

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 JUNE 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.

### *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 June 2017, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six 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 six 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, as amended, and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 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

DR. SAUD HAMAD AL-HUMAIDI  
LICENSE NO. 51 A  
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS  
MEMBER OF BAKER TILLY INTERNATIONAL

24 July 2017  
Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2017

	Notes	3 months ended 30 June		6 months ended 30 June	
		2017 KD	2016 KD	2017 KD	2016 KD
<b>Revenue:</b>					
Premiums written		77,810,139	38,388,775	156,292,019	98,512,121
Reinsurance premiums ceded		(44,434,247)	(21,497,066)	(85,204,657)	(43,034,479)
Net premiums written		33,375,892	16,891,709	71,087,362	55,477,642
Movement in unearned premiums reserve		2,751,132	6,004,272	(3,004,070)	3,748,960
Movement in life mathematical reserve		(435,078)	2,393,253	(4,351,345)	(7,651,372)
Net premiums earned		35,691,946	25,289,234	63,731,947	51,575,230
Commission received on ceded reinsurance		4,939,545	3,795,241	9,403,676	7,926,593
Policy issuance fees		1,094,488	906,860	2,118,513	1,982,665
Net investment income from designated life insurance	4	858,473	68,531	1,370,037	310,555
		<u>42,584,452</u>	<u>30,059,866</u>	<u>76,624,173</u>	<u>61,795,043</u>
<b>Expenses:</b>					
Claims incurred		26,829,602	17,812,460	50,428,356	35,227,143
Commission and discounts		4,901,184	2,681,112	7,933,108	6,863,293
Maturity and cancellations of life insurance policies		451,921	574,720	932,358	1,163,303
General and administrative expenses		7,515,349	4,769,555	13,534,076	9,867,840
		<u>39,698,056</u>	<u>25,837,847</u>	<u>72,827,898</u>	<u>53,121,579</u>
<b>Net underwriting income</b>		<b>2,886,396</b>	<b>4,222,019</b>	<b>3,796,275</b>	<b>8,673,464</b>
Net investment income	4	1,335,993	2,033,862	4,281,602	4,659,268
Finance costs		30,348	(371,150)	(473,379)	(614,958)
Share of results of associates		844,191	853,736	1,852,575	487,046
Net sundry income		(95,819)	91,725	101,004	249,824
		<u>5,001,109</u>	<u>6,830,192</u>	<u>9,558,077</u>	<u>13,454,644</u>
<b>Other charges:</b>					
Unallocated general and administrative expenses		(1,653,274)	(2,139,804)	(3,154,352)	(4,268,345)
<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>3,347,835</b>	<b>4,690,388</b>	<b>6,403,725</b>	<b>9,186,299</b>
Contribution to KFAS		(60,602)	(54,490)	(107,480)	(103,980)
NLST		(38,048)	(56,045)	(80,367)	(113,763)
Zakat		(46,958)	(20,482)	(68,132)	(37,883)
<b>PROFIT FOR THE PERIOD</b>		<b>3,202,227</b>	<b>4,559,371</b>	<b>6,147,746</b>	<b>8,930,673</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		2,770,971	3,831,907	5,587,601	7,133,658
Non-controlling interests		431,256	727,464	560,145	1,797,015
		<u>3,202,227</u>	<u>4,559,371</u>	<u>6,147,746</u>	<u>8,930,673</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	5	<b>15.48 fils</b>	<b>21.40 fils</b>	<b>31.21 fils</b>	<b>39.83 fils</b>

The attached notes 1 to 10 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 30 June 2017

