Interim Condensed Consolidated Financial Information and Review Report

Wethaq Takaful Insurance Company – KPSC and Subsidiary
Kuwait

30 September 2018 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
Wethaq Takaful Insurance Company – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Wethaq Takaful Insurance Company (Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 30 September 2018 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

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

Basis for Qualified Conclusion
1- As stated in Notes (8 and 9) to the interim condensed consolidated financial information, the Parent Company's board of directors decided on 21 June 2017 to calculate management fees to the shareholders at 20% of profit instead of 20% of revenue until the balances due from policyholders stated in Notes (8) and (9) are settled. Management of the Parent Company expects that the balances due from policyholders will be settled and the outstanding deficit will be covered during the future years. Although during the year ended 31 December 2017, the management of the Parent Company recognised impairment losses against the amount due from policyholders and Qard Hassan to policyholders' fund amounting to KD434,574 and KD162,500 respectively, the remaining balances of KD4,288,833 and KD1,463,111 respectively, remain to be doubtful for collection.

   Furthermore, the policyholders' assets include accounts receivable and other assets and premiums receivable of KD457,791 and KD1,370,922 respectively which have been outstanding for more than one year and have not been provided for. Accordingly, the policyholders may not have the adequate funds to repay the amounts due to shareholders.

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

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

Qualified Conclusion
Based on our review, except for the possible effect of the matters described in the *Basis for Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation as shown in note 2.

Report on review of other legal and regulatory requirements
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2018 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
5 November 2018

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 30 Sept. 2018 (Unaudited) KD	Three months ended 30 Sept. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2018 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD
Revenue					
Loss on sale of available for sale investments		-	-	-	(138,868)
Change in fair value of investments at fair value through profit or loss		3,228	5,624	(1,706)	25,374
Rental income		-	-	17,200	-
Dividend income		-	3,169	40,051	5,681
Income from investment deposits		460	-	1,792	-
Management fees from policyholders	8	(10,228)	-	5,205	333,816
Other income		1,675	-	1,675	-
		(4,865)	8,793	64,217	226,003
Expenses and other charges					
General and administrative expenses		(5,460)	(20,502)	(31,829)	(63,749)
		(5,460)	(20,502)	(31,829)	(63,749)
(Loss)/profit for the period before provisions for National Labour Support Tax (NLST) and Zakat		(10,325)	(11,709)	32,388	162,254
Provision for NLST		(148)	293	(1,216)	(4,056)
Provision for Zakat		(59)	117	(486)	(1,623)
(Loss)/profit for the period		(10,532)	(11,299)	30,686	156,575
Basic and diluted (loss)/ earnings per share (Fils)	6	(0.10)	(0.10)	0.28	1.43

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	**30 Sept. 2018 (Unaudited) KD**	30 Sept. 2017 (Unaudited) KD
(Loss)/ profit for the period	**(10,532)**	(11,299)	**30,686**	156,575
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to consolidated statement of profit or loss:				
Available for sale investments:				
- Net change in fair value arising during the period	**-**	(87,836)	**-**	(20,126)
Total other comprehensive loss that may be reclassified to consolidated statement of profit or loss in subsequent periods	**-**	(87,836)	**-**	(20,126)
Items that will not be reclassified subsequently to consolidated statement of profit or loss:				
Equity investments at fair value through other comprehensive income				
-Net change in fair value arising during the period	**14,140**	-	**(99,210)**	-
Total other comprehensive income /(loss) that will not be reclassified to consolidated statement of profit or loss in subsequent periods	**14,140**	-	**(99,210)**	-
Total other comprehensive income/(loss)	**14,140**	(87,836)	**(99,210)**	(20,126)
Total comprehensive income/(loss) for the period	**3,608**	(99,135)	**(68,524)**	136,449

