

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 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 30 June 2018, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three-month and six-month 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-month 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

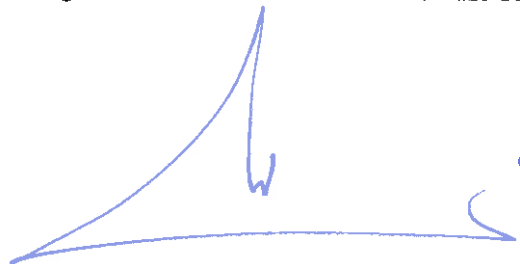
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons 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 six month period ended 30 June 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

6 August 2018
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 KD	(Restated)* 2017 KD	2018 KD	(Restated)* 2017 KD
Revenue:					
Premiums written		72,090,211	77,810,139	154,322,565	156,292,019
Reinsurance premiums ceded		(38,164,750)	(44,434,247)	(79,282,448)	(85,204,657)
Net premiums written		33,925,461	33,375,892	75,040,117	71,087,362
Movement in unearned premiums reserve		1,983,620	3,174,147	(5,694,148)	(5,819,967)
Movement in life mathematical reserve		446,495	(858,093)	734,357	(1,535,448)
Net premiums earned		36,355,576	35,691,946	70,080,326	63,731,947
Commission received on ceded reinsurance		3,787,323	4,939,545	8,194,478	9,403,676
Policy issuance fees		1,117,826	1,094,488	2,023,778	2,118,513
Net investment income (loss) from designated life insurance	3	47,852	858,473	(145,963)	1,370,037
		<u>41,308,577</u>	<u>42,584,452</u>	<u>80,152,619</u>	<u>76,624,173</u>
Expenses:					
Claims incurred		25,304,534	26,829,602	50,696,077	50,428,356
Commission and discounts		4,108,512	4,901,184	8,714,285	7,933,108
Maturity and cancellations of life insurance policies		908,313	451,921	1,510,369	932,358
General and administrative expenses		6,697,735	7,515,349	13,350,854	13,534,076
		<u>37,019,094</u>	<u>39,698,056</u>	<u>74,271,585</u>	<u>72,827,898</u>
Net underwriting income		4,289,483	2,886,396	5,881,034	3,796,275
Net investment income	3	1,309,742	1,335,993	4,304,140	4,281,602
Finance costs		(772,140)	30,348	(1,456,327)	(473,379)
Share of results of associates		1,054,456	844,191	1,828,650	1,852,575
Net sundry income		192,059	(95,819)	637,323	101,004
		<u>6,073,600</u>	<u>5,001,109</u>	<u>11,194,820</u>	<u>9,558,077</u>
Other charges:					
Unallocated general and administrative expenses		(2,098,204)	(1,653,274)	(3,498,350)	(3,378,096)
PROFIT FOR THE PERIOD BEFORE TAXATION					
Contribution to KFAS		3,975,396	3,347,835	7,696,470	6,179,981
NLST		(24,885)	(60,602)	(80,592)	(107,480)
Zakat		(97,433)	(38,048)	(190,803)	(80,367)
		<u>(25,783)</u>	<u>(46,958)</u>	<u>(54,435)</u>	<u>(68,132)</u>
PROFIT FOR THE PERIOD		<u>3,827,295</u>	<u>3,202,227</u>	<u>7,370,640</u>	<u>5,924,002</u>
Attributable to:					
Equity holders of the Parent Company		3,248,899	2,770,971	6,583,752	5,365,603
Non-controlling interests		578,396	431,256	786,888	558,399
		<u>3,827,295</u>	<u>3,202,227</u>	<u>7,370,640</u>	<u>5,924,002</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>18.15 fils</u>	<u>15.48 fils</u>	<u>36.78 fils</u>	<u>29.97 fils</u>

