

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2019 (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 31 March 2019 and the related interim condensed consolidated statement of income and 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*

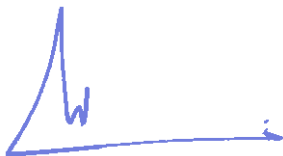
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons 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 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 three months period ended 31 March 2019 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

20 May 2019  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
<b>Revenue:</b>			
Premiums written		92,555,473	89,642,690
Reinsurance premiums ceded		(44,198,827)	(43,660,070)
Net premiums written		48,356,646	45,982,620
Movement in unearned premiums reserve		(5,095,851)	(8,259,542)
Movement in life mathematical reserve		565,303	(57,918)
Net premiums earned		43,826,098	37,665,160
Commission received on ceded reinsurance		5,605,870	4,679,272
Policy issuance fees		868,739	1,056,254
Net investment income (loss) from designated life insurance	3	1,005,708	(17,117)
		<b>51,306,415</b>	<b>43,383,569</b>
<b>Expenses:</b>			
Claims incurred		31,930,215	28,093,003
Commission and discounts		5,534,384	5,285,330
Maturity and cancellations of life insurance policies		2,266,062	602,056
General and administrative expenses		6,782,285	6,770,066
		<b>46,512,946</b>	<b>40,750,455</b>
<b>Net underwriting income</b>		<b>4,793,469</b>	<b>2,633,114</b>
Net investment income	3	2,953,127	3,057,664
Finance costs		(676,643)	(684,187)
Share of results of associates		694,450	774,194
Net sundry income		1,013,297	445,264
		<b>8,777,700</b>	<b>6,226,049</b>
<b>Other charges:</b>			
Unallocated general and administrative expenses		(3,416,704)	(2,407,321)
<b>PROFIT FOR THE PERIOD BEFORE TAXATION</b>		<b>5,360,996</b>	<b>3,818,728</b>
Contribution to KFAS		(13,049)	(55,707)
NLST		(81,809)	(93,370)
Zakat		(12,681)	(28,652)
Taxation from subsidiaries		(1,083,671)	(97,654)
<b>PROFIT FOR THE PERIOD</b>		<b>4,169,786</b>	<b>3,543,345</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		3,741,417	3,334,853
Non-controlling interests		428,369	208,492
		<b>4,169,786</b>	<b>3,543,345</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	4	<b>20.90 fils</b>	<b>18.63 fils</b>

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 2019

	Note	<i>Three months ended 31 March</i>	
		<i>2019</i>	<i>2018</i>
		<i>KD</i>	<i>KD</i>
Profit for the period		4,169,786	3,543,345
<b>Other comprehensive income:</b>			
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>			
- Investments available for sale:			
Net unrealised loss		(580,605)	(116,565)
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	(663,714)	(534,791)
Impairment loss on investments available for sale	3	1,316	5,372
		(1,243,003)	(645,984)
- Share of other comprehensive loss of associates		(376,094)	(68,177)
- Exchange differences on translation of foreign operations		(414,995)	(989,456)
Other comprehensive loss for the period		(2,034,092)	(1,641,660)
Total comprehensive income for the period		2,135,694	1,901,685
<b>Attributable to:</b>			
Equity holders of the Parent Company		1,788,268	1,714,161
Non-controlling interests		347,426	187,524
		2,135,694	1,901,685


