

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 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 30 June 2017, and the related interim condensed consolidated statement of income, and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six 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

Except as set out below in the "basis of qualified conclusion" paragraph, 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 anticipated recoveries classified within "reinsurance share in outstanding claims reserve" amounting to KD 2,961,674 (31 December 2016: KD 2,922,832 and 30 June 2016: KD 3,570,223), which represents recoveries of claims recorded by the Parent Company that have not been collected up to date. We were unable to obtain sufficient appropriate evidence about the anticipated recoveries balance and perform review procedures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
- 2- Insurance contract liabilities as at 30 June 2017 includes an estimate of KD 3,436,970 (31 December 2016: 3,436,970 and 30 June 2016: 3,008,759) 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 reserves in the interim condensed consolidated statement of financial position and the related movements in life mathematical reserve and unearned premium reserve in the interim condensed consolidated statement of income were necessary (Note 8).
- 3- The interim condensed consolidated financial information of the Group includes deferred policy acquisition costs classified within "Other receivables" amounting to KD 1,062,792. We were unable to obtain sufficient appropriate evidence about the deferred policy acquisition costs balance. Consequently, we were unable to determine whether any adjustments to the carrying amount of the deferred policy acquisition costs in the interim condensed consolidated statement of financial position and the related effect in the interim condensed consolidated statement of income were necessary.

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

Except for effect of the adjustments to the interim condensed consolidated financial information that might have come to our attention, had the situation not been as described in the above “basis for qualified conclusion” paragraph, and based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No 34.

Emphasis of matter

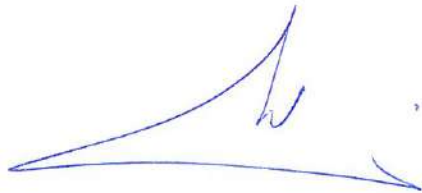
We draw attention to note 18 to the interim condensed consolidated financial information which describes the restructure and organizational changes engaged by the Parent Company. Our conclusion is not further qualified in respect of this matter.

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” paragraphs 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, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



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

25 October 2017
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

		<i>Restated*</i> <i>(Audited)</i>	
	<i>30 June</i> <i>2017</i>	<i>31 December</i> <i>2016</i>	<i>30 June</i> <i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS			
Goodwill	62,240	62,240	62,240
Property and equipment	7,778,390	7,896,389	8,032,273
Investment in associates	5,793,526	5,743,791	5,688,452
Loan secured by life insurance policies	35,975	38,505	27,417
Financial assets available for sale	17,751,845	19,280,706	17,577,092
Financial assets at fair value through profit or loss	6,944,917	2,749,293	4,767,005
Reinsurance share in outstanding claims reserve	17,688,776	16,671,463	17,529,912
Insurance and reinsurance receivables	13,322,566	13,565,878	15,884,797
Other receivables	5,052,347	4,131,031	2,096,775
Fixed deposits	5,712,250	6,865,250	6,855,000
Bank balances and cash	1,768,716	4,693,584	3,439,662
TOTAL ASSETS	81,911,548	81,698,130	81,960,625
LIABILITIES AND EQUITY			
Liabilities			
Insurance contract liabilities	26,302,419	24,814,635	24,569,996
Bank overdraft	1,165,190	2,053,723	218,888
Insurance and reinsurance payables	3,042,117	3,758,032	4,546,198
Account payables	5,086,573	4,839,713	4,348,209
Other payables	5,196,052	3,579,584	3,554,645
Total liabilities	40,792,351	39,045,687	37,237,936
Equity			
Share capital	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	(1,275,970)	(1,275,970)	(1,275,970)
Treasury shares reserve	164,760	164,760	164,760
Cumulative changes in fair values reserve	5,127,814	3,530,094	2,744,480
Share of other comprehensive income of associates	42,929	43,540	22,187
(Accumulated losses) retained earnings	(2,434,452)	665,822	3,456,215
Attributable to equity holders of the Parent Company	40,891,118	42,394,283	44,377,709
Non-controlling interests	228,079	258,160	344,980
Total equity	41,119,197	42,652,443	44,722,689
TOTAL EQUITY AND LIABILITIES	81,911,548	81,698,130	81,960,625

Anwar Jawad Bu-Khamseen
Chairman

Sheikh Mohammed Jarrah Sabah Al-Sabah
Vice Chairman

* Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2016 and reflect adjustments made as detailed in Note 17.

