

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

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

31 MARCH 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 31 March 2021, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

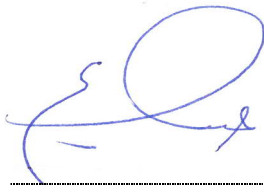
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on 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 three months period ended 31 March 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 three months period ended 31 March 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 May 2021

Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2021

	Notes	<i>Three months ended 31 March</i>	
		<i>2021</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>
Revenue:			
Premiums written		119,465,942	107,879,721
Reinsurance premiums ceded		(61,189,599)	(55,060,139)
Net premiums written		58,276,343	52,819,582
Movement in unearned premiums reserve		(10,742,711)	(4,113,766)
Movement in life mathematical reserve		(1,284,492)	324,824
Net premiums earned		46,249,140	49,030,640
Commission received on ceded reinsurance		4,503,678	5,222,411
Policy issuance fees		954,231	703,176
Net investment income (loss) from designated life insurance	3	513,709	(1,128,033)
		52,220,758	53,828,194
Expenses:			
Claims incurred		30,584,967	31,882,717
Commission and discounts		6,219,373	6,062,547
Maturity and cancellations of life insurance policies		921,045	752,909
General and administrative expenses		7,890,029	7,330,466
		45,615,414	46,028,639
Net underwriting income		6,605,344	7,799,555
Net investment income	3	4,786,222	822,337
Finance costs		(361,501)	(741,152)
Share of results of associates		204,003	52,801
Net sundry income		838,755	394,079
		12,072,823	8,327,620
Other charges:			
Unallocated general and administrative expenses		(4,603,841)	(3,869,769)
PROFIT FOR THE PERIOD BEFORE TAXATION		7,468,982	4,457,851
Contribution to KFAS		(72,384)	(34,902)
NLST		(113,949)	(62,112)
Zakat		(40,313)	(31,669)
Taxation from subsidiaries		(973,877)	(797,806)
PROFIT FOR THE PERIOD		6,268,459	3,531,362
Attributable to:			
Equity holders of the Parent Company		5,482,307	3,055,605
Non-controlling interests		786,152	475,757
		6,268,459	3,531,362
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	27.35 fils	16.41 fils

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 31 March 2021

	Note	<i>Three months ended 31 March</i>	
		2021	2020
		KD	KD
Profit for the period		6,268,459	3,531,362
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		(1,465,135)	(2,371,040)
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	(685,093)	(947,522)
Impairment loss on investments available for sale	3	14,225	1,295,483
		(2,136,003)	(2,023,079)
- Share of other comprehensive (loss) income of associates		(202,236)	264,330
- Exchange differences on translation of foreign operations		(3,062,883)	844,711
Other comprehensive loss for the period		(5,401,122)	(914,038)
Total comprehensive income for the period		867,337	2,617,324
Attributable to:			
Equity holders of the Parent Company		475,128	2,441,738
Non-controlling interests		392,209	175,586
		867,337	2,617,324