	Note	3 months ended 30 June		6 months ended 30 June	
		2017	2016	2017	2016
		KD	KD	KD	KD
Profit for the period		<u>3,202,227</u>	<u>4,559,371</u>	<u>6,147,746</u>	<u>8,930,673</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 (loss) gain on investments available for sale		(1,012,529)	(22,416)	95,050	(615,740)
Net realised gain transferred to statement of income on sale of investments available for sale	4	(977,645)	(590,758)	(1,042,001)	(759,045)
Impairment loss on investments available for sale	4	59,850	30,301	75,016	371,880
Share of other comprehensive income of associates		31,971	(8,586)	73,612	81,758
Exchange differences on translation of foreign operations		(845,284)	(200,294)	(857,181)	(2,172,113)
Other comprehensive (loss) for the period		<u>(2,743,637)</u>	<u>(791,753)</u>	<u>(1,655,504)</u>	<u>(3,093,260)</u>
Total comprehensive income for the period		<u><u>458,590</u></u>	<u><u>3,767,618</u></u>	<u><u>4,492,242</u></u>	<u><u>5,837,413</u></u>
<b>Attributable to:</b>					
Equity holders of the Parent Company		27,334	3,040,154	3,932,097	4,040,398
Non-controlling interests		431,256	727,464	560,145	1,797,015
		<u><u>458,590</u></u>	<u><u>3,767,618</u></u>	<u><u>4,492,242</u></u>	<u><u>5,837,413</u></u>

The attached notes 1 to 10 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 30 June 2017

	Notes	<b>30 June 2017 KD</b>	<i>(Audited)</i> <b>31 December 2016 KD</b>	<b>30 June 2016 KD</b>
<b>ASSETS</b>				
Property and equipment		17,856,122	14,961,776	17,033,065
Investments in associates		38,563,977	39,958,891	38,823,060
Goodwill		14,093,553	14,093,553	12,931,332
Financial instruments:				
Investments held to maturity		20,656,209	19,654,769	27,079,377
Debt securities (loans)		18,398,458	14,489,750	20,542,032
Investments available for sale		41,190,792	17,027,588	16,838,425
Investments carried at fair value through income statement		28,888,234	24,088,901	24,922,944
Loans secured by life insurance policies		1,676,873	1,655,396	1,440,017
Premiums and insurance balances receivable		107,074,182	58,385,367	55,555,849
Reinsurance recoverable on outstanding claims		118,663,386	51,265,374	40,817,616
Investment properties		3,390,404	3,167,163	3,344,851
Other assets		26,810,957	18,442,312	21,940,505
Time deposits		41,802,958	25,618,550	39,842,971
Cash and cash equivalents	6	46,687,729	73,069,509	37,185,687
<b>TOTAL ASSETS</b>		<b>525,753,834</b>	<b>375,878,899</b>	<b>358,297,731</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Liabilities arising from insurance contracts:</b>				
Outstanding claims reserve (gross)		177,840,856	103,869,440	92,136,596
Unearned premiums reserve (net)		46,243,752	29,631,401	30,564,851
Life mathematical reserve (net)		31,099,638	22,534,676	29,592,252
Incurred but not reported reserve (net)		1,650,000	1,650,000	1,650,000
Total liabilities arising from insurance contracts		256,834,246	157,685,517	153,943,699
Premiums received in advance		4,016,583	9,761,288	4,170,310
Insurance payable		71,742,145	59,881,348	40,331,847
Other liabilities		40,679,463	22,024,301	23,870,237
Bank overdraft	6	52,677,372	24,756,018	28,095,364
<b>TOTAL LIABILITIES</b>		<b>425,949,809</b>	<b>274,108,472</b>	<b>250,411,457</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)	(4,144,733)
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)	(3,062,725)
Cumulative changes in fair values		(1,872,873)	(1,074,550)	(1,314,242)
Foreign currency translation adjustments		(16,241,696)	(15,384,515)	(6,191,232)
Revaluation reserve		2,559,760	2,559,760	2,559,760
Retained earnings		35,046,904	36,619,761	33,146,307
Equity attributable to the equity holders of the Parent Company		79,085,372	82,313,733	86,449,828
Non-controlling interests		20,718,653	19,456,694	21,436,446
<b>TOTAL EQUITY</b>		<b>99,804,025</b>	<b>101,770,427</b>	<b>107,886,274</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>525,753,834</b>	<b>375,878,899</b>	<b>358,297,731</b>