The attached notes 1 to 19 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 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017 KD	2016 KD	2017 KD	2016 KD
Revenues:					
Gross premiums written		5,437,968	7,829,208	15,010,770	20,295,356
Premium ceded to reinsurers		(2,478,668)	(3,338,569)	(8,878,640)	(9,809,179)
Net premiums written		2,959,300	4,490,639	6,132,130	10,486,177
Movement in unearned premium reserve		8,868	108,772	135,526	102,544
Movement in life mathematical reserve		(1,005,932)	(551,244)	-	(11,601)
Net premiums earned		1,962,236	4,048,167	6,267,656	10,577,120
Commissions income on ceded reinsurance		353,337	237,005	862,023	709,602
Policy issuance fees		45,003	59,327	92,869	118,355
Net investment income from life insurance	12	11,642	67,964	20,030	82,124
		<u>2,372,218</u>	<u>4,412,463</u>	<u>7,242,578</u>	<u>11,487,201</u>
Expenses:					
Net claims incurred		(2,315,532)	(1,804,355)	(5,039,513)	(5,188,757)
Commissions and premiums' acquisition Costs		51,425	(497,211)	(367,662)	(1,452,764)
General and administrative expenses		(1,424,292)	(1,312,294)	(2,727,002)	(2,868,668)
		<u>(3,688,399)</u>	<u>(3,613,860)</u>	<u>(8,134,177)</u>	<u>(9,510,189)</u>
Net underwriting (loss) income		(1,316,181)	798,603	(891,599)	1,977,012
Net investment (loss) income from non-life insurance	12	(2,390,684)	(59,762)	(1,614,812)	329,969
Insurance services income		87,453	253,784	319,043	512,132
Foreign currency exchange difference		9,943	(13,043)	5,564	6,268
Other income		492	568	864	644
Share of results of associates		23,050	129,253	50,342	167,259
		<u>(3,585,927)</u>	<u>1,109,403</u>	<u>(2,130,598)</u>	<u>2,993,284</u>
Other expenses:					
Insurance services expense		(205,187)	(223,963)	(386,786)	(418,348)
Unallocated general and administrative Expenses		(507,582)	(93,730)	(612,971)	(218,680)
		<u>(712,769)</u>	<u>(317,693)</u>	<u>(999,757)</u>	<u>(637,028)</u>
(LOSS) PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
Contribution to Kuwait Foundation for the advancement of Sciences (KFAS)		11,150	(7,711)	-	(22,685)
National Labor Support Tax (NLST)		10,193	(18,013)	-	(45,666)
Zakat		3,779	(7,127)	-	(17,808)
		<u>(4,298,696)</u>	<u>791,710</u>	<u>(3,130,355)</u>	<u>2,356,256</u>
(LOSS) PROFIT FOR THE PERIOD		<u>(4,273,574)</u>	<u>758,859</u>	<u>(3,130,355)</u>	<u>2,270,097</u>
Attributable to:					
Equity holders of the parent company		(4,220,031)	746,109	(3,100,274)	2,228,214
Non-controlling interest		(53,543)	12,750	(30,081)	41,883
		<u>(4,273,574)</u>	<u>758,859</u>	<u>(3,130,355)</u>	<u>2,270,097</u>
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	3	<u>(26.04) fils</u>	<u>4.6 fils</u>	<u>(19.12) fils</u>	<u>13.75 fils</u>

The attached notes 1 to 19 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 30 June 2017

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(Loss) profit for the period	(4,273,574)	758,859	(3,130,355)	2,270,097
Other comprehensive income (loss):				
<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	952,365	(299,632)	1,597,720	(1,228,335)
- Share of other comprehensive (loss) income of associate	(10,131)	3,997	(611)	(7,911)
Other comprehensive income (loss) for the period	942,234	(295,635)	1,597,109	(1,236,246)
Total comprehensive (loss) income for the period	(3,331,340)	463,224	(1,533,246)	1,033,851
Attributable to:				
Equity holders of the Parent Company	(3,277,797)	450,474	(1,503,165)	991,968
Non-controlling interests	(53,543)	12,750	(30,081)	41,883
	(3,331,340)	463,224	(1,533,246)	1,033,851

