

**Wethaq Takaful Insurance Company
Kuwaiti Shareholding Company (Public)
and its Subsidiaries
State of Kuwait**

**Interim condensed consolidated financial information
for the three months ended 31 March 2020
(Unaudited)
and Independent Auditor's Review Report**

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**Wethaq Takaful Insurance Company
Kuwaiti Shareholding Company (Public)
and its Subsidiaries
State of Kuwait**

Independent Auditor's Report to the Board of Directors

Report on Review of Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Wethaq Takaful Insurance Company (Kuwaiti Shareholding Public Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as at 31 March 2020 and the interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three months period then ended.

The Parent Company's 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

Except as stated in the next section, 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

- The interim condensed consolidated financial information for the period ended 31 March 2020 includes the amount due from the policyholders of KD 6,363,530 (KD 6,292,981 – 31 December 2019) and Qard Hassan to policyholders amounting to KD 1,463,111 (KD 1,463,111 – 31 December 2019) after deducting the provision made for these balances amounting to KD 434,574 and KD 162,500 respectively (KD 434,574 and KD 162,500 respectively – 31 December 2019). The management did not consider the impairment of such balances as at 31 December 2019 and 31 March 2020 as required under the International Financial Reporting Standards. Qualified opinion was expressed in the audited consolidated financial statements for the year ended 31 December 2019

regarding this matter. We were unable to complete our review of these balances as at 31 March 2020. Had we been able to complete our review of such balances, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information.

- The interim condensed consolidated financial information includes the policyholders' assets, which include accounts receivable and other assets and premiums receivable of KD 757,070 (KD 797,539 – 31 December 2019) and KD 1,060,514 (KD 1,078,262 – 31 December 2019) respectively, representing balances brought forward from previous years. The management did not consider the impairment thereof as required under the International Financial Reporting Standards. Qualified opinion was expressed in the audited consolidated financial statements for the year ended 31 December 2019 regarding this matter. We were unable to complete our review of these balances as at 31 March 2020. Had we been able to complete our review of such balances, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information.
- The interim condensed consolidated financial information for the period ended 31 March 2020 includes investment property of KD 186,683 (KD 186,683 – 31 December 2019). The management did not conduct valuation of such property for the financial year ended 31 December 2019 and the period ended 31 March 2020. We were unable to complete our review of this investment property as at 31 March 2020. Had we been able to complete our review of the investment property, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information.

Qualified Conclusion

Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

Other Matter

The consolidated financial statements for the financial year ended 31 December 2019 were audited by another auditor who expressed qualified opinion on those financial statements on 29 March 2020.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. To the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, or of the Parent Company's Memorandum and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2020 that might have had a material effect on the business of the Group or on its consolidated financial position.



Ali Mohamad Al-Hamad

License No. 111-A

Ali Al-Hamad & Partners

Independent member of Baker Tilly International

علي محمد الحمود



State of Kuwait, 13 August 2020

Interim condensed consolidated statement of financial position (unaudited)

As at 31 March 2020

(All amounts are in Kuwaiti Dinars)

		31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
	Note			
Assets				
Cash at banks		15,216	10,174	8,990
Investment deposits		159,580	52,000	632,000
Financial assets at fair value through other comprehensive income	5	1,014,119	1,112,996	1,492,727
Financial assets at fair value through profit or loss	6	159,857	227,303	180,897
Amount due from policyholders	7	6,363,530	6,292,981	5,256,591
Qard Hassan to policyholders	8	1,463,111	1,463,111	1,463,111
Investment properties	9	2,775,070	2,911,070	2,672,186
Property and equipment		1,118	-	-
Accounts and other receivables		16,627	6,602	7,116
Total assets		11,968,228	12,076,237	11,713,618
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		(271,864)	(442,170)	(597,086)
Foreign currency translation reserve		(2,050)	(1,282,478)	(1,570,030)
Employees' stock option plan reserve		65,964	65,964	65,964
Accumulated losses		(7,000,464)	(5,385,561)	(5,312,748)
Total equity		11,886,820	12,050,989	11,681,334
Liabilities				
Accounts and other payables		81,408	25,248	32,284
Total liabilities		81,408	25,248	32,284
Total equity and liabilities		11,968,228	12,076,237	11,713,618

