

**Gulf Insurance Group K.S.C.P. and its
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2018 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF INSURANCE GROUP K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 September 2018, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

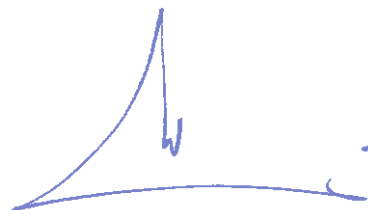
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons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

Conclusion

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

Report on review of other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the nine months period ended 30 September 2018 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

5 November 2018
Kuwait

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 KD	(Restated)* 2017 KD	2018 KD	(Restated)* 2017 KD
Revenue:					
Premiums written		98,584,732	90,276,836	252,907,297	246,568,855
Reinsurance premiums ceded		(54,772,382)	(48,740,166)	(134,054,831)	(133,944,823)
Net premiums written		43,812,350	41,536,670	118,852,466	112,624,032
Movement in unearned premiums reserve		(6,181,759)	(5,418,253)	(11,875,907)	(11,238,220)
Movement in life mathematical reserve		95,793	(373,824)	830,149	(1,909,272)
Net premiums earned		37,726,384	35,744,593	107,806,708	99,476,540
Commission received on ceded reinsurance		4,084,701	4,574,762	12,279,179	13,978,438
Policy issuance fees		644,622	924,887	2,668,400	3,043,400
Net investment income from designated life insurance	3	266,319	343,026	120,357	1,713,063
		42,722,026	41,587,268	122,874,644	118,211,441
Expenses:					
Claims incurred		26,817,246	26,886,510	77,513,323	77,314,866
Commission and discounts		3,864,338	2,443,088	11,413,836	10,376,196
Maturity and cancellations of life insurance policies		956,173	609,530	2,466,542	1,541,888
General and administrative expenses		6,945,760	9,545,216	21,461,401	23,079,292
		38,583,517	39,484,344	112,855,102	112,312,242
Net underwriting income		4,138,509	2,102,924	10,019,542	5,899,199
Net investment income	3	506,113	2,338,776	4,810,253	6,620,378
Finance costs		(665,210)	(614,156)	(2,121,537)	(1,087,535)
Share of results of associates		504,846	811,418	2,333,496	2,663,993
Net sundry income		393,232	547,632	1,030,557	648,636
		4,877,490	5,186,594	16,072,311	14,744,671
Other charges:					
Unallocated general and administrative expenses		(189,638)	(2,283,294)	(3,687,988)	(5,661,390)
PROFIT FOR THE PERIOD BEFORE TAXATION					
		4,687,852	2,903,300	12,384,323	9,083,281
Contribution to KFAS		(29,937)	(49,073)	(110,529)	(156,552)
NLST		(95,645)	(48,644)	(286,449)	(129,011)
Zakat		(34,249)	(20,941)	(88,684)	(89,074)
PROFIT FOR THE PERIOD		4,528,021	2,784,642	11,898,661	8,708,644
Attributable to:					
Equity holders of the Parent Company		4,013,755	2,442,400	10,597,507	7,808,003
Non-controlling interests		514,266	342,242	1,301,154	900,641
		4,528,021	2,784,642	11,898,661	8,708,644
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	22.42 fils	13.64 fils	59.20 fils	43.62 fils

* Certain numbers shown here do not correspond to the 30 September 2017 interim condensed consolidated financial information and reflect adjustments made as explained in Note 10.

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the period ended 30 September 2018

