

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
(UNAUDITED)**

30 JUNE 2021



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 June 2021, 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 interim condensed consolidated statement of changes in equity and the 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 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.

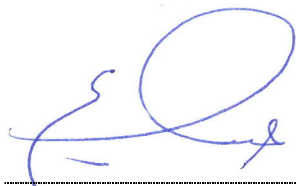
Conclusion

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 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 during the six months period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



ABDULKARIM AL SAMDAN
LICENCE NO. 208 A

EY
AL AIBAN, AL OSAIMI & PARTNERS

10 August 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 KD	2020 KD	2021 KD	2020 KD
Revenue:					
Premiums written		133,510,620	122,777,719	252,976,562	230,657,440
Reinsurance premiums ceded		(78,841,782)	(71,800,953)	(140,031,381)	(126,861,092)
Net premiums written		54,668,838	50,976,766	112,945,181	103,796,348
Movement in unearned premiums reserve		(5,466,714)	(5,305,618)	(16,209,425)	(9,419,384)
Movement in life mathematical reserve		(1,343,222)	(1,831,664)	(2,627,714)	(1,506,840)
Net premiums earned		47,858,902	43,839,484	94,108,042	92,870,124
Commission received on ceded reinsurance		4,531,838	4,021,074	9,035,516	9,243,485
Policy issuance fees		593,634	729,916	1,547,865	1,433,092
Net investment income from designated life insurance	3	818,928	1,280,472	1,332,637	152,439
		<u>53,803,302</u>	<u>49,870,946</u>	<u>106,024,060</u>	<u>103,699,140</u>
Expenses:					
Claims incurred		32,758,136	29,651,859	63,343,103	61,534,576
Commission and discounts		5,105,292	4,821,032	11,324,665	10,883,579
Maturity and cancellations of life insurance policies		894,573	264,469	1,815,618	1,017,378
General and administrative expenses		7,320,571	6,225,683	15,210,600	13,556,149
		<u>46,078,572</u>	<u>40,963,043</u>	<u>91,693,986</u>	<u>86,991,682</u>
Net underwriting income		7,724,730	8,907,903	14,330,074	16,707,458
Net investment income	3	4,027,597	6,298,591	8,813,819	7,120,928
Finance costs		(515,566)	(492,730)	(877,067)	(1,233,882)
Share of results of associates		117,858	823,932	321,861	876,733
Net sundry income		1,365,438	725,630	2,204,193	1,119,709
		<u>12,720,057</u>	<u>16,263,326</u>	<u>24,792,880</u>	<u>24,590,946</u>
Other charges:					
Unallocated general and administrative expenses		(3,714,660)	(5,953,262)	(8,318,501)	(9,823,031)
PROFIT FOR THE PERIOD BEFORE TAXATION		9,005,397	10,310,064	16,474,379	14,767,915
Contribution to KFAS		(161,275)	(46,492)	(233,659)	(81,394)
NLST		(50,845)	(132,515)	(164,794)	(194,627)
Zakat		(40,014)	(33,522)	(80,327)	(65,191)
Taxation from subsidiaries		(1,461,618)	(1,210,046)	(2,435,495)	(2,007,852)
PROFIT FOR THE PERIOD		7,291,645	8,887,489	13,560,104	12,418,851
Attributable to:					
Equity holders of the Parent Company		6,286,991	6,787,719	11,769,298	9,843,324
Non-controlling interests		1,004,654	2,099,770	1,790,806	2,575,527
		<u>7,291,645</u>	<u>8,887,489</u>	<u>13,560,104</u>	<u>12,418,851</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>31.37 fils</u>	<u>36.45 fils</u>	<u>58.72 fils</u>	<u>52.86 fils</u>

The attached notes 1 to 11 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 2021

	Note	Three months ended 30 June		Six months ended 30 June	
		2021	2020	2021	2020
		KD	KD	KD	KD
Profit for the period		7,291,645	8,887,489	13,560,104	12,418,851
Other comprehensive loss:					
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>					
- Investments available for sale:					
Net unrealised loss		1,384,433	3,430,602	(80,702)	1,059,562
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	(1,427,928)	(618,637)	(2,113,021)	(1,566,159)
Impairment loss on investments available for sale	3	320,934	72,458	335,159	1,367,941
		277,439	2,884,423	(1,858,564)	861,344
- Share of other comprehensive (loss) income of associates		(63,414)	(263,968)	(265,650)	362
- Exchange differences on translation of foreign operations		(3,075,549)	(2,856,768)	(6,138,432)	(2,012,056)
Other comprehensive loss for the period		(2,861,524)	(236,313)	(8,262,646)	(1,150,350)
Total comprehensive income for the period		4,430,121	8,651,176	5,297,458	11,268,501
Attributable to:					
Equity holders of the Parent Company		4,442,985	6,469,942	4,918,113	8,911,680
Non-controlling interests		(12,864)	2,181,234	379,345	2,356,821
		4,430,121	8,651,176	5,297,458	11,268,501

