

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 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") (collectively, the "Group") as at 31 March 2018 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three 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 Accounting Standard 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 three months period ended 31 March 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

13 May 2018
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 KD	(Restated)* 2017 KD
Revenue:			
Premiums written		82,232,353	78,481,880
Reinsurance premiums ceded		(41,117,698)	(40,770,410)
Net premiums written		41,114,655	37,711,470
Movement in unearned premiums reserve		(7,677,768)	(8,994,113)
Movement in life mathematical reserve		287,862	(677,355)
Net premiums earned		33,724,749	28,040,001
Commission received on ceded reinsurance		4,407,155	4,464,131
Policy issuance fees		905,952	1,024,025
Net investment (loss) income from designated life insurance	3	(193,815)	511,564
		38,844,041	34,039,721
Expenses:			
Claims incurred		25,391,543	23,598,754
Commission and discounts		4,605,773	3,031,924
Maturity and cancellations of life insurance policies		602,056	480,437
General and administrative expenses		6,653,119	6,018,727
		37,252,491	33,129,842
Net underwriting income		1,591,550	909,879
Net investment income	3	2,994,398	2,700,532
Finance costs		(684,187)	(258,650)
Share of results of associates		774,194	1,008,384
Net sundry income		445,265	196,823
		5,121,220	4,556,968
Other charges:			
Unallocated general and administrative expenses		(1,400,146)	(1,724,822)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		3,721,074	2,832,146
Contribution to KFAS		(55,707)	(46,878)
NLST		(93,370)	(42,319)
Zakat		(28,652)	(21,174)
PROFIT FOR THE PERIOD		3,543,345	2,721,775
Attributable to:			
Equity holders of the Parent Company		3,334,853	2,594,632
Non-controlling interests		208,492	127,143
		3,543,345	2,721,775
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	18.63 fils	14.49 fils

* Certain numbers shown here do not correspond to the 31 March 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 COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2018

	<i>Note</i>	<i>Three months ended 31 March</i>	
		2018	(Restated)*
		KD	KD
Profit for the period		3,543,345	2,721,775
Other comprehensive income:			
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>			
- Financial assets available for sale:			
Net unrealised (loss) gain		(130,444)	1,107,579
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	(520,912)	(64,356)
Impairment loss on investments available for sale	3	5,372	15,166
		(645,984)	1,058,389
- Share of other comprehensive (loss) income of associates		(68,177)	41,641
- Exchange differences on translation of foreign operations		(989,456)	(11,897)
Other comprehensive (loss) income for the period		(1,641,660)	1,088,133
Total comprehensive income for the period		1,901,685	3,809,908
Attributable to:			
Equity holders of the Parent Company		1,714,161	3,682,765
Non-controlling interests		187,524	127,143
		1,901,685	3,809,908

* Certain numbers shown here do not correspond to the 31 March 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 31 March 2018

		(Restated)* (Audited)	(Restated)*
	31 March 2018 KD	31 December 2017 KD	31 March 2017 KD
ASSETS			
Property and equipment	17,799,029	17,880,111	15,306,424
Investments in associates	41,470,055	40,850,904	41,057,109
Goodwill	15,104,460	15,104,460	14,093,553
Financial instruments:			
Investments held to maturity	21,409,559	19,509,904	18,903,906
Debt securities (loans)	18,246,305	18,329,989	18,451,712
Investments available for sale	39,150,232	36,168,453	21,168,791
Investments carried at fair value through income statement	25,480,204	26,421,139	24,970,567
Loans secured by life insurance policies	1,567,522	1,604,035	1,628,647
Premiums and insurance balances receivable	106,143,453	93,470,873	88,888,281
Reinsurance recoverable on outstanding claims	96,850,854	103,743,311	57,019,503
Investment properties	2,787,158	2,878,466	3,130,816
Other assets	22,486,050	23,105,183	18,497,760
Time deposits	38,378,622	38,438,911	38,010,296
Cash and cash equivalents	49,959,896	55,581,425	47,312,047
TOTAL ASSETS	496,833,399	493,087,164	408,439,412
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	18,703,913	18,703,913	18,703,913
Share premium	3,600,000	3,600,000	3,600,000
Treasury shares	(4,203,067)	(4,203,067)	(4,195,301)
Treasury shares reserve	2,051,215	2,051,215	2,051,215
Statutory reserve	18,703,913	18,703,913	18,703,913
Voluntary reserve	24,888,125	24,888,125	23,792,262
Other reserve	(3,062,725)	(3,062,725)	(3,062,725)
Cumulative changes in fair values	(1,468,417)	(754,256)	25,480
Foreign currency translation adjustments	(17,496,581)	(16,590,050)	(15,396,412)
Revaluation reserve	2,559,760	2,559,760	2,559,760
Retained earnings	35,310,007	37,345,158	38,128,617
Equity attributable to the equity holders of the Parent Company	79,586,143	83,241,986	84,910,722
Non-controlling interests	19,600,637	19,934,944	18,077,265
TOTAL EQUITY	99,186,780	103,176,930	102,987,987
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve (gross)	150,532,392	156,687,629	112,068,834
Unearned premiums reserve (net)	57,686,670	50,705,546	36,179,539
Life mathematical reserve (net)	19,902,483	20,186,446	26,450,917
Incurred but not reported reserve (net)	1,650,000	1,650,000	1,650,000
Total liabilities arising from insurance contracts	229,771,545	229,229,621	176,349,290
Premiums received in advance	4,638,798	4,430,319	4,355,769
Insurance payable	52,091,644	66,729,198	68,104,110
Other liabilities	40,875,439	34,139,439	21,547,147
Bank overdrafts	70,269,193	55,381,657	35,095,109
TOTAL LIABILITIES	397,646,619	389,910,234	305,451,425
TOTAL EQUITY AND LIABILITIES	496,833,399	493,087,164	408,439,412

