

Interim Condensed Consolidated Financial Information and Review Report

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

31 March 2018 (Unaudited)

## Contents

|   | Page    |
|---|---------|
| Review report   | 1 and 2 |
| Interim condensed consolidated statement of profit or loss                                | 3       |
| Interim condensed consolidated statement of profit or loss and other comprehensive income | 4       |
| Interim condensed consolidated statement of financial position                            | 5       |
| Interim condensed consolidated statement of changes in equity                             | 6       |
| Interim condensed consolidated statement of cash flows                                    | 7       |
| Notes to the interim condensed consolidated financial information                         | 8 to 26 |



## 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 31 March 2018 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 three-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.

### *Basis for Qualified Conclusion*

- 1- As stated in Notes (8 and 9) to the interim condensed consolidated financial 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. Although, during the year ended 31 December 2017, the management of the Parent Company recognised impairment losses against the amount due from policyholders and Qard Hassan to policyholders' fund amounting to KD434,574 and KD162,500 respectively, the remaining balances of KD4,286,655 and KD1,463,111 respectively, remain to be doubtful for collection.

Furthermore, the policyholders' assets include accounts receivable and other assets and premiums receivable of KD244,004 and KD1,366,295 respectively which have been outstanding for more than one year and have not been provided for. Accordingly, the policyholders may not have the adequate funds to repay the amounts due to shareholders.

- 2- As stated in Note (10) to the interim condensed consolidated financial information, the value of the investment property has been determined using the lower fair value of two evaluations prepared by external valuers as at 31 December 2017 and although this investment property is part of the assets of the subsidiary company in Egypt, no financial statements or information on that subsidiary were available and only the value of the property has been recognized after a confirmation by the Parent Company's management that there are no other assets or liabilities associated with this property or subsidiary and carried in the records of that subsidiary.



**Grant Thornton**  
Al-Qatami, Al-Aiban & Partners

An instinct for growth™

## **Report on review of interim condensed consolidated financial information of Wethaq Takaful Insurance Company – KPSC (continued)**

### *Qualified Conclusion*

Based on our review, except for the possible effect of the matters described in the *Basis for Qualified Conclusion* section of our report, 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.

### **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 three-month period ended 31 March 2018 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  
10 May 2018



## Interim condensed consolidated statement of profit or loss

|   | Notes | Three months<br>ended 31<br>March 2018<br>(Unaudited)<br>KD | Three months<br>ended 31<br>March 2017<br>(Unaudited)<br>KD |
|---|-------|---|---|
| <b>Revenue</b>  |       |   |   |
| Loss on sale of available for sale investments  |       | -   | (138,868)   |
| Change in fair value of investments at fair value through profit or loss                        |       | 15,893  | 64,642  |
| Dividend income   |       | -   | 1,250   |
| Income from investment deposits   |       | 639   | -   |
| Management fees from policyholders  | 8     | 13,191  | 333,816   |
|   |       | <b>29,723</b>   | <b>260,640</b>  |
| <b>Expenses and other charges</b>   |       |   |   |
| General and administrative expenses   |       | (4,752)   | (9,753)   |
|   |       | <b>(4,752)</b>  | <b>(9,753)</b>  |
| <b>Profit for the period before provisions for National Labour Support Tax (NLST) and Zakat</b> |       | <b>24,971</b>   | <b>251,087</b>  |
| Provision for NLST  |       | (624)   | (6,277)   |
| Provision for Zakat   |       | (250)   | (2,511)   |
| <b>Profit for the period</b>  |       | <b>24,097</b>   | <b>242,299</b>  |
| <b>Basic and diluted earnings per share</b>   | 6     | <b>0.22 Fils</b>  | <b>2.21 Fils</b>  |

*The notes set out on pages 8 to 26 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<br>ended 31<br>March 2018<br>(Unaudited)<br>KD | Three months<br>ended 31<br>March 2017<br>(Unaudited)<br>KD |
|---|---|---|
| Profit for the period   | 24,097  | 242,299   |
| <b>Other comprehensive income/(loss):</b>   |   |   |
| <i>Items that may be reclassified subsequently to consolidated statement of profit or loss:</i>                                       |   |   |
| Available for sale investments  |   |   |
| -Net change in fair value arising during the period   | -   | 82,020  |
| <b>Total other comprehensive income that may be reclassified to consolidated statement of profit or loss in subsequent periods</b>    | -   | 82,020  |
| <i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>                                  |   |   |
| Equity investments at fair value through other comprehensive income   |   |   |
| -Net change in fair value arising during the period   | (40,707)  | -   |
| <b>Total other comprehensive loss that will not be reclassified to consolidated statement of profit or loss in subsequent periods</b> | (40,707)  | -   |
| Total other comprehensive (loss)/income   | (40,707)  | 82,020  |
| Total comprehensive (loss)/income for the period  | (16,610)  | 324,319   |


*The notes set out on pages 8 to 26 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