Ibrahim Abbas Othman Sukhi
Chairman

Abdullah Meshari Ahmed Al-Humaidhi
Vice Chairman

Interim condensed consolidated statement of profit or loss (unaudited)
For the three-month period ended 31 March 2020

(All amounts are in Kuwaiti Dinars)

		Three-month period ended 31 March (Unaudited)	
	Note	2020	2019
Revenue			
Rental income		101,618	-
Dividend income		2,520	5,500
Income from investment deposits		2,060	3,042
Change in fair value of investment properties	9	(136,000)	-
Change in fair value of financial assets at fair value through profit or loss		(67,446)	(30,472)
Management fees from policyholders		55,708	32,648
Foreign currency translation		4,578	-
Other income		10,692	-
		<u>(26,270)</u>	<u>10,718</u>
Expenses			
Rental costs		(43,553)	-
Loss on disposal of subsidiary	15	(1,282,478)	-
General and administrative expenses		(8,386)	(4,234)
		<u>(1,334,417)</u>	<u>(4,234)</u>
(Loss)/ profit for the period before provisions for National Labor Support Tax (NLST) and Zakat		(1,360,687)	6,484
Provision for National Labor Support Tax		-	(87)
Provision for Zakat		-	(10)
(Loss)/ profit for the period		(1,360,687)	6,387
Basic and diluted (loss)/ earnings per share (Fils)	16	<u>(12.4)</u>	<u>0.06</u>

Interim condensed consolidated statement of other comprehensive income (unaudited)
For the three-month period ended 31 March 2020

(All amounts are in Kuwaiti Dinars)

	Three-month period ended 31 March (Unaudited)	
	2020	2019
(Loss)/ profit for the period	(1,360,687)	6,387
Other comprehensive loss:		
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income	(83,910)	(139,306)
Items that may be reclassified subsequently to the consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	(2,050)	-
Total other compressive loss	(85,960)	(139,306)
Total compressive loss for the period	(1,446,647)	(132,919)

Interim condensed consolidated statement of changes in equity (unaudited)
For the three-month period ended 31 March 2020

(All amounts are in Kuwaiti Dinars)

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Employees' stock option plan reserve	Accumulated losses	Total
Balance as at 31 December 2018	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
Profit for the period	-	-	-	-	-	-	-	-	-	6,387	6,387
Total comprehensive loss for the period	-	-	-	-	-	-	(139,306)	-	-	-	(139,306)
Balance as at 31 March 2019	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(597,086)	(1,570,030)	65,964	(5,312,748)	11,681,334
Balance as at 31 December 2019	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(442,170)	1,282,478	65,964	(5,385,561)	12,050,989
Loss for the period	-	-	-	-	-	-	-	-	-	(1,360,687)	(1,360,687)
Total comprehensive loss for the period	-	-	-	-	-	-	(83,910)	(2,050)	-	-	(85,960)
Loss on sale of investments	-	-	-	-	-	-	254,216	-	-	(254,216)	-
Disposal of subsidiary (Note 15)	-	-	-	-	-	-	-	1,282,478	-	-	1,282,478
Balance as at 31 March 2020	11,025,000	7,340,937	(50,489)	3,508	388,139	388,139	(271,864)	(2,050)	65,964	(7,000,464)	11,886,820

Interim condensed consolidated statement of cash flows (unaudited)
For the three-month period ended 31 March 2020
(All amounts are in Kuwaiti Dinars)