The attached notes 1 to 19 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 30 June 2017

	Equity attributable to equity holders of the Parent Company											
	Share capital KD	Statutory reserve KD	General reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair values reserve KD	Share of other comprehensive income of associates KD	(Accumulated losses) Retained earnings KD	Sub 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
Correction of an error (Note 17)	-	-	-	-	-	-	-	-	(883,353)	(883,353)	-	(883,353)
Balance at 1 January 2017 <i>(restated)</i>	17,278,874	8,781,109	4,000,000	9,206,054	(1,275,970)	164,760	3,530,094	43,540	665,822	42,394,283	258,160	42,652,443
Loss for the period	-	-	-	-	-	-	-	-	(3,100,274)	(3,100,274)	(30,081)	(3,130,355)
Other comprehensive income (loss)	-	-	-	-	-	-	1,597,720	(611)	-	1,597,109	-	1,597,109
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,597,720	(611)	(3,100,274)	(1,503,165)	(30,081)	(1,533,246)
Balance at 30 June 2017	17,278,874	8,781,109	4,000,000	9,206,054	(1,275,970)	164,760	5,127,814	42,929	(2,434,452)	40,891,118	228,079	41,119,197
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	-	-	-	-	-	-	-	-	2,228,214	2,228,214	41,883	2,270,097
Other comprehensive loss	-	-	-	-	-	-	(1,228,335)	(7,911)	-	(1,236,246)	-	(1,236,246)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,228,335)	(7,911)	2,228,214	991,968	41,883	1,033,851
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 30 June 2016	17,278,874	8,781,109	4,000,000	9,206,054	(1,275,970)	164,760	2,744,480	22,187	3,456,215	44,377,709	344,980	44,722,689

The attached notes 1 to 19 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 30 June 2017

	Notes	Six months ended 30 June	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
(Loss) profit for the period before contribution to KFAS, NLST and Zakat		(3,130,355)	2,356,256
Adjustments:			
Unrealized loss of financial assets at fair value through profit or loss	12	487,744	305,139
Realized gain from sale of financial assets at fair value through profit or loss	12	(607,742)	-
Realized loss from sale of financial assets available for sale	12	2,557,500	-
Impairment loss of financial assets available for sale	12	-	25,500
Dividend income	12	(689,264)	(627,090)
Rental income	12	(2,800)	(4,200)
Interest income	12	(150,656)	(111,442)
Share of results of associates		(50,342)	(167,259)
Depreciation		144,463	153,555
Provision for employees' end of service benefits		121,216	249,266
		(1,320,236)	2,179,725
Changes in working capital:			
Reinsurance share in outstanding claims reserve		(1,017,313)	616,272
Insurance and reinsurance receivables		243,312	977,162
Other receivables		(782,793)	36,490
Insurance contract liabilities		1,487,784	(1,195,076)
Insurance and reinsurance payables		(715,915)	(1,551,449)
Account payables		246,860	325,446
Other payables		1,729,719	(319,891)
Cash flows (used in) from operations		(128,582)	1,068,679
Employees' end of service benefits paid		(234,471)	(156,718)
Net cash flows (used in) from operating activities		(363,053)	911,961
INVESTING ACTIVITIES			
Net movement in fixed deposits		1,153,000	(848,000)
Purchase of financial assets at fair value through profit or loss		(5,128,300)	-
Proceed from sale of financial assets at fair value through profit or loss		1,038,255	-
Proceeds from sale of financial assets available for sale		577,500	(500,000)
Movement on loans secured by life insurance policies		2,530	(3,514)
Additions to property and equipment		(26,464)	(56,737)
Cash dividends received		609,048	627,090
Rental income received		2,800	4,200
Interest income received		98,349	167,566
Net cash flows used in investing activities		(1,673,282)	(609,395)
FINANCING ACTIVITIES			
Dividends paid to shareholders		-	(1,582,293)
Purchase of treasury shares		-	(5,400)
Net cash flows used in financing activities		-	(1,587,693)
NET DECREASE IN CASH AND CASH EQUIVALENT		(2,036,335)	(1,285,127)
Cash and cash equivalent at beginning of the period		2,639,861	4,505,901
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	7	603,526	3,220,774

The attached notes 1 to 19 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)

As at 30 June 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 six months period ended 30 June 2017 were authorised for issuance by the Board of Directors on 18 October 2017.