|  | Notes | 31 March<br>2018<br>(Unaudited)<br>KD | 31 Dec.<br>2017<br>(Audited)<br>KD | 31 March<br>2017<br>(Unaudited)<br>KD |
|--|-------|---------------------------------------|------------------------------------|---------------------------------------|
| <b>Assets</b>  |       |                                       |                                    |                                       |
| Cash and cash equivalents                                    |       | 8,990                                 | 168,990                            | 909,226                               |
| Investment deposits  |       | 130,500                               | -                                  | -                                     |
| Investments at fair value through profit or loss             |       | 225,527                               | 220,175                            | 323,629                               |
| Investments at fair value through other comprehensive income | 7     | 3,247,964                             | -                                  | -                                     |
| Available for sale investments                               |       | -                                     | 3,278,130                          | 3,403,813                             |
| Amount due from policyholders                                | 8     | 4,286,655                             | 4,234,083                          | 3,924,441                             |
| Qard Hassan to policyholders' fund                           | 9     | 1,463,111                             | 1,463,111                          | 1,625,611                             |
| Investment properties  | 10    | 2,599,810                             | 2,597,712                          | 1,627,284                             |
| Other assets   |       | 13,317                                | 20,729                             | 150,299                               |
| <b>Total assets</b>  |       | <b>11,975,874</b>                     | <b>11,982,930</b>                  | <b>11,964,303</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                               |
| Fair value reserve   |       | (146,083)                             | 600,019                            | 401,059                               |
| Foreign currency translation reserve                         |       | (1,566,446)                           | (1,566,446)                        | (1,615,597)                           |
| Employees' share purchase plan reserve                       |       | 65,964                                | 65,964                             | 65,964                                |
| Accumulated losses   |       | (5,505,902)                           | (6,235,394)                        | (6,083,127)                           |
| <b>Total Equity</b>  |       | <b>11,942,767</b>                     | <b>11,959,377</b>                  | <b>11,863,533</b>                     |
| <b>Liabilities</b>   |       |                                       |                                    |                                       |
| Other liabilities  |       | 33,107                                | 23,553                             | 100,770                               |
| <b>Total equity and liabilities</b>                          |       | <b>11,975,874</b>                     | <b>11,982,930</b>                  | <b>11,964,303</b>                     |



Ibrahim Abbas Othman Sukhi  
Chairman



Abdullah Mishari Al-Humaidhi  
Vice chairman

The notes set out on pages 8 to 26 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity

|  | Share capital<br>KD | Share premium<br>KD | Treasury shares<br>KD | Treasury shares reserve<br>KD | Statutory reserve<br>KD | Voluntary reserve<br>KD | Fair value reserve<br>KD | Foreign currency translation reserve<br>KD | Employees' share purchase plan reserve<br>KD | Accumulated losses<br>KD | Total<br>KD |
|--|---------------------|---------------------|-----------------------|-------------------------------|-------------------------|-------------------------|--------------------------|--|--|--------------------------|-------------|
| <b>Balance at 1 January 2018 (Audited)</b>                             | 11,025,000          | 7,340,937           | (50,489)              | 3,508                         | 388,139                 | 388,139                 | 600,019                  | (1,566,446)                                | 65,964                                       | (6,235,394)              | 11,959,377  |
| Adjustments arising on adoption of IFRS 9 on 1 January 2018 (note 3.1) | -                   | -                   | -                     | -                             | -                       | -                       | (705,395)                | -  | -  | 705,395                  | -           |
| <b>Balance at 1 January 2018 (Restated)</b>                            | 11,025,000          | 7,340,937           | (50,489)              | 3,508                         | 388,139                 | 388,139                 | (105,376)                | (1,566,446)                                | 65,964                                       | (5,529,999)              | 11,959,377  |
| Profit for the period  | -                   | -                   | -                     | -                             | -                       | -                       | -                        | -  | -  | 24,097                   | 24,097      |
| Other comprehensive loss   | -                   | -                   | -                     | -                             | -                       | -                       | (40,707)                 | -  | -  | -                        | (40,707)    |
| Total comprehensive (loss) / income                                    | -                   | -                   | -                     | -                             | -                       | -                       | (40,707)                 | -  | -  | 24,097                   | (16,610)    |
| <b>Balance at 31 March 2018 (Unaudited)</b>                            | 11,025,000          | 7,340,937           | (50,489)              | 3,508                         | 388,139                 | 388,139                 | (146,083)                | (1,566,446)                                | 65,964                                       | (5,505,902)              | 11,942,767  |
| <b>Balance at 1 January 2017 (Audited)</b>                             | 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  | -                   | -                   | -                     | -                             | -                       | -                       | -                        | -  | -  | 242,299                  | 242,299     |
| Other comprehensive income   | -                   | -                   | -                     | -                             | -                       | -                       | 82,020                   | -  | -  | -                        | 82,020      |
| Total comprehensive income for the period                              | -                   | -                   | -                     | -                             | -                       | -                       | 82,020                   | -  | -  | 242,299                  | 324,319     |
| <b>Balance at 31 March 2017 (Unaudited)</b>                            | 11,025,000          | 7,340,937           | (50,489)              | 3,508                         | 388,139                 | 388,139                 | 401,059                  | (1,615,597)                                | 65,964                                       | (6,083,127)              | 11,863,533  |

The notes set out on pages 8 to 26 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

|  | Three months<br>ended 31<br>March 2018<br>(Unaudited)<br>KD | Three months<br>ended 31<br>March 2017<br>(Unaudited)<br>KD |
|--|---|---|
| <b>OPERATING ACTIVITIES</b>  |   |   |
| Profit for the period  | 24,097  | 242,299   |
| Adjustments for:   |   |   |
| Loss on sale of available for sale investments                           | -   | 138,868   |
| Change in fair value of investments at fair value through profit or loss | (15,893)  | (64,642)  |
| Income from investments deposits   | (639)   | -   |
| Dividend income  | -   | (1,250)   |
|  | 7,565   | 315,275   |
| <b>Changes in operating assets and liabilities:</b>                      |   |   |
| Other assets   | 7,412   | 4,372   |
| Other liabilities  | 9,554   | 14,169  |
| Amount due from policyholders  | (52,572)  | (795,686)   |
| <b>Net cash used in operating activities</b>                             | <b>(28,041)</b>   | <b>(461,870)</b>  |
| <b>INVESTING ACTIVITIES</b>  |   |   |
| Proceeds from sale of available for sale investments                     | -   | 60,620  |
| Dividend income received   | -   | 1,250   |
| Income received from investments deposits                                | 639   | -   |
| Additions to investment properties                                       | (2,098)   | -   |
| Investment deposits  | (130,500)   | -   |
| <b>Net cash (used in)/from investing activities</b>                      | <b>(131,959)</b>  | <b>61,870</b>   |
| Decrease in cash and cash equivalents                                    | (160,000)   | (400,000)   |
| Cash and cash equivalents at the beginning of the period                 | 168,990   | 1,309,226   |
| <b>Cash and cash equivalents at the end of the period</b>                | <b>8,990</b>  | <b>909,226</b>  |

*The notes set out on pages 8 to 26 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 detailed in note 5.