* Certain numbers shown here do not correspond to the 31 December 2017 consolidated financial statements and 31 March 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 31 March 2018

	Attributable to equity holders of the Parent Company													
	Share capital KD	Share premium KD	Treasury shares KD	Treasury share 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 2018 <i>(Audited) (Restated)</i>	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	37,345,158	83,241,986	19,934,944	103,176,930
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,334,853	3,334,853	208,492	3,543,345
Other comprehensive (loss) income	-	-	-	-	-	-	-	(714,161)	(906,531)	-	-	(1,620,692)	(20,968)	(1,641,660)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(714,161)	(906,531)	-	3,334,853	1,714,161	187,524	1,901,685
Dividends payable (Note 1)	-	-	-	-	-	-	-	-	-	-	(5,370,004)	(5,370,004)	-	(5,370,004)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(521,831)	(521,831)
As at 31 March 2018	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(1,468,417)	(17,496,581)	2,559,760	35,310,007	79,586,143	19,600,637	99,186,780

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 31 March 2018

Attributable to equity holders of the Parent Company														
	Share capital KD	Share premium KD	Treasury shares KD	Treasury share 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
Balance 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)*	-	-	-	-	-	-	-	-	-	-	(1,085,776)	(1,085,776)	(1,043,197)	(2,128,973)
Balance 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	35,533,985	81,227,957	18,413,497	99,641,454
Profit for the period (Restated)	-	-	-	-	-	-	-	-	-	-	2,594,632	2,594,632	127,143	2,721,775
Other comprehensive income (loss)	-	-	-	-	-	-	-	1,100,030	(11,897)	-	-	1,088,133	-	1,088,133
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	1,100,030	(11,897)	-	2,594,632	3,682,765	127,143	3,809,908
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(463,375)	(463,375)
As at 31 March 2017 (Restated)	18,703,913	3,600,000	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	25,480	(15,396,412)	2,559,760	38,128,617	84,910,722	18,077,265	102,987,987

* Certain numbers shown here do not correspond to the 31 March 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 31 March 2018