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 2019

	Notes	31 March 2019 KD	(Audited) 31 December 2018 KD	31 March 2018 KD
<b>ASSETS</b>				
Property and equipment		29,262,130	29,270,773	17,799,029
Right-of-use assets		2,451,118	-	-
Investments in associates		43,565,927	43,269,439	41,470,055
Goodwill		15,104,460	15,104,460	15,104,460
Financial instruments:				
Investments held to maturity		28,501,840	23,229,055	22,908,489
Debt securities (loans)		16,667,477	16,651,860	18,246,305
Investments available for sale		37,881,410	41,426,526	46,061,039
Investments carried at fair value through profit or loss		25,230,147	24,618,304	25,487,444
Loans secured by life insurance policies		1,146,054	1,266,637	1,567,522
Premiums and insurance balances receivable		150,775,084	109,854,177	116,374,986
Reinsurance recoverable on outstanding claims		131,338,637	130,968,572	102,534,731
Investment properties		5,272,370	4,978,330	3,086,758
Other assets		29,601,910	28,880,275	22,157,804
Time deposits		42,613,567	32,678,083	39,348,210
Cash and cash equivalents	5	51,513,260	64,943,762	53,027,011
<b>TOTAL ASSETS</b>		<b>610,925,391</b>	<b>567,140,253</b>	<b>525,173,843</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>				
Share capital		18,703,913	18,703,913	18,703,913
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(4,203,067)	(4,203,067)	(4,203,067)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		18,703,913	18,703,913	18,703,913
Voluntary reserve		26,149,664	26,149,664	24,888,125
Other reserve		(3,101,138)	(3,101,138)	(3,062,725)
Cumulative changes in fair values		(3,408,182)	(1,778,260)	(1,468,417)
Foreign currency translation adjustments		(21,226,925)	(20,903,698)	(17,496,581)
Revaluation reserve		8,939,446	8,939,446	2,559,760
Retained earnings		38,275,803	40,978,391	35,310,007
Equity attributable to the equity holders of the Parent Company		84,484,642	89,140,379	79,586,143
Non-controlling interests		23,175,326	23,282,933	19,600,637
<b>TOTAL EQUITY</b>		<b>107,659,968</b>	<b>112,423,312</b>	<b>99,186,780</b>
<b>LIABILITIES</b>				
<b>Liabilities arising from insurance contracts:</b>				
Outstanding claims reserve (gross)		198,821,620	195,390,920	160,007,184
Unearned premiums reserve (net)		64,519,998	59,467,577	63,805,526
Life mathematical reserve (net)		24,019,065	24,507,131	25,989,917
Incurred but not reported reserve (net)		1,650,000	1,650,000	1,650,000
Total liabilities arising from insurance contracts		289,010,683	281,015,628	251,452,627
Premiums received in advance		4,666,616	4,376,713	4,638,798
Insurance payable		78,254,397	75,301,741	57,767,451
Long term loans	6	15,000,000	-	-
Other liabilities		51,284,454	47,349,683	41,858,994
Bank overdrafts	5	65,049,273	46,673,176	70,269,193
<b>TOTAL LIABILITIES</b>		<b>503,265,423</b>	<b>454,716,941</b>	<b>425,987,063</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>610,925,391</b>	<b>567,140,253</b>	<b>525,173,843</b>

  
Khaled Saoud Al-Hassan  
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 2019

		Attributable to equity holders of the Parent Company																												
		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		Non-controlling interests		Total equity		
		KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		KD		
As at 1 January 2019		18,703,913	3,600,000	-	-	2,051,215	18,703,913	26,149,664	(3,101,138)	(1,778,260)	(20,903,698)	8,939,446	40,978,391	89,140,379	23,282,933	112,423,312														
<i>(Audited)</i>																														
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	3,741,417	3,741,417	428,369	4,169,786														
Other comprehensive loss for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive (loss) income for the period		-	-	-	-	-	-	-	-	-	-	-	3,741,417	3,741,417	428,369	4,169,786														
Dividends payable (Note 1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
As at 31 March 2019		18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	26,149,664	(3,101,138)	(3,408,182)	(21,226,925)	8,939,446	38,275,803	84,484,642	23,175,326	107,659,968															
As at 1 January 2018		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	37,345,158	83,241,986	19,934,944	103,176,930															
<i>(Audited)</i>																														
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other comprehensive loss for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total comprehensive (loss) income for the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends payable (Note 1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
As at 31 March 2018		18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(1,468,417)	(17,496,581)	2,559,760	35,310,007	79,586,143	19,600,637	99,186,780															

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 2019

	Notes	Three months ended 31 March	
		2019 KD	2018 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before taxation		5,360,996	3,818,728
<i>Adjustments for:</i>			
Depreciation		406,769	370,488
Net investment income	3	(3,960,151)	(3,045,919)
Impairment loss on investments available for sale	3	1,316	5,372
Share of results of associates		(694,450)	(774,194)
Finance costs		676,643	684,187
		<u>1,791,123</u>	<u>1,058,662</u>
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through profit or loss		510,123	1,329,704
Premiums and insurance balances receivable		(40,920,907)	(12,789,193)
Reinsurance recoverable on outstanding claims		(370,065)	7,319,142
Other assets		(725,904)	1,145,728
Liabilities arising from insurance contracts		7,995,055	1,610,461
Premiums received in advance		289,903	208,479
Insurance payable		2,952,652	(13,751,221)
Other liabilities		(5,966,558)	(714,341)
		<u>(34,444,578)</u>	<u>(14,582,579)</u>
Remuneration paid to directors		(185,000)	(185,000)
Net cash flows used in operating activities		<u>(34,629,578)</u>	<u>(14,767,579)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(251,885)	(1,031,715)
Proceeds from sale of property and equipment		-	8,388
Net movement of investments held to maturity		(5,272,785)	(1,880,465)
Net movement of debt securities (loans)		(15,617)	83,684
Net movement of investments available for sale		2,578,938	(1,994,603)
Loans secured by life insurance policies		120,583	36,513
Movement in time deposits		(9,935,484)	724,629
Interest received		1,919,841	1,615,730
Dividends income received		257,553	390,972
Dividends received from associates		105,288	-
Net cash flows used in investing activities		<u>(10,493,568)</u>	<u>(2,046,867)</u>
<b>FINANCING ACTIVITIES</b>			
Term loan	6	15,000,000	-
Finance cost paid		(676,643)	(684,187)
Dividends paid to non-controlling interests		(455,033)	(521,831)
Net cash flows from (used in) financing activities		<u>13,868,324</u>	<u>(1,206,018)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange difference		(31,254,822)	(18,020,464)
Cash and cash equivalents at 1 January		(551,777)	(1,647,521)
		<u>18,270,586</u>	<u>2,425,803</u>
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	5	<u>(13,536,013)</u>	<u>(17,242,182)</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

