

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2017 (UNAUDITED)**



Building a better  
working world

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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. AND SUBSIDIARIES

### *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 31 March 2017, and the related interim condensed consolidated statement of income, statement of comprehensive income, statement of changes in equity and 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 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 the 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.

### *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 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, and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the three months period ended 31 March 2017 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

MOHAMMED HAMED AL SULTAN  
LICENSE NO. 100 A  
AL SULTAN AND PARTNERS  
MEMBER OF BAKER TILLY INTERNATIONAL

8 May 2017  
Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2017

	Notes	3 months ended 31 March	
		2017	2016
		KD	KD
<b>Revenue:</b>			
Premiums written		78,481,880	60,123,346
Reinsurance premiums ceded		(40,770,410)	(21,537,412)
Net premiums written		37,711,470	38,585,934
Movement in unearned premiums reserve		(5,755,202)	(2,255,313)
Movement in life mathematical reserve		(3,916,267)	(10,044,624)
Net premiums earned		28,040,001	26,285,997
Commission received on ceded reinsurance		4,464,131	4,131,351
Policy issuance fees		1,024,025	1,075,805
Net investment income from designated life insurance	3	511,564	242,025
		<u>34,039,721</u>	<u>31,735,178</u>
<b>Expenses:</b>			
Claims incurred		23,598,754	17,414,683
Commission and discounts		3,031,924	4,182,181
Maturity and cancellations of life insurance policies		480,437	588,583
General and administrative expenses		6,018,727	5,098,284
		<u>33,129,842</u>	<u>27,283,731</u>
<b>Net underwriting income</b>		<b>909,879</b>	<b>4,451,447</b>
Net investment income	3	2,945,609	2,625,406
Finance costs		(503,727)	(243,808)
Share of results of associates		1,008,384	(366,690)
Net sundry income		196,823	158,099
		<u>4,556,968</u>	<u>6,624,454</u>
<b>Other charges:</b>			
Unallocated general and administrative expenses		(1,501,078)	(2,128,543)
<b>PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>		<b>3,055,890</b>	<b>4,495,911</b>
Contribution to KFAS		(46,878)	(49,490)
NLST		(42,319)	(57,718)
Zakat		(21,174)	(17,401)
<b>PROFIT FOR THE PERIOD</b>		<b>2,945,519</b>	<b>4,371,302</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		2,816,630	3,301,751
Non-controlling interests		128,889	1,069,551
		<u>2,945,519</u>	<u>4,371,302</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	4	<b>15.73 fils</b>	<b>18.44 fils</b>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 31 March 2017

	Note	3 months ended 31 March	
		2017 KD	2016 KD
Profit for the period		<u>2,945,519</u>	<u>4,371,302</u>
<b>Other comprehensive income:</b>			
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>			
Net unrealised gain (loss) on investments available for sale		1,107,579	(593,324)
Net realised gain transferred to statement of income on sale of investments available for sale	3	(64,356)	(168,287)
Impairment loss on investments available for sale	3	15,166	341,579
Share of other comprehensive income of associates		41,641	90,344
Exchange differences on translation of foreign operations		(11,897)	(1,971,819)
Other comprehensive income (loss) for the period		<u>1,088,133</u>	<u>(2,301,507)</u>
Total comprehensive income for the period		<u><u>4,033,652</u></u>	<u><u>2,069,795</u></u>
<b>Attributable to:</b>			
Equity holders of the Parent Company		3,904,763	1,000,244
Non-controlling interests		128,889	1,069,551
		<u><u>4,033,652</u></u>	<u><u>2,069,795</u></u>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.




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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2017