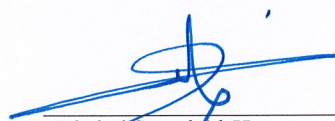
The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

		<i>(Audited)</i>	
	<i>Notes</i>	<i>30 June</i>	<i>31 December</i>
		<i>2021</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>
		<i>30 June</i>	<i>30 June</i>
		<i>2021</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>
ASSETS			
Property and equipment		34,812,286	36,947,614
Right-of-use assets		931,511	1,275,739
Investments in associates		43,029,021	43,450,670
Goodwill		17,661,271	15,104,460
Financial instruments:			
Investments held to maturity		39,476,765	38,346,604
Debt securities (loans)		6,420,178	15,323,871
Investments available for sale		50,281,243	49,022,248
Investments carried at fair value through profit or loss		38,489,612	31,976,268
Loans secured by life insurance policies		739,841	866,057
Premiums and insurance balances receivable		198,066,354	132,221,819
Reinsurance recoverable on outstanding claims		202,405,934	282,416,222
Investment properties		8,666,097	8,257,841
Other assets		35,421,393	31,179,594
Time deposits		40,810,686	42,981,556
Cash and bank balances	5	82,768,651	71,338,249
TOTAL ASSETS		799,980,843	800,708,812
EQUITY AND LIABILITIES			
Equity			
Share capital	6	20,123,913	18,703,913
Share premium	6	9,280,000	3,600,000
Treasury shares		(429,455)	(429,455)
Treasury shares reserve		3,099,292	3,099,292
Statutory reserve		18,703,913	18,703,913
Voluntary reserve		29,284,717	29,284,717
Other reserve		(2,836,728)	(2,836,728)
Cumulative changes in fair values		1,742,427	3,587,796
Foreign currency translation adjustments		(30,232,056)	(25,226,240)
Revaluation reserve		14,906,856	14,906,856
Retained earnings		65,777,638	54,008,340
Equity attributable to the equity holders of the Parent Company		129,420,517	117,402,404
Non-controlling interests		28,989,449	27,928,178
Total equity		158,409,966	145,330,582
Liabilities			
Liabilities arising from insurance contracts:			
Outstanding claims reserve (gross)		291,255,351	371,219,000
Unearned premiums reserve (net)		73,284,810	56,153,606
Life mathematical reserve (net)		35,986,319	33,043,624
Incurred but not reported reserve (net)		934,477	933,423
Total liabilities arising from insurance contracts		401,460,957	461,349,653
Premiums received in advance		3,605,596	3,190,992
Insurance payable		137,213,837	127,200,377
Other liabilities		68,541,981	63,637,208
Long term loans		-	-
Bank overdrafts	5	30,748,506	-
Total liabilities		641,570,877	655,378,230
TOTAL EQUITY AND LIABILITIES		799,980,843	800,708,812


Khaled Saoud Al-Hasan
Chief Executive Officer

The attached notes 1 to 11 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 2021

