

**WARBA INSURANCE COMPANY K.S.C.P.  
AND ITS SUBSIDIARY**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2017 (UNAUDITED)**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF WARBA INSURANCE COMPANY K.S.C.P.**

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated statement of financial position of Warba Insurance Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively "the Group") as at 31 March 2017, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). 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 condensed consolidated 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- The interim condensed consolidated financial information of the Group includes financial assets available for sale of KD 2,227,500 as at 31 March 2017 which has fair value decline amounting to KD 907,500 included in the balance of cumulative changes in fair values reserve as at 31 March 2017. Subsequent to the period ended 31 March 2017, the management of the Parent Company has sold this investment with sale proceeds amounting to KD 577,500 which indicates that there is impairment in the value of this investment carried in the books of the Parent Company as at 31 March 2017. Accordingly, we believe that impairment loss on financial assets available for sale is understated by KD 2,557,500, financial assets available for sale are overstated by KD 1,650,000, and the cumulative changes in fair value are understated by KD 907,500 in the interim condensed consolidated financial information for the period ended 31 March 2017.
- 2- Insurance contract liabilities as at 31 March 2017 includes an estimate of KD 2,431,038 as actuarial reserve for life and medical claims based on management's estimate. We were unable to obtain sufficient appropriate evidence about the reasonableness of the key inputs, assumptions and methodology used by the management. Consequently, we were unable to determine whether any adjustments to the carrying amount of the reserve were necessary (Note 8).
- 3- During the three months period ended 31 March 2017, the Group has recorded the policy acquisition costs amounting to KD 339,946 upfront instead of deferring them over the period of the policy. As a result, the profit for the three months period ended 31 March 2017 and the retained earnings as at 31 March 2017 has been understated by KD 339,946.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF WARBA INSURANCE COMPANY K.S.C.P. (continued)**

***Qualified Conclusion***

Based on our review, except for the possible effects of the matters described in the “Basis for Qualified Conclusion” paragraph, 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 International Accounting Standard No 34.

***Other Matter***

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed a qualified opinion on those consolidated financial statements on 19 March 2017.

***Report on Other Legal and Regulatory Requirements***

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company except for the matters described in the “Basis for Qualified Conclusion” paragraph above. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the three months period ended 31 March 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



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BADER AL ABDULJADER  
LICENCE NO. 207-A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

3 July 2017  
Kuwait

Warba Insurance Company K.S.C.P. and its Subsidiary  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (UNAUDITED)**  
As at 31 March 2017

	Notes	31 March 2017 KD	(Audited) 31 December 2016 KD	31 March 2016 KD
<b>ASSETS</b>				
Goodwill		62,240	62,240	62,240
Property and equipment	4	7,838,459	7,896,389	8,079,391
Investment in associates		5,781,214	5,743,791	5,555,202
Loan secured by life insurance policies		35,627	38,505	22,117
Financial assets available for sale	5	19,937,480	19,280,706	17,376,724
Financial assets at fair value through profit or loss		2,826,619	2,749,293	4,850,267
Reinsurance share in outstanding claims reserve		17,090,698	16,671,463	16,939,955
Insurance and reinsurance receivables		13,002,422	14,449,231	16,805,995
Other receivables		4,867,025	4,131,031	2,987,002
Fixed deposits	6, 7	5,863,750	6,865,250	6,705,000
Bank balances and cash	7	4,880,018	4,693,584	5,777,577
<b>TOTAL ASSETS</b>		<b>82,185,552</b>	<b>82,581,483</b>	<b>85,161,470</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Insurance contract liabilities	8	24,566,014	24,814,635	24,567,445
Bank overdraft	7	1,273,869	2,053,723	-
Insurance and reinsurance payables		3,156,232	3,758,032	6,429,703
Account payables		4,448,670	4,839,713	4,605,236
Other payables		3,406,266	3,579,584	5,299,621
<b>Total liabilities</b>		<b>36,851,051</b>	<b>39,045,687</b>	<b>40,902,005</b>
<b>Equity attributable to equity holders of the Parent Company</b>				
Share capital	9	17,278,874	17,278,874	17,278,874
Statutory reserve		8,781,109	8,781,109	8,781,109
General reserve		4,000,000	4,000,000	4,000,000
Voluntary reserve		9,206,054	9,206,054	9,206,054
Treasury shares	11	(1,275,970)	(1,275,970)	(1,275,970)
Treasury shares reserve		164,760	164,760	164,760
Cumulative changes in fair values reserve		4,175,449	3,530,094	3,044,112
Share of other comprehensive income of associate		53,671	43,540	18,190
Retained earnings		2,668,932	1,549,175	2,710,106
<b>Equity attributable to equity holders of the Parent Company</b>		<b>45,052,879</b>	<b>43,277,636</b>	<b>43,927,235</b>
Non-controlling interests		281,622	258,160	332,230
<b>Total equity</b>		<b>45,334,501</b>	<b>43,535,796</b>	<b>44,259,465</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>82,185,552</b>	<b>82,581,483</b>	<b>85,161,470</b>