The interim condensed consolidated financial statements of the Group for the year 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 Parent Company.

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 overall interim condensed consolidated financial information.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated 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 six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing (loss) 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)

As at 30 June 2017

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(Loss) profit for the period attributable to the equity holders of the Parent Company	<u>(4,220,031)</u>	<u>746,109</u>	<u>(3,100,274)</u>	<u>2,228,214</u>
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	<u>162,090,569</u>	<u>162,103,756</u>	<u>162,090,569</u>	<u>162,103,756</u>
Basic and diluted earnings per share	<u>(26.04) fils</u>	<u>4.6 fils</u>	<u>(19.12) fils</u>	<u>13.75 fils</u>

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 30 June 2016 KD: 2,955,780) in accordance with insurance regulations in Kuwait.

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June</i>	<i>(Audited)</i>	
		<i>31 December</i>	<i>30 June</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Quoted securities	<u>11,977,801</u>	<u>11,273,162</u>	<u>10,487,548</u>
Unquoted securities	<u>2,362,044</u>	<u>4,589,544</u>	<u>4,589,544</u>
Investment in bonds	<u>3,412,000</u>	<u>3,418,000</u>	<u>2,500,000</u>
	<u>17,751,845</u>	<u>19,280,706</u>	<u>17,577,092</u>

Quoted shares with a fair value of KD 2,196,000 (31 December 2016: KD 1,854,000 and 30 June 2016: KD 1,638,000) are under lien to the Ministry of Commerce and Industry.

Unquoted equity securities amounting KD 844,104 (31 December 2016: KD 844,104 and 30 June 2016: 844,104) are carried at cost less impairment loss since their fair values cannot be reliably determined.

During the period ended 30 June 2017, the Parent Company sold unquoted securities with carrying value of KD 2,227,500 net off negative fair value reserve of KD 907,500 for sales consideration of KD 577,500, resulting in a realized loss of KD 2,557,500 recorded in the interim condensed consolidated statement of income (Note 12).

Bonds carry interest rate ranging from 4.75% to 6.50% per annum (31 December 2016: 4.75% to 6.50% and 30 June 2016: 4.75% to 6.50%), mature in 10 years, and are carried at cost less impairment since their fair values cannot be reliably determined.

As at 30 June 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 30 June 2016: KD 25,500).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 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 and 30 June 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% and 30 June 2016: 0.875 % to 2.9 %).

7 CASH AND CASH EQUIVALENTS

	<i>30 June</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 June</i> <i>2016</i> <i>KD</i>
Bank balances and cash	1,768,716	4,693,584	3,439,662
Fixed deposits	5,712,250	6,865,250	6,855,000
	<u>7,480,966</u>	<u>11,558,834</u>	<u>10,294,662</u>
Less:			
Fixed deposits with original maturities of more than three months	(5,712,250)	(6,865,250)	(6,855,000)
Bank overdraft	(1,165,190)	(2,053,723)	(218,888)
Cash and cash equivalents	<u>603,526</u>	<u>2,639,861</u>	<u>3,220,774</u>

8 INSURANCE CONTRACT LIABILITIES

	<i>30 June</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 June</i> <i>2016</i> <i>KD</i>
Outstanding technical reserve	20,893,129	19,269,819	19,312,501
Unearned premiums reserve*	3,622,327	3,757,853	3,770,256
Life mathematical reserve**	1,786,963	1,786,963	1,487,239
	<u>26,302,419</u>	<u>24,814,635</u>	<u>24,569,996</u>

* Unearned premiums reserve includes unearned medical premiums of KD 1,650,007 (31 December 2016: KD 1,650,007 and 30 June 2016: KD 1,521,520), which has been estimated based on management's actuarial valuation.

