

Interim Condensed Consolidated Financial Information and Review Report

**Wethaq Takaful Insurance Company – KPSC and Subsidiary
Kuwait**

30 June 2019 (Unaudited)

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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 June 2019 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 six-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 KD5,775,176 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 KD243,850 and KD1,439,550 respectively which have been long outstanding 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 building has been determined using fair value of evaluation prepared by an external valuator as at 31 December 2018, and although this investment building is part of the assets of the subsidiary company in Egypt, no financial statements or information on that subsidiary were available to us and the value of the building has been recognized after a confirmation by the Parent Company’s management that there are no other assets or liabilities associated with this building or subsidiary and carried in the records of that subsidiary.



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 six-month period ended 30 June 2019 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
4 August 2019

Interim condensed consolidated statement of profit or loss

		Three months ended		Six months ended	
	Notes	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD
Revenue					
Change in fair value of investments at fair value through profit or loss		1,986	(20,827)	(28,486)	(4,934)
Rental income		20,000	17,200	20,000	17,200
Dividend income		4,288	40,051	9,788	40,051
Income from investment deposits		5,511	693	8,553	1,332
Management fees from policyholders	8	(28,626)	2,242	4,022	15,433
		3,159	39,359	13,877	69,082
Expenses and other charges					
General and administrative expenses		(10,046)	(21,617)	(14,280)	(26,369)
		(10,046)	(21,617)	(14,280)	(26,369)
(Loss)/profit for the period before reversal of/(provisions for) National Labour Support Tax (NLST) and Zakat		(6,887)	17,742	(403)	42,713
Reversal of/(provision for) NLST		87	(444)	-	(1,068)
Reversal of/(provision for) Zakat		10	(177)	-	(427)
(Loss)/profit for the period		(6,790)	17,121	(403)	41,218
Basic and diluted (loss)/earning per share (Fils)					
	6	(0.062)	0.156	(0.004)	0.375

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

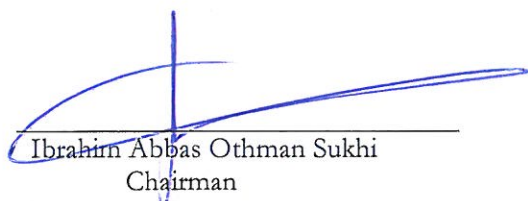
Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Six months ended	
	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD
(Loss)/profit for the period	(6,790)	17,121	(403)	41,218
Other comprehensive loss:				
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>				
Equity investments at fair value through other comprehensive income				
-Net change in fair value arising during the period	(131,106)	(72,643)	(270,412)	(113,350)
Total other comprehensive loss that will not be reclassified subsequently to consolidated statement of profit or loss	(131,106)	(72,643)	(270,412)	(113,350)
Total other comprehensive loss	(131,106)	(72,643)	(270,412)	(113,350)
Total comprehensive loss for the period	(137,896)	(55,522)	(270,815)	(72,132)

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Assets				
Bank balances		10,174	8,990	12,502
Investment deposits		632,000	862,000	130,500
Investments at fair value through profit or loss		182,883	211,369	204,700
Investments at fair value through other comprehensive income	7	820,163	1,632,033	3,175,321
Amount due from policyholders	8	5,775,176	4,985,890	4,306,004
Qard Hassan to policyholders' fund	9	1,463,111	1,463,111	1,463,111
Investment properties	10	2,672,186	2,672,186	2,601,443
Other assets		5,556	7,111	13,897
Total assets		11,561,249	11,842,690	11,907,478
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		(762,031)	(457,780)	(218,726)
Foreign currency translation reserve		(1,570,030)	(1,570,030)	(1,566,446)
Employees' share purchase plan reserve		65,964	65,964	65,964
Accumulated losses		(5,285,699)	(5,319,135)	(5,488,781)
Total equity		11,543,438	11,814,253	11,887,245
Liabilities				
Other liabilities		17,811	28,437	20,233
Total equity and liabilities		11,561,249	11,842,690	11,907,478


