

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

30 JUNE 2018



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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 2018, 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

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

We draw attention to Note 17 to the interim condensed consolidated financial information, which describes the rectification of an error as per IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, retrospectively. Our conclusion is not modified in respect of this matter.

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. 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, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2018 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

12 August 2018
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 30 June 2018

		(Audited)	Restated*
	Notes	30 June 2018 KD	31 December 2017 KD
ASSETS			
Goodwill		-	62,240
Property and equipment	4	7,508,823	7,778,390
Investment in associates		6,764,733	5,793,526
Loan secured by life insurance policies		21,634	35,975
Financial assets available for sale	5	16,627,664	17,751,845
Financial assets at fair value through profit or loss		6,839,161	6,944,917
Reinsurance share in outstanding claims reserve		17,863,421	16,006,000
Insurance and reinsurance receivables		21,423,431	16,275,389
Other receivables		4,660,982	4,175,074
Fixed deposits	6	6,666,092	5,712,250
Bank balances and cash	7	2,239,636	1,768,716
TOTAL ASSETS		90,615,577	82,304,322
EQUITY AND LIABILITIES			
Equity			
Share capital	8	17,278,874	17,278,874
Statutory reserve		8,781,109	8,781,109
General reserve		4,000,000	4,000,000
Voluntary reserve		764,895	9,206,054
Treasury shares	9	(1,275,970)	(1,275,970)
Treasury shares reserve		164,760	164,760
Cumulative changes in fair values reserve		4,597,637	5,127,814
Share of other comprehensive income of associates		1,687	42,929
Retained earnings (accumulated losses)		443,965	(9,747,437)
Attributable to equity holders of the Parent Company		34,756,957	33,578,133
Non-controlling interests		178,120	228,079
Total equity		34,935,077	33,806,212
Liabilities			
Bank overdraft	7	310,843	1,165,190
Insurance contract liabilities	10	35,867,912	30,826,738
Insurance and reinsurance payables		14,391,748	11,310,130
Other payables		5,109,997	5,196,052
Total liabilities		55,680,500	48,498,110
TOTAL EQUITY AND LIABILITIES		90,615,577	82,304,322

Mr. Ewen J. McRobbie
Deputy CEO



* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2017 and reflect adjustments made as detailed in Note 17.

The attached notes 1 to 17 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 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 KD	Restated* 2017 KD	2018 KD	Restated* 2017 KD
Revenues:					
Gross premiums written		6,489,950	5,437,968	15,764,162	15,010,770
Premium ceded to reinsurers		(2,512,590)	(2,478,668)	(7,869,621)	(8,878,640)
Net premiums written		3,977,360	2,959,300	7,894,541	6,132,130
Movement in unearned premium reserve		(286,288)	470,225	(468,448)	1,602,926
Movement in life mathematical reserve		(147,426)	(69,385)	(307,543)	(560,805)
Net premiums earned		3,543,646	3,360,140	7,118,550	7,174,251
Commissions income on ceded reinsurance		253,592	353,337	669,832	862,023
Policy issuance fees		45,143	45,003	89,924	92,869
Investment income from life insurance	12	45,902	11,642	19,067	20,030
		<u>3,888,283</u>	<u>3,770,122</u>	<u>7,897,373</u>	<u>8,149,173</u>
Expenses:					
Net claims incurred		(2,812,835)	(2,288,719)	(4,886,338)	(3,965,246)
Commissions and premiums' acquisition costs		(220,159)	(620,525)	(687,888)	(1,244,934)
General and administrative expenses		(1,073,841)	(1,424,291)	(2,138,911)	(2,727,001)
		<u>(4,106,835)</u>	<u>(4,333,535)</u>	<u>(7,713,137)</u>	<u>(7,937,181)</u>
Net underwriting (loss) income		(218,552)	(563,413)	184,236	211,992
Investment income (loss) from non-life insurance	12	177,571	(2,390,684)	585,059	(1,614,812)
Insurance services income		92,658	87,453	191,761	319,043
Foreign currency exchange difference		4,177	9,943	12,054	5,564
Other income		802	492	955	864
Share of results of associates		31,084	23,050	61,378	50,342
		<u>87,740</u>	<u>(2,833,159)</u>	<u>1,035,443</u>	<u>(1,027,007)</u>
Other expenses:					
Insurance services expense		(97,308)	(205,187)	(217,868)	(386,786)
Unallocated general and administrative expenses		67,887	(507,582)	(379,335)	(612,971)
		<u>(29,421)</u>	<u>(712,769)</u>	<u>(597,203)</u>	<u>(999,757)</u>
PROFIT (LOSS) BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		<u>58,319</u>	<u>(3,545,928)</u>	<u>438,240</u>	<u>(2,026,764)</u>
Contribution to KFAS		(402)	11,150	(3,983)	-
NLST		1,922	10,193	(2,104)	-
Zakat		969	3,779	(321)	-
PROFIT (LOSS) FOR THE PERIOD		<u>60,808</u>	<u>(3,520,806)</u>	<u>431,832</u>	<u>(2,026,764)</u>
Attributable to:					
Equity holders of the Parent Company		62,755	(3,467,263)	443,965	(1,996,683)
Non-controlling interest		(1,947)	(53,543)	(12,133)	(30,081)
		<u>60,808</u>	<u>(3,520,806)</u>	<u>431,832</u>	<u>(2,026,764)</u>
BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE	3	<u>0.39 Fils</u>	<u>(21.39) Fils</u>	<u>2.74 Fils</u>	<u>(12.32) Fils</u>

