

Interim Condensed Consolidated Financial Information and Review Report
Wethaq Takaful Insurance Company – KPSC and Subsidiary
Kuwait

30 September 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 September 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 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 KD6,015,761 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 KD246,099 and KD1,371,027 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 nine-month period ended 30 September 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
12 November 2019

Interim condensed consolidated statement of profit or loss

		Three months ended		Nine months ended	
	Notes	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Revenue					
Change in fair value of investments at fair value through profit or loss		11,239	3,228	(17,247)	(1,706)
Rental income		-	-	20,000	17,200
Dividend income		-	-	9,788	40,051
Income from investment deposits		2,115	460	10,668	1,792
(Reversal of management fees)/ management fees earned from policyholders	8	(4,022)	(10,228)	-	5,205
Other income		-	1,675	-	1,675
		9,332	(4,865)	23,209	64,217
Expenses and other charges					
General and administrative expenses		(42,132)	(5,460)	(56,412)	(31,829)
		(42,132)	(5,460)	(56,412)	(31,829)
(Loss)/profit for the period before provisions for National Labour Support Tax (NLST) and Zakat		(32,800)	(10,325)	(33,203)	32,388
Provision for NLST		-	(148)	-	(1,216)
Provision for Zakat		-	(59)	-	(486)
(Loss)/profit for the period		(32,800)	(10,532)	(33,203)	30,686
Basic and diluted (loss)/ earnings per share (Fils)	6	(0.299)	(0.096)	(0.302)	0.279

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

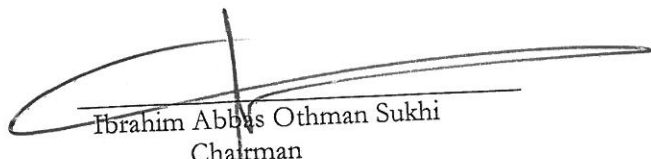
Interim condensed consolidated statement of profit or loss and other comprehensive income

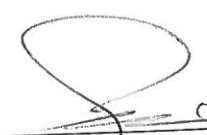
	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
(Loss)/ profit for the period	(32,800)	(10,532)	(33,203)	30,686
Other comprehensive income/(loss):				
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>				
Investments at fair value through other comprehensive income				
- Net change in fair value arising during the period	243,519	14,140	(26,893)	(99,210)
Total other comprehensive income /(loss) that will not be reclassified subsequently to consolidated statement of profit or loss	243,519	14,140	(26,893)	(99,210)
Total other comprehensive income/(loss)	243,519	14,140	(26,893)	(99,210)
Total comprehensive income/(loss) for the period	210,719	3,608	(60,096)	(68,524)

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 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Assets				
Bank balances		10,174	8,990	10,665
Investment deposits		352,000	862,000	130,500
Investments at fair value through profit or loss		194,122	211,369	207,928
Investments at fair value through other comprehensive income	7	1,063,682	1,632,033	3,189,461
Amount due from policyholders	8	6,015,761	4,985,890	4,288,033
Qard Hassan to policyholders' fund	9	1,463,111	1,463,111	1,463,111
Investment properties	10	2,672,186	2,672,186	2,602,125
Other assets		4,682	7,111	22,284
Total assets		11,775,718	11,842,690	11,914,107
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		(518,512)	(457,780)	(204,586)
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		(5,318,499)	(5,319,135)	(5,499,313)
Total equity		11,754,157	11,814,253	11,890,853
Liabilities				
Other liabilities		21,561	28,437	23,254
Total equity and liabilities		11,775,718	11,842,690	11,914,107


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	-	-	-	-	-	-	-	-	-	(33,203)	(33,203)
Other comprehensive loss	-	-	-	-	-	-	(26,893)	-	-	-	(26,893)
Total comprehensive loss for the period	-	-	-	-	-	-	(26,893)	-	-	(33,203)	(60,096)
Profit on redemption of equity investments at FVOCI	-	-	-	-	-	-	(33,839)	-	-	33,839	-
Balance at 30 September 2019 (Unaudited)	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(518,512)	(1,570,030)	65,964	(5,318,499)	11,754,157
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	-	-	-	-	-	-	-	-	-	30,686	30,686
Other comprehensive loss	-	-	-	-	-	-	(99,210)	-	-	-	(99,210)
Total comprehensive (loss) / income	-	-	-	-	-	-	(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