Anwar Jawad Bu-Khamseen  
Chairman

Sheikh Mohammed Jarrah Sabah Al-Sabah  
Vice Chairman



The attached notes 1 to 16 form part of this interim-condensed-consolidated financial information.

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2017

	Notes	Three months ended 31 March	
		2017 KD	2016 KD
<b>Revenues:</b>			
Gross premiums written		9,572,802	12,466,148
Premium ceded to reinsurers		(6,399,972)	(6,470,610)
Net premiums written		3,172,830	5,995,538
Movement in unearned premium reserve		126,658	(6,228)
Movement in life mathematical reserve		1,005,932	539,643
Net premiums earned		4,305,420	6,528,953
Commissions income on ceded reinsurance		508,686	472,597
Policy issuance fees		47,866	59,028
Net investment income from life insurance	12	8,388	14,160
		<b>4,870,360</b>	<b>7,074,738</b>
<b>Expenses:</b>			
Net claims incurred		(2,723,981)	(3,384,402)
Commissions and premiums' acquisition costs		(419,087)	(955,553)
General and administrative expenses		(1,302,710)	(1,556,374)
		<b>(4,445,778)</b>	<b>(5,896,329)</b>
<b>Net underwriting income</b>		<b>424,582</b>	<b>1,178,409</b>
Net investment income from non-life insurance	12	775,872	389,731
Insurance services income		231,590	258,348
Foreign exchange (loss) gain		(4,379)	19,311
Other income		372	76
Share of results of associates		27,292	38,006
		<b>1,455,329</b>	<b>1,883,881</b>
<b>Other expenses:</b>			
Insurance services expense		(181,599)	(194,385)
Unallocated general and administrative expenses		(105,389)	(124,950)
		<b>(286,988)</b>	<b>(319,335)</b>
<b>PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>		<b>1,168,341</b>	<b>1,564,546</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(11,150)	(14,974)
National Labor Support Tax (NLST)		(10,193)	(27,653)
Zakat		(3,779)	(10,681)
<b>PROFIT FOR THE PERIOD</b>		<b>1,143,219</b>	<b>1,511,238</b>
<b>Attributable to:</b>			
Shareholders of the parent company		1,119,757	1,482,105
Non-controlling interest		23,462	29,133
		<b>1,143,219</b>	<b>1,511,238</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	3	<b>6.91 fils</b>	<b>9.14 fils</b>

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)

For the period ended 31 March 2017

	<i>Three months ended</i> <i>31 March</i>	
	<u>2017</u> <u>KD</u>	<u>2016</u> <u>KD</u>
<b>Profit for the period</b>	<b>1,143,219</b>	1,511,238
<b>Other comprehensive income (loss):</b>		
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>		
- Net unrealised gain (loss) of financial assets available for sale	645,355	(928,703)
- Share of other comprehensive income (loss) of associate	10,131	(11,908)
<b>Other comprehensive income (loss) for the period</b>	<b>655,486</b>	(940,611)
<b>Total comprehensive income for the period</b>	<b>1,798,705</b>	570,627
<b>Attributable to:</b>		
Shareholders of the Parent Company	1,775,243	541,494
Non-controlling interests	23,462	29,133
	<b>1,798,705</b>	570,627