		(Audited)		
	Notes	31 March 2017 KD	31 December 2016 KD	31 March 2016 KD
<b>ASSETS</b>				
Property and equipment		15,306,424	14,961,776	16,677,351
Investments in associates		41,057,109	39,958,891	38,972,466
Goodwill		14,093,553	14,093,553	12,931,332
Financial instruments:				
Investments held to maturity		18,903,906	19,654,769	25,145,704
Debt securities (loans)		18,451,712	14,489,750	19,760,179
Investments available for sale		21,168,791	17,027,588	18,961,728
Investments carried at fair value through income statement		24,970,567	24,088,901	24,422,102
Loans secured by life insurance policies		1,628,647	1,655,396	1,402,688
Premiums and insurance balances receivable		88,888,281	58,385,367	68,512,241
Reinsurance recoverable on outstanding claims		57,805,495	51,265,374	43,657,459
Investment Properties		3,130,816	3,167,163	3,461,555
Other assets		18,721,504	18,442,312	22,904,350
Time deposits		38,010,296	25,618,550	40,033,715
Cash and cash equivalents	5	47,312,047	73,069,509	36,390,864
<b>TOTAL ASSETS</b>		<b>409,449,148</b>	<b>375,878,899</b>	<b>373,233,734</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Liabilities arising from insurance contracts:</b>				
Outstanding claims reserve (gross)		112,068,834	103,869,440	95,949,437
Unearned premiums reserve (net)		34,836,558	29,631,401	35,990,349
Life mathematical reserve (net)		26,450,917	22,534,676	31,989,985
Incurred but not reported reserve (net)		1,650,000	1,650,000	1,650,000
Total liabilities arising from insurance contracts		175,006,309	157,685,517	165,579,771
Premiums received in advance		4,355,769	9,761,288	3,874,718
Insurance payable		68,104,110	59,881,348	41,433,947
Other liabilities		21,547,147	22,024,301	30,686,878
Bank overdraft	5	35,095,109	24,756,018	27,075,776
<b>TOTAL LIABILITIES</b>		<b>304,108,444</b>	<b>274,108,472</b>	<b>268,651,090</b>
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>				
Share capital		18,703,913	18,703,913	18,703,913
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(4,195,301)	(4,195,301)	(4,136,617)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		18,703,913	18,703,913	18,574,076
Voluntary reserve		23,792,262	23,792,262	22,527,489
Other reserve		(3,062,725)	(3,062,725)	(3,061,226)
Cumulative changes in fair values		25,480	(1,074,550)	(722,783)
Foreign currency translation adjustments		(15,396,412)	(15,384,515)	(5,990,938)
Revaluation reserve		2,559,760	2,559,760	2,559,760
Retained earnings		39,436,391	36,619,761	29,314,399
Equity attributable to the equity holders of the Parent Company		86,218,496	82,313,733	83,419,288
Non-controlling interests		19,122,208	19,456,694	21,163,356
<b>TOTAL EQUITY</b>		<b>105,340,704</b>	<b>101,770,427</b>	<b>104,582,644</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>409,449,148</b>	<b>375,878,899</b>	<b>373,233,734</b>

  
Khaled Saoud Al-Hassan  
Chief Executive Officer

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2017

	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
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,816,630	2,816,630	128,889	2,945,519
Other comprehensive income (loss)	-	-	-	-	-	-	1,100,030	(11,897)	-	-	-	1,088,133	-	1,088,133
<b>Total comprehensive income (loss) for the period</b>	-	-	-	-	-	-	1,100,030	(11,897)	-	-	2,816,630	3,904,763	128,889	4,033,652
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(463,375)	(463,375)
<b>Balance at 31 March 2017</b>	<b>18,703,913</b>	<b>3,600,000</b>	<b>(4,195,301)</b>	<b>2,051,215</b>	<b>18,703,913</b>	<b>23,792,262</b>	<b>(3,062,725)</b>	<b>25,480</b>	<b>(15,396,412)</b>	<b>2,559,760</b>	<b>39,436,391</b>	<b>86,218,496</b>	<b>19,122,208</b>	<b>105,340,704</b>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2017

	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 2016 ( <i>Audited</i> )	18,703,913	3,600,000	(4,136,617)	2,051,215	18,574,076	22,527,489	(3,061,226)	(393,095)	(4,019,119)	2,559,760	33,176,581	89,582,977	21,426,945	111,009,922
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,301,751	3,301,751	1,069,551	4,371,302
Other comprehensive loss	-	-	-	-	-	-	-	(329,688)	(1,971,819)	-	-	(2,301,507)	-	(2,301,507)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(329,688)	(1,971,819)	-	3,301,751	1,000,244	1,069,551	2,069,795
Dividends for 2015 (Note 1)	-	-	-	-	-	-	-	-	-	(7,163,933)	(7,163,933)	-	-	(7,163,933)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,333,140)	(1,333,140)	(1,333,140)
Balance at 31 March 2016	18,703,913	3,600,000	(4,136,617)	2,051,215	18,574,076	22,527,489	(3,061,226)	(722,783)	(5,990,938)	2,559,760	29,314,399	83,419,288	21,163,356	104,582,644