Farqad A. Al-Sane  
Chairman

The attached notes 1 to 10 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 30 June 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	-	-	-	-	-	-	-	-	-	-	5,587,601	5,587,601	560,145	6,147,746
Other comprehensive loss	-	-	-	-	-	-	-	(798,323)	(857,181)	-	-	(1,655,504)	-	(1,655,504)
<b>Total comprehensive (loss) income for the Period</b>	-	-	-	-	-	-	-	(798,323)	(857,181)	-	5,587,601	3,932,097	560,145	4,492,242
Dividends For 2016	-	-	-	-	-	-	-	-	-	(7,160,458)	(7,160,458)	(7,160,458)	-	(7,160,458)
Change in ownership of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,565,769	1,565,769
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(863,955)	(863,955)
<b>Balance at 30 June 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>(1,872,873)</b>	<b>(16,241,696)</b>	<b>2,559,760</b>	<b>35,046,904</b>	<b>79,085,372</b>	<b>20,718,653</b>	<b>99,804,025</b>

The attached notes 1 to 10 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 30 June 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 (Audited)	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	-	-	-	-	-	-	-	-	-	-	7,133,658	7,133,658	1,797,015	8,930,673
Other comprehensive loss	-	-	-	-	-	-	-	(921,147)	(2,172,113)	-	-	(3,093,260)	-	(3,093,260)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(921,147)	(2,172,113)	-	7,133,658	4,040,398	1,797,015	5,837,413
Dividends for 2015 (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,163,932)	(7,163,932)	-	(7,163,932)
Purchase of treasury shares	-	-	(8,116)	-	-	-	-	-	-	-	-	(8,116)	-	(8,116)
Change in ownership of a subsidiary	-	-	-	-	-	-	(1,499)	-	-	-	-	(1,499)	-	(1,499)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,787,514)	(1,787,514)
Balance at 30 June 2016	18,703,913	3,600,000	(4,144,733)	2,051,215	18,574,076	22,527,489	(3,062,725)	(1,314,242)	(6,191,232)	2,559,760	33,146,307	86,449,828	21,436,446	107,886,274

The attached notes 1 to 10 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 30 June 2017

	Notes	6 months ended 30 June	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before contribution to KFAS, NLST and Zakat		6,403,725	9,186,299
Adjustments for:			
Depreciation		5,151,477	601,683
Net investment income	4	(5,726,655)	(5,341,703)
Finance costs		473,379	614,958
Impairment loss on investments available for sale	4	75,016	371,880
Share of results of associates		(1,852,575)	(487,046)
		<u>4,524,367</u>	<u>4,946,071</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(4,211,639)	748,837
Premiums and insurance balances receivable		(32,329,688)	6,650,075
Reinsurance recoverable on outstanding claims		(60,052,679)	2,021,285
Other assets		(930,478)	(2,664,519)
Liabilities arising from insurance contracts		70,987,992	(5,323,514)
Premiums received in advance		(5,744,705)	223,879
Insurance payable		(2,541,443)	(8,848,619)
Other liabilities		11,337,517	1,347,699
		<u>(18,960,756)</u>	<u>(898,806)</u>
Cash used in operations		(80,367)	(192,283)
Paid to NLST		(112,963)	-
Paid to KFAS		(68,130)	-
Paid to Zakat			
		<u>(19,222,216)</u>	<u>(1,091,089)</u>
Net (used in) from operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of investment in a subsidiary	3	(5,038,915)	-
Disposal of investment in associate		1,936,832	-
Purchase of property and equipment		(6,231,167)	(1,330,452)
Proceeds from sale of property and equipment		279,896	304,439
Net movement of Investment properties		(223,241)	-
Net movement of investments available for sale		(3,139,585)	4,352,433
Net movement of debt securities (loans)		(3,908,708)	(2,494,411)
Net movement of investments held to maturity		(1,001,440)	(1,198,906)
Movement in time deposits		(16,184,408)	(5,182,051)
Loans secured by life insurance policies		(21,477)	(92,918)
Dividends income received		1,661,375	1,293,962
Dividends received from associates		1,277,189	1,046,440
Interest received		2,818,019	2,631,947
		<u>(27,775,630)</u>	<u>(669,517)</u>
Net cash used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Purchase of treasury shares		-	(8,116)
Dividends paid		(7,160,458)	(7,163,932)
Net movement in non controlling interest		701,814	(1,787,514)
		<u>(6,458,644)</u>	<u>(8,959,562)</u>
Net cash used in financing activities			
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(53,456,490)</b>	<b>(10,720,168)</b>
Net foreign exchange difference		(846,644)	2,219,463
Cash and cash equivalents at 1 January		48,313,491	17,591,028
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	6	<b>(5,989,643)</b>	<b>9,090,323</b>