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2017

	Share capital KD	Statutory reserve KD	General reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair value KD	Share of other comprehensive income of associates KD	Retained earnings KD	Total KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2017 <i>(Audited)</i>	17,278,874	8,781,109	4,000,000	9,206,054	(1,275,970)	164,760	3,530,094	43,540	1,549,175	43,277,636	258,160	43,535,796
Profit for the period	-	-	-	-	-	-	-	-	1,119,757	1,119,757	23,462	1,143,219
Other comprehensive income	-	-	-	-	-	-	645,355	10,131	-	655,486	-	655,486
Total comprehensive income for the period	-	-	-	-	-	-	645,355	10,131	1,119,757	1,775,243	23,462	1,798,705
<b>Balance at 31 March 2017</b>	<b>17,278,874</b>	<b>8,781,109</b>	<b>4,000,000</b>	<b>9,206,054</b>	<b>(1,275,970)</b>	<b>164,760</b>	<b>4,175,449</b>	<b>53,671</b>	<b>2,668,932</b>	<b>45,052,879</b>	<b>281,622</b>	<b>45,334,501</b>
Balance at 1 January 2016 <i>(Audited)</i>	17,278,874	8,781,109	4,000,000	9,206,054	(1,270,570)	164,760	3,972,815	30,098	2,848,907	45,012,047	303,097	45,315,144
Profit for the period	-	-	-	-	-	-	-	-	1,482,105	1,482,105	29,133	1,511,238
Other comprehensive loss	-	-	-	-	-	-	(928,703)	(11,908)	-	(940,611)	-	(940,611)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(928,703)	(11,908)	1,482,105	541,494	29,133	570,627
Cash dividend (Note 10)	-	-	-	-	(5,400)	-	-	-	(1,620,906)	(1,620,906)	-	(1,620,906)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(5,400)	-	(5,400)
Balance at 31 March 2016	17,278,874	8,781,109	4,000,000	9,206,054	(1,275,970)	164,760	3,044,112	18,190	2,710,106	43,927,235	332,230	44,259,465

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

Warba Insurance Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2017

	Notes	Three months ended 31 March	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before Contribution to KFAS, NLST and Zakat		1,168,341	1,564,546
Adjustments:			
Unrealized gain of financial assets at fair value through profit or loss	12	(91,745)	221,877
Interest income	12	(78,702)	(50,643)
Impairment loss of financial assets available for sale	12	-	25,500
Dividend income	12	(611,713)	(598,525)
Rental income	12	(2,100)	(2,100)
Share of results of associates		(27,292)	(38,006)
Depreciation		72,046	79,004
Provision for employees' end of service benefits		52,631	300,014
		<u>481,466</u>	<u>1,501,667</u>
Changes in operating assets and liabilities:			
Insurance and reinsurance receivables		1,446,809	55,964
Other receivables		(670,288)	(548,223)
Reinsurance share in outstanding claims reserve		(419,235)	1,206,229
Insurance contract liabilities		(248,621)	(1,197,627)
Account payables		(391,043)	582,473
Insurance and reinsurance payables		(601,800)	332,056
Other payables		(66,004)	(89,140)
		<u>(468,716)</u>	<u>1,843,399</u>
Cash flows (used in) from operations		(468,716)	1,843,399
Employees' end of service benefits paid		(180,754)	(157,153)
		<u>(649,470)</u>	<u>1,686,246</u>
Net cash (used in) from operating activities		(649,470)	1,686,246
<b>INVESTING ACTIVITIES</b>			
Net movement in fixed deposits		1,001,500	(698,000)
Movement on loans secured by life insurance policies		2,878	1,786
Proceeds from sale of financial assets available for sale		-	(29,304)
Paid for purchase of property and equipment		(14,116)	-
Cash dividends received		609,048	324,148
Rental income received		2,100	2,100
Interest income received		18,661	75,630
		<u>1,620,071</u>	<u>(323,640)</u>
Net cash from (used in) investing activities		1,620,071	(323,640)
<b>FINANCING ACTIVITIES</b>			
Dividends paid to shareholders		(4,313)	(85,530)
Purchase of treasury shares		-	(5,400)
Bank overdraft		(779,854)	-
		<u>(784,167)</u>	<u>(90,930)</u>
Net cash used in financing activities		(784,167)	(90,930)
<b>NET INCREASE IN BANK BALANCES AND CASH</b>		<b>186,434</b>	<b>1,271,676</b>
Bank balances and cash at beginning of the period		4,693,584	4,505,901
		<u>4,880,018</u>	<u>5,777,577</u>
<b>BANK BALANCES AND CASH AT END OF THE PERIOD</b>	7	<b>4,880,018</b>	<b>5,777,577</b>