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 31 March 2017

	Notes	3 months ended 31 March	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before contribution to KFAS, NLST and Zakat		3,055,890	4,495,911
Adjustments for:			
Depreciation		277,270	305,326
Net investment income	3	(2,968,612)	(2,965,202)
Impairment loss on investments available for sale	3	15,166	341,579
Share of results of associates		(1,008,384)	366,690
		<u>(628,670)</u>	<u>2,544,304</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		81,513	1,590,548
Premiums and insurance balances receivable		(30,502,914)	(6,306,317)
Reinsurance recoverable on outstanding claims		(6,540,121)	(818,558)
Investment properties		-	70,999
Other assets		(279,192)	(3,426,469)
Liabilities arising from insurance contracts		17,320,792	10,062,857
Premiums received in advance		(5,405,519)	(71,713)
Insurance payable		8,222,762	(7,746,519)
Other liabilities		(790,803)	8,455,686
		<u>(18,522,152)</u>	<u>4,354,818</u>
Net cash (used in) from operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of investment in a subsidiary		-	(923,635)
Purchase of property and equipment		(628,524)	-
Proceeds from sale of property and equipment		-	299,469
Net movement of Investment properties		36,347	-
Net movement of investments available for sale		(2,950,342)	2,514,004
Net movement of debt securities (loans)		(3,961,962)	(1,712,558)
Net movement of investments held to maturity		750,863	734,767
Movement in time deposits		(12,391,746)	(5,372,795)
Loans secured by life insurance policies		26,749	(55,589)
Dividends income received		873,482	436,113
Dividends received from associates		68,437	122,400
Interest received		1,270,873	1,423,635
		<u>(16,905,823)</u>	<u>(2,534,189)</u>
Net cash used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Dividends paid		-	(7,163,933)
Dividends to non-controlling interests		(463,375)	(1,333,140)
		<u>(463,375)</u>	<u>(8,497,073)</u>
Net cash used in financing activities			
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange difference		(35,891,350)	(6,676,444)
Cash and cash equivalents at 1 January		(205,203)	(1,599,496)
		<u>48,313,491</u>	<u>17,591,028</u>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	5	<u>12,216,938</u>	<u>9,315,088</u>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.



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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

At 31 March 2017

### 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 8 May 2017. The general assembly meeting of the Parent Company's shareholders held on 2 April 2017 approved the consolidated financial statements for the year ended 31 December 2016 and approved the proposed distribution of cash dividends of 40 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 2016: 44.04% and 31 March 2016: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2016: 41.42% and 31 March 2016: 41.42%) by Fairfax Financial Holding Limited as at 31 March 2017.

### 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 accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016.

Amendments to IFRS which are effective for annual accounting periods starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the IFRS. 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 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 31 March 2017

**3 NET INVESTMENT INCOME**

	<i>3 months ended</i> <i>31 March</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Net realised gain on sale of investments available for sale	<b>64,356</b>	168,287
Realised (loss) gain on sale of investments at fair value through income statement	<b>(7,872)</b>	60,122
Unrealised gain on investments at fair value through income statement	<b>971,051</b>	87,702
Dividend income	<b>873,482</b>	942,880
Interest on investments held to maturity	<b>490,178</b>	549,304
Interest on debt securities (loans)	<b>246,215</b>	298,255
Interest on time and call deposits	<b>534,480</b>	576,076
Foreign exchange (loss) gain	<b>(116,848)</b>	515,893
Other investment income	<b>539,068</b>	142,394
Impairment loss on investments available for sale	<b>(15,166)</b>	(341,579)
Other investment expenses	<b>(121,771)</b>	(131,903)
	<b>3,457,173</b>	2,867,431

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

	<i>3 months ended</i> <i>31 March</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Net investment income from designated life insurance	<b>511,564</b>	242,025
Net investment income	<b>2,945,609</b>	2,625,406
	<b>3,457,173</b>	2,867,431

**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>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Profit attributable to equity holders of the Parent Company	<b>2,816,630</b>	3,301,751
Weighted average number of shares, less treasury shares outstanding during the period	<b>179,011,480</b>	179,098,297
Basic and diluted earnings per share	<b>15.73 fils</b>	18.44 fils

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 31 March 2017

**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>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Bank balances and cash	<b>11,778,435</b>	27,881,801	11,606,517
Short term and call deposits	<b>35,533,612</b>	45,187,708	24,784,347
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of financial position	<b>47,312,047</b>	73,069,509	36,390,864
Bank overdraft	<b>(35,095,109)</b>	(24,756,018)	(27,075,776)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<b>12,216,938</b>	48,313,491	9,315,088
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Gulf Insurance Group K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

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:

	Marine and aviation KD	General risk insurance				Life and medical		Total KD
		Property KD	Motor KD	Engineering KD	General accidents KD	Life insurance KD	Medical insurance KD	
<b>Three months ended 31 March 2017</b>								
Segment revenue	784,270	1,786,905	9,768,230	1,083,579	1,596,540	2,740,721	16,279,476	19,020,197
Segment results (net underwriting income)	181,942	280,606	(247,701)	465,738	171,833	(689,583)	747,044	57,461
<b>Three months ended 31 March 2016</b>								
Segment revenue	901,523	1,795,844	11,275,251	947,043	1,738,027	4,636,544	10,440,946	15,077,490
Segment results (net underwriting income)	172,015	1,056,303	(38,741)	547,983	666,201	135,456	1,912,230	2,047,686