The parent company is a subsidiary of the Investment Dar Company - KPSC (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 all or any part of moveable or immovable properties, as it deems necessary, or any privileges that the company believes to be necessary or appropriate for its business or required for growing its funds.
- b) Carry out transactions and enter into all contracts with all legal dispositions as it deems necessary and suitable to achieve and facilitate its 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 properties and funds.
- d) Provide advisories and conduct technical studies in insurance or reinsurance industry for companies and other entities directly interested in engaging in Takaful insurance or reinsurance business.
- e) Act as valuer or appraiser in insurance industry and agent for insurance or reinsurance companies to perform all activities that are consistent with the Islamic Sharia after obtaining the necessary licenses.
- f) Invest all or part of the company’s moveable property or real estate properties in different sectors as it deems appropriate in accordance with governing laws and resolutions.
- g) Merge with, incorporate or participate in incorporating and subscribing for share in companies, buy and sell companies’ shares and support them in any form in line with the company’s 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 parent company may carry out the above mentioned businesses in the State of Kuwait or abroad directly or through agency. The parent company may have an interest or participate in any way with the entities that engage in similar business and that help it achieve its objectives in Kuwait or abroad 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, 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 at City Tower, Khaled Bin Al-Waleed Street, Sharq, State of Kuwait.

This interim condensed consolidated financial information for the three-month period ended 31 March 2018 was authorised for issue by the parent company's board of directors on 10 May 2018.

### **2 Basis of preparation**

The interim condensed consolidated financial information of the group for the three-month period ended 31 March 2018 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 2017 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 parent company.

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 three-month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2017.

The group has recognised the results of its subsidiary using management accounts for the period ended 31 March 2018.

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

### 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 2018 which have been adopted by the group. Information on these new standards is presented below:

| <i>Standard or Interpretation</i>                                | <i>Effective for annual periods beginning</i> |
|--|---|
| IFRS 2 Share-based Payment- Amendments                           | 1 January 2018                                |
| IFRS 4 and IFRS 9 – Amendments                                   | 1 January 2018                                |
| IFRS 9 Financial Instruments: Classification and Measurement     | 1 January 2018                                |
| IFRS 15 Revenue from Contracts with Customers                    | 1 January 2018                                |
| IAS 40 Investment Property - Amendments                          | 1 January 2018                                |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018                                |

#### ***IFRS 2 Share-Based Payment- Classification and Measurement***

The amendments relate to clarification on the following:

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

Adoption of this standard did not have a significant impact on the group's interim condensed consolidated financial information.

#### ***IFRS 4 and IFRS 9 - Amendments***

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

Management of the parent company decided to implement IFRS 9 (see below) and therefore, does not anticipate that the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

#### ***IFRS 9 Financial Instruments: Classification and Measurement***

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



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

### 3 Changes in accounting policies (continued)

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

##### *IFRS 9 Financial Instruments: Classification and Measurement (continued)*

The main areas of impact are as follows:

- the classification and measurement of the financial assets are 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 is 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 is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are 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 are presented in other comprehensive income to the extent those changes relate to own credit risk.

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

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

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

Based on the analysis of the group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the parent company have determined the impact of implementation of IFRS 9 on the interim condensed consolidated financial information of the group as follows:

##### *Classification and measurement:*

Equity investments amounting to KD176,156 and KD25,675 have been reclassified from FVTPL to FVOCI in shareholders' and policyholders' books respectively.

Also, equity investments amounting to KD165,615 in the shareholders' books have been reclassified from FVOCI to FVTPL.

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

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

### 3 Changes in accounting policies (continued)

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

##### *IFRS 9 Financial Instruments: Classification and Measurement (continued)*

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets as at 1 January 2018.

|   | IAS 39                |                       | IFRS 9         |                       |
|---|-----------------------|-----------------------|----------------|-----------------------|
|   | Classification        | Carrying amount<br>KD | Classification | Carrying amount<br>KD |
| <b>Shareholders:<br/>Financial assets</b>     |                       |                       |                |                       |
| Cash and cash equivalents                     | Loans and receivables | 168,990               | Amortised cost | 168,990               |
| Reclassification of Investments at FVTPL:     |                       |                       |                |                       |
| - Equity securities – quoted                  | FVTPL                 | 167,356               | FVTPL          | 44,019                |
| - Equity securities – unquoted                | FVTPL                 | 52,819                | FVTOCI         | 123,337               |
|   |                       |                       | FVTOCI         | 52,819                |
| Reclassification of available for sale (AFS): |                       |                       |                |                       |
| - Equity securities – quoted                  | AFS                   | 460,707               | FVTOCI         | 295,092               |
| - Equity securities – unquoted                | AFS                   | 2,817,423             | FVTPL          | 165,615               |
|   |                       |                       | FVTOCI         | 2,817,423             |
| Amount due from policyholders                 | Loans and receivables | 4,234,083             | Amortised cost | 4,234,083             |
| Qard Hassan to policyholders' fund            | Loans and receivables | 1,463,111             | Amortised cost | 1,463,111             |
| Other assets (excluding prepayments)          | Loans and receivables | 20,729                | Amortised cost | 20,729                |
| <b>Total financial assets</b>                 |                       | <b>9,385,218</b>      |                | <b>9,385,218</b>      |

As a result of the above reclassification from investments at FVTPL to FVTOCI, the group reclassified an amount of KD(799,727) from the retained earnings to fair value reserve.