	Three-month period ended 31 March (Unaudited)	
	2020	2019
	KD	KD
Cash flows from operating activities:		
(Loss) / profit for the period	(1,360,687)	6,387
Adjustments for:		
Change in fair value of financial assets at fair value through profit or loss	67,446	30,472
Change in fair value of investment properties	136,000	-
Loss on disposal of subsidiary	1,282,478	-
Income from investment deposits	(2,060)	(3,042)
Dividend income	(2,520)	(5,500)
	120,657	28,317
Changes in operating assets and liabilities:		
Accounts and other receivables	(10,025)	(5)
Accounts and other payables	54,110	3,847
Amount due from policyholders	(70,549)	(270,701)
Net cash generated from / (used in) operating activities	94,193	(238,542)
Cash flows from investing activities:		
Dividends	2,520	5,500
Income from investment deposits	2,060	3,042
Purchase of property and equipment	(1,118)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	14,967	-
Movement in investment deposits	(107,580)	230,000
Net cash (used in) / generated from investing activities	(89,151)	238,542
Increase in cash at banks	5,042	-
Cash at banks at the beginning of the period	10,174	8,990
Cash at banks at the end of the period	15,216	8,990

Notes to interim condensed consolidated financial information (unaudited)

For the three-month period ended 31 March 2020

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation and activities

Wethaq Takaful Insurance Company ("the Parent Company") is a Kuwaiti Public Shareholding Company that was incorporated on 31 July 2000 and is registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. The amendments were registered in the Commercial Register under No. 82421 on 11 June 2014. The shares of the Parent Company were listed on Boursa Kuwait on 20 December 2004. The Company is supervised by Central Bank of Kuwait and Capital Markets Authority.

The Parent Company is a subsidiary of the Investment Dar Company - KSC (Closed) (Ultimate Parent Company).

The objectives for which the Parent Company is incorporated are as follows:

First: Carry on all Takaful, mutual and retakaful insurance business of all forms in accordance with the provisions of Islamic Sharia and 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 business and acts as Board of Directors deems 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 property 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 shares 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 specialized companies and entities.

Notes to interim condensed consolidated financial information (unaudited)
For the three-month period ended 31 March 2020

(All amounts are in Kuwaiti Dinars unless otherwise stated)

1. Incorporation and activities (Cont'd)

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 that help it achieve its objectives in Kuwait or abroad and it may establish, participate, purchase, merge with such entities or annex them.

Takaful is an Islamic alternative to a 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 Sharia Supervisory Board.

The Parent Company conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The shareholders are responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated.

The Parent Company holds the physical custody and title of all assets related to the policyholders' and shareholders' operations. Such assets and liabilities together with the results of policyholders' lines of business are disclosed in the notes.

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

All takaful insurance and investment activities are conducted in accordance with Islamic Sharia, as approved by Fatwa and Sharia Supervisory Board.

The address of the Parent Company's registered office is at Shaq, Khaled Ibn Al-Waleed Street, City Tower, Floor 11.

The interim condensed consolidated financial information for the three-month period ended 31 March 2020 was authorized for issue by the Board of Directors of the Parent Company on 13 August 2020.

2. Basis of presentation and significant accounting policies

2.1 Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. (34), "Interim Financial Reporting". The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements in accordance with International Financial Reporting Standards.

In the management's opinion, all necessary adjustments, including recurring accruals have been included in the interim condensed consolidated financial information for fair presentation. The operating results for the period ended 31 March 2020 are not necessarily indicative of results that may be expected for the year ending 31 December 2020. For further information, it is possible to refer to the consolidated financial statements and its related notes for the year ended 31 December 2019.

**Notes to interim condensed consolidated financial information (unaudited)
For the three-month period ended 31 March 2020**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

2.2 Significant accounting policies

The accounting policies used in preparing the interim condensed consolidated financial information are similar to those used in the preparation of consolidated financial statements for the year ended 31 December 2019 except for the effect of application of new and revised International Financial Reporting Standards (IFRS) as the follows:

2.2.1 New and revised IFRS adopted by the Group

New and revised IFRSs	Effective for annual periods beginning on or after
<p>Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.</p>	1 January 2020
<p>Definition of a Business — Amendments to IFRS 3 <i>Business Combinations</i></p> <p>The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.</p>	1 January 2020
<p>Amendments to References to the Conceptual Framework in IFRSs - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework</p>	1 January 2020
<p>IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform</p>	1 January 2020

The amendments to the International Financial Reporting Standards, which are effective for the annual accounting period beginning from 1 January 2020 had no material impact on the accounting policies, financial position or performance of the Group.