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.



# Warba Insurance Company K.S.C.P. and its Subsidiary

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

### 1 INCORPORATION AND OBJECTIVES OF THE PARENT COMPANY

Warba Insurance Company K.S.C.P. (the "Parent Company") was incorporated as a Public Kuwaiti Shareholding Company in State of Kuwait in accordance with the Amiri Decree of October 24, 1976.

The objectives of the Parent Company and its subsidiary (collectively "the Group") are to underwrite life and non- life insurance risks such as fire, general accidents, marine and aviation and others; lend funds which resulted from issuance of insurance policies and to invest in permitted securities.

The address of the Parent Company's registered office is at P.O. Box 24282 Safat, 13103 - State of Kuwait.

The interim condensed consolidated financial information of the Group for the three months period ended 31 March 2017 were authorised for issuance by the Board of Directors on 14 June 2017.

The interim condensed consolidated financial statements of the Group for the period ended 31 December 2016 were approved by the shareholders at the Annual General Meeting held on 5 June 2017.

### 2 BASIS OF PRESENTATION

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS 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 for the year ended 31 December 2016 except for the adoption of the amendments and annual improvements to International Financial Reporting Standards ("IFRS"), relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars which is the functional and reporting currency of the Group.

Further, certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications were made in order to more appropriately present certain items of interim condensed consolidated statement of financial position, interim condensed consolidated statement of income and interim condensed consolidated cash flow statement. Such reclassifications do not affect previously reported assets, liabilities, equity and profit for the period, nor materially affect the interim condensed consolidated cash flow statement. The reclassifications are not material to the interim condensed consolidated financial information.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. Further, operating results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

### 3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the period attributable to equity holder of the Parent Company by the weighted average number of shares outstanding during the period (excluding treasury shares).

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

**3 BASIC AND DILUTED EARNINGS PER SHARE (continued)**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2017</b>	<b>2016</b>
	<b>KD</b>	<b>KD</b>
Profit for the period attributable to the equity holders of the Parent Company	<b>1,119,757</b>	1,482,105
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<b>162,090,569</b>	162,090,569
Basic and diluted earnings per share	<b>6.91 fils</b>	9.14 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of the interim condensed consolidated financial information.

**4 PROPERTY AND EQUIPMENT**

The Group's headquarters building and related land are under lien to the Ministry of Commerce and Industry for an amount of KD 2,955,780 (31 December 2016: KD 2,955,780 and 31 March 2016: KD: 2,955,780) in accordance with insurance regulations in Kuwait.

**5 FINANCIAL ASSETS AVAILABLE FOR SALE**

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Quoted securities	<b>11,932,936</b>	11,273,162	10,758,113
Unquoted securities	<b>4,589,544</b>	4,589,544	4,411,044
Investment in Bonds	<b>3,415,000</b>	3,418,000	2,207,567
	<b>19,937,480</b>	19,280,706	17,376,724

Bonds classified as financial assets available for sale (i.e., currently the management has no intention to hold those bonds to maturity and not to sell those bonds within the near future) carry interest rate ranging from 4.75% to 6.50% per annum (31 December 2016: 4.75% to 6.50% and 31 March 2016: 4.75%) and mature in 10 years and are carried at cost less impairment since their fair values cannot be reliably determined.