Ibrahim Abbas Othman Sukhi
Chairman


Abdullah Mishari Al-Humaidhi
Vice chairman

The notes set out on pages 8 to 22 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 2018 (Audited)	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(457,780)	(1,570,030)	65,964	(5,319,135)	11,814,253
Loss for the period	-	-	-	-	-	-	-	-	-	(403)	(403)
Other comprehensive loss	-	-	-	-	-	-	(270,412)	-	-	-	(270,412)
Total comprehensive loss for the period	-	-	-	-	-	-	(270,412)	-	-	(403)	(270,815)
Profit on redemption of equity investments at FVOCI (note 7)	-	-	-	-	-	-	(33,839)	-	-	33,839	-
Balance at 30 June 2019 (Unaudited)	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(762,031)	(1,570,030)	65,964	(5,285,699)	11,543,438
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	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	41,218	41,218
Other comprehensive loss	-	-	-	-	-	-	(113,350)	-	-	-	(113,350)
Total comprehensive (loss) / income	-	-	-	-	-	-	(113,350)	-	-	41,218	(72,132)
Balance at 30 June 2018 (Unaudited)	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(218,726)	(1,566,446)	65,964	(5,488,781)	11,887,245

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2019 (Unaudited) KD	Six months ended 30 June 2018 (Unaudited) KD
OPERATING ACTIVITIES		
(Loss)/profit for the period	(403)	41,218
Adjustments for:		
Change in fair value of investments at fair value through profit or loss	28,486	4,934
Income from investment deposits	(8,553)	(1,332)
Dividend income	(9,788)	(40,051)
	9,742	4,769
Changes in operating assets and liabilities:		
Other assets	1,555	6,832
Other liabilities	(10,626)	(3,320)
Amount due from policyholders	(789,286)	(71,921)
Net cash used in operating activities	(788,615)	(63,640)
INVESTING ACTIVITIES		
Proceed from redemption of Investments at fair value through other comprehensive income	541,458	-
Dividend income received	9,788	40,051
Income received from investment deposits	8,553	1,332
Additions to investment properties	-	(3,731)
Investment deposits	230,000	(130,500)
Net cash from/(used in) investing activities	789,799	(92,848)
Increase/(decrease) in bank balances	1,184	(156,488)
Bank balances at the beginning of the period	8,990	168,990
Bank balances at the end of the period	10,174	12,502

The notes set out on pages 8 to 22 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 abroad and it may establish, participate, purchase, and merge with such entities.

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.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities of the Parent Company (continued)

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 six-month period ended 30 June 2019 was authorised for issue by the Parent Company's board of directors on 4 August 2019.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the changes described in note 3.

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

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

Operating results for the six-month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2018.

The Group has recognised the results of its subsidiary, Wared Rent a Car Company – KSCC, using management accounts for the period ended 30 June 2019.

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 2019 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 16 Leases	1 January 2019

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 16 Leases

IFRS 16 replaced IAS 17 and the related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged.

The adoption of this standard did not have a significant impact on this 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 2018 except for the changes arising from applying IFRS 16 as noted in 3 above. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract, determination of appropriate discount rate, and assessment of impairment.

5 Subsidiary companies

The details of the subsidiary companies are as follows:

Subsidiary company	Country of incorporation	Ownership Percentage			Principal activities
		30 June 2019 (Unaudited) %	31 Dec. 2018 (Audited) %	30 June 2018 (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)		Six months ended (Unaudited)	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
(Loss)/profit for the period (KD)	(6,790)	17,121	(403)	41,218
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)	(0.062)	0.156	(0.004)	0.375

7 Investments at fair value through other comprehensive income

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Local quoted securities	20,235	20,024	16,633
Local unquoted securities	62,309	69,745	40,000
Managed portfolios	433,956	859,608	1,005,332
Managed funds	303,663	682,656	2,113,356
	820,163	1,632,033	3,175,321

- These investments are held in equity instruments for medium to long term strategic objectives. Accordingly, the management has chosen to identify these investments in equity instruments as investments at fair value through other comprehensive income where it is believed that the recognition of short-term fluctuations in the fair value of these investments in the statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.

Notes to the interim condensed consolidated financial information (continued)

7 Investments at fair value through other comprehensive income (continued)

- 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.
- One of the related parties to the Group manages investment portfolios and funds owned by the Parent Company amounting to KD90,629(31 December 2018: KD503,764 and 30 June 2018: KD764,789).
- During the period, the Group received an amount of KD541,458 representing the proceeds on liquidation of one of the Group's managed funds which resulted in a realised gain of KD33,839 recognised directly in equity (2018: Nil).

8 Amount due from policyholders

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Opening balance at the beginning of the period/year	4,985,890	4,234,083	4,234,083
Management fees from policyholders for the period/year	4,022	2,082	15,433
Net movements during the period/year	785,264	749,725	56,488
Closing balance at the end of the period/year	5,775,176	4,985,890	4,306,004

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.