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Assets				
Cash and cash equivalents		**10,665**	168,990	609,234
Investment deposits		**130,500**	-	10,000
Investments at fair value through profit or loss		**207,928**	220,175	284,361
Investments at fair value through other comprehensive income	7	**3,189,461**	-	-
Available for sale investments		**-**	3,278,130	3,298,022
Amount due from policyholders	8	**4,288,033**	4,234,083	4,143,584
Qard Hassan to policyholders' fund	9	**1,463,111**	1,463,111	1,625,611
Investment properties	10	**2,602,125**	2,597,712	1,629,684
Other assets		**22,284**	20,729	138,044
Total assets		**11,914,107**	11,982,930	11,738,540
Equity and liabilities				
Equity				
Share capital		**11,025,000**	11,025,000	11,025,000
Share premium		**7,340,937**	7,340,937	7,340,937
Treasury shares		**(50,489)**	(50,489)	(50,489)
Treasury shares reserve		**3,508**	3,508	3,508
Statutory reserve		**388,139**	388,139	388,139
Voluntary reserve		**388,139**	388,139	388,139
Fair value reserve		**(204,586)**	600,019	298,913
Foreign currency translation reserve		**(1,566,446)**	(1,566,446)	(1,615,597)
Employees' share purchase plan reserve		**65,964**	65,964	65,964
Accumulated losses		**(5,499,313)**	(6,235,394)	(6,168,851)
Total equity		**11,890,853**	11,959,377	11,675,663
Liabilities				
Other liabilities		**23,254**	23,553	62,877
Total equity and liabilities		**11,914,107**	11,982,930	11,738,540

Ibrahim Abbas Othman Sukhi
Chairman

Abdullah Mishari Al-Humaidhi
Vice chairman

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Employees' share purchase plan reserve KD	Accumulated losses KD	Total KD
Balance at 31 December 2017 (Audited)	**11,025,000**	**7,340,937**	**(50,489)**	**3,508**	**388,139**	**388,139**	**600,019**	**(1,566,446)**	**65,964**	**(6,235,394)**	**11,959,377**
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (note 3.1)	-	-	-	-	-	-	(705,395)	-	-	705,395	-
Balance at 1 January 2018 (Restated)	**11,025,000**	**7,340,937**	**(50,489)**	**3,508**	**388,139**	**388,139**	**(105,376)**	**(1,566,446)**	**65,964**	**(5,529,999)**	**11,959,377**
Profit for the period	-	-	-	-	-	-	-	-	-	30,686	30,686
Other comprehensive loss	-	-	-	-	-	-	(99,210)	-	-	-	(99,210)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(99,210)	-	-	30,686	(68,524)
Balance at 30 September 2018 (Unaudited)	**11,025,000**	**7,340,937**	**(50,489)**	**3,508**	**388,139**	**388,139**	**(204,586)**	**(1,566,446)**	**65,964**	**(5,499,313)**	**11,890,853**
Balance at 31 December 2016 (Audited)	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	319,039	(1,615,597)	65,964	(6,325,426)	11,539,214
Profit for the period	-	-	-	-	-	-	-	-	-	156,575	156,575
Other comprehensive loss	-	-	-	-	-	-	(20,126)	-	-	-	(20,126)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(20,126)	-	-	156,575	136,449
Balance at 30 September 2017 (Unaudited)	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	298,913	(1,615,597)	65,964	(6,168,851)	11,675,663

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2018 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD
OPERATING ACTIVITIES		
Profit for the period	30,686	156,575
Adjustments for:		
Loss on sale of available for sale investments	-	138,868
Change in fair value of investments at fair value through profit or loss	1,706	(25,374)
Income from investment deposits	(1,792)	-
Dividend income	(40,051)	(5,681)
	(9,451)	264,388
Changes in operating assets and liabilities:		
Other assets	(12,895)	16,627
Other liabilities	(299)	(23,724)
Amount due from policyholders	(53,950)	(1,014,829)
Net cash used in operating activities	(76,595)	(757,538)
INVESTING ACTIVITIES		
Proceed from sale of available for sale investments	-	64,265
Dividend income received	40,051	5,681
Income received from investment deposits	13,132	-
Additions to investment properties	(4,413)	(2,400)
Investment deposits	(130,500)	(10,000)
Net cash (used in)/from investing activities	(81,730)	57,546
Decrease in cash and cash equivalents	(158,325)	(699,992)
Cash and cash equivalents at the beginning of the period	168,990	1,309,226
Cash and cash equivalents at the end of the period	10,665	609,234