Quoted shares with a fair value of KD 2,165,800 (31 December 2016: KD 1,854,000 and 31 March 2016: 1,728,000) are under lien to the Ministry of Commerce and Industry.

Unquoted equity securities amounting KD 844,104 (31 December 2016: KD 844,104 and 31 March 2016: 844,104) are carried at cost less impairment loss since their fair values cannot be reliably determined.

As at 31 March 2017, the management has performed a review of its financial assets available for sale to assess whether any impairment has occurred in their value. Accordingly, no impairment loss has been recorded in the interim condensed consolidated statement of income (31 December 2016: KD 25,500 and 31 March 2016: KD 25,500).

Subsequent to reporting period, the Parent Company disposed unquoted securities with a carrying amount of KD 2,227,500 as of 31 March 2017 for a consideration of KD 577,500.

# Warba Insurance Company K.S.C.P. and its Subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

### 6 FIXED DEPOSITS

Fixed deposits represent deposits with banks whose maturity period exceeds three months from date of deposit.

Fixed deposits include an amount of KD 4,169,000 held in State of Kuwait under lien to the Ministry of Commerce and Industry in accordance with insurance regulations of State of Kuwait (31 December 2016: KD 4,674,250, 31 March 2016: KD 4,669,000).

The effective interest rate on fixed deposits was 1 % to 2.9 % per annum (31 December 2016: 1 % to 2.9 %, 31 March 2016: 0.875 % to 2.9 %).

### 7 CASH AND CASH EQUIVALENTS

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Bank balances and cash	4,880,018	4,693,584	5,777,577
Fixed deposits	5,863,750	6,865,250	6,705,000
	<u>10,743,768</u>	<u>11,558,834</u>	<u>12,482,577</u>
Less:			
Fixed deposits with original maturities of more than three months	(5,863,750)	(6,865,250)	(6,705,000)
Bank overdraft	(1,273,869)	(2,053,723)	-
Cash and cash equivalents	<u>3,606,149</u>	<u>2,639,861</u>	<u>5,777,577</u>

### 8 INSURANCE CONTRACT LIABILITIES

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Outstanding claims reserve	20,153,788	19,269,819	19,752,422
Unearned premiums reserve*	3,027,306	3,757,853	2,342,985
Life mathematical reserve**	1,384,920	1,786,963	2,472,038
	<u>24,566,014</u>	<u>24,814,635</u>	<u>24,567,445</u>

\* Unearned premiums reserve includes medical insurance unearned premiums of KD 1,046,118 (31 December 2016: KD 1,650,007 and 31 March 2016: KD 1,120,777) which has been estimated based on management's actuarial valuation.

\*\* Life mathematical reserve of KD 1,384,920 (31 December 2016: 1,786,963 and 31 March 2016: 2,472,038) has been estimated based on management's actuarial valuation.

### 9 SHARE CAPITAL

The authorized, issued and paid-up capital consists of 172,788,740 shares (31 December 2016: 172,788,740 shares and 31 March 2016: 172,788,740 shares) of 100 fils each, paid in cash.

# Warba Insurance Company K.S.C.P. and its Subsidiary

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

### 10 DIVIDENDS

The General Assembly meeting of the shareholders of the Parent Company held on 5<sup>th</sup> June 2017 approved the consolidated financial statements for the year ended 31 December 2016 and directors' proposal not to distribute any dividends for the year then ended.

The General Assembly meeting of shareholders held on March 22, 2016, approved the Group consolidated financial statements for the year ended 31 December 2015 and cash dividend of 10 fils per share for the year ended 31 December 2015 to the shareholders as of the date of the meeting.

### 11 TREASURY SHARES

	<i>31 March</i> <i>2017</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i>	<i>31 March</i> <i>2016</i>
Number of treasury shares	<b>10,698,171</b>	10,698,171	10,698,171
Percentage to issued shares (%)	<b>6.19%</b>	6.19%	6.19%
Market value (KD)	<b>1,091,213</b>	1,059,119	1,069,817
Cost (KD)	<b>1,275,970</b>	1,275,970	1,275,970

Based on Capital Markets Authority resolution dated 30 December 2013, the Parent Company's management has set aside an amount of KD 1,275,970 (31 December 2016: KD 1,275,970 and 31 March 2016: KD 1,275,970) equivalent to the cost of purchase of the treasury shares which has been earmarked as non-distributable from reserves and retained earnings throughout the holding period of treasury shares.

