109
Available for sale investments				
- Quoted securities	185,783	-	-	185,783
- Unquoted securities	-	-	203,410	203,410
- Managed funds	-	1,517,099	-	1,517,099
- Managed portfolios	1,261,380	-	-	1,261,380
	1,717,415	1,531,208	203,410	3,452,033

<b>POLICYHOLDERS</b>				
Investments at fair value through profit or loss				
- Quoted securities	40,994	-	-	40,994
- Managed funds	-	460,281	-	460,281
	40,994	460,281	-	501,275

31 December 2016 (audited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>SHAREHOLDERS</b>				
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

<b>POLICYHOLDERS</b>				
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 September 2016 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>SHAREHOLDERS</b>				
Investments at fair value through profit or loss				
- Quoted securities	230,553	-	-	230,553
- Managed Funds	-	19,400	-	19,400
Available for sale investments				
- Quoted securities	425,994	-	-	425,994
- Unquoted securities	-	-	174,850	174,850
- Managed funds	-	1,517,141	-	1,517,141
- Managed portfolios	1,307,883	-	-	1,307,883
	1,964,430	1,536,541	174,850	3,675,821
<b>POLICYHOLDERS</b>				
Investments at fair value through profit or loss				
- Quoted securities	35,405	-	-	35,405
- Managed funds	-	434,736	-	434,736
	35,405	434,736	-	470,141

#### 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 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 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
<b>Shareholders</b>			
Opening balance	271,290	174,850	174,850
Changes in fair value	(67,880)	96,440	-
<b>Closing balance</b>	<b>203,410</b>	<b>271,290</b>	<b>174,850</b>

The impact on interim condensed consolidated statement of profit or loss and interim condensed 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%.

### 16 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2016.