** Life mathematical reserve of KD 1,786,963 (31 December 2016: 1,786,963 and 30 June 2016: 1,487,239) 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 30 June 2016: 172,788,740 shares) of 100 fils each, paid in cash.

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

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10 DIVIDENDS

The General Assembly meeting of the shareholders of the Parent Company held on 5 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 22 March 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>30 June</i> <i>2017</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i>	<i>30 June</i> <i>2016</i>
Number of treasury shares	10,698,171	10,698,171	10,698,171
Percentage to issued shares (%)	6.19%	6.19%	6.19%
Market value (KD)	1,025,955	1,059,119	1,091,213
Cost (KD)	1,275,970	1,275,970	1,275,970

Reserves equivalent to the cost of treasury shares held are not available for distribution.

The weighted average market price of the Parent Company's shares for the year ended 30 June 2017 was 99 fils per share (31 December 2016: 106 fils per share and 30 June 2016: 110 fils per share).

12 NET INVESTMENT (LOSS) INCOME

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interest income	71,954	60,799	150,656	111,442
Unrealized gain of financial assets at fair value through profit or loss	(579,489)	(83,262)	(487,744)	(305,139)
Realized loss from sale of financial assets available for sale (Note 5)	(2,557,500)	-	(2,557,500)	-
Realized gain from sale of financial assets at fair value through profit or loss	607,742	-	607,742	-
Impairment loss on financial assets available for sale (Note 5)	-	-	-	(25,500)
Dividend income	77,551	28,565	689,264	627,090
Rental income	700	2,100	2,800	4,200
	<u>(2,379,042)</u>	<u>8,202</u>	<u>(1,594,782)</u>	<u>412,093</u>

The classification of net investment (loss) income is as follows:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income from life insurance	11,642	67,964	20,030	82,124
Net investment (loss) income from non – life insurance	(2,390,684)	(59,762)	(1,614,812)	329,969
	<u>(2,379,042)</u>	<u>8,202</u>	<u>(1,594,782)</u>	<u>412,093</u>

Warba Insurance Company K.S.C.P. and its Subsidiary
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13 SEGMENT INFORMATION

The Group operates in three segments: General risk insurance, Life and Medical insurance, Investment and unallocated. Within General risk insurance is Marine and Aviation, Fire and General Accidents.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with consolidated statement of income. The following are the details of these segments:

	General risk insurance			Total general risk insurance	Life and medical insurance	Investment	Unallocated	Total
	Marine & aviation	Fire	General accidents					
30 June 2017	KD	KD	KD	KD	KD	KD	KD	KD
Segment revenue	426,415	543,808	3,873,840	4,844,063	2,378,486	(1,544,440)	325,471	6,003,580
Segment results	53,927	214,369	190,243	458,539	(1,370,167)	(1,544,440)	(674,287)	(3,130,355)
Assets				<i>Total general risk insurance</i>	<i>Life and medical insurance</i>	<i>Investment</i>		<i>Total</i>
Liabilities				KD	KD	KD		KD
				39,614,358	11,806,902	30,490,288		81,911,548
				27,869,664	12,922,687	-		40,792,351
				<i>Total general risk insurance</i>	<i>Life and medical insurance</i>	<i>Investment</i>		<i>Total</i>
				KD	KD	KD		KD
31 December 2016 (Audited)				38,051,301	15,873,039	27,773,790		81,698,130
Assets				26,214,883	12,830,804	-		39,045,687
Liabilities								

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

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13 SEGMENT INFORMATION (continued)

30 June 2016	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					
Segment revenue	378,410	590,152	4,211,024	5,179,586	6,307,615	579,352	519,045	12,585,598
Segment results	80,904	297,963	213,460	592,327	1,384,685	579,352	(286,267)	2,270,097
Assets				<i>Total</i> general risk insurance KD	<i>Life and medical</i> insurance KD	<i>Investment</i> KD		<i>Total</i> KD
Liabilities				38,722,701	15,205,375	28,032,549		81,960,625
				24,880,032	12,357,904	-		37,237,936