The attached notes 1 to 10 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 30 June 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 24 July 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 (2015: 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 30 June 2016: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2016: 41.42% and 30 June 2016: 41.42%) by Fairfax Financial Holding Limited as at 30 June 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 six months period ended 30 June 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).

### 3 BUSINESS COMBINATION

On 28 April 2017, the Group acquired 100% equity interest in AIG Sigorta Anonim Şirketi (AIG), a company incorporated in Turkey from a non-related party. The Group determined that it exercises control over AIG at the date of acquisition and consequently started consolidating AIG from that date in accordance with the requirements of IFRS 3 “Business Combination”.

The Group is in process of completing the title transfer formalities.

The following table summarize the consideration transferred to acquire AIG with the amounts of identified provisional assets acquired and liabilities assumed at the acquisition date.

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

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

At 30 June 2017

### 3 BUSINESS COMBINATION (continued)

	<i>Provisional fair value recognised on acquisition</i>
	<i>KD</i>
<b>Assets</b>	
Property and equipment	349,798
Investments available for sale	16,784,324
Investments carried at fair value through income statement	191,836
Premiums and insurance balances receivable	6,152,217
Other assets	3,639,384
Cash and cash equivalents	8,559,184
<b>Total assets</b>	<b>35,676,743</b>
<b>Liabilities</b>	
Outstanding claims reserve (net)	3,575,105
Unearned premiums reserve (net)	7,131,703
Insurance payable	6,238,969
Other Liabilities	5,152,209
<b>Total liabilities</b>	<b>(22,097,986)</b>
<b>Total identifiable net assets</b>	<b>13,578,757</b>
<i>Cash flow on acquisition:</i>	
Net asset acquired at the date of acquisition	13,578,757
Less: Net cash acquired in the subsidiary	(8,559,182)
<b>Net cash outflow on acquisition</b>	<b>5,019,575</b>

From the date of acquisition, contributed KD 7,471,241 of premium written and KD 123,773 to loss of the Group.

In addition, on 2 April 2017, the Group increased its holding in the share capital of Takaful International B.S.C. (Takaful), a listed Company on the Bahrain Bourse, to 63.6% (31 December 2016: 40.9% and 30 June 2016: 40.9%). As a result, Takaful became a subsidiary of the Group and has been consolidated from that date. On 28 June 2017, the Group further increased its shareholding from 63.6% to 67.3% in Takaful.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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At 30 June 2017

3 BUSINESS COMBINATION (continued)

	<i>Provisional fair value recognised on acquisition</i>
	<b>KD</b>
Property and equipment	1,795,436
Investments available for sale	3,997,021
Premiums and insurance balances receivable	10,206,910
Other assets	3,798,782
Time deposits	100,731
Cash and cash equivalents	4,671,519
<b>Total assets</b>	<b>24,570,399</b>
Outstanding claims reserve (net)	2,537,625
Unearned premiums reserve (net)	7,570,971
Insurance payable	8,163,272
Other Liabilities	1,506,942
<b>Total liabilities</b>	<b>19,778,810</b>
<b>Total identifiable net assets</b>	<b>4,791,589</b>
 <i>Cash flow on acquisition:</i>	
Net asset value at the date of the acquisition	4,791,589
Less: Net cash acquired in the subsidiary	(4,772,249)
<b>Net cash inflow on acquisition</b>	<b>19,340</b>

From the date of acquisition, contributed KD 3,613,924 of premium written and KD 119,308 to the profit of the Group.