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

	Nine months ended 30 Sept. 2019 (Unaudited) KD	Nine months ended 30 Sept. 2018 (Unaudited) KD
OPERATING ACTIVITIES		
(Loss)/profit for the period	(33,203)	30,686
Adjustments for:		
Change in fair value of investments at fair value through profit or loss	17,247	1,706
Income from investment deposits	(10,668)	(1,792)
Dividend income	(9,788)	(40,051)
	(36,412)	(9,451)
Changes in operating assets and liabilities:		
Other assets	2,429	(12,895)
Other liabilities	(6,876)	(299)
Amount due from policyholders	(1,029,871)	(53,950)
Net cash used in operating activities	(1,070,730)	(76,595)
INVESTING ACTIVITIES		
Proceeds 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	10,668	13,132
Additions to investment properties	-	(4,413)
Investment deposits	510,000	(130,500)
Net cash from/(used in) investing activities	1,071,914	(81,730)
Increase/(decrease) in bank balances	1,184	(158,325)
Bank balances at the beginning of the period	8,990	168,990
Bank balances at the end of the period	10,174	10,665

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 - KSC (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 nine-month period ended 30 September 2019 was authorised for issue by the Parent Company's board of directors on 12 November 2019.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 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 nine-month period ended 30 September 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 September 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 Sept. 2019 (Unaudited) %	31 Dec. 2018 (Audited) %	30 Sept. 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)		Nine months ended (Unaudited)	
	30 Sept. 2019	30 Sept. 2018	30 Sept. 2019	30 Sept. 2018
(Loss)/profit for the period (KD)	(32,800)	(10,532)	(33,203)	30,686
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)	(0.299)	(0.096)	(0.302)	0.279

7 Investments at fair value through other comprehensive income

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Local quoted securities	20,235	20,024	20,648
Local unquoted securities	62,309	69,745	40,000
Managed portfolios	677,475	859,608	1,015,457
Managed funds	303,663	682,656	2,113,356
	1,063,682	1,632,033	3,189,461

- 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 KD305,896 (31 December 2018: KD503,764 and 30 September 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 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Opening balance at the beginning of the period/year	5,420,464	4,668,657	4,668,657
Management fees from policyholders for the period/year	-	2,082	5,205
Net movement during the period/year	1,029,871	749,725	48,745
	6,450,335	5,420,464	4,722,607
Less: Impairment in value	(434,574)	(434,574)	(434,574)
Closing balance at the end of the period/year	6,015,761	4,985,890	4,288,033

Net movement 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 premiums 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 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 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	4,413
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	2,602,125

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 September 2018: 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 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 September 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 September 2019 (Unaudited):					
Premiums written	38,527	799,749	284,726	43,748	1,166,750
Total revenues	22,871	709,451	111,356	36,102	879,780
Net surplus/(deficit) from takaful operations	14,652	(655,842)	92,046	5,751	(543,393)
Investment and other income	673	11,547	5,320	1,098	18,638
Net surplus/(deficit) by line of business	15,325	(644,295)	97,366	6,849	(524,755)
Income from leasing activities					30,579
Expenses relating to leasing activities					(42,451)
Management fees reversal from the shareholders *					4,022
Net deficit transferred to policyholders' fund					(532,605)
Other comprehensive income for the period:					
Investments at fair value through other comprehensive income					
-Net change in fair value arising during the period					278
Total other comprehensive income for the period					278
Net deficit with other comprehensive income					(532,327)

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
Nine months ended 30 September 2019					
(Unaudited):					
Premiums written	177,949	3,192,232	1,386,867	271,258	5,028,306
Total revenues	76,799	2,393,008	150,267	181,987	2,802,061
Net surplus/(deficit) from takaful operations	39,408	(617,296)	(36,538)	39,857	(574,569)
Investment and other income	2,525	43,321	19,957	4,119	69,922
Net surplus/(deficit) by line of business	41,933	(573,975)	(16,581)	43,976	(504,647)
Income from leasing activities					102,706
Expenses relating to leasing activities					(126,428)
Management fees to the shareholders *					-
Net deficit transferred to policyholders' fund					(528,369)
Other comprehensive loss for the period:					
Investments at fair value through other comprehensive income					
-Net change in fair value arising during the period					(9,964)
Total other comprehensive loss for the period					(9,964)
Net deficit with other comprehensive loss					(538,333)
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 relating to leasing activities					(40,663)
Management fees to the shareholders *					10,228
Net deficit transferred to policyholders' fund					(42,989)
Other comprehensive loss for the period:					
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 with other comprehensive loss					(43,204)

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
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 relating to 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:					
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 with other comprehensive loss					7,974