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:

	Six months ended		
	30 June 2017	30 June 2016	
	KD	KD	KD
Gross premiums	150,135	266,398	174,323

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	30 June 2017			30 June 2016		
	KD	KD	KD	KD	KD	KD
<i>Insurance activities</i>						
Insurance services receivable	407	1,544,009	2,827,013	2,655,461	1,405,764	118,189
Insurance services payable	-	4,919	122,991	107,428		
<i>Investment activities</i>						
Financial assets at fair value through profit or loss	-	-	6,147,853	1,067,899	3,120,160	
Financial assets available for sale	-	-	9,581,994	8,385,895	12,402,434	
Fixed deposits and cash and cash equivalent	-	-	5,128,671	5,330,565	5,376,492	

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14 RELATED PARTY DISCLOSURES (continued)

Key management personnel compensation:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and short term benefits	214,104	68,590	428,205	147,599
Employees' end of service benefit	7,873	1,452	19,587	28,946
	<u>221,977</u>	<u>70,042</u>	<u>447,792</u>	<u>176,545</u>

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2017</i>	<i>31 December</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Letters of guarantee	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 cash and cash equivalent. 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 30 June 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:

	<i>Quoted prices in</i>	<i>Significant</i>	
	<i>active markets</i>	<i>unobservable</i>	<i>Total fair</i>
	<i>(Level 1)</i>	<i>inputs</i>	<i>Value</i>
	<i>KD</i>	<i>(Level 3)</i>	<i>KD</i>
30 June 2017			
Financial assets at fair value through profit or loss	6,944,917	-	6,944,917
Financial assets available for sale	11,977,801	1,517,940	13,495,741
Total	<u>18,922,718</u>	<u>1,517,940</u>	<u>20,440,658</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	14,022,455	3,745,440	17,767,895
30 June 2016			
Financial assets at fair value through profit or loss	4,767,005	-	4,767,005
Financial assets available for sale	10,487,548	3,745,440	14,232,988
Total	15,254,553	3,745,440	18,999,993

During the period ended 30 June 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>
30 June 2017					
Financial assets available for sale	3,745,440	-	-	(2,227,500)	1,517,940
	3,745,440	-	-	(2,227,500)	1,517,940
31 December 2016 (Audited)					
Financial assets available for sale	3,687,640	83,300	(25,500)	-	3,745,440
	3,687,640	83,300	(25,500)	-	3,745,440

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

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As at 30 June 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</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
30 June 2016					
<i>Financial assets available for sale</i>	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>

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.

17 COMPARATIVE INFORMATION

In accordance with IAS 8: *Accounting policies, changes in accounting estimates and errors*, the comparative information for the year ended 31 December 2016 has been restated as follows to correct the error related to uncollected reinsurance receivables amounting to KD 883,353 which were fully impaired due to the expiry of the statute of limitations to recover such balance, but such position was not reflected in the consolidated statement of income as of the year ended 31 December 2016.

At 31 December 2016

	<i>As previously reported</i>	<i>Effect of Restatement</i>	<i>Restated</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Consolidated statement of financial position</i>			
ASSETS			
Insurance and reinsurance receivables	14,449,231	(883,353)	13,565,878
Equity attributable to equity holders of the Parent Company			
Retained earnings	1,549,175	(883,353)	665,822

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18 ORGANIZATIONAL RESTRUCTURE

During the period ended 30 June 2017, the Parent Company engaged an external consultant based on board of directors' approval to conduct organizational restructure of the Parent Company. Accordingly, a number of strategic organizational changes and several restructuring plans have been implemented or in process of implementation as part of the deliver and outlook programs. The management of the Parent Company has a plan to carry out a detail review of the policies or processes of the Group to comply with the restructuring plan including but not limited to actuarial and accounting models related to liability adequacy test.

19 SUBSEQUENT EVENT

Subsequent to the reporting date, amendments to Law no. 6 of 2010 concerning Labour in Private Sector were published in Official Gazette affecting employees' short-term and post-employment benefits recognised by the Group. As on the date of the interim condensed consolidated financial information, the management is in the process of quantifying the financial effect of the same on employee end of service benefits.