The notes set out on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the parent company

Wethaq Takaful Insurance Company ("the parent company") is a Kuwaiti Public Shareholding Company that was incorporated on 30 October 2004 and is registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The shares of the parent company are listed on the Kuwait Stock Exchange.

The group comprises the parent company and its subsidiaries as detailed in note 5.

The parent company is a subsidiary of the Investment Dar Company - KPSC (Closed) (The ultimate parent company).

The objectives for which the parent company is incorporated are as follows:

First: Carry out all Takaful, mutual and reinsurance business of all forms in accordance with the provision of Islamic Sharia governing laws.

Second: To achieve its above mentioned objectives and as per its Articles of Association, the parent company shall have authority to conduct the following businesses and acts as Board of Directors deem appropriate:

a) Acquire and gain the right to all or any part of moveable or immovable properties, as it deems necessary, or any privileges that the company believes to be necessary or appropriate for its business or required for growing its funds.

b) Carry out transactions and enter into all contracts with all legal dispositions as it deems necessary and suitable to achieve and facilitate its objectives on the conditions it elects.

c) Purchase, sell, mortgage, lease, replace, possess or endorse in any manner whatsoever any lands, real estate properties, securities, sukuk, stocks or any other moveable or real estate property, or sell, lease, mortgage or dispose of all or part of the company's moveable or real estate properties and funds.

d) Provide advisories and conduct technical studies in insurance or reinsurance industry for companies and other entities directly interested in engaging in Takaful insurance or reinsurance business.

e) Act as valuer or appraiser in insurance industry and agent for insurance or reinsurance companies to perform all activities that are consistent with the Islamic Sharia after obtaining the necessary licenses.

f) Invest all or part of the company's moveable property or real estate properties in different sectors as it deems appropriate in accordance with governing laws and resolutions.

g) Merge with, incorporate or participate in incorporating and subscribing for share in companies, buy and sell companies' shares and support them in any form in line with the company's objectives as per applicable laws.

h) Utilize the financial surpluses available with the company through investing the same in financial portfolios managed by specialised companies and entities.

The parent company may carry out the above mentioned businesses in the State of Kuwait or abroad directly or through agency. The parent company may have an interest or participate in any way with the entities that engage in similar business and that help it achieve its objectives in Kuwait or aboard and it may establish, participate, purchase, and merge with such entities.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities of the parent company (continued)

Takaful insurance is an Islamic alternative to conventional insurance and investment programs, based on the mutual funds concept, where each policyholder will receive his share in the surplus arising from the insurance activities, in accordance with the parent company's articles of association and the approval of Fatwa and Sharee'a Supervisory Board.

The parent company conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The shareholders are responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The parent company holds the physical custody and title of all assets related to the policyholders' and shareholders' operations, such assets and liabilities together with the results of policyholders' lines of business are disclosed in the notes.

The parent company maintains separate books of accounts for policyholders and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. Management and the board of directors determine the basis of allocation of expenses from joint operations.

All Takaful insurance and investment activities are conducted in accordance with Islamic Sharee'a, as approved by Fatwa and Sharee'a Supervisory Board.

The address of the Parent Company's registered office is at City Tower, Khaled Bin Al-Waleed Street, Sharq, State of Kuwait.

This interim condensed consolidated financial information for the nine-month period ended 30 September 2018 was authorised for issue by the parent company's board of directors on 5 November 2018.