10 Investment properties

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Carrying value at the beginning of the period/year	2,672,186	2,597,712	2,597,712
Addition during the period/year	-	6,210	3,731
Net changes in fair value during the period/year	-	71,848	-
Differences arising from translation of foreign currency	-	(3,584)	-
Closing balance at the end of the period/year	2,672,186	2,672,186	2,601,443

Notes to the interim condensed consolidated financial information (continued)

10 Investment properties (continued)

- The management of the Parent Company recorded the assets of the subsidiary in Egypt, which represent only the value of its investment building amounting to KD2,436,835 (31 December 2018: KD2,436,835 and 30 June 2018: KD2,317,425) 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 building mentioned above.

The investment building 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 KD235,351 (31 December 2018: KD235,351 and 30 June 2018: KD284,018). The contract of the right of use expires in 2024.

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 June 2019 (Unaudited):					
Premiums written	69,904	939,491	236,761	123,039	1,369,195
Total revenues	2,523	691,893	(36,870)	76,731	734,277
Net (deficit)/surplus from takaful operations	(15,378)	(73,974)	(88,549)	17,363	(160,538)
Investment and other income	907	7,683	7,215	1,601	17,406
Net (deficit)/surplus by line of business	(14,471)	(66,291)	(81,334)	18,964	(143,132)
Income from leasing activities					33,657
Expenses relating to leasing activities					(41,061)
Management fees to the shareholders *					28,626
Net deficit transferred to policyholders' fund					(121,910)
Other comprehensive loss for the period:					
Equity investments at fair value through other comprehensive income					
-Net change in fair value arising during the period					(11,248)
Total other comprehensive loss for the period					(11,248)
Net deficit with other comprehensive loss					(133,158)

Notes to the interim condensed consolidated financial information (continued)

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

The consolidated policyholders' result by line of business: (continued)

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Six months ended 30 June 2019 (Unaudited):					
Premiums written	139,422	2,392,483	1,102,141	227,510	3,861,556
Total revenues	53,928	1,683,557	38,911	145,885	1,922,281
Net surplus/(deficit) from takaful operations	24,756	38,546	(128,584)	34,106	(31,176)
Investment and other income	1,852	31,774	14,637	3,021	51,284
Net surplus/(deficit) by line of business	26,608	70,320	(113,947)	37,127	20,108
Income from leasing activities					72,127
Expenses relating to leasing activities					(83,977)
Management fees to the shareholders *					(4,022)
Net surplus transferred to policyholders' fund					4,236
Other comprehensive loss for the period:					
Equity investments at fair value through other comprehensive income					
-Net change in fair value arising during the period					(10,242)
Total other comprehensive loss for the period					(10,242)
Net deficit with other comprehensive loss					(6,006)
Three months ended 30 June 2018 (Unaudited):					
Premiums written	53,526	706,071	162,084	85,705	1,007,386
Total revenues	26,301	932,596	22,698	66,970	1,048,565
Net surplus/(deficit) from takaful operations	7,517	(34,743)	(3,345)	24,588	(5,983)
Investment and other income	793	3,954	7,182	1,395	13,324
Net surplus/(deficit) by line of business	8,310	(30,789)	3,837	25,983	7,341
Income from leasing activities					38,930
Expenses relating to leasing activities					(42,993)
Management fees to the shareholders *					(2,242)
Net surplus transferred to policyholders' fund					1,036
Other comprehensive income/(loss) for the period:					
Equity investments at fair value through other comprehensive income					
-Net change in fair value arising during the period					-
Total other comprehensive income/(loss) for the period					-
Net surplus with other comprehensive income					1,036

Notes to the interim condensed consolidated financial information (continued)

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

The consolidated policyholders' result by line of business: (continued)

	Marine and aviation KD	General accident KD	Fire KD	Life KD	Total KD
Six months ended 30 June 2018 (Unaudited):					
Premiums written	126,809	1,873,616	1,005,900	142,667	3,148,992
Total revenues	49,505	1,626,024	59,499	117,408	1,852,436
Net surplus/(deficit) from takaful operations	19,171	61,495	(97,713)	38,110	21,063
Investment and other income	2,241	33,105	17,773	2,521	55,640
Net surplus/(deficit) by line of business	21,412	94,600	(79,940)	40,631	76,703
Income from leasing activities					75,804
Expenses relating to leasing activities					(82,489)
Management fees to the shareholders *					(15,433)
Net surplus transferred to policyholders' fund					54,585
Other comprehensive loss for the period:					
Equity investments at fair value through other comprehensive income					
-Net change in fair value arising during the period					(3,407)
Total other comprehensive loss for the period					(3,407)
Net surplus with other comprehensive loss					51,178

* 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).