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018 KD	(Restated)* 2017 KD	2018 KD	(Restated)* 2017 KD
Profit for the period		<u>4,528,021</u>	<u>2,784,642</u>	<u>11,898,661</u>	<u>8,708,644</u>
Other comprehensive income:					
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>					
- Investments available for sale:					
Net unrealised loss		(99,930)	(128,122)	(2,904,313)	(33,072)
Net realised (loss) gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	(1,150,465)	244,610	(2,039,667)	(797,391)
Impairment loss on investments available for sale	3	823	37,363	962,469	112,379
		<u>(1,249,572)</u>	<u>153,851</u>	<u>(3,981,511)</u>	<u>(718,084)</u>
- Share of other comprehensive income of associates		136,898	134,450	37,347	208,062
- Exchange differences on translation of foreign operations		(2,049,804)	726,337	(4,672,107)	(130,844)
Other comprehensive (loss) income for the period		<u>(3,162,478)</u>	<u>1,014,638</u>	<u>(8,616,271)</u>	<u>(640,866)</u>
Total comprehensive income for the period		<u>1,365,543</u>	<u>3,799,280</u>	<u>3,282,390</u>	<u>8,067,778</u>
Attributable to:					
Equity holders of the Parent Company		631,025	3,330,251	1,975,471	7,040,350
Non-controlling interests		734,518	469,029	1,306,919	1,027,428
		<u>1,365,543</u>	<u>3,799,280</u>	<u>3,282,390</u>	<u>8,067,778</u>

* Certain numbers shown here do not correspond to the 30 September 2017 interim condensed consolidated financial information and reflect adjustments made as explained in Note 10.

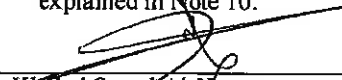
Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

		<i>(Restated)*</i>	<i>(Restated)*</i>
		<i>(Audited)</i>	<i>(Restated)*</i>
	<i>Note</i>	<i>30 September</i>	<i>31 December</i>
		<i>2018</i>	<i>2017</i>
		<i>KD</i>	<i>KD</i>
		<i>KD</i>	<i>KD</i>
ASSETS			
Property and equipment		17,840,772	17,880,111
Investments in associates		42,669,169	40,850,904
Goodwill		15,104,460	15,104,460
Financial instruments:			
Investments held to maturity		22,537,109	19,509,904
Debt securities (loans)		16,633,243	18,329,989
Investments available for sale		33,027,075	36,168,453
Investments carried at fair value through income statement		21,270,510	26,421,139
Loans secured by life insurance policies		1,606,866	1,604,035
Premiums and insurance balances receivable		114,201,384	93,470,873
Reinsurance recoverable on outstanding claims		113,668,815	103,743,311
Investment properties		2,637,819	2,878,466
Other assets		24,164,898	23,105,183
Time deposits		36,495,378	38,438,911
Cash and cash equivalents	5	52,772,745	55,581,425
TOTAL ASSETS		514,630,243	493,087,164
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital		18,703,913	18,703,913
Share premium		3,600,000	3,600,000
Treasury shares		(4,203,067)	(4,203,067)
Treasury shares reserve		2,051,215	2,051,215
Statutory reserve		18,703,913	18,703,913
Voluntary reserve		24,888,125	24,888,125
Other reserve		(3,062,725)	(3,062,725)
Cumulative changes in fair values		(4,413,960)	(754,256)
Foreign currency translation adjustments		(21,552,382)	(16,590,050)
Revaluation reserve		2,559,760	2,559,760
Retained earnings		42,170,253	36,942,750
Equity attributable to the equity holders of the Parent Company		79,445,045	82,839,578
Non-controlling interests		20,123,216	19,548,317
TOTAL EQUITY		99,568,261	102,387,895
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve (gross)		169,264,992	156,687,629
Unearned premiums reserve (net)		56,312,586	51,494,581
Life mathematical reserve (net)		19,359,982	20,186,446
Incurred but not reported reserve (net)		1,650,000	1,650,000
Total liabilities arising from insurance contracts		246,587,560	230,018,656
Premiums received in advance		4,285,947	4,430,319
Insurance payable		64,595,754	66,729,198
Other liabilities		38,541,471	34,139,439
Bank overdrafts	5	61,051,250	55,381,657
TOTAL LIABILITIES		415,061,982	390,699,269
TOTAL EQUITY AND LIABILITIES		514,630,243	493,087,164

* Certain numbers shown here do not correspond to the 31 December 2017 consolidated financial statements and 30 September 2017 interim condensed consolidated financial information and reflect adjustments made as explained in Note 10.