* 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 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Assets			
Cash and cash equivalents	81,411	54,680	48,876
Investment deposits	1,326,000	1,326,000	1,326,000
Investments at fair value through profit or loss	305,097	295,230	296,010
Accounts receivable and other assets	1,332,784	979,293	1,190,189
Premiums receivable	2,225,577	2,198,392	2,216,309
Investments at fair value through other comprehensive income	129,935	177,524	172,555
Goodwill	409,766	409,766	409,766
Reinsurance share of outstanding claims (see b below)	4,327,360	2,326,486	2,274,102
Retakaful contribution receivables	2,574,394	2,366,253	2,577,995
Leasehold land	277,750	277,750	277,750
Equipment	170,811	172,075	188,054
Total assets	13,160,885	10,583,449	10,977,606
Liabilities			
Outstanding claims reserve (see b below)	5,964,256	3,923,763	4,387,855
Unearned premiums	1,125,385	962,894	1,111,503
Incurred but not reported reserve	27,708	27,803	64,979
Accounts payable and accrued expenses (see a below)	5,037,784	5,154,775	5,542,338
Amount due to the shareholders	6,450,335	5,420,464	4,722,607
Qard Hassan from the shareholders	1,625,611	1,625,611	1,625,611
Total liabilities	20,231,079	17,115,310	17,454,893
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 (deficit)/surplus of policyholders' fund for the period/year	(528,369)	848	11,596
	(6,909,852)	(6,381,483)	(6,321,940)
Fair value reserve	(150,378)	(151,725)	(151,725)
Change in fair value during the period/year	(9,964)	1,347	(3,622)
Total policyholders' fund at the end of the period/year	(7,070,194)	(6,531,861)	(6,477,287)
Total liabilities and policyholders' fund	13,160,885	10,583,449	10,977,606

- 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).
- b) During the period, the Group received an overall assessment of a government claim for damages incurred as a result of recent rainfall in Kuwait. The Group's share of this claim was calculated to be equivalent to KD3,630,000 from which KD1,349,700 was paid during the period. This amount is fully reinsured and has been recognised both in reinsurance share of outstanding claims and outstanding claims reserve.

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 and balances between the Group and the related parties are disclosed below.

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Shareholders:				
<i>Interim condensed consolidated statement of profit or loss:</i>				
General and administrative expense	3,750	3,750	11,250	16,250
	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD	
<i>Interim condensed consolidated statement of financial position:</i>				
Investments at fair value through other comprehensive income	685,487	1,223,008	2,760,394	

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) amounting to KD647,817 (31 December 2018: KD1,184,782 and 30 September 2018: KD2,723,773) (see note 7).

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Policyholders:				
<i>Key management compensation:</i>				
Salaries and other short term benefits	45,288	43,413	135,864	130,239
End of service indemnity	7,883	4,169	22,617	43,585
	53,171	47,582	158,481	173,824

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		Investment KD	Takaful insurance KD	Unallocated KD	Total KD
For the nine months ended 30 September 2019 (Unaudited)					
Total revenue		23,209	-	-	23,209
Profit/(loss) for the period		23,209	-	(56,412)	(33,203)
Total assets		4,281,990	7,478,872	14,856	11,775,718
Total liabilities		-	-	(21,561)	(21,561)
Net assets		4,281,990	7,478,872	(6,705)	11,754,157
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
Policyholders					
	Investment KD	Takaful insurance KD	Cars rental KD	Unallocated KD	Total KD
For the nine months ended 30 September 2019 (Unaudited)					
Total revenue	69,922	2,802,061	102,706	-	2,974,689
Profit/(loss) for the period	69,922	(574,569)	(23,722)	-	(528,369)
Total assets	2,448,548	9,127,331	417,436	1,167,570	13,160,885
Total liabilities	-	(15,193,295)	(284,034)	(4,753,750)	(20,231,079)
Net assets	2,448,548	(6,065,964)	133,402	(3,586,180)	(7,070,194)
For the nine months ended 30 September 2018 (Unaudited)					
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)

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 September 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 11a).

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 September 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	194,122	-	-	194,122
Investment at fair value through other comprehensive income				
- Local quoted securities	20,235			20,235
- Local unquoted securities	-	-	62,309	62,309
- Managed portfolios	-	-	677,475	677,475
- Managed funds	-	303,663	-	303,663
	214,357	303,663	739,784	1,257,804

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 September 2019 (Unaudited)				
POLICYHOLDERS				
Investments at fair value through profit or loss				
- Managed fund	-	305,097	-	305,097
Investments at fair value through other comprehensive income				
- Local quoted securities	16,310	-	-	16,310
- Managed portfolio	-	-	113,625	113,625
	16,310	305,097	113,625	435,032
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 September 2018 (Unaudited)				
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

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 September 2018 (Unaudited)				
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

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 September 2019 (Unaudited) KD	(Investments at fair value through OCI) 31 Dec. 2018 (Audited) KD	(Investments at fair value through OCI) 30 September 2018 (Unaudited) KD
Shareholders			
Opening balance	929,353	637,368	637,368
Transfer	-	119,518	119,518
Change in fair value during the period/year	(189,569)	172,467	(19,638)
Closing balance	739,784	929,353	737,248
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 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.