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

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

At 30 June 2017

### 4 NET INVESTMENT INCOME

	<i>3 months ended</i> <i>30 June</i>		<i>6 months ended</i> <i>30 June</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Net realised gain on sale of investments available for sale	<b>977,645</b>	590,758	<b>1,042,001</b>	759,045
Realised (loss) gain on sale of investments at fair value through income statement	<b>135,054</b>	108,491	<b>127,182</b>	168,613
Unrealised gain on investments at fair value through income statement	<b>(702,375)</b>	(449,360)	<b>268,676</b>	(361,658)
Dividend income	<b>787,893</b>	655,954	<b>1,661,375</b>	1,598,834
Interest on investments held to maturity	<b>529,126</b>	309,393	<b>1,019,304</b>	858,697
Interest on debt securities (loans)	<b>346,910</b>	437,546	<b>593,125</b>	735,801
Interest on time and call deposits	<b>671,110</b>	461,373	<b>1,205,590</b>	1,037,449
Foreign exchange (loss) gain	<b>(237,226)</b>	57,616	<b>(354,074)</b>	573,509
Other investment income	<b>(141,566)</b>	153,344	<b>397,502</b>	295,738
Impairment loss on investments available for sale	<b>(59,850)</b>	(30,301)	<b>(75,016)</b>	(371,880)
Other investment expenses	<b>(112,255)</b>	(192,421)	<b>(234,026)</b>	(324,325)
	<b>2,194,466</b>	2,102,393	<b>5,651,639</b>	4,969,823

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

	<i>3 months ended</i> <i>30 June</i>		<i>6 months ended</i> <i>30 June</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Net investment income from designated life insurance	<b>858,473</b>	68,531	<b>1,370,037</b>	310,555
Net investment income	<b>1,335,993</b>	2,033,862	<b>4,281,602</b>	4,659,268
	<b>2,194,466</b>	2,102,393	<b>5,651,639</b>	4,969,823

### 5 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>30 June</i>		<i>6 months ended</i> <i>30 June</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Profit attributable to equity holders of the Parent Company	<b>2,770,971</b>	3,831,907	<b>5,587,601</b>	7,133,658
	<b>Shares</b>	Shares	<b>Shares</b>	Shares
Weighted average number of shares, less treasury shares outstanding during the period	<b>179,011,480</b>	179,098,297	<b>179,011,480</b>	179,098,297
Basic and diluted earnings per share	<b>15.48 fils</b>	21.40 fils	<b>31.21 fils</b>	39.83 fils

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

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

At 30 June 2017

### 6 CASH AND CASH EQUIVALENTS

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

	<b>30 June 2017 KD</b>	<i>(Audited)</i> <b>31 December 2016 KD</b>	<b>30 June 2016 KD</b>
Bank balances and cash	<b>17,049,030</b>	27,881,801	10,429,433
Short term and call deposits	<b>29,638,699</b>	45,187,708	26,756,254
Cash and cash equivalents in the interim condensed consolidated statement of financial position	<b>46,687,729</b>	73,069,509	37,185,687
Bank overdraft	<b>(52,677,372)</b>	(24,756,018)	(28,095,364)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<b>(5,989,643)</b>	48,313,491	9,090,323



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2017

7 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	Life insurance KD	Medical insurance KD	
<b>Six months ended 30 June 2017</b>								
Segment revenue	2,206,012	4,089,341	23,085,991	3,125,781	4,800,177	6,094,583	33,222,288	76,624,173
Segment results (net underwriting income)	897,339	708,865	573,016	734,785	434,543	308,581	139,146	3,796,275
<b>Six months ended 30 June 2016</b>								
Segment revenue	2,127,632	3,603,134	22,594,679	1,874,091	3,327,319	9,179,026	19,089,162	61,795,043
Segment results (net underwriting income)	833,337	1,716,580	466,747	972,155	1,519,781	654,458	2,510,406	8,673,464

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2017

7 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 June 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>336,159,610</u>	<u>90,457,692</u>	<u>99,136,532</u>	<u>525,753,834</u>
Total liabilities	<u>268,932,602</u>	<u>96,213,300</u>	<u>60,803,907</u>	<u>425,949,809</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 30 June 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>210,834,303</u>	<u>76,279,498</u>	<u>71,183,930</u>	<u>358,297,731</u>
Total liabilities	<u>155,579,435</u>	<u>64,083,605</u>	<u>30,748,417</u>	<u>250,411,457</u>