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

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2018

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2018	<i>(Restated)*</i>	2018	<i>(Restated)*</i>
<i>Note</i>	KD	<i>2017</i>	KD	<i>2017</i>
		KD		KD
Profit for the period	3,827,295	3,202,227	7,370,640	5,924,002
Other comprehensive income:				
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>				
- Investments available for sale:				
Net unrealised (loss) gain	(2,735,896)	(1,012,529)	(2,804,383)	95,050
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3 (368,290)	(977,645)	(889,202)	(1,042,001)
Impairment loss on investments available for sale	3 956,274	59,850	961,646	75,016
	(2,147,912)	(1,930,324)	(2,731,939)	(871,935)
- Share of other comprehensive (loss) income of associates	(31,374)	31,971	(99,551)	73,612
- Exchange differences on translation of foreign operations	(1,632,847)	(845,284)	(2,622,303)	(857,181)
Other comprehensive loss for the period	(3,812,133)	(2,743,637)	(5,453,793)	(1,655,504)
Total comprehensive income for the period	15,162	458,590	1,916,847	4,268,498
Attributable to:				
Equity holders of the Parent Company	(369,715)	27,334	1,344,446	3,710,099
Non-controlling interests	384,877	431,256	572,401	558,399
	15,162	458,590	1,916,847	4,268,498

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

		<i>(Restated)*</i>	<i>(Restated)*</i>
		<i>(Audited)</i>	<i>(Restated)*</i>
	<i>Note</i>	<i>30 June</i>	<i>31 December</i>
		<i>2018</i>	<i>2017</i>
		<i>KD</i>	<i>KD</i>
		<i>2018</i>	<i>2017</i>
		<i>KD</i>	<i>KD</i>
ASSETS			
Property and equipment		17,916,641	17,880,111
Investments in associates		42,015,287	40,850,904
Goodwill		15,104,460	15,104,460
Financial instruments:			
Investments held to maturity		21,820,735	19,509,904
Debt securities (loans)		16,617,626	18,329,989
Investments available for sale		36,659,021	36,168,453
Investments carried at fair value through income statement		19,991,606	26,421,139
Loans secured by life insurance policies		1,575,026	1,604,035
Premiums and insurance balances receivable		103,682,496	93,470,873
Reinsurance recoverable on outstanding claims		106,398,442	103,743,311
Investment properties		2,730,981	2,878,466
Other assets		22,552,307	23,105,183
Time deposits		37,728,859	38,438,911
Cash and cash equivalents	5	52,534,964	55,581,425
TOTAL ASSETS		497,328,451	493,087,164
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital		18,703,913	18,703,913
Share premium		3,600,000	3,600,000
Treasury shares		(4,203,067)	(4,203,067)
Treasury shares reserve		2,051,215	2,051,215
Statutory reserve		18,703,913	18,703,913
Voluntary reserve		24,888,125	24,888,125
Other reserve		(3,062,725)	(3,062,725)
Cumulative changes in fair values		(3,452,073)	(754,256)
Foreign currency translation adjustments		(19,131,539)	(16,590,050)
Revaluation reserve		2,559,760	2,559,760
Retained earnings		38,156,498	36,942,750
Equity attributable to the equity holders of the Parent Company		78,814,020	82,839,578
Non-controlling interests		19,075,215	19,548,317
TOTAL EQUITY		97,889,235	102,387,895
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve (gross)		160,234,942	156,687,629
Unearned premiums reserve (net)		54,398,943	51,494,581
Life mathematical reserve (net)		19,455,456	20,186,446
Incurred but not reported reserve (net)		1,650,000	1,650,000
Total liabilities arising from insurance contracts		235,739,341	230,018,656
Premiums received in advance		4,487,768	4,430,319
Insurance payable		51,152,056	66,729,198
Other liabilities		36,698,283	34,139,439
Bank overdrafts	5	71,361,768	55,381,657
TOTAL LIABILITIES		399,439,216	390,699,269
TOTAL EQUITY AND LIABILITIES		497,328,451	493,087,164

