

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 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 September 2017, and the related interim condensed consolidated statement of income, and interim condensed consolidated statement of comprehensive income for the three month and nine month period then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine month 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 September 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 September 2017 includes an estimate of KD 3,458,029 (31 December 2016: 3,436,970 and 30 September 2016: 4,406,879) 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 587,954. 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***

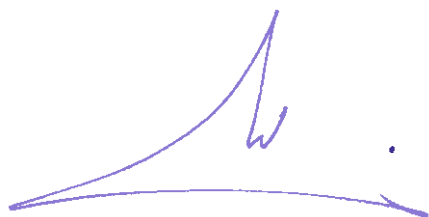
We draw attention to Note 18 to the interim condensed consolidated financial information which describes the restructure and organizational changes engaged by the Parent Company. Our conclusion is not further qualified in respect of this matter.

***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, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the nine month period ended 30 September 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 A. AL-ABDULJADER**  
**LICENCE NO. 207-A**  
**EY**  
**AL AIBAN, AL OSAIMI & PARTNERS**

21 November 2017  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)

As at 30 September 2017

		30 September 2017	Restated* (Audited) 31 December 2016	30 September 2016
	Notes	KD	KD	KD
<b>ASSETS</b>				
Goodwill		62,240	62,240	62,240
Property and equipment	4	7,716,977	7,896,389	7,967,802
Investment in associates		5,835,841	5,743,791	5,707,100
Loan secured by life insurance policies		37,810	38,505	36,725
Financial assets available for sale	5	17,853,381	19,280,706	17,751,775
Financial assets at fair value through profit or loss		7,011,101	2,749,293	6,622,968
Reinsurance share in outstanding claims reserve		17,539,674	16,671,463	16,896,320
Insurance and reinsurance receivables		13,258,314	13,565,878	17,012,227
Other receivables		4,071,335	4,131,031	2,209,413
Fixed deposits	6	6,664,592	6,865,250	6,860,250
Bank balances and cash	7	1,316,182	4,693,584	1,960,580
<b>TOTAL ASSETS</b>		<b>81,367,447</b>	<b>81,698,130</b>	<b>83,087,400</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Bank overdraft	7	600,988	2,053,723	177,868
Insurance contract liabilities	8	26,121,837	24,814,635	25,868,433
Insurance and reinsurance payables		2,894,293	3,758,032	3,597,094
Account payables		5,315,998	4,839,713	6,538,499
Other payables		5,012,509	3,579,584	3,384,075
<b>Total liabilities</b>		<b>39,945,625</b>	<b>39,045,687</b>	<b>39,565,969</b>
<b>Equity</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		5,235,350	3,530,094	2,919,163
Share of other comprehensive income of associates		70,209	43,540	24,527
(Accumulated losses) retained earnings		(2,231,397)	665,822	2,113,580
<b>Attributable to equity holders of the Parent Company</b>		<b>41,228,989</b>	<b>42,394,283</b>	<b>43,212,097</b>
Non-controlling interests		192,833	258,160	309,334
<b>Total equity</b>		<b>41,421,822</b>	<b>42,652,443</b>	<b>43,521,431</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>81,367,447</b>	<b>81,698,130</b>	<b>83,087,400</b>

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 18 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 September 2017