		Three months ended 31 March	
		2018	(Restated)*
	Notes	KD	2017 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		3,721,074	2,832,146
Adjustments for:			
Depreciation		370,488	277,270
Net investment income	3	(2,805,955)	(2,968,612)
Impairment loss on investments available for sale	3	5,372	15,166
Share of results of associates		(774,194)	(1,008,384)
Finance costs		684,187	258,650
		<u>1,200,972</u>	<u>(593,764)</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		1,225,554	81,513
Premiums and insurance balances receivable		(12,672,580)	(30,502,914)
Reinsurance recoverable on outstanding claims		5,325,733	(6,540,121)
Other assets		931,789	(55,448)
Liabilities arising from insurance contracts		1,884,905	17,320,792
Premiums received in advance		208,479	(5,405,519)
Insurance payable		(14,637,555)	8,222,762
Other liabilities		1,010,538	(790,803)
		<u>(15,522,165)</u>	<u>(18,263,502)</u>
Cash flows used in operations		(15,522,165)	(18,263,502)
Remuneration paid to directors		(185,000)	-
		<u>(15,707,165)</u>	<u>(18,263,502)</u>
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment		(394,814)	(628,524)
Proceeds from sale of property and equipment		8,388	-
Net movement of investments held to maturity		(1,899,655)	750,863
Net movement of debt securities (loans)		83,684	(3,961,962)
Net movement of investments available for sale		(1,814,883)	(2,950,342)
Loans secured by life insurance policies		36,513	26,749
Net movement of investment properties		-	36,347
Movement in time deposits		60,289	(12,391,746)
Interest received		1,552,057	1,270,873
Dividends income received		359,455	873,482
Dividends received from associates		-	68,437
		<u>(2,008,966)</u>	<u>(16,905,823)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Finance cost paid		(684,187)	(258,650)
Dividends paid to non-controlling interests		(521,831)	(463,375)
		<u>(1,206,018)</u>	<u>(722,025)</u>
Net cash flows used in financing activities			
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(18,922,149)	(35,891,350)
		<u>(1,586,916)</u>	<u>(205,203)</u>
Cash and cash equivalents at 1 January		199,768	48,313,491
		<u>(20,309,297)</u>	<u>12,216,938</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	5		

* Certain numbers shown here do not correspond to the 31 March 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 31 March 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 06 May 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 31 March 2017: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2017: 41.42% and 31 March 2017: 41.42%) by Fairfax Financial Holding Limited as at 31 March 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 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 three months' period ended 31 March 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 31 March 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 31 March</i>	
	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	520,912	64,356
Realised gain (loss) on sale of investments at fair value through income statement	284,619	(7,872)
Unrealised (loss) gain on investments at fair value through income statement	(43,528)	971,051
Dividend income	359,455	873,482
Interest on investments held to maturity	419,067	490,178
Interest on debt securities (loans)	288,531	246,215
Interest on time and call deposits	844,459	534,480
Foreign exchange gain (loss)	71,014	(116,848)
Other investment income	190,182	293,991
Impairment loss on investments available for sale	(5,372)	(15,166)
Other investment expenses	(128,756)	(121,771)
	<u>2,800,583</u>	<u>3,212,096</u>

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

	<i>Three months ended 31 March</i>	
	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>
Net investment (loss) income from designated life insurance	(193,815)	511,564
Net investment income	2,994,398	2,700,532
	<u>2,800,583</u>	<u>3,212,096</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 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>3 months ended</i> <i>31 March</i>	
	<i>2018</i>	<i>(Restated)</i> <i>2017</i>
	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	3,334,853	2,594,632
	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	179,000,149	179,011,480
Basic and diluted earnings per share	18.63 fils	14.49 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>31 March</i> <i>2018</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>KD</i>	<i>31 March</i> <i>2017</i> <i>KD</i>
Bank balances and cash	12,225,528	16,698,303	11,778,435
Short term and call deposits	37,734,368	38,883,122	35,533,612
Cash and cash equivalents in the interim condensed consolidated statement of financial position	49,959,896	55,581,425	47,312,047
Bank overdraft	(70,269,193)	(55,381,657)	(35,095,109)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	(20,309,297)	199,768	12,216,938

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 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				
	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	Total KD
Three months ended 31 March 2018										
Segment revenue	1,240,347	2,097,035	11,907,353	1,602,872	3,105,327	19,952,934	1,761,812	17,129,295	18,891,107	38,844,041
Segment results										
net underwriting income (loss)	301,932	195,777	(202,193)	(154,698)	525,762	666,580	(161,000)	1,085,970	924,970	1,591,550
Three months ended 31 March 2017										
Segment revenue (Restated)	784,270	1,786,905	9,768,230	1,083,579	1,596,540	15,019,524	2,740,721	16,279,476	19,020,197	34,039,721
Segment results net underwriting income (loss) (Restated)	181,942	280,606	(247,701)	465,738	171,833	852,418	(689,583)	747,044	57,461	909,879

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6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 31 March 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	289,704,117	101,589,857	105,539,425	496,833,399
Total liabilities	225,122,449	94,088,730	78,435,440	397,646,619
<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)	227,596,787	102,513,426	59,800,021	389,910,234
<i>As at 31 March 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)	212,856,924	106,409,380	89,173,108	408,439,412
Total liabilities (Restated)	163,361,059	102,655,287	39,435,079	305,451,425