8 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>6 months ended 30 June 2017</i>		<i>6 months ended 30 June 2016</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	<u>171,318</u>	<u>219,440</u>	154,777	3,307
Other related parties	<u>1,752,476</u>	<u>115,873</u>	3,199,607	388,049
	<u>1,923,794</u>	<u>335,313</u>	<u>3,354,384</u>	<u>391,356</u>

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

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

At 30 June 2017

### 8 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2017		(Audited) 31 December 2016		30 June 2016	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
	KD	KD	KD	KD	KD	KD
Directors and key management personnel	208,631	8,557	84,986	13,920	180,012	11,531
Other related parties	1,097,913	1,522,416	827,143	212,114	1,064,662	1,307,771
	<u>1,306,544</u>	<u>1,530,973</u>	<u>912,129</u>	<u>226,034</u>	<u>1,244,674</u>	<u>1,319,302</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 4,884,556 (31 December 2016: KD 14,913,756 and 30 June 2016: KD 4,397,986). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 9,604,000 (31 December 2016: KD 6,577,750 and 30 June 2016: KD 12,706,032).
- Included under other assets an amount of KD 1,402,689 (31 December 2016: KD 1,402,689 and 30 June 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:

	6 months ended 30 June	
	2017	2016
	KD	KD
Salaries and other short-term benefits	144,479	468,212
Employees' end of service benefits	125,257	146,277
	<u>269,736</u>	<u>614,489</u>

### 9 CONTINGENT LIABILITIES

At 30 June 2017, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 17,296,601 (31 December 2016: KD 17,042,587 and 30 June 2016: KD 8,982,897).

### 10 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 30 June 2017

### 10 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:

	<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>	
<b>30 June 2017</b>				
<b>Investments available for sale:</b>				
Quoted equity securities	34,323,810	-	-	<b>34,323,810</b>
Unquoted equity securities	-	-	5,538,885	<b>5,538,885</b>
Unquoted managed funds	-	1,279,602	37,906	<b>1,317,508</b>
<b>Investments carried at fair value through income statements:</b>				
<i>Held for trading:</i>				
Quoted securities	10,388,091	111,809	-	<b>10,499,900</b>
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	15,111,311	3,277,023	-	<b>18,388,334</b>
<b>Total</b>	<b>59,823,212</b>	<b>4,668,434</b>	<b>5,576,791</b>	<b>70,068,437</b>

	<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>	
<b>31 December 2016 (Audited)</b>				
<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 30 June 2017

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

30 June 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	12,675,351	-	-	12,675,351
Unquoted equity securities	-	-	3,959,872	3,959,872
Unquoted managed funds	-	37,700	68,254	105,954
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	12,574,289	-	-	12,574,289
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	12,348,655	-	-	12,348,655
<b>Total</b>	<b>37,598,295</b>	<b>37,700</b>	<b>4,028,126</b>	<b>41,664,121</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	Net purchases and disposals KD	At 30 June 2017 KD
<b>Financial assets available for sale:</b>					
Unquoted equity securities	4,403,342	472,108	-	663,435	5,538,885
Unquoted managed funds	37,906	-	-	-	37,906
	<u>4,441,248</u>	<u>472,108</u>	<u>-</u>	<u>663,435</u>	<u>5,576,791</u>
	At 1 January 2016 KD	Gain recorded in the consolidated statement of comprehensive income KD	Loss recorded in the consolidated statement of comprehensive income KD	Net purchases and disposals 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>-</u>	<u>4,441,248</u>



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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2017

10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>At 1 January 2016 KD</i>	<i>Gain / (loss) recorded in the consolidated statement of income KD</i>	<i>Loss recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 30 June 2016 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	4,019,187	-	(59,315)	-	3,959,872
Unquoted managed funds	126,534	-	(2,006)	(56,274)	68,254
	<u>4,145,721</u>	<u>-</u>	<u>(61,321)</u>	<u>(56,274)</u>	<u>4,028,126</u>