	<i>Attributable to equity holders of the Parent Company</i>													<i>Total equity</i> <i>KD</i>
	<i>Share capital</i> <i>KD</i>	<i>Share Premium</i> <i>KD</i>	<i>Treasury shares</i> <i>KD</i>	<i>Treasury shares reserve</i> <i>KD</i>	<i>Statutory reserve</i> <i>KD</i>	<i>Voluntary reserve</i> <i>KD</i>	<i>Other reserve</i> <i>KD</i>	<i>Cumulative changes in fair values</i> <i>KD</i>	<i>Foreign currency translation adjustments</i> <i>KD</i>	<i>Revaluation reserve</i> <i>KD</i>	<i>Retained earnings</i> <i>KD</i>	<i>Sub-total</i> <i>KD</i>	<i>Non-controlling interests</i> <i>KD</i>	
As at 1 January 2021 <i>(Audited)</i>	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	29,284,717	(2,836,728)	3,587,796	(25,226,240)	14,906,856	54,008,340	117,402,404	27,928,178	145,330,582
Profit for the period	-	-	-	-	-	-	-	-	-	-	11,769,298	11,769,298	1,790,806	13,560,104
Other comprehensive loss for the period	-	-	-	-	-	-	-	(1,845,369)	(5,005,816)	-	-	(6,851,185)	(1,411,461)	(8,262,646)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,845,369)	(5,005,816)	-	11,769,298	4,918,113	379,345	5,297,458
Issue of rights shares (Note 6)	1,420,000	5,680,000	-	-	-	-	-	-	-	-	-	7,100,000	-	7,100,000
Non- controlling interest arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	705,792	705,792
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(23,866)	(23,866)
As at 30 June 2021	20,123,913	9,280,000	(429,455)	3,099,292	18,703,913	29,284,717	(2,836,728)	1,742,427	(30,232,056)	14,906,856	65,777,638	129,420,517	28,989,449	158,409,966
As at 1 January 2020 <i>(Audited)</i>	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	1,529,248	(19,841,408)	12,241,253	46,474,233	108,802,359	26,044,031	134,846,390
Profit for the period	-	-	-	-	-	-	-	-	-	-	9,843,324	9,843,324	2,575,527	12,418,851
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	581,130	(1,512,774)	-	-	(931,644)	(218,706)	(1,150,350)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	581,130	(1,512,774)	-	9,843,324	8,911,680	2,356,821	11,268,501
Dividends payable (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,076,274)	(7,076,274)	-	(7,076,274)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,001,890)	(1,001,890)
As at 30 June 2020	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	2,110,378	(21,354,182)	12,241,253	49,241,283	110,637,765	27,398,962	138,036,727

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2021

		<i>Six months ended 30 June</i>	
		2021	2020
	<i>Notes</i>	KD	KD
OPERATING ACTIVITIES			
Profit for the period before taxation		16,474,379	14,767,915
<i>Adjustments for:</i>			
Depreciation of property and equipment and right-of-use assets		2,908,088	860,565
Net investment income		(7,440,029)	(4,792,159)
Impairment loss on investments available for sale	3	335,159	1,367,941
Share of results of associates		(321,861)	(876,733)
Finance costs		893,648	1,259,601
		12,849,384	12,587,130
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through profit or loss		(4,034,149)	(1,835,098)
Premiums and insurance balances receivable		(65,844,535)	(66,717,172)
Reinsurance recoverable on outstanding claims		80,010,288	(55,189,095)
Other assets		(2,165,083)	(3,071,107)
Liabilities arising from insurance contracts		(59,888,696)	75,393,351
Premiums received in advance		414,604	(818,516)
Insurance payable		10,013,460	26,274,426
Other liabilities		(1,624,831)	(2,015,973)
		(30,269,558)	(15,392,054)
Remuneration paid to directors		(185,000)	(185,000)
Net cash flows used in operating activities		(30,454,558)	(15,577,054)
INVESTING ACTIVITIES			
Purchase of property and equipment		(6,089,309)	(1,539,051)
Proceeds from sale of property and equipment		3,109,577	170,836
Purchase of investment properties		-	(143,379)
Net movement of investments held to maturity		(1,130,161)	(4,871,295)
Net movement of debt securities (loans)		8,903,693	(412,226)
Net movement of investments available for sale		(1,490,858)	(3,626,040)
Loans secured by life insurance policies		126,216	(70,202)
Movement in time deposits		2,170,870	(182,408)
Interest received		4,073,009	4,052,927
Dividends income received		452,015	797,374
Acquisition of a subsidiary, net of cash acquired	1	(1,810,344)	-
Advance towards acquisition of investment		-	(505,500)
Dividends received from associates		-	594,275
Net cash flows from (used in) investing activities		8,314,708	(5,734,689)
FINANCING ACTIVITIES			
Proceeds from issuance of right shares	6	7,100,000	-
Term loan		-	3,000,000
Payment of lease liability		(264,631)	(652,026)
Finance costs paid		(877,067)	(1,217,174)
Dividends paid to non-controlling interests		(23,867)	(1,001,890)
Net movement in non-controlling interests arising on acquisition of subsidiaries*		705,792	-
Net cash flows from financing activities		6,640,227	128,910
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(3,818,481)	(1,056,565)
Cash and cash equivalents at 1 January		71,338,249	85,926,683
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	52,020,145	63,687,285

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

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 2021

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 10 August 2021. The Ordinary Annual General Assembly meeting of the Parent Company’s shareholders held on 30 March 2021 approved the consolidated financial statements for the year ended 31 December 2020. No dividends were declared by the Parent Company for the year then ended (2019: 38 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 40, Office No 49 & 50, 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 45.99% (31 December 2020: 45.99% and 30 June 2020: 45.99%) owned by Kuwait Project Company Holding K.S.C.P. and 43.43% (31 December 2020: 43.43% and 30 June 2020: 43.43%) by Fairfax Financial Holding Limited as at 30 June 2021.