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2017 and reflect adjustments made as detailed in Note 17.

The attached notes 1 to 17 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 2018

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2018</i>	<i>Restated*</i>	<i>2018</i>	<i>Restated*</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit (losses) for the period	60,808	(3,520,806)	431,832	(2,026,764)
Other comprehensive income:				
<i>Items that are or may be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
- Unrealized gain of financial assets available for sale	2,618,426	952,365	1,282,798	1,597,720
- Share of other comprehensive loss of associates	-	(10,742)	(60,323)	(611)
Other comprehensive income for the period	2,618,426	941,623	1,222,475	1,597,109
Total comprehensive income (loss) for the period	2,679,234	(2,579,183)	1,654,307	(429,655)
Attributable to:				
Equity holders of the Parent Company	2,681,181	(2,525,640)	1,666,440	(399,574)
Non-controlling interests	(1,947)	(53,543)	(12,133)	(30,081)
	2,679,234	(2,579,183)	1,654,307	(429,655)

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2017 and reflect adjustments made as detailed in Note 17.

The attached notes 1 to 17 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 2018

	Equity attributable to equity holders of the Parent Company											
	Share capital	Statutory reserve	General reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Cumulative changes in fair values reserve	Share of other comprehensive income of associates	Retained earnings (accumulated losses)	Sub total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2018 <i>(audited)</i>	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	3,314,839	62,010	-	33,090,517	190,253	33,280,770
Profit (loss) for the period	-	-	-	-	-	-	-	-	443,965	443,965	(12,133)	431,832
Other comprehensive income (loss)	-	-	-	-	-	-	1,282,798	(60,323)	-	1,222,475	-	1,222,475
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,282,798	(60,323)	443,965	1,666,440	(12,133)	1,654,307
Balance as at 30 June 2018	17,278,874	8,781,109	4,000,000	764,895	(1,275,970)	164,760	4,597,637	1,687	443,965	34,756,957	178,120	34,935,077
Balance at 1 January 2017	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)	-	-	-	-	-	-	-	-	(9,299,929)	(9,299,929)	-	(9,299,929)
As 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	(7,750,754)	33,977,707	258,160	34,235,867
Loss for the period (restated)	-	-	-	-	-	-	-	-	(1,996,683)	(1,996,683)	(30,081)	(2,026,764)
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)	(1,996,683)	(399,574)	(30,081)	(429,655)
Balance as 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	(9,747,437)	33,578,133	228,079	33,806,212

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2017 and reflect adjustments made as detailed in Note 17.

The attached notes 1 to 17 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 2018

	Notes	Six months ended 30 June	
		2018 KD	Restated* 2017 KD
OPERATING ACTIVITIES			
Profit (loss) for the period before contribution to KFAS, NLST and Zakat		438,240	(2,026,764)
Adjustments:			
Unrealized loss of financial assets at fair value through profit or loss	12	54,285	487,744
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
Dividend income	12	(481,147)	(689,264)
Rental income	12	(18,000)	(2,800)
Interest income	12	(159,264)	(150,656)
Share of results of associates		(61,378)	(50,342)
Depreciation		135,555	144,463
Provision for employees' end of service benefits		151,218	121,216
		59,509	(216,645)
Changes in working capital:			
Reinsurance share in outstanding claims reserve		(664,635)	(1,707,489)
Insurance and reinsurance receivables		(1,210,852)	1,856,890
Other receivables		80,372	94,476
Insurance contract liabilities		2,708,481	197,096
Insurance and reinsurance payables		532,473	(1,975,205)
Other payables		(868,086)	1,622,295
Cash flows from (used in) operations		637,262	(128,582)
Employees' end of service benefits paid		(177,876)	(234,471)
Net cash flows from (used in) operating activities		459,386	(363,053)
INVESTING ACTIVITIES			
Net movement in fixed deposits		(1,500)	1,153,000
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
Movement in loans secured by life insurance policies		6,302	2,530
Additions to property and equipment		(567)	(26,464)
Cash dividends received		481,147	609,048
Rental income received		18,000	2,800
Interest income received		159,264	98,349
Net cash flows from (used in) investing activities		662,646	(1,673,282)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,122,032	(2,036,335)
Cash and cash equivalents at beginning of the period		806,761	2,639,861
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7	1,928,793	603,526

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2017 and reflect adjustments made as detailed in Note 17.