Notes to interim condensed consolidated financial information (unaudited)
For the three-month period ended 31 March 2020
(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial information are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The below table presents analysis of the captions recorded at fair value by level of the fair value hierarchy:

	31 March 2020			
	Level 1	Level 2	Level 3	Total
Shareholders				
Financial assets at fair value through profit or loss				
• Local quoted securities	159,857			159,857
Financial assets at fair value through other comprehensive income				
• Local quoted securities	162,556	-	-	162,556
• Local unquoted securities	-	-	592,996	592,996
• Managed funds	-	-	258,567	258,567
	<u>322,413</u>	<u>-</u>	<u>851,563</u>	<u>1,173,976</u>
Policyholders				
Financial assets at fair value through other comprehensive income				
• Local quoted securities	11,799	-	-	11,799
• Foreign unquoted securities	-	-	113,241	113,241
	<u>11,799</u>	<u>-</u>	<u>113,241</u>	<u>125,040</u>

Notes to interim condensed consolidated financial information (unaudited)
For the three-month period ended 31 March 2020
(All amounts are in Kuwaiti Dinars unless otherwise stated)

3. Fair value measurement (cont'd)

Shareholders	31 March 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
• Local quoted securities held through managed portfolios	180,897	-	-	180,897
Financial assets at fair value through other comprehensive income				
• Local quoted securities	21,078	-	-	21,078
• Local unquoted securities	-	-	80,899	80,899
• Managed portfolios	-	-	558,536	558,536
• Managed funds	-	832,214	-	832,214
	<u>201,975</u>	<u>832,214</u>	<u>639,435</u>	<u>1,673,624</u>
Policyholders				
Financial assets at fair value through profit or loss				
4. Managed funds	-	299,910	-	299,910
Financial assets at fair value through other comprehensive income				
• Local quoted securities	28,030	-	-	28,030
• Managed portfolios	-	-	150,500	150,500
	<u>28,030</u>	<u>299,910</u>	<u>150,500</u>	<u>478,440</u>

As at 31 December, the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that the fair values of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these financial instruments.

During the period, there were no transfers between levels 1, Level 2 and Level 3.

4. Judgment and estimates

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

Investment properties

The Group's management determined the fair value of investment properties using internal studies. This requires the management to assess different factors to arrive at best estimate of the property value.

Notes to interim condensed consolidated financial information (unaudited)
For the three-month period ended 31 March 2020
(All amounts are in Kuwaiti Dinars unless otherwise stated)

5. Financial assets at fair value through other comprehensive income

	31 March 2020 (unaudited)	31 December 2019 (audited)	31 March 2019 (unaudited)
Local quoted securities	162,556	16,904	21,078
Local unquoted securities	592,996	78,263	80,899
Managed portfolios	-	714,215	558,536
Managed funds	258,567	303,614	832,214
	1,014,119	1,112,996	1,492,727

6. Financial assets at fair value through profit or loss

	31 March 2020 (unaudited)	31 December 2019 (audited)	31 March 2019 (unaudited)
Local quoted securities	159,857	-	-
Local quoted securities held through managed portfolios	-	227,303	180,897
	159,857	227,303	180,897

7. Amount due from policyholders

	31 March 2020 (unaudited)	31 December 2019 (audited)	31 March 2019 (unaudited)
Opening balance at beginning of period/ year	6,292,981	5,420,464	4,985,890
Management fees from policyholders during period/ year	55,708	-	32,648
Net movements during period/ year	14,841	1,307,091	238,053
Impairment during period/ year	-	(434,574)	-
Closing balance at the end of period/ year	6,363,530	6,292,981	5,256,591

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 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 8) in such a way that ensures continuity of the Takaful insurance activity of the policyholders.

Notes to interim condensed consolidated financial information (unaudited)
For the three-month period ended 31 March 2020

(All amounts are in Kuwaiti Dinars unless otherwise stated)

8. Qard Hassan to policyholders

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 the expected surplus from insurance activities in future years.