2 Basis of preparation

The interim condensed consolidated financial information of the group for the nine-month period ended 30 September 2018 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the group for the year ended 31 December 2017 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars (KD), which is the functional and presentation currency of the parent company.

This interim condensed consolidated financial information does not include all information and disclosures required for complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine-month period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2017.

The group has recognised the results of its subsidiary, Wared Rent a Car Company – KSCC, using management accounts for the period ended 30 September 2018.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

3.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the group. Information on these new standards is presented below:

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

IFRS 2 Share-Based Payment- Classification and Measurement

The amendments relate to clarification on the following:

- IFRS does not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The Amendments address this lack of guidance by clarifying that accounting for these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2

- The amendment adds guidance to IFRS 2 to the effect that a scheme with compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature); and

- The amendment addresses the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

IFRS 4 and IFRS 9 - Amendments

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

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

IFRS 9 Financial Instruments: Classification and Measurement

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 9 Financial Instruments: Classification and Measurement (continued)

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.

- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.

- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

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

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

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

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

Classification and measurement:

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 9 Financial Instruments: Classification and Measurement (continued)
The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets as at 1 January 2018.

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 9 Financial Instruments: Classification and Measurement (continued)

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

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

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 9 Financial Instruments: Classification and Measurement (continued)

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

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

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

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:

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

The standard includes important guidance, such as:

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
    - non-cash consideration and asset exchanges
    - contract costs
    - rights of return and other customer options
    - supplier repurchase options
    - warranties
    - principal versus agent
    - licensing
    - breakage
    - non-refundable upfront fees, and
    - consignment and bill-and-hold arrangements.

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

IFRS 40 Investment Property - Amendments

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

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's interim condensed consolidated financial information

4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017.

5 Subsidiary companies

The details of the subsidiary companies are as follows:

Subsidiary company	Country of incorporation	Ownership Percentage			Principal activities
		30 Sept. 2018 (Unaudited) %	31 Dec. 2017 (Audited) %	30 Sept. 2017 (Unaudited) %	
Consolidated with shareholders					
Wethaq Real Estate Investment Company – WLL	Egypt	**99.40**	99.40	99.40	Buying, selling, leasing and owning lands in Egypt
Consolidated with policyholders					
Wared Rent a Car Company – KSC (Closed)	Kuwait	**93.32**	93.32	93.32	Car leasing, trading cars and spare parts in the State of Kuwait

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiary companies (continued)

During the year ended 31 December 2016, the parent company incorporated a 99.40% owned subsidiary, Wethaq Real Estate Investment Company – WLL in Egypt with a share capital of KD8,256. The other shareholders of the subsidiary have signed letters of assignment in favour of the group and accordingly the group owns 100% shareholding of the subsidiary.

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

6 Basic and diluted (loss)/earnings per share

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

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2018	30 Sept. 2017	**30 Sept. 2018**	30 Sept. 2017
(Loss)/profit for the period (KD)	**(10,532)**	(11,299)	**30,686**	156,575
Weighted average number of shares outstanding during the period	**110,250,000**	110,250,000	**110,250,000**	110,250,000
Less: Weighted average number of treasury shares outstanding during the period	**(445,500)**	(445,500)	**(445,500)**	(445,500)
	109,804,500	109,804,500	**109,804,500**	109,804,500
Basic and diluted (loss)/ earnings per share (Fils)	**(0.10)**	(0.10)	**0.28**	1.43

7 Investments at fair value through other comprehensive income

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Local quoted securities	**20,648**	-	-
Local unquoted securities	**40,000**	-	-
Managed portfolios	**1,015,457**	-	-
Managed funds	**2,113,356**	-	-
	3,189,461	-	-

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

b) One of the related parties to the group manages investment portfolios and funds owned by the parent company amounting to KD764,789 (31 December 2017: KD764,789 and 30 September 2017: KD846,437).