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<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	<u>215,209,640</u>	<u>106,409,380</u>	<u>87,830,128</u>	<u>409,449,148</u>
Total liabilities	<u>163,361,059</u>	<u>102,655,287</u>	<u>38,092,098</u>	<u>304,108,444</u>
<i>31 December 2016 (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	<u>202,431,736</u>	<u>92,171,719</u>	<u>81,275,444</u>	<u>375,878,899</u>
Total liabilities	<u>146,931,219</u>	<u>94,184,743</u>	<u>32,992,510</u>	<u>274,108,472</u>
<i>As at 31 March 2016</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	<u>217,143,536</u>	<u>86,413,367</u>	<u>69,676,831</u>	<u>373,233,734</u>
Total liabilities	<u>156,730,497</u>	<u>74,875,835</u>	<u>37,044,758</u>	<u>268,651,090</u>

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 2017</i>		<i>3 months ended 31 March 2016</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	<u>150,060</u>	<u>212,478</u>	151,412	6,572
Other related parties	<u>1,730,906</u>	<u>12,776</u>	1,949,058	120,520
	<u>1,880,966</u>	<u>225,254</u>	<u>2,100,470</u>	<u>127,092</u>



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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

### 7 RELATED PARTY TRANSACTIONS (continued)

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

	31 March 2017		(Audited) 31 December 2016		31 March 2016	
	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	177,837	2,580	84,986	13,920	246,604	16,227
Other related parties	1,609,592	1,910,071	827,143	212,114	1,289,055	1,659,568
	<u>1,787,429</u>	<u>1,912,651</u>	<u>912,129</u>	<u>226,034</u>	<u>1,535,659</u>	<u>1,675,795</u>

The Group has also engaged with related parties in its investment activities as follows:

- The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 18,059,525 (31 December 2016: KD 14,913,756 and 31 March 2016: KD 5,375,528). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 9,625,000 (31 December 2016: KD 6,577,750 and 31 March 2016: KD 12,716,179).
- Included under other assets an amount of KD 1,402,689 (31 December 2016: KD 1,402,689 and 31 March 2016: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

Compensation of key management personnel is as follows:

	3 months ended 31 March	
	2017 KD	2016 KD
Salaries and other short-term benefits	111,215	231,651
Employees' end of service benefits	47,339	85,975
	<u>158,554</u>	<u>317,626</u>

### 8 CONTINGENT LIABILITIES

At 31 March 2017, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 17,390,469 (31 December 2016: KD 17,042,587 and 31 March 2016: KD 9,816,557).

### 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.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

### 9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

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

31 March 2017	Fair value measurement using			Total fair value KD
	Level 1 KD	Level 2 KD	Level 3 KD	
<b>Investments available for sale:</b>				
Quoted equity securities	15,888,800	-	-	<b>15,888,800</b>
Unquoted equity securities	-	148,426	4,808,585	<b>4,957,011</b>
Unquoted managed funds	-	264,705	37,906	<b>302,611</b>
<b>Investments carried at fair value through income statements:</b>				
<i>Held for trading:</i>				
Quoted securities	11,308,394	-	-	<b>11,308,394</b>
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	13,662,173	-	-	<b>13,662,173</b>
<b>Total</b>	<b>40,859,367</b>	<b>413,131</b>	<b>4,846,491</b>	<b>46,118,989</b>

31 December 2016 (Audited)	Fair value measurement using			Total fair value KD
	Level 1 KD	Level 2 KD	Level 3 KD	
<b>Investments available for sale:</b>				
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
<b>Investments carried at fair value through income statements:</b>				
<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
<b>Total</b>	<b>36,327,096</b>	<b>249,847</b>	<b>4,441,248</b>	<b>41,018,191</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2017

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 March 2016	Fair value measurement using			Total fair value KD
	Level 1 KD	Level 2 KD	Level 3 KD	
Investments available for sale:				
Quoted equity securities	14,690,935	-	-	14,690,935
Unquoted equity securities	-	-	4,009,205	4,009,205
Unquoted managed funds	-	37,780	126,448	164,228
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	11,818,648	-	-	11,818,648
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	12,603,454	-	-	12,603,454
<b>Total</b>	<b>39,113,037</b>	<b>37,780</b>	<b>4,135,653</b>	<b>43,286,470</b>

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

	At 1 January 2017 KD	Gain recorded in the consolidated statement of comprehensive income KD	Loss recorded in the consolidated statement of comprehensive income KD	At 31 March 2017 KD
<b>Financial assets available for sale:</b>				
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>
	At 1 January 2016 KD	Loss recorded in the consolidated statement of comprehensive income KD	Gain (loss) recorded in the consolidated statement of comprehensive income KD	At 31 December 2016 KD
<b>Financial assets available for sale:</b>				
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>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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At 31 March 2017

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>At 1 January 2016 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>At 31 March 2016 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	4,019,187	-	(9,982)	4,009,205
Unquoted managed funds	126,534	-	(86)	126,448
	<u>4,145,721</u>	<u>-</u>	<u>(10,068)</u>	<u>4,135,653</u>