The New Insurance Law issued on 1 September 2019 by Decree Law No. 125 of 2019 (the “Insurance Regulatory Law”), cancelled the Insurance Companies Law No. 24 of 1961. The Executive Regulations of the new amended law issued on 11 March 2021 and was published in the official Gazette on 21 March 2021. As per article two of the executive regulations, the companies have one year from the date of publishing the executive regulations to comply with the new amended law.

During the period, Arab Orient Insurance Company J.S.C (“the subsidiary”) acquired 74.75% equity interest in Arab Life Company for a total consideration of JD 4,919,301 (equivalent to: KD 1,810,344). As a result goodwill amounting JD 6,947,698 (equivalent to: KD 2,556,811) has been recorded in the interim condensed consolidated statement of financial position.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

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 2020. 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 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)**

2.2 New standards, interpretations, and amendments adopted by the Group (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of risk component.

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial information are listed below. The Group intends to adopt these standards when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach).
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

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 2021

3 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	1,427,928	618,637	2,113,021	1,566,159
Realised gain on sale of investments at fair value through profit or loss	469,037	408,506	883,225	382,582
Unrealised gain (loss) on investments at fair value through profit or loss	331,955	1,717,195	1,595,970	(1,040,018)
Dividend income	175,726	444,558	452,015	797,374
Interest on investments held to maturity	1,326,945	1,047,219	2,122,303	1,968,123
Interest on debt securities (loans)	160,232	247,786	430,386	531,091
Interest on time and call deposits	904,871	675,467	1,520,320	1,553,713
Foreign exchange gain	1,669,988	3,411,872	2,589,571	3,849,149
Other investment income	310,930	245,542	656,484	420,119
Impairment loss on investments available for sale	(320,934)	(72,458)	(335,159)	(1,367,941)
Other investment expenses	(1,610,153)	(1,165,261)	(1,881,680)	(1,386,984)
	4,846,525	7,579,063	10,146,456	7,273,367

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>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income from designated life insurance	818,928	1,280,472	1,332,637	152,439
Net investment income	4,027,597	6,298,591	8,813,819	7,120,928
	4,846,525	7,579,063	10,146,456	7,273,367

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>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	6,286,991	6,787,719	11,769,298	9,843,324
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	200,417,729	186,217,729	200,417,729	186,217,729
Basic and diluted earnings per share	31.37 fils	36.45 fils	58.72 fils	52.86 fils

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 2021

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

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

* Basic and diluted earnings per share for the six months ended 30 June 2020 have not been adjusted to reflect the adjustments of the rights issue as the impact is immaterial (Note 6).

5 CASH AND CASH EQUIVALENTS

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

	30 June	<i>(Audited)</i>	30 June
	2021	31 December	2020
	KD	KD	KD
Cash and bank balances	28,332,324	22,300,968	19,154,141
Short term and call deposits	54,436,327	49,037,281	50,819,473
	<hr/>	<hr/>	<hr/>
Cash and bank balances	82,768,651	71,338,249	69,973,614
Bank overdrafts	(30,748,506)	-	(6,286,329)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	52,020,145	71,338,249	63,687,285
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bank overdrafts represent a facility obtained from a local bank and carries an average interest rate of 2.45% (31 December 2020: Nil% and 30 June 2020: 2.45%).

6 SHARE CAPITAL

The authorised share capital of the Parent Company comprises of 350,000,000 shares (31 December 2020: 187,039,125 shares and 30 June 2020: 187,039,125 shares) of 100 fils each. The increase in the authorised share capital was approved by the Extraordinary General Assembly meeting of the shareholders held on 7 October 2020. The issued and fully paid up share capital consists of 201,239,125 shares (31 December 2020: 187,039,125 shares and 30 June 2020: 187,039,125 shares) of 100 fils each.