Notes to the interim condensed consolidated financial information (continued)

8 Amount due from policyholders

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Opening balance at the beginning of the period/year	**4,234,083**	3,128,755	3,128,755
Management fees from policyholders for the period/year	**5,205**	333,816	333,816
Net movements during the period/year	**48,745**	1,206,086	681,013
Impairment recognized by shareholders	-	(434,574)	-
Closing balance at the end of the period/year	**4,288,033**	4,234,083	4,143,584

Net movements in policyholders' account represent the net fund transfers from and to their account in addition to the management fees from policyholders. The parent company's management had decided to reduce management fees charged to policyholders from 20% of gross premium to 20% of net profit of policyholders to enable settlement of the above due balances and also to settle the Qard Hassan balance (Note 9) in such a way that ensures continuity of the Takaful insurance activity of the policyholders.

9 Qard Hassan to policyholders' Fund

In line with the Articles of Association, policyholders' net deficit from insurance activities has been covered by the Qard Hassan from the shareholders. The Qard Hassan provided by shareholders to the policyholders will be settled through expected surplus from insurance activities in future years. During the period, the group recognised an impairment loss of KD Nil (31 December 2017: KD162,500 and 30 September 2017: KD Nil) against this balance recognized by the shareholders.

10 Investment properties

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Carrying value at the beginning of the period/year	**2,597,712**	1,627,284	1,627,284
Addition during the period/year	**4,413**	-	2,400
Net changes in fair value during the period/year	-	916,625	-
Differences arising from translation of foreign currency	-	53,803	-
Closing balance at the end of the period/year	**2,602,125**	2,597,712	1,629,684

The management of the parent company recorded the assets of the subsidiary in Egypt, which represent only the value of its investment property amounting to KD2,318,107 in the interim condensed consolidated financial information. The management of the group confirms that up to date, no financial statements for the subsidiary were issued, and that the net assets of the subsidiary in Egypt represent the value of the investment property mentioned above.

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

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

Notes to the interim condensed consolidated financial information (continued)

11 Consolidated policyholders' result by line of business and fund

The consolidated policyholders' result by line of business:

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Three months ended 30 September 2018 (Unaudited):					
Premiums written	57,123	764,612	159,970	104,589	1,086,294
Total revenues	24,287	691,228	53,942	112,663	882,120
Net surplus/(deficit) from takaful operations	40,929	(228,528)	55,020	73,578	(59,001)
Investment and other income	537	6,737	(166)	1,213	8,321
Net surplus/(deficit) by line of business	41,466	(221,791)	54,854	74,791	(50,680)
Income from leasing activities					38,126
Expenses in connection with leasing activities					(40,663)
Reversal of management fees to the shareholders*					10,228
Net deficit transferred to policyholders' fund					(42,989)
Other comprehensive loss for the period:					
Equity investments at fair value through other comprehensive income:					
-Net change in fair value arising during the period					(215)
Total other comprehensive loss for the period					(215)
Net deficit including other comprehensive loss					(43,204)
Nine months ended 30 September 2018 (Unaudited):					
Premiums written	183,932	2,638,228	1,165,870	247,256	4,235,286
Total revenues	73,792	2,317,252	113,441	230,071	2,734,556
Net surplus/(deficit) from takaful operations	60,100	(167,033)	(42,693)	111,688	(37,938)
Investment and other income	2,778	39,842	17,607	3,734	63,961
Net surplus/(deficit) by line of business	62,878	(127,191)	(25,086)	115,422	26,023
Income from leasing activities					113,930
Expenses in connection with leasing activities					(123,152)
Management fees to the shareholders *					(5,205)
Net surplus transferred to policyholders' fund					11,596
Other comprehensive loss for the period:					
Equity investments at fair value through other comprehensive income					
-Net change in fair value arising during the period					(3,622)
Total other comprehensive loss for the period					(3,622)
Net surplus including other comprehensive loss					7,974

Notes to the interim condensed consolidated financial information (continued)