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

Khaled Saoud Al-Hasan
Chief Executive Officer

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 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 (Audited) (Restated)	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(754,256)	(16,590,050)	2,559,760	36,942,750	82,839,578	19,548,317	102,387,895
Profit for the period	-	-	-	-	-	-	-	-	-	-	6,583,752	6,583,752	786,888	7,370,640
Other comprehensive Loss for the period	-	-	-	-	-	-	-	(2,697,817)	(2,541,489)	-	-	(5,239,306)	(214,487)	(5,453,793)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(2,697,817)	(2,541,489)	-	6,583,752	1,344,446	572,401	1,916,847
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	(5,370,004)	(5,370,004)	-	-	(5,370,004)
Change in ownership of a Subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(523,672)	(523,672)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(521,831)	(521,831)
As at 30 June 2018	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(3,452,073)	(19,131,539)	2,559,760	38,156,498	78,814,020	19,075,215	97,889,235

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 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 2017 (Audited)	18,703,913	3,600,000	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,074,550)	(15,384,515)	2,559,760	36,619,761	82,313,733	19,456,694	101,770,427
(As previously reported)														
Effect of restatement (Note 10)*	-	-	-	-	-	-	-	-	-	-	(1,488,184)	(1,488,184)	(1,429,824)	(2,918,008)
As at 1 January 2017 (Restated)	18,703,913	3,600,000	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,074,550)	(15,384,515)	2,559,760	35,131,577	80,825,549	18,026,870	98,852,419
Profit for the period	-	-	-	-	-	-	-	-	-	-	5,365,603	5,365,603	558,399	5,924,002
Other comprehensive loss	-	-	-	-	-	-	-	(798,323)	(857,181)	-	-	(1,655,504)	-	(1,655,504)
Total comprehensive (loss) income for the Period	-	-	-	-	-	-	-	(798,323)	(857,181)	-	5,365,603	3,710,099	558,399	4,268,498
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,160,458)	(7,160,458)	-	(7,160,458)
Change in ownership of a Subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,565,769	1,565,769
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(863,955)	(863,955)
As at 30 June 2017	18,703,913	3,600,000	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,872,873)	(16,241,696)	2,559,760	33,336,722	77,375,190	19,287,083	96,662,273

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the period before taxation		7,696,470	6,179,981
<i>Adjustments for:</i>			
Depreciation		708,670	731,294
Net investment income	3	(5,119,823)	(5,726,655)
Impairment loss on investments available for sale	3	961,646	75,016
Share of results of associates		(1,828,650)	(1,852,575)
Finance costs		1,456,327	473,379
		<u>3,874,640</u>	<u>(119,560)</u>
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through income statement		5,823,837	(4,211,639)
Premiums and insurance balances receivable		(10,211,623)	(32,329,688)
Reinsurance recoverable on outstanding claims		(2,655,131)	(60,052,679)
Other assets		(2,054,983)	(706,734)
Liabilities arising from insurance contracts		5,720,685	70,987,992
Premiums received in advance		57,449	(5,744,705)
Insurance payable		(15,577,142)	(2,541,443)
Other liabilities		2,673,176	11,995,896
		<u>(12,349,092)</u>	<u>(22,722,560)</u>
Paid to NLST		(215,764)	(80,367)
Paid to KFAS		-	(112,963)
Paid to Zakat		(39,398)	(68,130)
Remuneration paid to directors		(185,000)	(185,000)
		<u>(12,789,254)</u>	<u>(23,169,020)</u>
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Purchase of investment in a subsidiary		-	(5,038,915)
Disposal of investment in associate		-	1,936,832
Purchase of property and equipment		(865,509)	(1,810,984)
Proceeds from sale of property and equipment		9,996	279,896
Net movement of investments held to maturity		(2,310,831)	(1,001,440)
Net movement of debt securities (loans)		1,712,363	(3,908,708)
Net movement of investments available for sale		(3,360,380)	(3,139,585)
Loans secured by life insurance policies		29,009	(21,477)
Net movement of investment properties		-	(223,241)
Movement in time deposits		710,052	(16,184,408)
Interest received		3,364,340	2,818,019
Dividends income received		1,538,347	1,661,375
Dividends received from associates		552,542	1,277,189
		<u>1,379,929</u>	<u>(23,355,447)</u>
Net cash flows from (used in) investing activities			
FINANCING ACTIVITIES			
Finance cost paid		(1,456,327)	(473,379)
Dividends paid		(5,370,004)	(7,160,458)
Dividends paid to non-controlling interests		(521,831)	(863,955)
Net movement in non-controlling interest		(523,672)	1,565,769
		<u>(7,871,834)</u>	<u>(6,932,023)</u>
Net cash flows used in financing activities			
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(19,281,159)	(53,456,490)
Cash and cash equivalents at 1 January		254,587	(846,644)
		<u>199,768</u>	<u>48,313,491</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	<u>(18,826,804)</u>	<u>(5,989,643)</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 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 6 August 2018. The Ordinary Annual General Assembly meeting of the Parent Company's shareholders held on 29 March 2018 approved the consolidated financial statements for the year ended 31 December 2017 and approved the proposed distribution of cash dividends of 30 fils per share (2016: 40 fils per share).