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 31 March 2021

		<i>(Audited)</i>		
	<i>Notes</i>	<i>31 March 2021 KD</i>	<i>31 December 2020 KD</i>	<i>31 March 2020 KD</i>
ASSETS				
Property and equipment		36,754,669	36,947,614	35,526,008
Right-of-use assets		1,155,726	1,275,739	1,809,368
Investments in associates		43,499,319	43,450,670	43,669,781
Goodwill		15,104,460	15,104,460	15,104,460
Financial instruments:				
Investments held to maturity		39,354,651	38,346,604	32,481,272
Debt securities (loans)		11,971,514	15,323,871	14,168,987
Investments available for sale		46,752,021	49,022,248	41,816,232
Investments carried at fair value through profit or loss		36,733,431	31,976,268	25,224,049
Loans secured by life insurance policies		777,850	866,057	1,099,999
Premiums and insurance balances receivable		168,417,525	132,221,819	169,805,093
Reinsurance recoverable on outstanding claims		270,973,347	282,416,222	244,382,124
Investment properties		8,087,940	8,257,841	6,279,838
Other assets		36,915,343	31,179,594	30,794,909
Time deposits		44,601,536	42,981,556	35,366,527
Cash and bank balances	5	72,408,153	71,338,249	71,460,746
TOTAL ASSETS		833,507,485	800,708,812	768,989,393
EQUITY AND LIABILITIES				
Equity				
Share capital	6	20,123,913	18,703,913	18,703,913
Share premium	6	9,280,000	3,600,000	3,600,000
Treasury shares		(429,455)	(429,455)	(429,455)
Treasury shares reserve		3,099,292	3,099,292	3,099,292
Statutory reserve		18,703,913	18,703,913	18,703,913
Voluntary reserve		29,284,717	29,284,717	27,558,098
Other reserve		(2,836,728)	(2,836,728)	(2,836,728)
Cumulative changes in fair values		1,441,708	3,587,796	(287,601)
Foreign currency translation adjustments		(28,087,331)	(25,226,240)	(18,638,426)
Revaluation reserve		14,906,856	14,906,856	12,241,253
Retained earnings		59,490,647	54,008,340	42,453,564
Equity attributable to the equity holders of the Parent Company		124,977,532	117,402,404	104,167,823
Non-controlling interests		28,301,325	27,928,178	25,223,969
Total equity		153,278,857	145,330,582	129,391,792
Liabilities				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		358,551,442	371,219,000	317,956,236
Unearned premiums reserve (net)		66,909,204	56,153,606	63,801,725
Life mathematical reserve (net)		34,351,439	33,043,624	26,580,526
Incurred but not reported reserve (net)		906,731	933,423	2,571,353
Total liabilities arising from insurance contracts		460,718,816	461,349,653	410,909,840
Premiums received in advance		3,513,895	3,190,992	6,162,590
Insurance payable		125,166,549	127,200,377	119,222,761
Other liabilities		69,129,700	63,637,208	57,341,883
Long term loans		-	-	38,333,500
Bank overdrafts	5	21,699,668	-	7,627,027
Total liabilities		680,228,628	655,378,230	639,597,601
TOTAL EQUITY AND LIABILITIES		833,507,485	800,708,812	768,989,393



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 31 March 2021

	Attributable to equity holders of the Parent Company												Non-controlling interests	Total equity
	Share capital	Share Premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Revaluation reserve	Retained earnings	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2021 (Audited)	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	-	-	-	-	-	-	-	-	-	-	5,482,307	5,482,307	786,152	6,268,459
Other comprehensive loss for the period	-	-	-	-	-	-	-	(2,146,088)	(2,861,091)	-	-	(5,007,179)	(393,943)	(5,401,122)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(2,146,088)	(2,861,091)	-	5,482,307	475,128	392,209	867,337
Issue of rights shares (Note 6)	1,420,000	5,680,000	-	-	-	-	-	-	-	-	-	7,100,000	-	7,100,000
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(19,062)	(19,062)
As at 31 March 2021	20,123,913	9,280,000	(429,455)	3,099,292	18,703,913	29,284,717	(2,836,728)	1,441,708	(28,087,331)	14,906,856	59,490,647	124,977,532	28,301,325	153,278,857
As at 1 January 2020 (Audited)	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	-	-	-	-	-	-	-	-	-	-	3,055,605	3,055,605	475,757	3,531,362
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,816,849)	1,202,982	-	-	(613,867)	(300,171)	(914,038)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,816,849)	1,202,982	-	3,055,605	2,441,738	175,586	2,617,324
Dividends payable (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,076,274)	(7,076,274)	-	(7,076,274)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(995,648)	(995,648)
As at 31 March 2020	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	(287,601)	(18,638,426)	12,241,253	42,453,564	104,167,823	25,223,969	129,391,792