Also, as a result of the above reclassification from FVTOCI to FVTPL, the group reclassified an amount of KD94,332 from fair value reserve to retained earnings.



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

### 3 Changes in accounting policies (continued)

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

##### *IFRS 9 Financial Instruments: Classification and Measurement (continued)*

|  | IAS 39                |                       | IFRS 9          |                       |
|--|-----------------------|-----------------------|-----------------|-----------------------|
|  | Classification        | Carrying amount<br>KD | Classification  | Carrying amount<br>KD |
| <b>Policyholders:</b>  |                       |                       |                 |                       |
| <b>Financial assets</b>                                      |                       |                       |                 |                       |
| Cash and cash equivalents                                    | Loans and receivables | 84,023                | Amortised cost  | 84,023                |
| Investment deposits  | Loans and receivables | 1,546,000             | Amortised cost  | 1,546,000             |
| <b>Reclassification of Investments at FVTPL:</b>             |                       |                       |                 |                       |
| - Equity securities – quoted                                 | FVTPL                 | 8,162                 | FVTOCI          | 8,162                 |
| - Equity securities – unquoted                               | FVTPL                 | 297,533               | FVTPL<br>FVTOCI | 280,020<br>17,513     |
| Accounts receivable and other assets (excluding prepayments) | Loans and receivables | 1,153,865             | Amortised cost  | 1,153,865             |
| Premiums receivable  | Loans and receivables | 2,195,164             | Amortised cost  | 2,195,164             |
| <b>Reclassification of available for sale (AFS):</b>         |                       |                       |                 |                       |
| - Equity securities – unquoted                               | AFS                   | 150,500               | FVTOCI          | 150,500               |
| Reinsurance share of outstanding claims                      | Loans and receivables | 2,409,344             | Amortised cost  | 2,409,344             |
| Retakaful contribution receivables                           | Loans and receivables | 2,525,876             | Amortised cost  | 2,525,876             |
| <b>Total financial assets</b>                                |                       | <b>10,370,467</b>     |                 | <b>10,370,467</b>     |

As a result of the above reclassification from investments at FVTPL to FVTOCI, the group reclassified an amount of KD156,069 from the policyholders' fund to fair value reserve.

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

##### *Impairment:*

IFRS 9 requires the group to record expected credit losses (ECL) on all of its financial assets measured at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Under IFRS 9, the group measures ECL as follows:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

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

### 3 Changes in accounting policies (continued)

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

##### *IFRS 9 Financial Instruments: Classification and Measurement (continued)*

###### *Impairment: (continued)*

The group has applied simplified approach to impairment for financial assets as required or permitted under the standard. The group has established a provision matrix that is based on the group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Management determined that the additional impairment required by this standard was not material and accordingly, the group did not recognise any additional impairment losses on its financial assets measured at amortised cost.

###### *Summary of impact on application of IFRS 9:*

As allowed by the transition provisions of IFRS 9, the group elected not to restate comparative information for prior periods with respect to classification and measurement, and impairment requirements.

The implementation of IFRS 9 has resulted in the following impact:

|  | 31 Dec.<br>2017<br>KD | Adjustments/<br>reclassification<br>KD | 1 Jan.<br>2018<br>KD |
|--|-----------------------|--|----------------------|
| <b>Shareholders</b>  |                       |  |                      |
| <b>Assets</b>  |                       |  |                      |
| Cash and cash equivalents                                    | 168,990               | -                                      | 168,990              |
| Investments at fair value through profit or loss             | 220,175               | (10,541)                               | 209,634              |
| Available for sale investments                               | 3,278,130             | (3,278,130)                            | -                    |
| Investments at fair value through other comprehensive income | -                     | 3,288,671                              | 3,288,671            |
| Amount due from policyholders                                | 4,234,083             | -                                      | 4,234,083            |
| Qard Hassan to policyholders' fund                           | 1,463,111             | -                                      | 1,463,111            |
| Other assets (excluding prepayments)                         | 20,729                | -                                      | 20,729               |
| <b>Equity</b>  |                       |  |                      |
| Fair value reserve   | 600,019               | (705,395)                              | (105,376)            |
| Accumulated losses   | (6,235,394)           | 705,395                                | (5,529,999)          |
| <b>Policyholders</b>   |                       |  |                      |
| <b>Assets</b>  |                       |  |                      |
| Cash and cash equivalents                                    | 84,023                | -                                      | 84,023               |
| Investment deposits  | 1,546,000             | -                                      | 1,546,000            |
| Investments at fair value through profit or loss             | 305,695               | (25,675)                               | 280,020              |
| Accounts receivable and other assets                         | 1,153,865             | -                                      | 1,153,865            |
| Premiums receivable  | 2,195,164             | -                                      | 2,195,164            |
| Available for sale investments                               | 150,500               | (150,500)                              | -                    |
| Investments at fair value through other comprehensive income | -                     | 176,175                                | 176,175              |
| Reinsurance share of outstanding claims                      | 2,409,344             | -                                      | 2,409,344            |
| Retakaful contribution receivables                           | 2,525,876             | -                                      | 2,525,876            |
| <b>Equity</b>  |                       |  |                      |
| Fair value reserve   | 4,344                 | (156,069)                              | (151,725)            |
| Policyholders' fund  | (6,489,605)           | 156,069                                | (6,333,536)          |



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

### 3 Changes in accounting policies (continued)

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

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

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

The five steps in the model are as follows:

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

The standard includes important guidance, such as:

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. 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
  - licensing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

Adoption of this standard did not have a significant impact on the group’s interim condensed consolidated financial information.

##### *IFRS 40 Investment Property - Amendments*

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

Adoption of these amendments did not have a significant impact on the group’s interim condensed consolidated financial information.