Khaled Saoud Al-Hassan
Chief Executive Officer

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2018

Attributable to equity holders of the Parent Company

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Revaluation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2018 (Audited) (Restated)	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(754,256)	(16,590,050)	2,559,760	36,942,750	82,839,578	19,548,317	102,387,895
Profit for the period	-	-	-	-	-	-	-	-	-	-	10,597,507	10,597,507	1,301,154	11,898,661
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	(3,659,704)	(4,962,332)	-	-	(8,622,036)	5,765	(8,616,271)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(3,659,704)	(4,962,332)	-	10,597,507	1,975,471	1,306,919	3,282,390
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	(5,370,004)	(5,370,004)	-	(5,370,004)
Change in ownership of a Subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(210,189)	(210,189)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(521,831)	(521,831)
As at 30 September 2018	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(4,413,960)	(21,552,382)	2,559,760	42,170,253	79,445,045	20,123,216	99,568,261

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2018

	Attributable to equity holders of the Parent Company														
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2017 (Audited)	18,703,913	3,600,000	-	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,074,550)	(15,384,515)	2,559,760	36,619,761	82,313,733	19,456,694	101,770,427
(As previously reported)															
Effect of restatement (Note 10) *	-	-	-	-	-	-	-	-	-	-	-	(1,488,184)	(1,488,184)	(1,429,824)	(2,918,008)
As at 1 January 2017 (Restated)	18,703,913	3,600,000	-	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,074,550)	(15,384,515)	2,559,760	35,131,577	80,825,549	18,026,870	98,852,419
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	7,808,003	7,808,003	900,641	8,708,644
Other comprehensive (loss) income	-	-	-	-	-	-	-	-	(599,903)	(167,750)	-	-	(767,653)	126,787	(640,866)
Total comprehensive (loss) income for the Period	-	-	-	-	-	-	-	-	(599,903)	(167,750)	-	7,808,003	7,040,350	1,027,428	8,067,778
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	-	(7,160,458)	(7,160,458)	-	(7,160,458)
Change in ownership of a Subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	1,565,769	1,565,769
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,146,604)	(1,146,604)
As at 30 September 2017	18,703,913	3,600,000	-	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,674,453)	(15,552,265)	2,559,760	35,779,122	80,705,441	19,473,463	100,178,904

* Certain numbers shown here do not correspond to the 30 September 2017 interim condensed consolidated financial information and reflect adjustments made as explained in Note 10.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2018

	Notes	Nine months ended 30 September	
		2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the period before taxation		12,384,323	9,083,281
<i>Adjustments for:</i>			
Depreciation		960,663	1,203,478
Net investment income	3	(4,930,610)	(8,333,441)
Share of results of associates		(2,333,496)	(2,663,993)
Finance costs		2,121,537	1,087,535
		<u>8,202,417</u>	<u>376,860</u>
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through income statement		3,710,063	(998,379)
Premiums and insurance balances receivable		(20,730,511)	(50,651,004)
Reinsurance recoverable on outstanding claims		(9,925,504)	(48,798,929)
Other assets		(5,249,309)	2,967,724
Liabilities arising from insurance contracts		16,568,904	61,674,343
Premiums received in advance		(144,372)	(5,341,706)
Insurance payable		(2,133,444)	9,924,152
Other liabilities		4,516,364	8,944,713
		<u>(5,185,392)</u>	<u>(21,902,226)</u>
Paid to NLST		(215,764)	(80,369)
Paid to KFAS		-	(112,963)
Paid to Zakat		(39,398)	(68,130)
Remuneration paid to directors		(185,000)	(185,000)
		<u>(5,625,554)</u>	<u>(22,348,688)</u>
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Net cash out flows on acquisition of subsidiaries		-	(2,547,222)
Purchase of property and equipment		(1,175,918)	(1,779,620)
Proceeds from sale of property and equipment		50,558	303,626
Net movement of investments held to maturity		(3,027,205)	(1,566,361)
Net movement of debt securities (loans)		1,696,746	(3,847,445)
Net movement of investments available for sale		558,872	(120,822)
Loans secured by life insurance policies		(2,831)	(64,794)
Movement in time deposits		1,943,533	(10,821,430)
Interest received		5,215,245	4,449,053
Dividends income received		1,726,838	1,755,742
Dividends received from associates		556,142	1,270,539
		<u>7,541,980</u>	<u>(15,046,334)</u>
Net cash flows from (used in) investing activities			
FINANCING ACTIVITIES			
Finance cost paid		(2,121,537)	(1,087,535)
Dividends paid		(5,370,004)	(7,160,458)
Dividends paid to non-controlling interests		(521,831)	(1,146,604)
Net movement in non-controlling interest		(210,189)	-
		<u>(8,223,561)</u>	<u>(9,394,597)</u>
Net cash flows used in financing activities			
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(6,307,135)	(44,712,019)
		<u>(2,171,138)</u>	<u>(716,376)</u>
Cash and cash equivalents at 1 January		199,768	48,313,491
		<u>199,768</u>	<u>48,313,491</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER			
	5	<u>(8,278,505)</u>	<u>2,885,096</u>