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 31 March 2021

		<i>Three months ended 31 March</i>	
		<i>2021</i>	<i>2020</i>
	<i>Notes</i>	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
Profit for the period before taxation		7,468,982	4,457,851
<i>Adjustments for:</i>			
Depreciation of property and equipment and right-of-use assets		1,526,101	437,614
Net investment income		(4,394,573)	(552,510)
Impairment loss on investments available for sale	3	14,225	1,295,483
Share of results of associates		(204,003)	(52,801)
Finance costs		361,501	755,610
		4,772,233	6,341,247
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through profit or loss		(3,078,960)	(1,677,467)
Premiums and insurance balances receivable		(36,195,706)	(27,171,207)
Reinsurance recoverable on outstanding claims		11,442,875	2,938,858
Other assets		(5,941,374)	(1,879,460)
Liabilities arising from insurance contracts		(630,837)	2,508,683
Premiums received in advance		322,903	411,361
Insurance payable		(2,033,828)	(6,497,049)
Other liabilities		4,625,323	(1,633,815)
		(26,717,371)	(26,658,849)
Remuneration paid to directors		(185,000)	(185,000)
Net cash flows used in operating activities		(26,902,371)	(26,843,849)
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,946,466)	(436,159)
Proceeds from sale of property and equipment		587,180	14,641
Net movement of investments held to maturity		(1,008,047)	(2,794,068)
Net movement of debt securities (loans)		3,352,357	(564,940)
Net movement of investments available for sale		736,575	1,352,730
Loans secured by life insurance policies		88,207	4,148
Movement in time deposits		(1,619,980)	3,913,717
Interest received		1,680,961	2,082,455
Dividends income received		555,941	352,816
Advance towards acquisition of investment		-	(505,500)
Dividends received from associates		-	91,476
Net cash flows from investing activities		1,426,728	3,511,316
FINANCING ACTIVITIES			
Proceeds from issuance of right shares	6	7,100,000	-
Term loan		-	3,000,000
Payment of lease liability		(163,038)	(241,935)
Finance costs paid		(346,817)	(735,013)
Dividends paid to non-controlling interests		(19,062)	(995,648)
Net cash flows from financing activities		6,571,083	1,027,404
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(18,904,560)	(22,305,129)
Net foreign exchange difference		(1,725,204)	212,165
Cash and cash equivalents at 1 January		71,338,249	85,926,683
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	50,708,485	63,833,719

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 31 March 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 May 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 31 March 2020: 45.99%) owned by Kuwait Project Company Holding K.S.C.P. and 43.43% (31 December 2020: 43.43% and 31 March 2020: 43.43%) by Fairfax Financial Holding Limited as at 31 March 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.

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 three months period ended 31 March 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 31 March 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 31 March 2021

3 NET INVESTMENT INCOME (LOSS)

	<i>Three months ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	685,093	947,522
Realised gain (loss) on sale of investments at fair value through profit or loss	414,188	(25,924)
Unrealised gain (loss) on investments at fair value through profit or loss	1,264,015	(2,757,213)
Dividend income	555,941	352,816
Interest on investments held to maturity	795,358	920,904
Interest on debt securities (loans)	270,154	283,305
Interest on time and call deposits	615,449	878,246
Foreign exchange gain	919,583	437,277
Other investment income	1,292,491	174,577
Impairment loss on investments available for sale	(14,225)	(1,295,483)
Other investment expenses	(1,498,116)	(221,723)
	<u>5,299,931</u>	<u>(305,696)</u>

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

	<i>Three months ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Net investment income (loss) from designated life insurance	513,709	(1,128,033)
Net investment income	4,786,222	822,337
	<u>5,299,931</u>	<u>(305,696)</u>

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 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	5,482,307	3,055,605
	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	200,417,729	186,217,729
Basic and diluted earnings per share	27.35 fils	16.41 fils

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

* Basic and diluted earnings per share for the three months ended 31 March 2020 have not been adjusted to reflect the adjustments of the rights issue as the impact is immaterial (Note 6).

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 31 March 2021

5 CASH AND CASH EQUIVALENTS

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

	<i>31 March</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>31 March</i> <i>2020</i> <i>KD</i>
Cash and bank balances	18,596,343	22,300,968	14,520,482
Short term and call deposits	53,811,810	49,037,281	56,940,264
	<hr/>	<hr/>	<hr/>
Cash and bank balances	72,408,153	71,338,249	71,460,746
Bank overdrafts	(21,699,668)	-	(7,627,027)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	50,708,485	71,338,249	63,833,719
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bank overdrafts represent a facility obtained from a local bank and carries an average interest rate of 2.35% (31 December 2020: Nil% and 31 March 2020: 2.5%).

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 31 March 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 31 March 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 31 March 2020: KD Nil per share) made up of KD 0.100 share capital (31 December 2020: KD Nil share capital and 31 March 2020: KD Nil share capital) and KD 0.400 share premium (31 December 2020: KD Nil share premium and 31 March 2020: KD Nil share premium). A total of 14,200,000 shares (31 December 2020: Nil shares and 31 March 2020: Nil shares) were issued resulting in an increase in share capital by KD 1,420,000 (31 December 2020: KD Nil and 31 March Nil) and an increase in the share premium account by KD 5,680,000 (31 December 2020: KD Nil and 31 March 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 31 March 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>Three months ended 31 March 2021</i>										
Segment revenue	1,238,573	2,964,989	13,083,132	2,376,878	3,008,835	22,672,407	3,534,973	26,013,378	29,548,351	52,220,758
Segment results										
Net underwriting income	619,107	393,434	1,221,787	871,580	312,447	3,418,355	(82,610)	3,269,599	3,186,989	6,605,344
<i>Three months ended 31 March 2020</i>										
Segment revenue	1,377,138	3,340,595	14,460,235	2,566,822	3,346,353	25,091,143	3,178,694	25,558,357	28,737,051	53,828,194
Segment results										
Net underwriting income (loss)	390,404	1,117,101	3,790	764,687	959,443	3,235,425	305,849	4,258,281	4,564,130	7,799,555