9. Investment properties

	31 March 2020 (unaudited)	31 December 2019 (audited)	31 March 2019 (unaudited)
Carrying value at the beginning of the period/ year	2,911,070	2,672,186	2,672,186
Additions during the period/ year	-	-	-
Change in fair value during the period/ year	(136,000)	(48,668)	-
Foreign currency translation differences	-	287,552	-
	<u>2,775,070</u>	<u>2,911,070</u>	<u>2,672,186</u>

- The investment property in Egypt amounting to KD 2,588,387 (31 December 2019: KD 2,724,387 and 31 March 2019: KD 2,436,835) is registered in the name of one of the Parent Company's directors, who provided an irrevocable general power of attorney in favor of the Group.
- The above investment properties include a right of use of hotel apartments in Zamzam Tower in Holly Mecca in the Kingdom of Saudi Arabia amounting to KD 186,683 (31 December 2019: KD 186,683 and 31 March 2019: KD 235,351).

Notes to interim condensed consolidated financial information (unaudited)
For the three-month period ended 31 March 2020
(All amounts are in Kuwaiti Dinars unless otherwise stated)

10. Consolidated policyholders' results by line of business and funds

Consolidated policyholders' results by line of business for the three-month period ended 31 March 2020 (unaudited):

	Marine and aviation	General accident	Fire	Life	Total
Premiums written	98,435	960,671	982,157	41,610	2,082,873
Gross revenue	25,998	634,013	33,163	53,764	746,938
Net surplus/ (deficit) from takaful insurance operations	13,869	270,113	(82,084)	24,592	226,490
Investments and other income	1,991	19,433	19,867	842	42,133
Net surplus/ (deficit) by line of business	15,860	289,546	(62,217)	25,434	268,623
Income from leasing activities					37,090
Expenses related to leasing activities					(37,745)
Management fees to Company's shareholders*					(55,708)
Net surplus transferred to policyholders					212,260
Other comprehensive income for the period					
Equity investments at fair value through other comprehensive income:					
Net change in fair value arising during the period					(5,302)
Total other comprehensive income					206,958

The three-month period ended 31 March 2019 (unaudited):

	Marine and aviation	General accident	Fire	Life	Total
Premiums written	69,518	1,452,992	865,380	104,471	2,492,361
Gross revenue	51,405	991,664	75,781	69,154	1,188,004
Net surplus/ (deficit) from takaful insurance operations	40,134	112,520	(40,035)	16,743	129,362
Investments and other income	945	24,091	7,422	1,420	33,878
Net surplus/ (deficit) by line of business	41,079	136,611	(32,613)	18,163	163,240
Income from leasing activities					38,470
Expenses related to leasing activities					(42,916)
Management fees to Company's shareholders*					(32,648)
Net surplus transferred to policyholders					126,146
Other comprehensive income for the period					
Equity investments at fair value through other comprehensive income:					
Net change in fair value arising during the period					1,006
Total other comprehensive income					127,152

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11. Policyholders' assets, liabilities and fund

	31 March 2020 (unaudited)	31 December 2019 (audited)	31 March 2019 (unaudited)
Assets			
Cash and cash equivalents	166,637	17,708	113,007
Investment deposits	1,326,000	1,326,000	1,326,000
Financial assets at fair value through profit or loss	-	300,417	299,910
Accounts and other receivables	1,026,021	1,328,102	1,281,354
Premiums receivable	1,820,804	1,609,781	1,963,804
Financial assets at fair value through other comprehensive income	125,040	130,342	178,530
Goodwill	409,766	409,766	409,766
Reinsurance share of outstanding claims	1,717,017	4,139,475	2,502,984
Retakaful contribution receivables	2,344,648	2,408,165	2,363,208
Leasehold land	277,750	277,750	277,750
Equipment	166,364	196,063	199,311
Total assets	9,380,047	12,143,569	10,915,624
Liabilities and Policyholders' fund			
Liabilities			
Accounts and other payables	2,742,973	5,561,105	3,902,899
Unearned premiums	1,313,507	1,474,573	921,522
Incurred but not reported claims reserve	27,708	27,708	27,708
Payables and accrued expenses*	4,909,075	4,970,906	5,151,428
Amount due to shareholders	6,798,104	6,727,555	5,691,165
Qard Hassan from shareholders	1,625,611	1,625,611	1,625,611
Total liabilities	17,416,978	20,387,458	17,320,333
Policyholders' fund			
Policyholders' fund balance as at the beginning of the period/ year	(8,083,987)	(6,382,331)	(6,381,483)
Net surplus of policyholders for the period/ year	212,260	(1,701,656)	126,146
	(7,871,727)	(8,083,987)	(6,255,337)
Fair value reserve at the beginning of the period/ year	(159,902)	(150,378)	(150,378)
Change in fair value during the period/ year	(5,302)	(9,524)	1,006
Fair value reserve at the end of the period/ year	(165,204)	(159,902)	(149,372)
Total policyholders' fund as at the end of the period/ year	(8,036,931)	(8,243,889)	(6,404,709)
Total liabilities and policyholders' fund	9,380,047	12,143,569	10,915,624