Notes	Three months ended 30 September		Nine months ended 30 September	
	2017 KD	2016 KD	2017 KD	2016 KD
<b>Revenues:</b>				
Gross premiums written	5,596,060	7,888,687	20,606,830	28,184,043
Premium ceded to reinsurers	(2,032,593)	(2,992,120)	(10,911,233)	(12,801,299)
Net premiums written	3,563,467	4,896,567	9,695,597	15,382,744
Movement in unearned premium reserve	693,609	10,126	829,135	112,670
Movement in life mathematical reserve	(674,415)	(1,383,597)	(674,415)	(1,395,198)
Net premiums earned	3,582,661	3,523,096	9,850,317	14,100,216
Commissions income on ceded reinsurance	213,347	192,888	1,075,370	902,490
Policy issuance fees	41,989	56,563	134,858	174,918
Net investment income from life insurance	12 19,076	2,967	39,106	85,091
	<b>3,857,073</b>	<b>3,775,514</b>	<b>11,099,651</b>	<b>15,262,715</b>
<b>Expenses:</b>				
Net claims incurred	(1,606,205)	(3,528,630)	(6,645,718)	(8,717,387)
Commissions and premiums' acquisition costs	(821,981)	(468,333)	(1,189,643)	(1,921,097)
General and administrative expenses	(715,996)	(1,117,877)	(3,442,998)	(3,986,545)
	<b>(3,144,182)</b>	<b>(5,114,840)</b>	<b>(11,278,359)</b>	<b>(14,625,029)</b>
Net underwriting income (loss)	712,891	(1,339,326)	(178,708)	637,686
Net investment income (loss) from non-life insurance	12 170,319	98,053	(1,444,493)	428,022
Insurance services income	80,207	134,465	399,250	646,597
Foreign currency exchange difference	7,071	(64,504)	12,635	(58,236)
Other income	395	8,466	1,259	9,110
Share of results of associates	15,035	16,308	65,377	183,567
	<b>985,918</b>	<b>(1,146,538)</b>	<b>(1,144,680)</b>	<b>1,846,746</b>
<b>Other expenses:</b>				
Insurance services expense	(158,560)	(214,475)	(545,346)	(632,823)
Unallocated general and administrative expenses	(659,549)	(83,363)	(1,272,520)	(302,043)
	<b>(818,109)</b>	<b>(297,838)</b>	<b>(1,817,866)</b>	<b>(934,866)</b>
<b>PROFIT (LOSS) BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>				
Contribution to Kuwait Foundation for the advancement of Sciences (KFAS)	167,809	(1,444,376)	(2,962,546)	911,880
National Labor Support Tax (NLST)	-	14,232	-	(8,453)
Zakat	-	36,942	-	(8,724)
	-	14,921	-	(2,887)
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>167,809</b>	<b>(1,378,281)</b>	<b>(2,962,546)</b>	<b>891,816</b>
<b>Attributable to:</b>				
Equity holders of the parent company	203,055	(1,342,635)	(2,897,219)	885,579
Non-controlling interest	(35,246)	(35,646)	(65,327)	6,237
	<b>167,809</b>	<b>(1,378,281)</b>	<b>(2,962,546)</b>	<b>891,816</b>
<b>BASIC AND DILUTED EARNINGS (LOSS) PER SHARE</b>	<b>3 1.25 fils</b>	<b>(8.28) fils</b>	<b>(17.87) fils</b>	<b>5.46 fils</b>

The attached notes 1 to 18 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 September 2017

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		KD	KD	KD	KD
<b>Profit (loss) for the period</b>		<b>167,809</b>	<b>(1,378,281)</b>	<b>(2,962,546)</b>	<b>891,816</b>
<b>Other comprehensive income (loss):</b>					
<i>Items that are or may be reclassified subsequently to the interim condensed consolidated statement of income:</i>					
- Net unrealized gain (loss) of financial assets available for sale		<b>107,536</b>	174,683	<b>(852,244)</b>	(1,079,152)
- Impairment loss on financial assets available for sale	12	-	-	-	25,500
- Realized loss from sale of financial assets available for sale	12	-	-	<b>2,557,500</b>	-
- Share of other comprehensive income (loss) of associate		<b>27,280</b>	2,340	<b>26,669</b>	(5,571)
<b>Other comprehensive income (loss) for the period</b>		<b>134,816</b>	177,023	<b>1,731,925</b>	(1,059,223)
<b>Total comprehensive income (loss) for the period</b>		<b>302,625</b>	<b>(1,201,258)</b>	<b>(1,230,621)</b>	<b>(167,407)</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		<b>337,871</b>	(1,165,612)	<b>(1,165,294)</b>	(173,644)
Non-controlling interests		<b>(35,246)</b>	(35,646)	<b>(65,327)</b>	6,237
		<b>302,625</b>	<b>(1,201,258)</b>	<b>(1,230,621)</b>	<b>(167,407)</b>