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 31 March 2021

7 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 31 March 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	549,543,521	120,609,150	163,354,814	833,507,485
Total liabilities	454,052,152	147,993,730	78,182,746	680,228,628
<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 31 March 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	505,871,507	108,832,152	154,285,734	768,989,393
Total liabilities	416,740,032	123,719,205	99,138,364	639,597,601

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>Three months ended 31 March 2021</i>		<i>Three months ended 31 March 2020</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	139,863	7,455	177,696	3,216
Other related parties	2,084,738	247,405	2,599,070	101,148
	2,224,601	254,860	2,776,766	104,364

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 31 March 2021

8 RELATED PARTY DISCLOSURES (continued)

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

	31 March 2021		(Audited) 31 December 2020		31 March 2020	
	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	435,118	2,568	56,562	2,868	483,967	-
Other related parties	1,971,825	1,099,166	1,514,696	542,609	1,868,500	430,853
	2,406,943	1,101,734	1,571,258	545,477	2,352,467	430,853

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 10,692,550 (31 December 2020: KD 6,550,178 and 31 March 2020: KD 5,385,835). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 1,511,250 (31 December 2020: KD 4,821,000 and 31 March 2020: KD 4,865,000).

Compensation of key management personnel is as follows:

	Three months ended 31 March	
	2021 KD	2020 KD
Salaries and other short-term benefits	163,898	146,223
Employees' end of service benefits	119,980	58,520
	283,878	204,743

9 CONTINGENT LIABILITIES

As at 31 March 2021, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 59,941,888 (31 December 2020: KD 59,935,118 and 31 March 2020: KD 57,939,231).

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 31 March 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 KD
	Level 1 KD	Level 2 KD	Level 3 KD	
31 March 2021				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	15,011,047	-	-	15,011,047
Unquoted equity securities	-	18,232	5,975,296	5,993,528
Quoted managed funds	206,364	-	-	206,364
Quoted bonds	25,230,632	-	-	25,230,632
Unquoted managed funds	-	290,105	20,345	310,450
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	7,204,156	-	-	7,204,156
Unquoted securities	-	238,685	-	238,685
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	29,290,590	-	-	29,290,590
Property and equipment				
Land	-	15,798,482	-	15,798,482
Buildings	-	17,789,860	-	17,789,860
Investment properties	-	8,087,940	-	8,087,940
Total	76,942,789	42,223,304	5,995,641	125,161,734
	<i>Fair value measurement using</i>			Total KD
	Level 1 KD	Level 2 KD	Level 3 KD	
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 31 March 2021

10 FAIR VALUE MEASUREMENT (continued)

	<i>Fair value measurement using</i>			Total KD
	Level 1 KD	Level 2 KD	Level 3 KD	
<i>31 March 2020</i>				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	9,853,270	-	-	9,853,270
Unquoted equity securities	-	20,384	5,069,770	5,090,154
Quoted managed funds	191,130	-	-	191,130
Quoted bonds	26,120,285	-	-	26,120,285
Unquoted managed funds	-	541,048	20,345	561,393
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	3,785,900	-	-	3,785,900
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	21,438,149	-	-	21,438,149
Property and equipment				
Land	-	16,093,673	-	16,093,673
Buildings	-	16,818,604	-	16,818,604
Investment properties	-	6,279,838	-	6,279,838
Total	<u>61,388,734</u>	<u>39,753,547</u>	<u>5,090,115</u>	<u>106,232,396</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>Gain recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>As at 31 March 2021 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,955,628	-	537	19,131	5,975,296
Unquoted managed funds	20,345	-	-	-	20,345
	<u>5,975,973</u>	<u>-</u>	<u>537</u>	<u>19,131</u>	<u>5,995,641</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 31 March 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 31 March 2020 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,632,027	(808,500)	246,243	-	5,069,770
Unquoted managed funds	22,443	(2,098)	-	-	20,345
	<u>5,654,470</u>	<u>(810,598)</u>	<u>246,243</u>	<u>-</u>	<u>5,090,115</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 31 March 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 31 March 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 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 31 March 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 31 March 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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