* Certain numbers shown here do not correspond to the 30 September 2017 interim condensed consolidated financial information and reflect adjustments made as explained in Note 10.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (the “Group”) were authorised for issue by the Board of Directors on --- ---- 2018. The Ordinary Annual General Assembly meeting of the Parent Company’s shareholders held on 29 March 2018 approved the consolidated financial statements for the year ended 31 December 2017 and approved the proposed distribution of cash dividends of 30 fils per share (2016: 40 fils per share).

The Parent Company is a Kuwaiti Shareholding Company incorporated in the State of Kuwait in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The address of the Parent Company’s registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 42, Office No 1 & 2, Sharq, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait. The Parent Company’s objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 44.04% (31 December 2017: 44.04% and 30 September 2017: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2017: 41.42% and 30 September 2017: 41.42%) by Fairfax Financial Holding Limited as at 30 September 2018.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting.

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

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

New standards, interpretations and amendments adopted by the Group

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

IFRS 9 *Financial Instruments* is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendment; Amendments to IFRS 4 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*.

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

During 2017, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2017. The Group has applied the temporary exemption from IFRS 9 and, therefore, continues to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

Gulf Insurance Company K.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3 NET INVESTMENT INCOME

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 KD</i>	<i>2017 KD</i>	<i>2018 KD</i>	<i>2017 KD</i>
Net realised gain (loss) on sale of investments available for sale	1,150,465	(244,610)	2,039,667	797,391
Realised (loss) gain on sale of investments at fair value through income statement	(33,478)	(84,825)	185,878	42,357
Unrealised (loss) gain on investments at fair value through income statement	(801,392)	742,463	(1,626,444)	1,011,139
Dividend income	188,491	94,367	1,726,838	1,755,742
Interest on investments held to maturity	633,284	553,324	1,632,849	1,572,628
Interest on debt securities (loans)	270,976	214,274	852,041	807,399
Interest on time and call deposits	946,645	863,436	2,730,355	2,069,026
Foreign exchange (loss) gain	(2,937)	381,765	1,230	27,691
Other investment income	142,705	506,878	387,997	904,380
Impairment loss on investments available for sale	(823)	(37,363)	(962,469)	(112,379)
Other investment expenses	(1,721,504)	(307,907)	(2,037,332)	(541,933)
	772,432	2,681,802	4,930,610	8,333,441

Net investment income is presented in the interim condensed consolidated statement of income as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 KD</i>	<i>2017 KD</i>	<i>2018 KD</i>	<i>2017 KD</i>
Net investment income from designated life insurance	266,319	343,026	120,357	1,713,063
Net investment income	506,113	2,338,776	4,810,253	6,620,378
	772,432	2,681,802	4,930,610	8,333,441

Gulf Insurance Company K.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share are calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less treasury shares, outstanding during the period.

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2018</i> <i>KD</i>	<i>(Restated)</i> <i>2017</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>(Restated)</i> <i>2017</i> <i>KD</i>
Profit attributable to equity holders of the Parent Company	4,013,755	2,442,400	10,597,507	7,808,003
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	179,000,147	179,011,480	179,000,147	179,011,480
Basic and diluted earnings per share	22.42 fils	13.64 fils	59.20 fils	43.62 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following balances:

	<i>30 September</i> <i>2018</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>KD</i>	<i>30 September</i> <i>2017</i> <i>KD</i>
	Bank balances and cash	12,391,266	16,698,303
Short term and call deposits	40,381,479	38,883,122	40,432,362
Cash and cash equivalents in the interim condensed consolidated statement of financial position	52,772,745	55,581,425	62,953,750
Bank overdrafts	(61,051,250)	(55,381,657)	(60,068,654)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	(8,278,505)	199,768	2,885,096