The attached notes 1 to 17 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 and for the period ended 30 June 2018

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 month period ended 30 June 2018 were authorised for issuance by the Board of Directors on 12 August 2018.

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the shareholders at the Annual General Meeting held on 3 May 2018.

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

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 2017. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six months' period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendment; Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, During 2017, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2017. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

The amendment introduced two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 and continue to apply IAS 39 to financial assets and liabilities. An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

2 BASIS OF PRESENTATION (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previous revenue guidance. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied IFRS 15 using the modified retrospective application. Given that the insurance contracts are scoped out of IFRS 15; the Group concluded that it has insignificant impact from the application of IFRS 15.

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, interim condensed consolidated statement of comprehensive 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.

3 BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

Basic earnings (losses) per share is calculated by dividing profit (loss) 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).

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2018</i>	<i>Restated</i>	<i>2018</i>	<i>Restated</i>
	<i>KD</i>	<i>2017</i>	<i>KD</i>	<i>2017</i>
		<i>KD</i>		<i>KD</i>
Profit (losses) for the period attributable to the equity holders of the Parent Company	62,755	(3,467,263)	443,965	(1,996,683)
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	162,090,569	162,090,569	162,090,569	162,090,569
Basic and diluted earnings (losses) per share	0.39 Fils	(21.39) Fils	2.74 Fils	(12.32) 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 with historical cost of KD 2,955,780 (31 December 2017: 2,955,780 and 30 June 2017 KD: 2,955,780) in accordance with insurance regulations in Kuwait.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

5 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 June 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 June 2017 KD</i>
Quoted securities	12,259,755	10,976,958	11,977,801
Unquoted securities	958,909	1,461,407	2,362,044
Investment in bonds	3,409,000	3,406,000	3,412,000
	<u>16,627,664</u>	<u>15,844,365</u>	<u>17,751,845</u>

Quoted shares with a fair value of KD 2,025,000 (31 December 2017: KD 2,052,000 and 30 June 2017: KD 2,196,000) are under lien to the Ministry of Commerce and Industry.

Unquoted equity securities amounting KD 334,208 (31 December 2017: KD 836,705 and 30 June 2017: KD 844,104) are carried at cost less impairment loss since their fair values cannot be reliably determined (Note 16).

Bonds carry interest rate ranging from 4.5% to 6.5 % per annum (31 December 2017: 4.5% to 6.5 and 30 June 2017: 4.5% to 6.5%), mature in 10 years, and are carried at cost less impairment since their fair values cannot be reliably determined (Note 16).

As at 30 June 2018, 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 2017: KD 86,506 and 30 June 2017: KD Nil).

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 5,169,000 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 2017: KD 5,169,000 and 30 June 2017: KD 5,169,000).

The effective interest rate on fixed deposits was 1.1% to 2.9% per annum (31 December 2017: 1.1% to 2.9% and 30 June 2017: 1% to 2.9 %).

7 CASH AND CASH EQUIVALENTS

	<i>30 June 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 June 2017 KD</i>
Bank balances and cash	2,239,636	1,286,882	1,768,716
Less:			
Bank overdraft	(310,843)	(480,121)	(1,165,190)
Cash and cash equivalents	<u>1,928,793</u>	<u>806,761</u>	<u>603,526</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

8 SHARE CAPITAL

The authorized, issued and paid-up capital consists of 172,788,740 shares (31 December 2017: 172,788,740 shares and 30 June 2017: 172,788,740 shares) of 100 fils each, paid in cash.

9 TREASURY SHARES

	30 June 2018	(Audited) 31 December 2017	30 June 2017
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)	631,192	641,890	1,025,955
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 2018 was 59 fils per share (31 December 2017: 60 fils per share and 30 June 2017: 99 fils per share).