The attached notes 1 to 18 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 September 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 retained earnings KD)	Sub total KD	Non- controlling interests KD	Total equity KD
Balance at 1 January 2017 (Audited)	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 (883,353)	43,277,636 (883,353)	258,160	43,535,796 (883,353)
Correction of an error (Note 17)	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 1 January 2017 (restated)	17,278,874	8,781,109	4,000,000	9,206,054	(1,275,970)	164,760	3,530,094	43,540	665,822 (2,897,219)	42,394,283 (2,897,219)	258,160 (65,327)	42,652,443 (2,962,546)
Loss for the period	-	-	-	-	-	-	-	-	-	1,731,925	-	1,731,925
Other comprehensive income	-	-	-	-	-	-	1,705,256	26,669	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,705,256	26,669	(2,897,219)	(1,165,294)	(65,327)	(1,230,621)
<b>Balance at 30 September 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>5,235,350</b>	<b>70,209</b>	<b>(2,231,397)</b>	<b>41,228,989</b>	<b>192,833</b>	<b>41,421,822</b>
Balance at 1 January 2016 (Audited)	17,278,874	8,781,109	4,000,000	9,206,054	(1,270,570)	164,760	3,972,815	30,098	2,848,907 885,579	45,012,047 885,579	303,097 6,237	45,315,144 891,816
Profit for the period	-	-	-	-	-	-	(1,053,652)	(5,571)	-	(1,059,223)	-	(1,059,223)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,053,652)	(5,571)	885,579 (1,620,906)	(173,644) (1,620,906)	6,237	(167,407) (1,620,906)
Cash dividend (Note 10)	-	-	-	-	(5,400)	-	-	-	-	(5,400)	-	(5,400)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2016	17,278,874	8,781,109	4,000,000	9,206,054	(1,275,970)	164,760	2,919,163	24,527	2,113,580	43,212,097	309,334	43,521,431

The attached notes 1 to 18 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 September 2017

	Notes	Nine months ended 30 September	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
(Loss) profit for the period before contribution to KFAS, NLST and Zakat		(2,962,546)	911,880
Adjustments:			
Unrealized loss of financial assets at fair value through profit or loss	12	421,559	284,247
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	(738,947)	(639,055)
Rental income	12	(3,500)	(6,300)
Interest income	12	(223,483)	(177,505)
Share of results of associates		(65,377)	(183,567)
Depreciation		218,255	235,020
		(1,404,281)	450,220
Changes in working capital:			
Reinsurance share in outstanding claims reserve		(868,211)	1,249,864
Insurance and reinsurance receivables		307,564	(150,268)
Other receivables		297,927	(55,823)
Insurance contract liabilities		1,307,202	103,361
Insurance and reinsurance payables		(863,739)	(2,500,553)
Account payables		476,285	1,626,289
Other payables		1,432,925	(314,202)
Net cash flows from operating activities		685,672	408,888
<b>INVESTING ACTIVITIES</b>			
Net movement in fixed deposits		200,658	(853,250)
Purchase of financial assets at fair value through profit or loss		(5,128,300)	(945,624)
Proceed from sale of financial assets at fair value through profit or loss		1,038,256	-
Purchase of financial assets available for sale		-	(500,000)
Proceeds from sale of financial assets available for sale		577,500	-
Movement on loans secured by life insurance policies		695	(12,822)
Additions to property and equipment		(38,843)	(73,731)
Cash dividends received		609,044	639,055
Rental income received		3,500	6,300
Interest income received		127,151	213,304
Net cash flows used in investing activities		(2,610,339)	(1,526,768)
<b>FINANCING ACTIVITIES</b>			
Dividends paid to shareholders		-	(1,599,909)
Purchase of treasury shares		-	(5,400)
Net cash flows used in financing activities		-	(1,605,309)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(1,924,667)	(2,723,189)
Cash and cash equivalents at beginning of the period		2,639,861	4,505,901
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	7	715,194	1,782,712

The attached notes 1 to 18 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 September 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 nine month period ended 30 September 2017 were authorised for issuance by the Board of Directors on 13 November 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 nine month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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

Basic earnings (loss) 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 September 2017

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Profit (loss) for the period attributable to the equity holders of the Parent Company	203,055	(1,342,635)	(2,897,219)	885,579
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	162,090,569	162,090,569	162,090,569	162,099,328
Basic and diluted earnings per share	1.25 fils	(8.28) Fils	(17.87) fils	5.46 fils

As there are no dilutive instruments outstanding, basic and diluted earnings (loss) 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 with historical cost of KD 2,955,780 (31 December 2016: KD 2,955,780 and 30 September 2016 KD: 2,955,780) in accordance with insurance regulations in Kuwait.