During the period, the Parent Company made a rights issue to its shareholders at KD 0.500 per share (31 December 2020: KD Nil per share and 30 June 2020: KD Nil per share) made up of KD 0.100 share capital (31 December 2020: KD Nil share capital and 30 June 2020: KD Nil share capital) and KD 0.400 share premium per share (31 December 2020: KD Nil share premium and 30 June 2020: KD Nil share premium). A total of 14,200,000 shares (31 December 2020: Nil shares and 30 June 2020: Nil shares) were issued resulting in an increase in share capital by KD 1,420,000 (31 December 2020: KD Nil and 30 June 2020: Nil) and an increase in the share premium account by KD 5,680,000 (31 December 2020: KD Nil and 30 June 2020: KD Nil).

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 2021

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:

	<i>General risk insurance</i>					<i>Sub-total KD</i>	<i>Life and medical</i>		<i>Sub-total KD</i>	<i>Total KD</i>
	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General accidents KD</i>		<i>Life insurance KD</i>	<i>Medical insurance KD</i>		
<i>Six months ended 30 June 2021</i>										
Segment revenue	<u>2,668,287</u>	<u>5,476,435</u>	<u>26,824,995</u>	<u>4,787,496</u>	<u>6,047,488</u>	<u>45,804,701</u>	<u>7,755,714</u>	<u>52,463,645</u>	<u>60,219,359</u>	<u>106,024,060</u>
Segment results										
Net underwriting income	<u>1,192,643</u>	<u>1,706,502</u>	<u>2,047,404</u>	<u>1,323,119</u>	<u>1,222,737</u>	<u>7,492,405</u>	<u>311,363</u>	<u>6,526,306</u>	<u>6,837,669</u>	<u>14,330,074</u>
<i>Six months ended 30 June 2020</i>										
Segment revenue	<u>2,659,727</u>	<u>6,024,342</u>	<u>27,610,529</u>	<u>4,691,918</u>	<u>6,124,619</u>	<u>47,111,135</u>	<u>6,153,287</u>	<u>50,434,718</u>	<u>56,588,005</u>	<u>103,699,140</u>
Segment results										
Net underwriting income	<u>920,784</u>	<u>1,228,296</u>	<u>2,286,492</u>	<u>1,435,487</u>	<u>1,622,786</u>	<u>7,493,845</u>	<u>545,384</u>	<u>8,668,229</u>	<u>9,213,613</u>	<u>16,707,458</u>

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 2021

7 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 June 2021</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	423,353,826	142,952,091	233,674,926	799,980,843
Total liabilities	363,775,301	156,006,360	121,789,216	641,570,877
<i>(Audited)</i>	<i>General risk Insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
<i>As at 31 December 2020</i>				
Total assets	542,518,744	132,481,508	125,708,560	800,708,812
Total liabilities	446,942,532	152,838,372	55,597,326	655,378,230
<i>As at 30 June 2020</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	524,697,907	121,166,357	235,507,788	881,372,052
Total liabilities	462,300,689	168,162,871	112,871,765	743,335,325

8 RELATED PARTY DISCLOSURES

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 2021</i>		<i>Six months ended 30 June 2020</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	182,389	32,405	199,173	3,216
Other related parties	3,112,219	830,986	3,301,245	136,841
	3,294,608	863,391	3,500,418	140,057

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 2021

8 RELATED PARTY DISCLOSURES (continued)

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

	30 June 2021		(Audited) 31 December 2020		30 June 2020	
	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	286,859	12,589	56,562	2,868	222,402	-
Other related parties	2,035,835	705,772	1,514,696	542,609	1,970,021	78,192
	<u>2,322,694</u>	<u>718,361</u>	<u>1,571,258</u>	<u>545,477</u>	<u>2,192,423</u>	<u>78,192</u>

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 16,601,307 (31 December 2020: KD 6,550,178 and 30 June 2020: KD 6,904,768). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 1,506,500 (31 December 2020: KD 4,821,000 and 30 June 2020: KD 4,838,250).

Compensation of key management personnel is as follows:

	Six months ended 30 June	
	2021 KD	2020 KD
Salaries and other short-term benefits	327,796	292,446
Employees' end of service benefits	180,903	123,296
	<u>508,699</u>	<u>415,742</u>

9 CONTINGENT LIABILITIES

As at 30 June 2021, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 59,139,517 (31 December 2020: KD 59,935,118 and 30 June 2020: KD 60,256,177).