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11. Policyholders' assets, liabilities and fund (Cont'd)

- * This balance includes an amount relating to liability towards a government body "the plaintiff". During the year ended 31 December 2017, the Court of Appeal in the State of Kuwait ruled in favor of the plaintiff ordering the Group to pay KD 3,636,022. The Group filed an appeal in cassation against the Court of Appeal's judgment before the Court of Cassation. The appeal in cassation is still pending.

12. Related party transactions and balances

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

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Shareholders		
Interim condensed consolidated statement of profit or loss		
Salaries and other short-term benefits	3,750	3,750
	31 March 2020 (unaudited)	31 December 2019 (audited)
Interim condensed consolidated statement of financial position		31 March 2019 (unaudited)
Financial assets at fair value through other comprehensive income	763,977	941,008
		1,104,561
Financial assets at fair value through other comprehensive income above include the Group's investments in the shares of subsidiaries of the Ultimate Parent Company (Investment Dar Company) amounting to KD 763,977 (31 December 2019: KD 894,357 and 31 March 2019: KD 1,066,550).		

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12. Related party transactions and balances (Cont'd)

	Three months ended 31 March 2020	Three months ended 31 March 2019
	(unaudited)	(unaudited)
Policyholders		
Key management compensation:		
Salaries and other short-term benefits	45,306	45,288
End of service benefits	3,480	14,762
	48,786	60,050

13. Segment reporting

	Investment	Takaful insurance	Unallocated	Total
Shareholders				
Three months ended 31 March 2020 (unaudited)				
Gross revenue	(92,670)	55,708	10,692	(26,270)
(Loss)/ profit for the period	(136,223)	55,708	(1,280,172)	(1,360,687)
Total assets	4,108,626	7,826,641	32,961	11,968,228
Total liabilities			(81,408)	(81,408)
Net assets	4,108,626	7,826,641	(48,447)	11,886,820
Three months ended 31 March 2019 (unaudited)				
Gross revenue	(21,930)	32,648	-	10,718
(Loss)/ profit for the period	(21,930)	32,648	(4,331)	6,387
Total assets	4,977,810	6,719,702	16,106	11,713,618
Total liabilities	-	-	(32,284)	(32,284)
Net assets	4,977,810	6,719,702	(16,178)	11,681,334

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13. Segment reporting (Cont'd)

	Investment	Takaful insurance	Car rental	Unallocated	Total
Policyholders					
Six months ended 30 June 2020 (unaudited)					
Gross revenue	42,133	746,938	37,090	-	826,161
(Loss)/ profit for the period	42,133	226,490	(655)	(55,708)	212,260
Total assets	1,923,056	7,021,952	435,039	-	9,380,047
Total liabilities	(17,115,990)	(300,988)		-	(17,416,978)
Net assets	(15,192,934)	6,720,964	435,039	-	(8,036,931)
Six months ended 30 June 2019 (unaudited)					
Gross revenue	33,878	1,188,004	38,470	-	1,260,352
(Loss)/ profit for the period	33,878	96,714	(4,446)	-	126,146
Total assets	2,082,190	6,829,996	441,508	1,561,930	10,915,624
Total liabilities	-	(12,168,905)	(288,830)	(4,862,598)	(17,320,333)
Net assets	2,082,190	(5,338,909)	152,678	(3,300,668)	(6,404,709)

14. Shareholders' annual general assembly

The Shareholders' general assembly meeting held on 18 June 2020 approved the consolidated financial statements of the Group for the year ended 31 December 2019 and the Board of Directors' proposal not to distribute any dividends for the year then ended.