#### 5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September 2017 KD</i>	<i>(Audited) 31 December 2016 KD</i>	<i>30 September 2016 KD</i>
	Quoted securities	12,085,336	11,273,162
Unquoted securities	2,362,045	4,589,544	3,366,534
Investment in bonds	3,406,000	3,418,000	3,745,440
	<u>17,853,381</u>	<u>19,280,706</u>	<u>17,751,775</u>

Quoted shares with a fair value of KD 2,223,000 (31 December 2016: KD 1,854,000 and 30 September 2016: KD 1,692,000) 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 September 2016: KD 844,104) are carried at cost less impairment loss since their fair values cannot be reliably determined (Note 16).

During the period ended 30 September 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 September 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 September 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 September 2016: KD 25,500) (Note 12).

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

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

As at 30 September 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 4,869,000 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 September 2016: KD 4,669,000).

The effective interest rate on fixed deposits was 1.1% to 2.9% per annum (31 December 2016: 1% to 2.9% and 30 September 2016: 0.8% to 2.9%).

#### 7 CASH AND CASH EQUIVALENTS

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Bank balances and cash	1,316,182	4,693,584	1,960,580
Bank overdraft	(600,988)	(2,053,723)	(177,868)
Cash and cash equivalents	<u>715,194</u>	<u>2,639,861</u>	<u>1,782,712</u>

#### 8 INSURANCE CONTRACT LIABILITIES

	<i>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
Outstanding technical reserve	20,731,741	19,269,819	19,237,467
Unearned premiums reserve*	2,928,718	3,757,853	5,043,813
Life mathematical reserve**	2,461,378	1,786,963	1,587,153
	<u>26,121,837</u>	<u>24,814,635</u>	<u>25,868,433</u>

\* Unearned premiums reserve includes unearned medical premiums of KD 996,651 (31 December 2016: KD 1,650,007 and 30 September 2016: KD 2,819,726), which has been estimated based on management's actuarial valuation.

\*\* Life mathematical reserve of KD 2,461,378 (31 December 2016: KD 1,786,963 and 30 September 2016: KD 1,587,153) 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 September 2016: 172,788,740 shares) of 100 fils each, paid in cash.

#### 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 (31 December 2015: 10 fils share).

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

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

As at 30 September 2017

### 11 TREASURY SHARES

	<i>30 September</i> <i>2017</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i>	<i>30 September</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)	1,027,024	1,059,119	1,155,402
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 September 2017 was 96 fils per share (31 December 2016: 106 fils per share and 30 September 2016: 108 fils per share).

### 12 NET INVESTMENT INCOME (LOSS)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</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>
Unrealized gain (loss) of financial assets at fair value through profit or loss	66,185	20,892	(421,559)	(284,247)
Realized gain from sale of financial assets at fair value through profit or loss	-	-	607,742	-
Realized loss from sale of financial assets available for sale (Note 5)	-	-	(2,557,500)	-
Impairment loss on financial assets available for sale (Note 5)	-	-	-	(25,500)
Dividend income	49,683	11,965	738,947	639,055
Rental income	700	2,100	3,500	6,300
Interest income	72,827	66,063	223,483	177,505
	<u>189,395</u>	<u>101,020</u>	<u>(1,405,387)</u>	<u>513,113</u>

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

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</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	19,076	2,967	39,106	85,091
Net investment income (loss) from non – life insurance	170,319	98,053	(1,444,493)	428,022
	<u>189,395</u>	<u>101,020</u>	<u>(1,405,387)</u>	<u>513,113</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

13 SEGMENT INFORMATION

The Group operates in three segments: general risk insurance, life and medical insurance and investment. 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 interim condensed consolidated statement of income. The following are the details of these segments:

	General risk insurance		Total general risk insurance KD	Life and medical insurance KD	Investment KD	Unallocated KD	Total KD
	Marine & aviation KD	Fire KD					
<b>30 September 2017</b>							
Segment revenue	577,015	610,070	6,330,168	4,730,378	(1,340,010)	413,144	10,133,680
Segment results	69,281	230,284	285,194	(503,007)	(1,340,010)	(1,404,723)	(2,962,546)
			<b>Total general risk insurance KD</b>	<b>Life and medical insurance KD</b>	<b>Investment KD</b>		<b>Total KD</b>
Assets			38,648,594	12,018,530	30,700,323		81,367,447
Liabilities			27,001,880	12,943,745	-		39,945,625
			<b>Total general risk insurance KD</b>	<b>Life and medical insurance KD</b>	<b>Investment KD</b>		<b>Total KD</b>
<b>31 December 2016 (Audited)</b>							
Assets			38,051,301	15,873,039	27,773,790		81,698,130
Liabilities			26,214,883	12,830,804	-		39,045,687

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

13 SEGMENT INFORMATION (continued)

30 September 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	540,088	651,874	5,613,095	6,805,057	8,372,568	696,680	597,470	16,471,775
Segment results	89,062	239,721	(242,920)	85,863	466,734	696,680	(357,461)	891,816
Assets				Total general risk insurance KD	Life and medical insurance KD	Investment KD		Total KD
Liabilities				35,978,183	17,027,374	30,081,843		83,087,400
				24,792,922	14,773,047			39,565,969

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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:

	Key management and board members		Parent Company's shareholders		Others		Nine months ended	
	KD		KD		KD		30 September 2017	30 September 2016
Gross premiums	-		130,299		190,749		321,048	227,993

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

	Key management and board members		Parent Company's shareholders		Others		(Audited)	
	KD		KD		KD		31 December 2016	30 September 2016
<i>Insurance activities</i>								
Insurance services receivable	407	1,558,748	867,751		2,426,906		2,655,461	1,440,096
Insurance services payable	-	1,362	120,563		121,925		107,428	993,428
<i>Investment activities</i>								
Financial assets at fair value through profit or loss	-	-	6,127,234		6,127,234		1,067,899	5,102,978
Financial assets available for sale	-	-	9,702,285		9,702,285		8,385,895	7,856,330
Fixed deposits and cash and cash equivalent	-	-	6,663,493		6,663,493		5,330,565	5,660,619

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

14 RELATED PARTY DISCLOSURES (continued)

Key management personnel compensation:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Salaries and short term benefits	194,853	49,306	623,058	196,905
Employees' end of service benefit	60,616	2,913	80,203	31,859
	<u>255,469</u>	<u>52,219</u>	<u>703,261</u>	<u>228,764</u>

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 September</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 September</i>
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Letters of guarantee	262,429	1,504,000	1,504,000
Capital commitments	161,004	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 policies, 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 30 September 2016: KD 844,104) are not materially different from their carrying values (Note 5).

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>active markets</i> <i>(Level 1)</i> <i>KD</i>	<i>Significant</i> <i>unobservable</i> <i>inputs</i> <i>(Level 3)</i> <i>KD</i>	<i>Total fair</i> <i>Value</i> <i>KD</i>
<b>30 September 2017</b>			
Financial assets at fair value through profit or loss	7,011,101	-	7,011,101
Financial assets available for sale	12,085,336	1,517,940	13,603,276
Total	<u>19,096,437</u>	<u>1,517,940</u>	<u>20,614,377</u>



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2017

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>
30 September 2016			
Financial assets at fair value through profit or loss	6,622,968	-	6,622,968
Financial assets available for sale	10,639,801	3,745,440	14,385,241
Total	<u>17,262,769</u>	<u>3,745,440</u>	<u>21,008,209</u>

During the period ended 30 September 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/year 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 September 2017					
Financial assets available for sale	3,745,440	-	-	(2,227,500)	1,517,940
	<u>3,745,440</u>	<u>-</u>	<u>-</u>	<u>(2,227,500)</u>	<u>1,517,940</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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 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 September 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 152 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 152 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>Consolidated statement of financial position</i>	<i>As previously reported</i>	<i>Effect of Restatement</i>	<i>Restated</i>
<i>ASSETS</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Insurance and reinsurance receivables	14,449,231	(883,353)	13,565,878
<b>Equity attributable to equity holders of the Parent Company</b>			
Retained earnings	1,549,175	(883,353)	665,822

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

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

As at 30 September 2017

#### **18 ORGANIZATIONAL RESTRUCTURE**

During the period ended 30 September 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.