10 INSURANCE CONTRACT LIABILITIES

	30 June 2018 KD	(Audited) 31 December 2017 KD	(Restated) 30 June 2017 KD
Outstanding technical reserve	29,115,338	27,182,848	24,741,000
Unearned premiums reserve	3,906,551	3,438,103	3,490,933
Life mathematical reserve	2,846,023	2,538,480	2,594,805
	<u>35,867,912</u>	<u>33,159,431</u>	<u>30,826,738</u>

11 DIVIDENDS

The General Assembly meeting of the shareholders of the Parent Company held on 3 May 2018 approved the consolidated financial statements for the year ended 31 December 2017 and directors' proposal not to distribute any dividends for the year then ended (31 December 2016: Nil).

12 NET INVESTMENT INCOME (LOSS)

	Three months ended 30 June		Six months ended 30 June	
	2018 KD	2017 KD	2018 KD	2017 KD
Interest income	126,428	71,954	159,264	150,656
Unrealized gain (loss) of financial assets at fair value through profit or loss	24,660	(579,489)	(54,285)	(487,744)
Realized loss from sale of financial assets available for sale	-	(2,557,500)	-	(2,557,500)
Realized gain from sale of financial assets at fair value through profit or loss	-	607,742	-	607,742
Dividend income	54,385	77,551	481,147	689,264
Rental income	18,000	700	18,000	2,800
	<u>223,473</u>	<u>(2,379,042)</u>	<u>604,126</u>	<u>(1,594,782)</u>

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

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12 NET INVESTMENT INCOME (LOSS) (continued)

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Investment income from life insurance	45,902	11,642	19,067	20,030
Investment income (loss) from non – life insurance	177,571	(2,390,684)	585,059	(1,614,812)
	<u>223,473</u>	<u>(2,379,042)</u>	<u>604,126</u>	<u>(1,594,782)</u>

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

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13 SEGMENT INFORMATION

The Group operates in six 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:

30 June 2018	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	337,477	488,959	3,662,435	4,488,871	3,389,435	665,504	204,770	8,748,580
Segment results	46,093	170,952	69,135	286,180	(121,011)	665,504	(398,841)	431,832
Assets				Total general risk insurance KD	Life and medical insurance KD	Investment KD		Total KD
Liabilities				45,743,274	14,640,745	30,231,558		90,615,577
				36,234,500	19,446,000	-		55,680,500

31 December 2017 (Audited)

Assets	43,342,252	13,934,189	29,501,489	Total KD	86,777,930
Liabilities	35,472,546	18,024,614	-	Total KD	53,497,160

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13 SEGMENT INFORMATION (continued)

	General risk insurance			Life and medical insurance	Investment	Unallocated	Total
	Marine & aviation KD	Fire KD	General accidents KD				
30 June 2017 (Restated)							
Segment revenue	426,415	543,808	3,873,839	3,285,082	(1,544,440)	325,470	6,910,174
Segment results	(2,335)	308,822	342,946	(457,473)	(1,544,440)	(674,284)	(2,026,764)
Assets							
				Life and medical insurance KD	Investment KD		Total KD
				12,353,298	30,490,288		82,304,322
Liabilities				16,494,452	-		48,498,110

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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:

	<i>Six months ended</i>		
	<i>Key management and board members</i> KD	<i>Parent Company's shareholders</i> KD	<i>Others</i> KD
Gross premiums	-	7,476	798,354
			<i>30 June 2018</i> KD
			<i>30 June 2017</i> KD
			805,830
			278,953

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

	<i>Key management and board members</i> KD		<i>Parent Company's shareholders</i> KD		<i>Others</i> KD	
	<i>Key management</i> KD	<i>Parent Company's shareholders</i> KD	<i>Key management</i> KD	<i>Parent Company's shareholders</i> KD	<i>30 June 2018</i> KD	<i>30 June 2017</i> KD
<i>Insurance activities</i>						
Insurance services receivable	629	852,474	2,884,038	3,737,141	3,617,279	3,625,488
Insurance services payable	-	4,420	485,822	490,242	378,933	461,241
<i>Investment activities</i>						
Financial assets at fair value through profit or loss	-	-	5,904,642	5,904,642	6,042,908	6,147,853
Due from sale of financial assets available for sale	-	-	502,498	-	502,498	-
Financial assets available for sale	-	537,066	7,124,092	7,661,158	9,054,130	9,581,994
Fixed deposits and cash and cash equivalent	-	-	7,550,000	7,550,000	6,882,408	5,128,671

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As at and for the period ended 30 June 2018

14 RELATED PARTY DISCLOSURES (continued)

Key management personnel compensation:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>
Salaries and short term benefits	195,309	214,104	403,070	428,205
Employees' end of service benefit	9,517	7,873	18,447	19,587
	<u>204,826</u>	<u>221,977</u>	<u>421,517</u>	<u>447,792</u>