The Shareholders' general assembly also approved not to pay remunerations to the directors for the financial year ended 31 December 2019.

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15. Subsidiaries

The interim condensed consolidated financial information includes the financial statements of the Parent Company and its subsidiaries below (collectively referred to as the "Group"):

Subsidiary's name	Country of incorporation	Principal activities	Ownership percentage		
			31 March 2020	% 31 December 2019	31 March 2019
Consolidated with shareholders					
Hala Real Estate Investment Company L.L.C	Arab Republic of Egypt	Real estate investment and marketing, and purchase, sale and lease of land for its own account or third parties	%100	-	-
Wethaq Real Estate Investment Company	Arab Republic of Egypt	Purchase, sale, lease and acquisition of land in Egypt	-	%99.40	%99.40
Consolidated with policyholders					
Wared Rent a Car Company-KSC (Closed)	State of Kuwait	Car rental and trading in cars and spare parts in the State of Kuwait	%100	%93.32	%93.32

During the period, the Group completed the liquidation of Wethaq Real Estate Investment Company in Arab Republic of Egypt. This resulted in loss on disposal of subsidiary amount to KD 1,282,478.

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16. Earnings per share

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

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
(Loss)/ profit for the period (KD)	(1,360,687)	6,387
Weighted average number of shares outstanding during the period	110,250,000	110,250,000
Treasury shares	(445,500)	(445,500)
	109,804,500	109,804,500
Basic and diluted (loss)/ earnings per share (Fils)	(12.4)	0.06

17. Contingencies

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 KD 3,636,022 (31 December 2019: KD 3,636,022 and 31 March 2019: KD 3,636,022), which the Group has provided for in the accounts payable and other liabilities. Although the Court of Appeal passed its judgment in favor of the State, the Parent Company submitted a request to the Court of Cassation to suspend the enforcement. The Parent Company also made provisions which, in its opinion, are adequate to cover any resultant liabilities.

18. Impact of COVID-19 Pandemic

In light of the emergence of the Coronavirus (COVID-19) in the People's Republic of China and its spread at a later stage in a number of countries in the world, the World Health Organization has announced a global epidemic classification, and in light of its outbreak at the level of the continents of the world, the World Health Organization has declared it to be classified from an epidemic to a pandemic. This has made the world's governments close their borders, suspend their operations, and apply curfew within their borders. In the State of Kuwait, a number of legislations were issued as part of the precautionary measures to combat the aforementioned pandemic, as outlined below:

- On 25 February 2020, all flights from certain countries were suspended. Subsequently, the suspension was extended to cover all air traffic in the State of Kuwait on 12 March 2020 until the date of this report.
- On 10 March 2020, the government started imposing a moratorium on certain commercial activities, leading to the implementation of a partial curfew from 22 March 2020 to the date of this report.
- On 11 March 2020, The Council of Ministers announced the suspension of government and private entities for a period of two weeks, and then it was extended until 18 June 2020.

As a result of these precautionary measures, the business has been suspended either totally or partially, depending on the business sector and according to the requirements of controlling the pandemic.

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18. Impact of COVID-19 Pandemic (Cont'd)

The Group's management assessed the effect on the financial information as a result of the current conditions. Significant changes are outlined below:

- The Group considered the available information and current conditions as well as economic forecasts when determining the fair value of investment properties in the interim condensed consolidated financial information. The management believes that the recognized values of investment properties represent the best estimate in light of the current situation, reflecting impairment of investment properties by KD 136,000 as set out in Note 9.
- The Group studied the potential effects of fluctuations in the current market to determine the amounts recognized for the Group's unquoted financial assets in light of the impact of Covid-19. This represents the best evaluation by the management based on the available observable information as at the date of interim condensed consolidated financial information. The Group closely monitors if the fair value of financial assets and liabilities represents the price that would be realized for transactions among market participants under the current scenario. Further information regarding fair value measurements is disclosed in Note 4.