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

New standards, interpretations and amendments adopted by the Group

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 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</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	368,290	977,645	889,202	1,042,001
Realised (loss) gain on sale of investments at fair value through income statement	(65,263)	135,054	219,356	127,182
Unrealised (loss) gain on investments at fair value through income statement	(781,524)	(702,375)	(825,052)	268,676
Dividend income	1,178,892	787,893	1,538,347	1,661,375
Interest on investments held to maturity	580,498	529,126	999,565	1,019,304
Interest on debt securities (loans)	292,534	346,910	581,065	593,125
Interest on time and call deposits	939,251	671,110	1,783,710	1,205,590
Foreign exchange (loss) gain	(66,847)	(237,226)	4,167	(354,074)
Other investment income	55,110	(141,566)	245,292	397,502
Impairment (loss) on investments available for sale	(956,274)	(59,850)	(961,646)	(75,016)
Other investment expenses	(187,073)	(112,255)	(315,829)	(234,026)
	1,357,594	2,194,466	4,158,177	5,651,639

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income (loss) from designated life insurance	47,852	858,473	(145,963)	1,370,037
Net investment income	1,309,742	1,335,993	4,304,140	4,281,602
	1,357,594	2,194,466	4,158,177	5,651,639

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

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

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

	<i>Three months ended</i>		<i>Six months ended</i>		
	<i>30 June</i>		<i>30 June</i>		
	<i>2018</i>	<i>(Restated)</i>	<i>2018</i>	<i>(Restated)</i>	
	<i>KD</i>	<i>2017</i>	<i>KD</i>	<i>2017</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	3,248,899	2,770,971	6,583,752	5,365,603	
	Shares	Shares	Shares	Shares	
Weighted average number of shares, less treasury shares outstanding during the period	179,000,147	179,011,480	179,000,147	179,011,480	
Basic and diluted earnings per share	18.15 fils	15.48 fils	36.78 fils	29.97 fils	

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

5 CASH AND CASH EQUIVALENTS

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

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2018</i>	<i>31 December</i>	<i>30 June</i>
	<i>KD</i>	<i>2017</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	11,247,787	16,698,303	17,049,030
Short term and call deposits	41,287,177	38,883,122	29,638,699
Cash and cash equivalents in the interim condensed consolidated statement of financial position	52,534,964	55,581,425	46,687,729
Bank overdrafts	(71,361,768)	(55,381,657)	(52,677,372)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	(18,826,804)	199,768	(5,989,643)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

6 SEGMENT INFORMATION

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

a) Segmental interim condensed consolidated statement of income:

	General risk insurance				Life and medical		Total KD
	Marine and aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Life insurance KD	
Six months ended 30 June 2018							
Segment revenue	2,655,166	4,090,200	24,414,712	4,327,167	6,329,268	4,019,554	38,336,106
Segment results net underwriting income (loss)	782,685	434,037	(943,370)	744,358	1,640,713	552,908	3,222,611
Six months ended 30 June 2017							
Segment revenue	2,206,012	4,089,341	23,085,991	3,125,781	4,800,177	6,094,583	39,316,871
Segment results (net underwriting income)	897,339	708,865	573,016	734,785	434,543	308,581	447,727
							3,796,275