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

6 SEGMENT INFORMATION

For the management purpose, the Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. The following are the details of these two segments:

a) Segmental interim condensed consolidated statement of income:

	General risk insurance				Life and medical		Total KD			
	Marine and aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Sub-total KD		Life insurance KD	Medical insurance KD	Sub-total KD
<i>Nine months ended</i>										
<i>30 September 2018</i>										
Segment revenue	3,927,990	5,804,970	36,276,284	7,854,784	9,254,943	63,118,971	6,254,458	53,501,215	59,755,673	122,874,644
Segment results										
net underwriting income (loss)	1,284,235	406,667	(2,333,802)	1,962,691	2,115,553	3,435,344	742,083	5,842,115	6,584,198	10,019,542
<i>Nine months ended</i>										
<i>30 September 2017</i>										
Segment revenue	3,227,480	5,234,742	36,373,723	4,991,308	8,415,206	58,242,459	8,894,211	51,074,771	59,968,982	118,211,441
Segment results										
net underwriting income (loss)	1,258,718	343,243	827,722	655,333	1,458,359	4,543,375	1,419,526	(63,702)	1,355,824	5,899,199

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 September 2018</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	302,398,944	97,716,232	114,515,067	514,630,243
Total liabilities	240,593,717	109,165,020	65,303,245	415,061,982
<i>As at 31 December 2017 (Audited)</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets (Restated)	292,234,201	96,303,578	104,549,385	493,087,164
Total liabilities (Restated)	228,385,822	102,513,426	59,800,021	390,699,269
<i>As at 30 September 2017</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets (Restated)	319,631,480	99,159,888	122,894,148	541,685,516
Total liabilities (Restated)	258,468,391	114,630,265	68,407,956	441,506,612

7 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>Nine months ended 30 September 2018</i>		<i>Nine months ended 30 September 2017</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	277,030	13,721	161,898	15,475
Other related parties	2,890,864	414,040	1,396,547	70,792
	3,167,894	427,761	1,558,445	86,267

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

7 RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2018		(Audited) 31 December 2017		30 September 2017	
	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD
Directors and key management personnel	294,798	9,282	291,926	215,643	182,766	7,331
Other related parties	1,263,809	1,059,670	2,424,839	432,300	1,064,603	1,227,563
	<u>1,558,607</u>	<u>1,068,952</u>	<u>2,716,765</u>	<u>647,943</u>	<u>1,247,369</u>	<u>1,234,894</u>

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 5,740,709 (31 December 2017: KD 5,392,479 and 30 September 2017: KD 5,969,642). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 7,844,000 (31 December 2017: KD 9,577,000 and 30 September 2017: KD 9,579,750).

Compensation of key management personnel is as follows:

	Nine months ended 30 September	
	2018 KD	2017 KD
Salaries and other short-term benefits	421,284	217,244
Employees' end of service benefits	210,663	173,525
	<u>631,947</u>	<u>390,769</u>

8 CONTINGENT LIABILITIES

As at 30 September 2018, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 17,091,997 (31 December 2017: KD 17,333,994 and 30 September 2017: KD 17,348,018).

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through income statement, loans secured by life insurance policies, premiums and insurance balances receivable, reinsurance on outstanding claims, time deposits, bank balances and short term deposits. Financial liabilities consist of bank overdrafts, insurance payable and certain other liabilities.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost, are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<i>30 September 2018</i>	<i>Fair value measurement using</i>			<i>Total fair value KD</i>
	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	
Investments available for sale:				
Quoted equity securities	26,942,004	-	-	26,942,004
Unquoted equity securities	-	-	5,457,841	5,457,841
Unquoted managed funds	-	589,324	37,906	627,230
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	8,107,119	-	-	8,107,119
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	13,163,391	-	-	13,163,391
Total	48,212,514	589,324	5,495,747	54,297,585