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

As at and for the period ended 31 March 2019

### 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 14 May 2019. The Ordinary Annual General Assembly meeting of the Parent Company's shareholders held on 31 March 2019 approved the consolidated financial statements for the year ended 31 December 2018 and approved the proposed distribution of cash dividends of 36 fils per share (2017: 30 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 2018: 44.04% and 31 March 2018: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2018: 41.42% and 31 March 2018: 41.42%) by Fairfax Financial Holding Limited as at 31 March 2019.

### 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 2018. 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 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

Certain comparative figures have been reclassified to conform to current period's presentation. Such reclassifications have no effect on previously reported profit or total equity of the Group (Note 11).

#### 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **IFRS 16 'Leases'**

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.



# 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 2019

### 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)

##### IFRS 16 'Leases' (continued)

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/ (decrease)) is as follows:

	<i>KD</i>
<b>Assets</b>	
Right-of-use assets	2,697,426
Prepayments	(43,763)
<b>Total assets</b>	<u>2,653,663</u>
<b>Liabilities</b>	
Lease liabilities (included under other liabilities)	<u>2,653,663</u>

##### a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

##### *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- ▶ Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- ▶ Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- ▶ Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- ▶ Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

**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)**

**IFRS 16 'Leases' (continued)**

**b) Summary of new accounting policies**

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

*Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

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 2019

**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)**

**IFRS 16 'Leases' (continued)**

**c) Amounts recognised in the interim condensed consolidated statement of financial position and statement of income**

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right-Of-use assets KD</i>	<i>Lease liabilities KD</i>
<b>As at 1 January 2019</b>	<b>2,697,426</b>	<b>2,653,663</b>
Depreciation expense	(246,308)	-
Finance cost	-	24,153
Payment	-	(62,671)
<b>As at 31 March 2019</b>	<b>2,451,118</b>	<b>2,615,055</b>

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

**3 NET INVESTMENT INCOME**

	<i>Three months ended 31 March</i>	
	<i>2019 KD</i>	<i>2018 KD</i>
Net realised gain on sale of investments available for sale	663,714	534,791
Realised gain on sale of investments at fair value through income statement	18,113	284,619
Unrealised gain on investments at fair value through income statement	1,103,853	111,390
Dividend income	257,553	390,972
Interest on investments held to maturity	804,172	459,666
Interest on debt securities (loans)	281,254	311,281
Interest on time and call deposits	834,415	844,783
Foreign exchange (loss) gain	(7,192)	60,829
Other investment income	168,711	195,051
Impairment loss on investments available for sale	(1,316)	(5,372)
Other investment expenses	(164,442)	(147,463)
	<b>3,958,835</b>	<b>3,040,547</b>

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

	<i>Three months ended 31 March</i>	
	<i>2019 KD</i>	<i>2018 KD</i>
Net investment income (loss) from designated life insurance	1,005,708	(17,117)
Net investment income	2,953,127	3,057,664
	<b>3,958,835</b>	<b>3,040,547</b>

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

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

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#### 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>31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	<b>3,741,417</b>	3,334,853
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares, less treasury shares outstanding during the period	<b>179,000,146</b>	179,000,149
Basic and diluted earnings per share	<b>20.90 fils</b>	18.63 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>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2019</i>	<i>31 December</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	<b>14,146,930</b>	15,188,446	13,712,043
Short term and call deposits	<b>37,366,331</b>	49,755,316	39,314,968
Cash and cash equivalents in the interim condensed consolidated statement of financial position	<b>51,513,260</b>	64,943,762	53,027,011
Bank overdrafts	<b>(65,049,273)</b>	(46,673,176)	(70,269,193)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<b>(13,536,013)</b>	18,270,586	(17,242,182)

#### 6 TERM LOAN

During the current period, the Parent Company obtained bank loan from local bank to be payable in six annual installments beginning on 1 January 2020 and carry interest rate of 4.25% per annum and the last installment is due on 31 January 2025.