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

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Three months ended 30 September 2017 (Unaudited):					
Premiums written	63,350	635,511	64,818	101,821	865,500
Total revenues	26,530	204,153	33,049	100,000	363,732
Net surplus/(deficit) from takaful operations	3,082	(35,027)	(47,312)	12,898	(66,359)
Investment and other income	1,710	14,250	5,088	3,226	24,274
Net surplus/(deficit) by line of business	4,792	(20,777)	(42,224)	16,124	(42,085)
Income from leasing activities					36,014
Expenses in connection with leasing activities					(42,248)
Management fees to the shareholders					-
Net deficit transferred to policyholders' fund					(48,319)
Other comprehensive income/(loss) for the period:					
Available for sale investments					
-Net change in fair value arising during the period					-
Total other comprehensive income/(loss) for the period					-
Net deficit including other comprehensive income					(48,319)
Nine months ended 30 September 2017 (Unaudited):					
Premiums written	267,399	2,015,739	813,322	290,249	3,386,709
Total revenues	96,190	1,186,117	105,977	190,669	1,578,953
Net surplus/(deficit) from takaful operations	72,900	(243,632)	5,846	47,440	(117,446)
Investment and other income	10,167	84,051	23,513	11,036	128,767
Net surplus/(deficit) by line of business	83,067	(159,581)	29,359	58,476	11,321
Income from leasing activities					123,035
Expenses in connection with leasing activities					(126,241)
Management fees to the shareholders					(333,816)
Net deficit transferred to policyholders' fund					(325,701)
Other comprehensive income/(loss) for the period:					
Available for sale investments					
-Net change in fair value arising during the period					-
Total other comprehensive income/(loss) for the period					-
Net deficit including other comprehensive income					(325,701)

Notes to the interim condensed consolidated financial information (continued)

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

* According to the parent company's Articles of Association, shareholders are entitled to management fees from policyholders upto 20% of the total premium written and investment income (note 8).

In its meeting held on 21 June 2017, the Board of Directors decided to calculate management fees at 20% of the net profit instead of 20% of gross premium revenue as a right to shareholders, as management fees, of the results of policyholders starting from 1 April 2017 until further notice (see note 8).

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

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Assets			
Cash and cash equivalents	48,876	84,023	199,290
Investment deposits	1,326,000	1,546,000	1,546,000
Investments at fair value through profit or loss	296,010	305,695	501,275
Accounts receivable and other assets	1,190,189	1,153,865	1,320,627
Premiums receivable	2,216,309	2,195,164	2,029,749
Investments at fair value through other comprehensive income	172,555	-	-
Available for sale investments	-	150,500	182,656
Goodwill	409,766	409,766	409,766
Reinsurance share of outstanding claims	2,274,102	2,409,344	3,507,006
Retakaful contribution receivables	2,577,995	2,525,876	1,715,098
Leasehold land	277,750	277,750	277,750
Equipment	188,054	234,152	223,184
Total assets	10,977,606	11,292,135	11,912,401
Liabilities			
Outstanding claims reserve	4,387,855	4,791,876	8,497,440
Unearned premiums	1,111,503	1,106,998	1,235,916
Incurred but not reported reserve	64,979	66,825	66,825
Accounts payable and accrued expenses (see a below)	5,542,338	5,517,429	2,221,213
Amount due to the shareholders	4,722,607	4,668,657	4,143,584
Qard Hassan from the shareholders	1,625,611	1,625,611	1,625,611
Total liabilities	17,454,893	17,777,396	17,790,589
Policyholders' fund			
Policyholders' fund at the beginning of the period/year	(6,489,605)	(5,552,487)	(5,552,487)
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (note 3.1)	156,069	-	-
Policyholders' fund at the beginning of the period/year (Restated)	(6,333,536)	(5,552,487)	(5,552,487)
Net surplus/(deficit) of policyholders' for the period/year	11,596	(937,118)	(325,701)
	(6,321,940)	(6,489,605)	(5,878,188)
Fair value reserve (Restated) (note 3.1)	(151,725)	-	-
Change in fair value during the period/year	(3,622)	4,344	-
Total policyholders' fund at the end of the period/year	(6,477,287)	(6,485,261)	(5,878,188)
Total liabilities and policyholders' fund	10,977,606	11,292,135	11,912,401

Notes to the interim condensed consolidated financial information (continued)

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

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

12 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties to the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and the related parties are disclosed below.