The weighted average market price of the Parent Company's shares for the year ended 31 March 2017 was 101 fils per share (31 December 2016: 106 fils per share and 31 March 2016: 110 fils per share).

### 12 NET INVESTMENT INCOME

	<i>Three months ended</i> <i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Interest income	<b>78,702</b>	50,643
Changes in fair value of financial assets at fair value through profit or loss	<b>91,745</b>	(221,877)
Impairment loss on financial assets available for sale (Note 5)	-	(25,500)
Dividend income	<b>611,713</b>	598,525
Rental income	<b>2,100</b>	2,100
	<b>784,260</b>	403,891

The classification of net investment income is as follows:

	<i>Three months ended</i> <i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Net investment income from life insurance	<b>8,388</b>	14,160
Net investment income from non – life insurance	<b>775,872</b>	389,731
	<b>784,260</b>	403,891

Warba Insurance Company K.S.C.P. and its Subsidiary

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13 SEGMENT RESULTS

Three months ended 31 March 2017

Three Months ended 31 March 2017

	General risk insurance			Life and medical insurance	Investment	Unallocated	Total
	Marine & aviation KD	Fire KD	General accidents KD				
Segment revenue	196,214	428,202	2,012,879	2,224,677	811,552	227,583	5,901,107
Segment results	(65,699)	231,280	77,377	173,236	811,552	(59,405)	1,168,341

	Total general risk insurance KD	Life and medical insurance KD	Investment KD	Total KD
Liabilities	24,940,332	11,910,719	-	36,851,051

Year ended 31 December 2016 (Audited)

	Total general risk insurance KD	Life and medical insurance KD	Investment KD	Total KD
Liabilities	26,214,883	12,830,804	-	39,045,687

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13 SEGMENT RESULTS (continued)

	General risk insurance			Total general risk insurance KD	Life and medical insurance KD	Investment KD	Unallocated KD	Total KD
	Marine & aviation KD	Fire KD	General accidents KD					
Three Months ended 31 March 2016								
Segment revenue	170,380	456,863	2,306,334	2,933,577	4,127,001	441,897	277,735	7,780,210
Segment results	(34,747)	260,295	(524,312)	(298,764)	1,463,013	441,897	(41,600)	1,564,546
Assets				Total general risk insurance KD	Life and medical insurance KD	Investment KD		Total KD
Liabilities				42,682,635	14,696,642	27,782,193		85,161,470
				28,044,846	12,857,159	-		40,902,005

Warba Insurance Company K.S.C.P. and its Subsidiary

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14 RELATED PARTY DISCLOSURES

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 Parent Company's management and the board of directors.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	Three months ended					
	Key management and board members KD	Parent Company's shareholders KD	Others KD	31 March 2017 KD	31 March 2016 KD	31 March 2016 KD
Gross premiums	-	95,227	85,230	180,457	116,550	
Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:						
	Key management and board members KD	Parent Company's shareholders KD	Others KD	31 March 2017 KD	(Audited) 31 December 2016 KD	31 March 2016 KD
<i>Insurance activities</i>						
Insurance services receivable	407	1,523,396	1,262,869	2,786,672	2,655,461	2,066,006
Insurance services payable	-	4,919	107,100	112,019	107,428	115,041
<i>Investment activities</i>						
Financial assets at fair value through profit or loss	-	-	1,064,505	1,064,505	1,067,899	3,156,912
Financial assets available for sale	-	-	9,434,499	9,434,499	8,385,895	7,962,559
Fixed deposits and bank balances	-	-	5,697,923	5,697,923	5,330,565	7,654,540

Warba Insurance Company K.S.C.P. and its Subsidiary

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

14 RELATED PARTY DISCLOSURES (continued)

Key management personnel compensation:

	Three months ended 31 March	
	2017 KD	2016 KD
Salaries and short term benefits	214,101	79,009
Employees' end of service benefit	11,714	27,494
	<u>225,815</u>	<u>106,503</u>

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	(Audited)		
	31 March 2017 KD	31 December 2016 KD	31 March 2016 KD
Letter of guarantee for others	2,900	1,504,000	1,502,000
Capital commitments	536,868	536,868	984,769

16 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of loans secured by life insurance policyholders, financial assets available for sale, financial assets at fair value through profit or loss, reinsurance share in outstanding claims reserve, insurance and reinsurance receivables, other receivables, fixed deposits and bank balances and cash. Financial liabilities consist of Bank overdraft, insurance and reinsurance payables, account payables and other payables.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The fair values of financial instruments (financial assets and financial liabilities), with the exception of certain financial assets available for sale carried at cost amounting to KD 844,104 (31 December 2016: 844,104 and 31 March 2016: KD 844,104) are not materially different from their carrying values.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Quoted prices in active markets (Level 1) KD	Significant unobservable inputs (Level 3) KD	Total fair value KD
31 March 2017			
Financial assets at fair value through profit or loss	2,826,619	-	2,826,619
Financial assets available for sale	11,932,936	3,745,440	15,678,376
Total	<u>14,759,555</u>	<u>3,745,440</u>	<u>18,504,995</u>



Warba Insurance Company K.S.C.P. and its Subsidiary

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16 FAIR VALUE MEASUREMENT (continued)

	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total fair value KD</i>
31 December 2016			
Financial assets at fair value through profit or loss	2,749,293	-	2,749,293
Financial assets available for sale	11,273,162	3,745,440	15,018,602
Total	<u>14,022,455</u>	<u>3,745,440</u>	<u>17,767,895</u>
31 March 2016			
Financial assets at fair value through profit or loss	4,850,267	-	4,850,267
Financial assets available for sale	10,758,113	3,566,940	14,325,053
Total	<u>15,608,380</u>	<u>3,566,940</u>	<u>19,175,320</u>

During the period ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	<i>At the beginning of the period KD</i>	<i>Net movement recorded in the interim condensed / consolidated statement of comprehensive income KD</i>	<i>Net results recorded in the interim condensed / consolidated statement of income KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>At the end of the period /year KD</i>
31 March 2017					
Financial assets available for sale	3,745,440	-	-	-	3,745,440
	<u>3,745,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,745,440</u>
31 December 2016 (Audited)					
Financial assets available for sale	3,687,640	83,300	(25,500)	-	3,745,440
	<u>3,687,640</u>	<u>83,300</u>	<u>(25,500)</u>	<u>-</u>	<u>3,745,440</u>

Warba Insurance Company K.S.C.P. and its Subsidiary

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At 31 March 2017

16 FAIR VALUE MEASUREMENT (continued)

	<i>At the beginning of the period</i>	<i>Net movement recorded in the interim condensed / consolidated statement of comprehensive income</i>	<i>Net results recorded in the interim condensed / consolidated statement of income</i>	<i>Net purchases, transfer, sales and settlements</i>	<i>At the end of the period /year</i>
31 March 2016					
<i>Financial assets available for sale</i>	3,687,640	(95,200)	(25,500)	-	3,566,940
	<u>3,687,640</u>	<u>(95,200)</u>	<u>(25,500)</u>	<u>-</u>	<u>3,566,940</u>

Description of significant unobservable inputs to valuation performed at the reporting date is as follows:

	<i>Valuation Technique</i>	<i>Significant unobservable inputs</i>	<i>Range</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity securities	Price to book value	Discount for lack of marketability & lack of Control	10%	An increase (decrease) by 10% in the Discount for lack of marketability & lack of control would result in increase (decrease) in fair value by KD 375 thousands.
	Price to book value	Price to book multiple "Represents amounts used when the Group has determined that market participants would use such multiples when pricing the investments"	10%	An increase (decrease) by 10% in the price to book multiple would result in increase (decrease) in fair value by KD 375 thousands.