Notes to the interim condensed consolidated financial information (continued)

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

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

	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD
Assets			
Cash and cash equivalents	199,873	54,680	129,676
Investment deposits	1,326,000	1,326,000	1,378,000
Investments at fair value through profit or loss	301,392	295,230	301,080
Accounts receivable and other assets	1,156,327	979,293	1,103,549
Premiums receivable	2,259,451	2,198,392	2,075,507
Investments at fair value through other comprehensive income	130,743	177,524	172,768
Goodwill	409,766	409,766	409,766
Reinsurance share of outstanding claims	2,436,071	2,326,486	2,218,990
Retakaful contribution receivables	2,382,433	2,366,253	2,632,667
Leasehold land	277,750	277,750	277,750
Equipment	182,136	172,075	200,854
Total assets	11,061,942	10,583,449	10,900,607
Liabilities			
Outstanding claims reserve	3,673,784	3,923,763	4,435,391
Unearned premiums	1,180,100	962,894	1,163,069
Incurred but not reported reserve	27,708	27,803	64,979
Accounts payable and accrued expenses (see a below)	4,882,856	5,154,775	5,305,062
Amount due to the shareholders	6,209,750	5,420,464	4,740,578
Qard Hassan from the shareholders	1,625,611	1,625,611	1,625,611
Total liabilities	17,599,809	17,115,310	17,334,690
Policyholders' fund			
Policyholders' fund at the beginning of the period/year	(6,381,483)	(6,489,605)	(6,489,605)
Adjustments arising on adoption of IFRS 9 on 1 January 2018	-	107,274	156,069
Policyholders' fund at the beginning of the period/year (Restated)	(6,381,483)	(6,382,331)	(6,333,536)
Net surplus of policyholders' for the period/year	4,236	848	54,585
	(6,377,247)	(6,381,483)	(6,278,951)
Fair value reserve	(150,378)	(151,725)	(151,725)
Change in fair value during the period/year	(10,242)	1,347	(3,407)
Total policyholders' fund at the end of the period/year	(6,537,867)	(6,531,861)	(6,434,083)
Total liabilities and policyholders' fund	11,061,942	10,583,449	10,900,607

- 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 (Note 15).

Notes to the interim condensed consolidated financial information (continued)

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		Six months ended	
	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD
Shareholders:				
<i>Interim condensed consolidated statement of profit or loss:</i>				
General and administrative expense	3,750	7,748	7,500	12,500
	30 June 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 June 2018 (Unaudited) KD	
<i>Interim condensed consolidated statement of financial position:</i>				
Investments at fair value through other comprehensive income	491,300	1,223,008	2,732,794	

The investments at fair value through other comprehensive income above include the Group's investments in the shares of subsidiaries and managed funds of the Ultimate Parent Company (Investment Dar Company and its subsidiaries) amounting to KD452,195 (31 December 2018: KD1,184,782 and 30 June 2018: KD2,696,623) (see note 7).

	Three months ended		Six months ended	
	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD	30 June 2019 (Unaudited) KD	30 June 2018 (Unaudited) KD
Policyholders:				
<i>Key management compensation:</i>				
Salaries and other short term benefits	45,288	26,200	90,576	86,826
Indemnity	(28)	2,531	14,734	39,416
	45,260	28,731	105,310	126,242

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.

Notes to the interim condensed consolidated financial information (continued)