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

### 3 Changes in accounting policies (continued)

#### 3.1 New and amended standards adopted by the group (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.

Adoption of these amendments did not have a significant impact on the group's interim condensed consolidated financial information.

#### 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. 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.

### 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 2017.

### 5 Subsidiary companies

The details of the subsidiary companies are as follows:

| The details of the subsidiary companies are as follows: |                          |                                   |                                |                                   |  |
|---|--------------------------|-----------------------------------|--------------------------------|-----------------------------------|--|
| Subsidiary company                                      | Country of incorporation | Ownership Percentage              |                                |                                   | Principal activities   |
|   |                          | 31 March 2018<br>(Unaudited)<br>% | 31 Dec. 2017<br>(Audited)<br>% | 31 March 2017<br>(Unaudited)<br>% |  |
| <b>Consolidated with shareholders</b>                   |                          |                                   |                                |                                   |  |
| Wethaq Real Estate Investment Company – WLL             | Egypt                    | 99.40                             | 99.40                          | 99.40                             | Buying, selling, leasing and owning lands in Egypt               |
| <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 |

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

### 5 Subsidiary companies (continued)

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 a share capital of KD8,256. The other shareholders of the subsidiary have signed letters of assignment in favour of the group and accordingly the group owns 100% shareholding of the subsidiary.

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

### 6 Basic and diluted earnings per share

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

|  | Three months<br>ended 31<br>March 2018<br>(Unaudited) | Three months<br>ended 31<br>March 2017<br>(Unaudited) |
|--|---|---|
| Profit for the period (KD)   | 24,097  | 242,299   |
| Weighted average number of shares outstanding during the period                | 110,250,000   | 110,250,000   |
| Less: Weighted average number of treasury shares outstanding during the period | (445,500)   | (445,500)   |
|  | 109,804,500   | 109,804,500   |
| Basic and diluted earnings per share (Fils)                                    | 0.22  | 2.21  |

### 7 Investments at fair value through other comprehensive income

|                           | 31 March<br>2018<br>(Unaudited)<br>KD | 31 Dec.<br>2017<br>(Audited)<br>KD | 31 March<br>2017<br>(Unaudited)<br>KD |
|---------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Local quoted securities   | 16,633                                | -                                  | -                                     |
| Local unquoted securities | 40,000                                | -                                  | -                                     |
| Managed portfolios        | 1,063,866                             | -                                  | -                                     |
| Managed funds             | 2,127,465                             | -                                  | -                                     |
|                           | 3,247,964                             | -                                  | -                                     |

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

b) One of the related parties to the group manages investment portfolios and funds owned by the parent company amounting to KD764,789 (31 December 2017: KD764,789 and 31 March 2017: KD733,418).



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

### 8 Amount due from policyholders

|  | 31 March<br>2018<br>(Unaudited)<br>KD | 31 Dec.<br>2017<br>(Audited)<br>KD | 31 March<br>2017<br>(Unaudited)<br>KD |
|--|---------------------------------------|------------------------------------|---------------------------------------|
| Opening balance at the beginning of the period/year    | 4,234,083                             | 3,128,755                          | 3,128,755                             |
| Management fees from policyholders for the period/year | 13,191                                | 333,816                            | 333,816                               |
| Net movements during the period/year                   | 39,381                                | 1,206,086                          | 461,870                               |
| Impairment in value                                    | -                                     | (434,574)                          | -                                     |
| Closing balance at the end of the period/year          | 4,286,655                             | 4,234,083                          | 3,924,441                             |

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 had decided to reduce management fees charged on policyholders from 20% of gross premium to 20% of net profit of policyholders to enable settlement of 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 to the policyholders will be settled through expected surplus from insurance activities in future years. During the period, the group recognised an impairment loss of KD Nil (31 December 2017: KD162,500 and 31 March 2017: KD Nil) against this balance.

### 10 Investment properties

|  | 31 March<br>2018<br>(Unaudited)<br>KD | 31 Dec.<br>2017<br>(Audited)<br>KD | 31 March<br>2017<br>(Unaudited)<br>KD |
|--|---------------------------------------|------------------------------------|---------------------------------------|
| Carrying value at the beginning of the period/year       | 2,597,712                             | 1,627,284                          | 3,128,755                             |
| Addition during the period/year                          | 2,098                                 | -                                  | 333,816                               |
| Net changes in fair value during the period/year         | -                                     | 916,625                            | 461,870                               |
| Differences arising from translation of foreign currency | -                                     | 53,803                             | -                                     |
| Closing balance at the end of the period/year            | 2,599,810                             | 2,597,712                          | 3,924,441                             |

The management of the parent company recorded the assets of the subsidiary in Egypt, which represent only the value of its investment property amounting to KD2,315,792 in the interim condensed consolidated financial information. The management of the group confirms that up to date, no financial statements for the subsidiary were issued, and that the net assets of the subsidiary in Egypt represent the value of the investment property mentioned above.

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

Furthermore, the investment properties above include the value of a right of use of hotel apartments in Zamzam Tower in Holly Mecca in the Kingdom of Saudi Arabia amounting to KD284,018. The contract of the right of use expires in 2024.