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	**30 Sept. 2018 (Unaudited) KD**	30 Sept. 2017 (Unaudited) KD
Shareholders:				
Interim condensed consolidated statement of profit or loss:				
General and administrative expense	**3,750**	8,750	**16,250**	26,250

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Investments at fair value through profit or loss	-	14,109	14,109
Investments at fair value through other comprehensive income	**2,760,394**	-	-
Available for sale investments	-	2,995,778	3,151,789

The investments at fair value through other comprehensive income above include the group's investments in the shares of subsidiaries of the Ultimate Parent Company (Investment Dar Company and its subsidiaries) amounting to KD2,723,773 (2017: KD2,728,048 and 30 September 2017: KD2,856,004, previously classified as available for sale investments).

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	**30 Sept. 2018 (Unaudited) KD**	30 Sept. 2017 (Unaudited) KD
Policyholders:				
Interim condensed consolidated statement of profit or loss:				
Change in fair value of investments at fair value through profit or loss	-	98,599	-	25,623

Notes to the interim condensed consolidated financial information (continued)

12 Related party transactions and balances (continued)

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	**30 Sept. 2018 (Unaudited) KD**	30 Sept. 2017 (Unaudited) KD
Key management compensation:				
Salaries and other short term benefits	**43,413**	61,056	**130,239**	164,173
End of service benefits	**4,169**	49,961	**43,585**	115,208
	47,582	111,017	**173,824**	279,381

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Investments at fair value through profit or loss	**-**	-	156,879

13 Segmental analysis

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

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

Shareholders	**Investment KD**	**Takaful insurance KD**	**Unallocated KD**	**Total KD**
For the nine months ended 30 September 2018 (Unaudited)				
Total revenue	**57,337**	**5,205**	**1,675**	**64,217**
Profit/(loss) for the period	**57,337**	**5,205**	**(31,856)**	**30,686**
Total assets	**6,130,014**	**5,751,944**	**32,149**	**11,914,107**
Total liabilities	**-**	**-**	**(23,254)**	**(23,254)**
Net assets	**6,130,014**	**5,751,944**	**8,895**	**11,890,853**
For the nine months ended 30 September 2017 (Unaudited)				
Total revenue	(107,813)	333,816	-	226,003
(Loss)/profit for the period	(107,813)	333,816	(69,428)	156,575
Total assets	5,222,067	5,769,195	747,278	11,738,540
Total liabilities	-	-	(62,877)	(62,877)
Net assets	5,222,067	5,769,195	684,401	11,675,663

Notes to the interim condensed consolidated financial information (continued)

13 Segmental analysis (continued)

Policyholders For the nine months ended 30 September 2018 (Unaudited)	Investment KD	Takaful insurance KD	Cars rental KD	Unallocated KD	Total KD
Total revenue	**63,961**	**2,734,556**	**113,930**	**-**	**2,912,447**
Profit/(loss) for the period	**63,961**	**(43,143)**	**(9,222)**	**-**	**11,596**
Total assets	**2,072,315**	**7,068,406**	**471,422**	**1,365,463**	**10,977,606**
Total liabilities	**-**	**(11,912,555)**	**(280,027)**	**(5,262,311)**	**(17,454,893)**
Net assets	**2,072,315**	**(4,844,149)**	**191,395**	**(3,896,848)**	**(6,477,287)**
For the nine months ended 30 September 2017 (Unaudited)					
Total revenue	128,767	1,578,953	123,035	-	1,830,755
Profit/(loss) for the period	128,767	(451,262)	(3,206)	-	(325,701)
Total assets	2,507,681	7,251,853	474,102	1,678,765	11,912,401
Total liabilities	-	(15,569,376)	(284,806)	(1,936,407)	(17,790,589)
Net assets	2,507,681	(8,317,523)	189,296	(257,642)	(5,878,188)