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2017</i> <i>KD</i>
Letters of guarantee	195,641	237,831	2,900
Capital commitments	58,064	65,207	536,868

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 payable 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 3,743,207 (31 December 2017: 4,242,705 and 30 June 2017: KD 4,256,104) 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>
30 June 2018			
Financial assets at fair value through profit or loss	6,839,161	-	6,839,161
Financial assets available for sale	12,259,755	624,702	12,884,457
Total	<u>19,098,916</u>	<u>624,702</u>	<u>19,723,618</u>

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16 FAIR VALUE MEASUREMENT (continued)

	<i>Quoted prices in active markets (Level 1)</i> KD	<i>Significant unobservable inputs (Level 3)</i> KD	<i>Total fair Value</i> KD
31 December 2017			
Financial assets at fair value through profit or loss	6,893,446	-	6,893,446
Financial assets available for sale	10,976,958	624,702	11,601,660
Total	17,870,404	624,702	18,495,106
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	18,922,718	1,517,940	20,440,658

During the period ended 30 June 2018, 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</i> KD	<i>Net movement recorded in the interim condensed consolidated statement of comprehensive income</i> KD	<i>Net purchases, transfer, sales and settlements</i> KD	<i>At the end of the period /year</i> KD
30 June 2018				
Financial assets available for sale	624,702	-	-	624,702
	<u>624,702</u>	<u>-</u>	<u>-</u>	<u>624,702</u>
31 December 2017 (Audited)				
Financial assets available for sale	3,745,440	(893,238)	(2,227,500)	624,702
	<u>3,745,440</u>	<u>(893,238)</u>	<u>(2,227,500)</u>	<u>624,702</u>

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

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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 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>
30 June 2017				
<i>Financial assets available for sale</i>	3,745,440	-	(2,227,500)	1,517,940
	<u>3,745,440</u>	<u>-</u>	<u>(2,227,500)</u>	<u>1,517,940</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 19 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 62 thousands.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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17 COMPARATIVE INFORMATION

In accordance with IAS 8: *Accounting policies, changes in accounting estimates and errors*, the comparative information for the period ended 30 June 2017 has been restated as below to correct the error related to uncollected reinsurance receivables, other assets, reinsurance share in reserve for outstanding claims and insurance contract liabilities such position was not reflected in the interim condensed consolidated statement of financial position, interim condensed consolidated statement of income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flow as of and for the period ended 30 June 2017. However, there was no impact in the movement of the interim condensed consolidated statement of comprehensive income.

As at 31 December 2016

Consolidated statement of financial position	<i>As previously reported</i> KD	<i>Effect of reclassification</i> KD	<i>Effect of restatement</i> KD	<i>Restated</i> KD
ASSETS				
Insurance and reinsurance receivables	14,449,231	4,795,018	(1,111,970)	18,132,279
Reinsurance share in reserve for outstanding claims	16,671,465	-	(2,372,954)	14,298,511
LIABILITIES				
Insurance contract liabilities	(24,814,635)	-	(5,815,007)	(30,629,642)
Insurance and reinsurance payables	(8,597,745)	(4,687,590)	-	(13,285,335)
Other liabilities	(3,579,584)	(107,428)	-	(3,687,012)
Equity attributable to equity holders of the Parent Company				
Retained earnings / (accumulated losses)	1,549,175	-	(9,299,929)	(7,750,754)
Consolidated statement of income				
Net underwriting income (loss)	175,381	-	(2,197,800)	(2,022,419)
Profit (loss) for the year	276,237	-	(2,197,800)	(1,921,563)

As at 30 June 2017

<i>Interim condensed consolidated statement of financial position</i>	<i>As previously reported</i> KD	<i>Effect of reclassification</i> KD	<i>Effect of restatement</i> KD	<i>Restated</i> KD
ASSETS				
Insurance and reinsurance receivables	13,322,566	3,181,440	(228,617)	16,275,389
Other assets	5,052,347	-	(877,273)	4,175,074
Reinsurance share in reserve for outstanding claims	17,688,776	-	(1,682,776)	16,006,000
LIABILITIES				
Insurance contract liabilities	(26,302,419)	-	(4,524,319)	(30,826,738)
Insurance and reinsurance payables	(8,128,690)	(3,181,440)	-	(11,310,130)
Equity attributable to equity holders of the Parent Company				
Retained earnings (accumulated losses)	1,549,175	-	(9,299,929)	(7,750,754)
Interim condensed consolidated statement of income				
Net underwriting income	(891,599)	-	1,103,591	211,992
Loss for the period	(3,130,355)	-	1,103,591	(2,026,764)