10 FAIR VALUE MEASUREMENT

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 profit or loss, 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 2021

10 FAIR VALUE MEASUREMENT (continued)

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>			Total <i>KD</i>
	Level 1 <i>KD</i>	Level 2 <i>KD</i>	Level 3 <i>KD</i>	
30 June 2021				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	15,451,258	-	-	15,451,258
Unquoted equity securities	-	18,048	5,995,331	6,013,379
Quoted managed funds	201,033	-	-	201,033
Quoted bonds	28,317,024	-	-	28,317,024
Unquoted managed funds	-	278,204	20,345	298,549
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	7,011,083	-	-	7,011,083
Unquoted securities	-	238,685	-	238,685
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	31,239,844	-	-	31,239,844
Property and equipment				
Land	-	12,483,901	-	12,483,901
Buildings	-	19,038,166	-	19,038,166
Investment properties	-	8,666,097	-	8,666,097
Total	82,220,242	40,723,101	6,015,676	128,959,019
	<i>Fair value measurement using</i>			Total <i>KD</i>
	Level 1 <i>KD</i>	Level 2 <i>KD</i>	Level 3 <i>KD</i>	
31 December 2020 (Audited)				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	15,004,816	-	-	15,004,816
Unquoted equity securities	-	18,944	5,955,628	5,974,572
Quoted managed funds	206,524	-	-	206,524
Quoted bonds	27,464,847	-	-	27,464,847
Unquoted managed funds	-	351,144	20,345	371,489
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	4,162,446	-	-	4,162,446
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	27,813,822	-	-	27,813,822
Property and equipment				
Land	-	16,117,322	-	16,117,322
Buildings	-	17,860,541	-	17,860,541
Investment properties	-	8,257,841	-	8,257,841
Total	74,652,455	42,605,792	5,975,973	123,234,220

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 2021

10 FAIR VALUE MEASUREMENT (continued)

	<i>Fair value measurement using</i>			Total <i>KD</i>
	Level 1 <i>KD</i>	Level 2 <i>KD</i>	Level 3 <i>KD</i>	
<i>30 June 2020</i>				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	14,653,246	-	-	14,653,246
Unquoted equity securities	-	20,048	6,214,550	6,234,598
Quoted managed funds	198,068	-	-	198,068
Quoted bonds	27,993,875	-	-	27,993,875
Unquoted managed funds	-	500,308	20,345	520,653
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	4,727,408	-	-	4,727,408
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	22,779,973	-	-	22,779,973
Property and equipment				
Land	-	15,747,846	-	15,747,846
Buildings	-	16,412,032	-	16,412,032
Investment properties	-	6,393,604	-	6,393,604
Total	<u>70,352,570</u>	<u>39,073,838</u>	<u>6,234,895</u>	<u>115,661,303</u>

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

	<i>As at 1 January 2021 KD</i>	<i>Gain recorded in the interim condensed consolidated statement of income KD</i>	<i>Loss recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>As at 30 June 2021 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,955,628	-	(154,375)	194,078	5,995,331
Unquoted managed funds	20,345	-	-	-	20,345
	<u>5,975,973</u>	<u>-</u>	<u>(154,375)</u>	<u>194,078</u>	<u>6,015,676</u>

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 2021

10 FAIR VALUE MEASUREMENT (continued)

	<i>At 1 January 2020 KD</i>	<i>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 31 December 2020 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,632,027	(808,500)	(175,199)	1,307,300	5,955,628
Unquoted managed funds	22,443	-	(2,098)	-	20,345
	<u>5,654,470</u>	<u>(808,500)</u>	<u>(177,297)</u>	<u>1,307,300</u>	<u>5,975,973</u>
	<i>As at 1 January 2020 KD</i>	<i>Loss recorded in the interim condensed consolidated statement of income KD</i>	<i>Gain recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>As at 30 June 2020 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,632,027	(808,500)	83,723	1,307,300	6,214,550
Unquoted managed funds	22,443	(2,098)	-	-	20,345
	<u>5,654,470</u>	<u>(810,598)</u>	<u>83,723</u>	<u>1,307,300</u>	<u>6,234,895</u>

11 COVID-19 IMPACT

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

Recoverability of receivables

The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.

Based on the management, the Group has not identified a material impact to the recoverability of receivables for the period ended 30 June 2021.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets.

The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on the management, the Group has not identified a material impact to the fair values of financial assets and liabilities for the period ended 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 30 June 2021

11 COVID-19 IMPACT (continued)

Fair value measurement of investment properties

As the real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

Based on the management, this is in early stages and there is limited information available on the 2021 outlook for the real estate market and how the situation will progress in light of COVID-19. The Group has not identified any significant impact to the fair values of investment properties for the period ended 30 June 2021. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Outstanding claims

The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the period ended 30 June 2021. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

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