<i>31 December 2017 (Audited)</i>	<i>Fair value measurement using</i>			<i>Total fair value KD</i>
	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	
Investments available for sale:				
Quoted equity securities	12,238,195	-	-	12,238,195
Unquoted equity securities	-	-	4,403,342	4,403,342
Unquoted managed funds	-	249,847	37,906	287,753
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	10,645,056	-	-	10,645,056
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	13,443,845	-	-	13,443,845
Total	36,327,096	249,847	4,441,248	41,018,191

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

30 September 2017	Fair value measurement using			Total fair value KD
	Level 1 KD	Level 2 KD	Level 3 KD	
Investments available for sale:				
Quoted equity securities	30,969,651	-	-	30,969,651
Unquoted equity securities	-	-	5,506,820	5,506,820
Unquoted managed funds	-	1,281,876	37,906	1,319,782
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	10,996,947	-	-	10,996,947
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	18,753,060	242,642	-	18,995,702
Total	60,719,658	1,524,518	5,544,726	67,788,902

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	As at 1 January 2018 KD	Gain recorded in the interim condensed statement of income KD	Gain recorded in the interim condensed statement of comprehensive income KD	As at 30 September 2018 KD
Financial assets available for sale:				
Unquoted equity securities	4,403,342	-	1,054,499	5,457,841
Unquoted managed funds	37,906	-	-	37,906
	<u>4,441,248</u>	<u>-</u>	<u>1,054,499</u>	<u>5,495,747</u>
	As at 1 January 2017 KD	Loss recorded in the consolidated statement of income KD	Gain (loss) recorded in the consolidated statement of comprehensive income KD	As at 31 December 2017 KD
Financial assets available for sale:				
Unquoted equity securities	4,019,187	-	384,155	4,403,342
Unquoted managed funds	126,534	(37,820)	(50,808)	37,906
	<u>4,145,721</u>	<u>(37,820)</u>	<u>333,347</u>	<u>4,441,248</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>As at 1 January 2017 KD</i>	<i>Gain recorded in the interim condensed consolidated statement of income KD</i>	<i>Gain (loss) recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>As at 30 September 2017 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	4,019,187	472,108	384,155	631,370	5,506,820
Unquoted managed funds	126,534	(37,820)	(50,808)	-	37,906
	<u>4,145,721</u>	<u>434,288</u>	<u>333,347</u>	<u>631,370</u>	<u>5,544,726</u>

10 RESTATEMENT OF COMPARATIVE INFORMATION

The comparative information presented in the interim condensed consolidated financial information have been restated in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* to rectify the effect of the error related to overstatement of other assets for the year ended 31 December 2017 and overstatement of reinsurance recoverable on outstanding claims and understatement of unearned premium reserve for the year ended 31 December 2016 and 2015 of one of the Group's subsidiary. These were due to improper calculation of reinsurance recoverable on outstanding claims and unearned premium reserve as at that period.

	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Interim condensed consolidated statement of financial position</i>			
<i>As at 30 September 2017</i>			
ASSETS			
Reinsurance recoverable on outstanding claims	107,409,636	(785,992)	106,623,644
Other assets	24,354,732	(223,744)	24,130,988
LIABILITIES			
Unearned premiums reserve (net)	59,069,765	2,132,016	61,201,781
TOTAL EQUITY			
Retained earnings	37,489,304	(1,710,182)	35,779,122
Non-controlling interests	20,905,033	(1,431,570)	19,473,463
	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Interim condensed consolidated statement of income</i>			
<i>As at 30 September 2017</i>			
Profit for the period	8,932,388	(223,744)	8,708,644
Basic and diluted earnings per share attributable to equity holders of the parent company	44.86	(1.24)	43.62

Gulf Insurance Group K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

10 RESTATEMENT OF COMPARATIVE INFORMATION (continued)

	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Interim condensed consolidated statement of financial position</i>			
<i>As at 31 December 2017</i>			
ASSETS			
Reinsurance recoverable on outstanding claims	104,529,303	(785,992)	103,743,311
Other assets	23,328,927	(223,744)	23,105,183
LIABILITIES			
Unearned premiums reserve (net)	49,362,565	2,132,016	51,494,581
TOTAL EQUITY			
Retained earnings	38,652,932	(1,710,182)	36,942,750
Non-controlling interests	20,979,887	(1,431,570)	19,548,317