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

### 11 Consolidated policyholders' result by line of business and fund

The consolidated policyholders' result by line of business:

|   | Marine and<br>aviation<br>KD | General<br>accident<br>KD | Fire<br>KD | Life<br>KD | Total<br>KD |
|---|------------------------------|---------------------------|------------|------------|-------------|
| <b>Three months ended 31 March 2018 (Unaudited)</b>                 |                              |                           |            |            |             |
| Premiums written  | 73,283                       | 1,167,545                 | 843,816    | 56,962     | 2,141,606   |
| Total revenues  | 23,204                       | 693,428                   | 36,801     | 50,438     | 803,871     |
| Net surplus/(deficit) from takaful operations                       | 11,654                       | 96,238                    | (94,368)   | 13,522     | 27,046      |
| Investment and other income   | 1,448                        | 29,151                    | 10,591     | 1,126      | 42,316      |
| Net surplus/(deficit) by line of business                           | 13,102                       | 125,389                   | (83,777)   | 14,648     | 69,362      |
| Income from leasing activities                                      |                              |                           |            |            | 36,874      |
| Expenses relating to leasing activities                             |                              |                           |            |            | (39,496)    |
| Management fees to the shareholders *                               |                              |                           |            |            | (13,191)    |
| Net surplus transferred to policyholders' fund                      |                              |                           |            |            | 53,549      |
| <b>Other comprehensive loss for the period:</b>                     |                              |                           |            |            |             |
| Equity investments at fair value through other comprehensive income |                              |                           |            |            |             |
| -Net change in fair value arising during the period                 |                              |                           |            |            | (3,407)     |
| Total other comprehensive loss for the period                       |                              |                           |            |            | (3,407)     |
| Net surplus with other comprehensive income                         |                              |                           |            |            | 50,142      |
| <b>Three months ended 31 March 2017 (Unaudited):</b>                |                              |                           |            |            |             |
| Premiums written  | 106,465                      | 830,446                   | 637,605    | 94,567     | 1,669,083   |
| Gross revenues  | 48,360                       | 556,403                   | 43,199     | 38,965     | 686,927     |
| Net surplus from takaful insurance operations                       | 43,342                       | 716                       | 33,801     | 108,888    | 186,747     |
| Investments and other income  | 2,122                        | 21,740                    | 7,521      | 1,885      | 33,268      |
| Net surplus by line of business                                     | 45,464                       | 22,456                    | 41,322     | 110,773    | 220,015     |
| Income from leasing activities                                      |                              |                           |            |            | 42,444      |
| Expenses relating to leasing activities                             |                              |                           |            |            | (40,183)    |
| Management fees to the shareholders*                                |                              |                           |            |            | (333,816)   |
| Net deficit transferred to policyholders' fund                      |                              |                           |            |            | (111,540)   |

\* 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 net profit instead of 20% of gross premium revenue as a right to shareholders, as management fees, of the results of policyholders starting from 1 April 2017 until further notice (see note 8).

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

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

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

|  | 31 March<br>2018<br>(Unaudited)<br>KD | 31 Dec.<br>2017<br>(Audited)<br>KD | 31 March<br>2017<br>(Unaudited)<br>KD |
|--|---------------------------------------|------------------------------------|---------------------------------------|
| <b>Assets</b>  |                                       |                                    |                                       |
| Cash and cash equivalents  | 30,591                                | 84,023                             | 129,107                               |
| Investment deposits  | 1,546,000                             | 1,546,000                          | 1,546,000                             |
| Investments at fair value through profit or loss                       | 300,672                               | 305,695                            | 484,704                               |
| Accounts receivable and other assets                                   | 1,052,559                             | 1,153,865                          | 1,247,318                             |
| Premiums receivable  | 2,133,222                             | 2,195,164                          | 1,908,808                             |
| Investments at fair value through other comprehensive income           | 172,770                               | -                                  | -                                     |
| Available for sale investments   | -                                     | 150,500                            | 182,656                               |
| Goodwill   | 409,766                               | 409,766                            | 409,766                               |
| Reinsurance share of outstanding claims                                | 2,053,862                             | 2,409,344                          | 2,672,579                             |
| Retakaful contribution receivables                                     | 2,549,953                             | 2,525,876                          | 2,093,365                             |
| Leasehold land   | 277,750                               | 277,750                            | 277,750                               |
| Equipment  | 218,090                               | 234,152                            | 252,220                               |
| <b>Total assets</b>  | <b>10,745,235</b>                     | <b>11,292,135</b>                  | <b>11,204,273</b>                     |
| <b>Liabilities</b>   |                                       |                                    |                                       |
| Outstanding claims reserve   | 4,291,836                             | 4,791,876                          | 8,423,413                             |
| Unearned premiums  | 1,163,886                             | 1,106,998                          | 1,029,560                             |
| Incurred but not reported reserve                                      | 64,979                                | 66,825                             | 21,388                                |
| Accounts payable and accrued expenses (see a below)                    | 5,312,813                             | 5,517,429                          | 1,843,887                             |
| Amount due to the shareholders   | 4,721,229                             | 4,668,657                          | 3,924,441                             |
| Qard Hassan from the shareholders                                      | 1,625,611                             | 1,625,611                          | 1,625,611                             |
| <b>Total liabilities</b>   | <b>17,180,354</b>                     | <b>17,777,396</b>                  | <b>16,868,300</b>                     |
| <b>Policyholders' fund</b>   |                                       |                                    |                                       |
| Policyholders' fund at the beginning of the period/year                | (6,489,605)                           | (5,552,487)                        | (5,552,487)                           |
| Adjustments arising on adoption of IFRS 9 on 1 January 2018 (note 3.1) | 156,069                               | -                                  | -                                     |
| Policyholders' fund at the beginning of the period/year (Restated)     | (6,333,536)                           | (5,552,487)                        | (5,552,487)                           |
| Net surplus/(deficit) of policyholders' for the period/year            | 53,549                                | (937,118)                          | (111,540)                             |
| Fair value reserve (Restated) (note 3.1)                               | (6,279,987)                           | (6,489,605)                        | (5,664,027)                           |
| Change in fair value during the period/year                            | (151,725)                             | -                                  | -                                     |
|  | (3,407)                               | 4,344                              | -                                     |
| <b>Total policyholders' fund at the end of the period/year</b>         | <b>(6,435,119)</b>                    | <b>(6,485,261)</b>                 | <b>(5,664,027)</b>                    |
| <b>Total liabilities and policyholders' fund</b>                       | <b>10,745,235</b>                     | <b>11,292,135</b>                  | <b>11,204,273</b>                     |

- a) This balance includes an amount relating to liability towards a government institution "prosecutor". During the year ended 31 December 2017, the court of appeal in the State of Kuwait ruled in favour of the prosecutor ordering the group to pay the sum of KD3,636,022. Therefore, the group reclassified the balance from "outstanding claims reserve" to "account payable and other liabilities". However, the group submitted a request to the court of cassation to stop the execution of the judgement where the ruling is still pending.