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 June 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	300,472,376	86,774,331	110,081,744	497,328,451
Total liabilities	239,972,493	85,199,428	74,267,295	399,439,216
<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 (<i>Restated</i>)	292,234,201	96,303,578	104,549,385	493,087,164
Total liabilities (<i>Restated</i>)	228,385,822	102,513,426	59,800,021	390,699,269
<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 (<i>Restated</i>)	335,149,874	90,457,692	99,136,532	524,744,098
Total liabilities (<i>Restated</i>)	271,064,618	96,213,300	60,803,907	428,081,825

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>Six months ended 30 June 2018</i>		<i>Six months ended 30 June 2017</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	203,577	12,296	171,318	219,440
Other related parties	2,272,291	249,410	1,752,476	115,873
	2,475,868	261,706	1,923,794	335,313

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

7 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2018		(Audited) 31 December 2017		30 June 2017	
	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD
Directors and key management personnel	231,777	9,525	291,926	215,643	208,631	8,557
Other related parties	1,595,812	953,804	2,424,839	432,300	1,097,913	1,522,416
	<u>1,827,589</u>	<u>963,329</u>	<u>2,716,765</u>	<u>647,943</u>	<u>1,306,544</u>	<u>1,530,973</u>

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 5,212,749 (31 December 2017: KD 5,392,479 and 30 June 2017: KD 4,884,556). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 7,841,750 (31 December 2017: KD 9,577,000 and 30 June 2017: KD 9,604,000).

Compensation of key management personnel is as follows:

	Six months ended 30 June	
	2018 KD	2017 KD
Salaries and other short-term benefits	280,856	144,479
Employees' end of service benefits	122,094	125,257
	<u>402,950</u>	<u>269,736</u>

8 CONTINGENT LIABILITIES

As at 30 June 2018, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 16,949,338 (31 December 2017: KD 17,333,994 and 30 June 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

<i>30 June 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	30,613,096	-	-	30,613,096
Unquoted equity securities	-	-	5,384,195	5,384,195
Unquoted managed funds	-	623,824	37,906	661,730
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	5,543,272	-	-	5,543,272
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	14,448,334	-	-	14,448,334
Total	50,604,702	623,824	5,422,101	56,650,627

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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 30 June 2018 KD
Financial assets available for sale:				
Unquoted equity securities	4,403,342	-	980,853	5,384,195
Unquoted managed funds	37,906	-	-	37,906
	4,441,248	-	980,853	5,422,101
	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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 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>Net purchases and disposals KD</i>	<i>As at 30 June 2017 KD</i>
<i>Financial assets available for sale:</i>					
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>

10 RESTATEMENT OF COMPARATIVE INFORMATION

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

	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Interim condensed consolidated statement of financial position</i>			
<i>As at 30 June 2017</i>			
ASSETS			
Reinsurance recoverable on outstanding claims	118,663,386	(785,992)	117,877,394
Other assets	26,810,957	(223,744)	26,587,213
LIABILITIES			
Unearned premiums reserve (net)	52,631,426	2,132,016	54,763,442
TOTAL EQUITY			
Retained earnings	35,046,904	(1,710,182)	33,336,722
Non-controlling interests	20,718,653	(1,431,570)	19,287,083
	<i>As previously reported KD</i>	<i>Effect of restatement KD</i>	<i>After restatement KD</i>
<i>Interim condensed consolidated statement of income</i>			
<i>As at 30 June 2017</i>			
Profit for the period	6,147,746	(223,744)	5,924,002
Basic and diluted earnings per share attributable to equity holders of the parent company	31.21	(1.24)	29.97

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

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As at and for the period ended 30 June 2018

10 RESTATEMENT OF COMPARATIVE INFORMATION (continued)

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