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>3 months ended 31 March 2018</i>		<i>3 months ended 31 March 2017</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	179,173	8,520	150,060	212,478
Other related parties	1,263,087	(2,388)	1,730,906	12,776
	1,442,260	6,132	1,880,966	225,254

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7 RELATED PARTY TRANSACTIONS (continued)

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

	31 March 2018		<i>(Audited)</i> 31 December 2017		31 March 2017	
	<i>Amounts owed by related parties KD</i>	<i>Amounts owed to related parties KD</i>	<i>Amounts owed by related parties KD</i>	<i>Amounts owed to related parties KD</i>	<i>Amounts owed by related parties KD</i>	<i>Amounts owed to related parties KD</i>
Directors and key management personnel	279,822	10,413	291,926	215,643	177,837	2,580
Other related parties	1,727,873	1,126,047	2,424,839	432,300	1,609,592	1,910,071
	<u>2,007,695</u>	<u>1,136,459</u>	<u>2,716,765</u>	<u>647,943</u>	<u>1,787,429</u>	<u>1,912,651</u>

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 4,924,039 (31 December 2017: KD 5,392,479 and 31 March 2017: KD 18,059,525). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 9,544,000 (31 December 2017: KD 9,577,000 and 31 March 2017: KD 9,625,000).

Compensation of key management personnel is as follows:

	<i>Three months ended 31 March</i>	
	2018 KD	2017 KD
Salaries and other short-term benefits	140,428	111,215
Employees' end of service benefits	61,038	47,339
	<u>201,466</u>	<u>158,554</u>

8 CONTINGENT LIABILITIES

As at 31 March 2018, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 17,974,941 (31 December 2017: KD 17,333,994 and 31 March 2017: KD 17,390,469).

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.

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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>31 March 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	33,039,248	-	-	33,039,248
Unquoted equity securities	-	-	5,346,575	5,346,575
Unquoted managed funds	-	726,503	37,906	764,409
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	10,690,037	-	-	10,690,037
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	14,790,166	-	-	14,790,166
Total	58,519,452	726,503	5,384,481	64,630,436

<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

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9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 March 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	15,888,800	-	-	15,888,800
Unquoted equity securities	-	148,426	4,808,585	4,957,011
Unquoted managed funds	-	264,705	37,906	302,611
Investments carried at fair value through income statements:				
Held for trading:				
Quoted securities	11,308,394	-	-	11,308,394
Designated upon initial recognition:				
Managed funds of quoted securities	13,662,173	-	-	13,662,173
Total	40,859,367	413,131	4,846,491	46,118,989

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 consolidated statement of comprehensive income KD	Gain recorded in the interim condensed consolidated statement of comprehensive income KD	As at 31 March 2018 KD
Financial assets available for sale:				
Unquoted equity securities	4,403,342	-	943,233	5,346,575
Unquoted managed funds	37,906	-	-	37,906
	4,441,248	-	943,233	5,384,481
	As at 1 January 2017 KD	Loss recorded in the consolidated statement of comprehensive 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
	4,145,721	(37,820)	333,347	4,441,248

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As at 31 March 2018

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>As at 1 January 2017 KD</i>	<i>Gain recorded in the consolidated statement of comprehensive income KD</i>	<i>Loss recorded in the consolidated statement of comprehensive income KD</i>	<i>As at 31 March 2017 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	4,403,342	405,243	-	4,808,585
Unquoted managed funds	37,906	-	-	37,906
	<u>4,441,248</u>	<u>405,243</u>	<u>-</u>	<u>4,846,491</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 31 March 2017</i>			
ASSETS			
Reinsurance recoverable on outstanding claims	57,805,495	(785,992)	57,019,503
Other assets	18,721,504	(223,744)	18,497,760
Unearned premiums reserve (net)	34,836,558	1,342,981	36,179,539
TOTAL EQUITY			
Retained earnings	39,436,391	(1,307,774)	38,128,617
Non-controlling interests	19,122,208	(1,044,943)	18,077,265
	<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 31 March 2017</i>			
Profit for the period	2,945,519	(223,744)	2,721,775

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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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
Unearned premiums reserve (net)	49,362,565	1,342,981	50,705,546
TOTAL EQUITY			
Retained earnings	38,652,932	(1,307,774)	37,345,158
Non-controlling interests	20,979,887	(1,044,943)	19,934,944