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

### 12 Related party transactions and balances

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.

#### Shareholders:

|  | Three months<br>ended 31<br>March 2018<br>(Unaudited)<br>KD | Three months<br>ended 31<br>March 2017<br>(Unaudited)<br>KD |                                       |
|--|---|---|---------------------------------------|
| <i>Interim condensed consolidated statement of profit or loss:</i>     |   |   |                                       |
| General and administrative expense                                     | 4,752   | 9,753   |                                       |
| <hr/>  |   |   |                                       |
|  | 31 March<br>2018<br>(Unaudited)<br>KD                       | 31 Dec.<br>2017<br>(Audited)<br>KD                          | 31 March<br>2017<br>(Unaudited)<br>KD |
| <i>Interim condensed consolidated statement of financial position:</i> |   |   |                                       |
| Investments at fair value through profit or loss                       | -   | 14,109  | 14,109                                |
| Investments at fair value through other comprehensive income           | 2,765,282   | 2,995,778   | 3,151,789                             |

The investments at fair value through other comprehensive income above include the group's investments in the shares of subsidiaries of the ultimate parent company (Investment Dar Company and its subsidiaries) amounting to KD2,742,157 (2017: KD2,728,048 and 31 March 2017: KD2,891,729).

|  | Three months<br>ended 31<br>March 2018<br>(Unaudited)<br>KD | Three months<br>ended 31<br>March 2017<br>(Unaudited)<br>KD |                                       |
|--|---|---|---------------------------------------|
| <b>Policyholders:</b>  |   |   |                                       |
| <b>Interim condensed consolidated policyholders' result</b>              |   |   |                                       |
| Change in fair value of investments at fair value through profit or loss | -   | (72,976)  |                                       |
| <b>Key management compensation:</b>                                      |   |   |                                       |
| Salaries and other short term benefits                                   | 60,626  | 51,015  |                                       |
| Indemnity  | 36,885  | 45,361  |                                       |
|  | 97,511  | 96,376  |                                       |
|  |   |   |                                       |
|  | 31 March<br>2018<br>(Unaudited)<br>KD                       | 31 Dec.<br>2017<br>(Audited)<br>KD                          | 31 March<br>2017<br>(Unaudited)<br>KD |
| <b>Interim condensed consolidated statement of financial position:</b>   |   |   |                                       |
| Investments at fair value through profit or loss                         | -   | -   | 156,879                               |



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

### 13 Segmental analysis

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

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

| Shareholders   |  |                  |                            |                   |                   |              |
|--|--|------------------|----------------------------|-------------------|-------------------|--------------|
| For the three months ended 31 March 2018 (Unaudited) |  | Investment<br>KD | Takaful<br>insurance<br>KD | Unallocated<br>KD | Total<br>KD       |              |
| Total revenue  |  | 16,532           | 13,191                     | -                 | 29,723            |              |
| Profit/(loss) for the period                         |  | 16,532           | 13,191                     | (5,626)           | 24,097            |              |
| Total assets   |  | 6,203,801        | 5,749,766                  | 22,307            | 11,975,874        |              |
| Total liabilities                                    |  | -                | -                          | (33,107)          | (33,107)          |              |
| Net assets   |  | 6,203,801        | 5,749,766                  | (10,800)          | 11,942,767        |              |
|  |  |                  |                            |                   |                   |              |
| For the three months ended 31 March 2017 (Unaudited) |  |                  |                            |                   |                   |              |
| Total revenue  |  | (72,976)         | 333,816                    | -                 | 260,840           |              |
| (Loss)/profit for the period                         |  | (72,976)         | 333,816                    | (18,541)          | 242,299           |              |
| Total assets   |  | 5,354,726        | 5,550,052                  | 1,059,525         | 11,964,303        |              |
| Total liabilities                                    |  | -                | -                          | (100,770)         | (100,770)         |              |
| Net assets   |  | 5,354,726        | 5,550,052                  | 958,755           | 11,863,533        |              |
|  |  |                  |                            |                   |                   |              |
| Policyholders  |  |                  |                            |                   |                   |              |
| For the three months ended 31 March 2018 (Unaudited) |  | Investment<br>KD | Takaful<br>insurance<br>KD | Cars rental<br>KD | Unallocated<br>KD | Total<br>KD  |
| Total revenue  |  | 42,316           | 803,871                    | 36,874            | -                 | 883,061      |
| Profit/(loss) for the period                         |  | 42,316           | 13,855                     | (2,622)           | -                 | 53,549       |
| Total assets   |  | 2,297,192        | 6,737,037                  | 485,788           | 1,225,218         | 10,745,235   |
| Total liabilities                                    |  | -                | (11,867,541)               | (275,021)         | (5,037,792)       | (17,180,354) |
| Net assets   |  | 2,297,192        | (5,130,504)                | 210,767           | (3,812,574)       | (6,435,119)  |
|  |  |                  |                            |                   |                   |              |
| For the three months ended 31 March 2017 (Unaudited) |  |                  |                            |                   |                   |              |
| Total revenue  |  | 33,268           | 686,927                    | 42,445            | -                 | 762,640      |
| Profit/(loss) for the period                         |  | 33,268           | (147,070)                  | 2,262             | -                 | (111,540)    |
| Total assets   |  | 2,491,110        | 6,674,725                  | 479,208           | 1,559,230         | 11,204,273   |
| Total liabilities                                    |  | -                | (15,024,412)               | (76,675)          | (1,767,213)       | (16,868,300) |
| Net assets   |  | 2,491,110        | (8,349,687)                | 402,533           | (207,983)         | (5,664,027)  |

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

### 14 General Assembly of shareholders

On 16 April 2018, the general assembly of the shareholders approved the consolidated financial statements of the group for the year ended 31 December 2017 and the proposal of the board of directors not to distribute any dividends for the year then ended.