13 Segmental analysis (continued)

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

Shareholders						
For the six months ended 30 June 2019 (Unaudited)		Investment KD	Takaful insurance KD	Unallocated KD	Total KD	
Total revenue		9,855	4,022	-	13,877	
Profit/(loss) for the period		9,855	4,022	(14,280)	(403)	
Total assets		4,307,232	7,238,287	15,730	11,561,249	
Total liabilities		-	-	(17,811)	(17,811)	
Net assets		4,307,232	7,238,287	(2,081)	11,543,438	
For the six months ended 30 June 2018 (Unaudited)						
Total revenue		53,649	15,433	-	69,082	
Profit/(loss) for the period		53,649	15,433	(27,864)	41,218	
Total assets		6,111,964	5,769,115	26,399	11,907,478	
Total liabilities		-	-	(20,233)	(20,233)	
Net assets		6,111,964	5,769,115	6,166	11,887,245	
Policyholders						
For the six months ended 30 June 2019 (Unaudited)		Investment KD	Takaful insurance KD	Cars rental KD	Unallocated KD	Total KD
Total revenue		51,284	1,922,281	72,127	-	2,045,692
Profit/(loss) for the period		51,284	(35,198)	(11,850)	-	4,236
Total assets		2,035,885	7,077,955	424,715	1,523,387	11,061,942
Total liabilities		-	(12,716,953)	(279,442)	(4,603,414)	(17,599,809)
Net assets		2,035,885	(5,638,998)	145,273	(3,080,027)	(6,537,867)
For the six months ended 30 June 2018 (Unaudited)						
Total revenue		55,640	1,852,436	75,804	-	1,983,880
Profit/(loss) for the period		55,640	5,630	(6,685)	-	54,585
Total assets		2,129,598	6,927,164	459,399	1,384,446	10,900,607
Total liabilities		-	(12,029,628)	(259,822)	(5,045,240)	(17,334,690)
Net assets		2,129,598	(5,102,464)	199,577	(3,660,794)	(6,434,083)

14 General Assembly of shareholders

On 11 April 2019, the general assembly of the shareholders approved the consolidated financial statements of the Group for the year ended 31 December 2018 and the proposal of the board of directors not to distribute any dividends for the year then ended.

Also, the general assembly of the shareholders approved the board of directors' remuneration of KD15,000 for the year ended 31 December 2018.

Notes to the interim condensed consolidated financial information (continued)

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 2018: KD3,636,022 and 30 June 2018: KD3,636,022) 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:

- 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 June 2019 (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	182,883	-	-	182,883
Investment at fair value through other comprehensive income				
- Local quoted securities	20,235	-	-	20,235
- Local unquoted securities	-	-	62,309	62,309
- Managed portfolios	-	-	433,956	433,956
- Managed funds	-	303,663	-	303,663
	203,118	303,663	496,265	1,003,046

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.1 Fair value hierarchy (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
30 June 2019 (Unaudited)				
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Managed fund	-	301,392	-	301,392
Investments at fair value through other comprehensive income				
- Local quoted securities	17,118	-	-	17,118
- Managed portfolio	-	-	113,625	113,625
	17,118	301,392	113,625	432,135
31 December 2018 (audited)				
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held through managed portfolios	211,369	-	-	211,369
Investments at fair value through other comprehensive income				
- Local quoted securities	20,024	-	-	20,024
- Local unquoted securities	-	-	69,745	69,745
- Managed portfolios	-	-	859,608	859,608
- Managed funds	-	682,656	-	682,656
	231,393	682,656	929,353	1,843,402
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Managed funds	-	295,230	-	295,230
Investments at fair value through other comprehensive income				
- Local quoted securities	27,024	-	-	27,024
- Managed portfolios	-	-	150,500	150,500
	27,024	295,230	150,500	472,754
30 June 2018 (Unaudited)				
SHAREHOLDERS				
Investments at fair value through profit or loss				
- Local quoted securities held through managed portfolios	204,700	-	-	204,700
Investment at fair value through other comprehensive income				
- Local quoted securities	16,633	-	-	16,633
- Managed portfolios	334,184	-	711,148	1,045,332
- Managed funds	-	2,113,356	-	2,113,356
	555,517	2,113,356	711,148	3,380,021

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.1 Fair value hierarchy (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
30 June 2018 (Unaudited)				
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Managed fund	-	301,080	-	301,080
Investments at fair value through other comprehensive income				
- Local quoted securities	22,268	-	-	22,268
- Managed portfolio	-	-	150,500	150,500
	22,268	301,080	150,500	473,848

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

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 June 2019 (Unaudited) KD	(Investments at fair value through OCI) 31 Dec. 2018 (Audited) KD	(Investments at fair value through OCI) 30 June 2018 (Unaudited) KD
Shareholders			
Opening balance	929,353	637,368	637,368
Transfer	-	119,518	119,069
Change in fair value during the period/year	(433,088)	172,467	(45,289)
Closing balance	496,265	929,353	711,148
Policyholders			
Opening balance	150,500	150,500	150,500
Disposal	(37,625)	-	-
Change in fair value during the period/year	750	-	-
Closing balance	113,625	150,500	150,500

Notes to the interim condensed consolidated financial information (continued)

16 Fair value measurement (continued)

16.1 Fair value hierarchy (continued)

Level 3 fair value measurements (continued)

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%.

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 2018.