14 General Assembly of shareholders

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

15 Contingent liabilities

The group is a defendant in a number of legal cases filed by Takaful contract holders in respect of claims subject to dispute with the group including a legal case filed by a government institution against the group for an amount of KD3,636,022 (31 December 2017: KD3,636,022 and 30 September 2017: KD3,447,427) which the group has provided for in the accounts payable and other liabilities. Although the court of appeal issued its ruling in favour of the State, the parent company submitted a request to the court of cassation to stop the execution, the parent company has made provisions which, in its opinion, are adequate to cover any resultant liabilities (note 11).

16 Fair value measurement

16.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.1 Fair value hierarchy (continued)

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 September 2018 (Unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held through managed portfolios	207,928	-	-	207,928
Investment at fair value through other comprehensive income				
- Local quoted securities	20,648	-	-	20,648
- Local unquoted securities	-	-	40,000	40,000
- Managed portfolios	318,209	-	697,248	1,015,457
- Managed funds	-	2,113,356	-	2,113,356
	546,785	2,113,356	737,248	3,397,389

30 September 2018 (Unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Managed fund	-	296,010	-	296,010
Investments at fair value through other comprehensive income				
- Local quoted securities	22,055	-	-	22,055
- Managed portfolio	-	-	150,500	150,500
	22,055	296,010	150,500	468,565

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.1 Fair value hierarchy (continued)

31 December 2017 (audited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held through managed portfolios	172,991	-	-	172,991
- Local unquoted securities held through managed portfolios	-	33,075	-	33,075
- Managed funds	-	14,109	-	14,109
Available for sale investments				
- Local quoted securities	16,059	-	-	16,059
- Managed portfolios	444,648	-	637,368	1,082,016
- Managed funds	-	2,113,356	-	2,113,356
	633,698	2,160,540	637,368	3,431,606
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held through managed portfolios	25,677	-	-	25,677
- Managed funds	-	280,018	-	280,018
Available for sale investment				
- Managed portfolios	-	-	150,500	150,500
	25,677	280,018	150,500	456,195

30 September 2017 (unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held through managed portfolios	270,252	-	-	270,252
- Managed funds	-	14,109	-	14,109
Available for sale investments				
- Local quoted securities	185,783	-	-	185,783
- Managed portfolios	1,261,380	-	203,410	1,464,790
- Managed funds	-	1,517,099	-	1,517,099
	1,717,415	1,531,208	203,410	3,452,033
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held through managed portfolios	40,994	-	-	40,994
- Managed funds	-	460,281	-	460,281
	40,994	460,281	-	501,275

The group does not have any financial liabilities at fair value.

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.1 Fair value hierarchy (continued)

Measurement at fair value
The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period

Level 3 fair value measurements
The group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Unquoted securities		
	(Investments at fair value through OCI) 30 September 2018 (Unaudited) KD	(Available for sale investment) 31 Dec. 2017 (Audited) KD	(Available for sale investment) 30 September 2017 (Unaudited) KD
Shareholders			
Opening balance	**637,368**	728,598	271,290
Transfer	**119,518**	232,180	-
Disposal	**-**	(216,503)	-
Change in fair value	**(19,638)**	(106,907)	(67,880)
Closing balance	**737,248**	637,368	203,410
Policyholders			
Opening balance	**150,500**	-	-
Transfer	**-**	182,656	-
Disposal	**-**	(36,500)	-
Net change in fair value	**-**	4,344	-
Closing balance	**150,500**	150,500	-

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the reporting date.

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Notes to the interim condensed consolidated financial information (continued)

17 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2017.