### 15 Contingent liabilities

The group is a defendant in a number of legal cases filed by Takaful contract holders in respect of claims subject of dispute with the group including a legal case filed by a government institution against the group for an amount of KD3,636,022 (31 December 2017: KD3,636,022 and 31 March 2017: KD3,636,022) which the group has provided for in the accounts payable and other liabilities. Although the court of appeal issued its ruling in favour of the State, the parent company submitted a request to the court of cassation to stop the execution, the parent company has made provisions which, in its opinion, are adequate to cover any resultant liabilities (note 11).

### 16 Fair value measurement

#### 16.1 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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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:

31 March 2018 (Unaudited)

|   | Level 1<br>KD | Level 2<br>KD | Level 3<br>KD | Total<br>KD |
|---|---------------|---------------|---------------|-------------|
| <b>SHAREHOLDERS</b>   |               |               |               |             |
| Investments at fair value through profit or loss            |               |               |               |             |
| - Local quoted securities held through managed portfolios   | 225,527       | -             | -             | 225,527     |
| Investment at fair value through other comprehensive income |               |               |               |             |
| - Local quoted securities                                   | 16,633        | -             | -             | 16,633      |
| - Managed portfolios  | 361,089       | -             | 742,777       | 1,103,866   |
| - Managed funds   | -             | 2,127,465     | -             | 2,127,465   |
|   | 603,249       | 2,127,465     | 742,777       | 3,473,491   |

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

### 16 Fair value measurement (continued)

#### 16.1 Fair value hierarchy (continued)

31 March 2018 (Unaudited)

|  | Level 1<br>KD | Level 2<br>KD | Level 3<br>KD | Total<br>KD |
|--|---------------|---------------|---------------|-------------|
| <b>POLICYHOLDERS</b>   |               |               |               |             |
| Investments at fair value through profit or loss             |               |               |               |             |
| - Managed fund   | -             | 300,672       | -             | 300,672     |
| Investments at fair value through other comprehensive income |               |               |               |             |
| - Local quoted securities                                    | 22,270        | -             | -             | 22,270      |
| - Managed portfolio  | -             | -             | 150,500       | 150,500     |
|  | 22,270        | 300,672       | 150,500       | 473,442     |

31 December 2017 (audited)

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



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

### 16 Fair value measurement (continued)

#### 16.1 Fair value hierarchy (continued)

31 March 2017 (Unaudited)

|   | Level 1<br>KD | Level 2<br>KD | Level 3<br>KD | Total<br>KD |
|---|---------------|---------------|---------------|-------------|
| <b>SHAREHOLDERS</b>                                       |               |               |               |             |
| Investments at fair value through profit or loss          |               |               |               |             |
| - Local quoted securities held through managed portfolios | 309,250       | -             | -             | 309,520     |
| - Managed funds   | -             | 14,109        | -             | 14,109      |
| Available for sale investments                            |               |               |               |             |
| - Local quoted securities                                 | 182,690       | -             | -             | 182,690     |
| - Managed portfolios                                      | 1,285,369     | -             | -             | 1,285,369   |
| - Managed funds   | -             | 1,517,099     | 224,040       | 1,741,139   |
|   | 1,777,579     | 1,531,208     | 224,040       | 3,532,827   |
| <b>POLICYHOLDERS</b>                                      |               |               |               |             |
| Investments at fair value through profit or loss          |               |               |               |             |
| - Local quoted securities held through managed portfolios | 49,968        | -             | -             | 49,968      |
| - Managed funds   | -             | 434,736       | -             | 434,736     |
|   | 49,968        | 434,736       | -             | 484,704     |

The group does not have any financial liabilities at fair value

#### 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:

|                      | Unquoted securities   |  |   |
|----------------------|---|--|---|
|                      | (Investments at fair value through OCI)<br>31 March 2018<br>(Unaudited)<br>KD | (Available for sale investment)<br>31 Dec. 2017<br>(Audited)<br>KD | (Available for sale investment)<br>31 March 2017<br>(Unaudited)<br>KD |
| Shareholders         |   |  |   |
| Opening balance      | 637,368   | 728,598  | 271,290   |
| Transfer             | 38,710  | 232,180  | -   |
| Disposal             | -   | (216,503)  | -   |
| Change in fair value | 66,699  | (106,907)  | (47,250)  |
| Closing balance      | 742,777   | 637,368  | 224,040   |

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

### 16 Fair value measurement (continued)

#### 16.1 Fair value hierarchy (continued)

##### Level 3 fair value measurements (continued)

|                          | Unquoted securities  |   |  |
|--------------------------|--|---|--|
|                          | (Investments at fair value through OCI) 31 March 2018 (Unaudited) KD | (Available for sale investment) 31 Dec. 2017 (Audited) KD | (Available for sale investment) 31 March 2017 (Unaudited) KD |
| Policyholders            |  |   |  |
| Opening balance          | 150,500  | -   | -  |
| Transfer                 | -  | 182,656   | -  |
| Disposal                 | -  | (36,500)  | -  |
| Net change in fair value | -  | 4,344   | -  |
| <b>Closing balance</b>   | <b>150,500</b>   | <b>150,500</b>  | <b>-</b>   |

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 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 reporting 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 reporting date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

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%.

### 17 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 2017.