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 2019

7 SEGMENT INFORMATION

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

a) Segmental interim condensed consolidated statement of income:

	General risk insurance					Life and medical		Total KD
	Marine and aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Life insurance KD	Medical insurance KD	
<i>Three months ended 31 March 2019</i>								
Segment revenue	1,304,765	3,902,351	14,217,461	1,693,485	3,210,482	4,597,090	22,380,781	26,977,871
Segment results	589,439	2,633,884	(943,128)	(249,909)	368,959	365,306	2,028,918	2,394,224
net underwriting income (loss)								51,306,415
<i>Three months ended 31 March 2018</i>								
Segment revenue	1,292,752	2,418,501	13,278,023	1,653,111	3,233,654	2,673,617	18,833,911	21,507,528
Segment results	358,950	480,958	(31,021)	(177,197)	649,700	43,458	1,308,266	1,351,724
net underwriting income (loss)								43,383,569
								2,633,114

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 2019

7 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 31 March 2019</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	370,603,411	107,394,174	132,927,806	610,925,391
Total liabilities	298,782,068	103,659,786	100,823,569	503,265,423
<i>31 December 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	356,641,802	103,109,862	107,388,589	567,140,253
Total liabilities	285,060,014	105,855,088	63,801,843	454,716,945
<i>As at 31 March 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	309,207,415	106,799,105	109,167,323	525,173,843
Total liabilities	244,625,748	99,297,978	82,063,337	425,987,063

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>3 months ended 31 March 2019</i>		<i>3 months ended 31 March 2018</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	192,066	562	179,173	8,520
Other related parties	2,036,061	350,799	1,263,087	(2,388)
	<u>2,228,127</u>	<u>351,361</u>	<u>1,442,260</u>	<u>6,132</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 2019

### 8 RELATED PARTY DISCLOSURES (continued)

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

	31 March 2019		(Audited) 31 December 2018		31 March 2018	
	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	319,911	7,920	163,696	20,703	279,822	10,413
Other related parties	1,989,721	311,847	1,158,652	667,900	1,727,873	1,126,047
	<u>2,309,631</u>	<u>319,767</u>	<u>1,322,348</u>	<u>688,603</u>	<u>2,007,695</u>	<u>1,136,459</u>

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 6,074,048 (31 December 2018: KD 4,987,605 and 31 March 2018: KD 4,924,039). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 7,861,500 (31 December 2018: KD 7,855,250 and 31 March 2018: KD 9,544,000).

Compensation of key management personnel is as follows:

	Three months ended 31 March	
	2019 KD	2018 KD
Salaries and other short-term benefits	146,223	140,428
Employees' end of service benefits	61,343	61,038
	<u>207,566</u>	<u>201,466</u>

### 9 CONTINGENT LIABILITIES

As at 31 March 2019, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 18,952,644 (31 December 2018: KD 16,393,283 and 31 March 2018: KD 17,974,941).

### 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)

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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>			<b>Total KD</b>
	Level 1 <i>KD</i>	Level 2 <i>KD</i>	Level 3 <i>KD</i>	
<b>31 March 2019</b>				
<b>Assets measured at fair value</b>				
<b>Investments available for sale:</b>				
Quoted equity securities	12,161,258	-	-	<b>12,161,258</b>
Unquoted equity securities	-	20,535	5,684,855	<b>5,705,390</b>
Quoted managed funds	228,855	-	-	<b>228,855</b>
Quoted bonds	18,969,274	-	-	<b>18,969,274</b>
Unquoted managed funds	-	794,190	22,443	<b>816,633</b>
<b>Investments carried at fair value through profit or loss:</b>				
<i>Held for trading:</i>				
Quoted securities	13,220,042	-	-	<b>13,220,042</b>
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	12,010,105	-	-	<b>12,010,105</b>
<b>Property and equipment</b>				
Land	-	12,738,867	-	<b>12,738,867</b>
Buildings	-	13,784,882	-	<b>13,784,882</b>
<b>Investment properties</b>				
	-	5,272,370	-	<b>5,272,370</b>
<b>Total</b>	<b>56,589,534</b>	<b>32,610,844</b>	<b>5,707,298</b>	<b>94,907,676</b>

	<i>Fair value measurement using</i>			<b>Total KD</b>
	Level 1 <i>KD</i>	Level 2 <i>KD</i>	Level 3 <i>KD</i>	
<b>31 December 2018</b>				
<b>Assets measured at fair value</b>				
<b>Investments available for sale:</b>				
Quoted equity securities	11,451,612	-	-	<b>11,451,612</b>
Unquoted equity securities	-	20,504	5,478,676	<b>5,499,180</b>
Quoted managed funds	212,109	-	-	<b>212,109</b>
Quoted bonds	23,700,744	-	-	<b>23,700,744</b>
Unquoted managed funds	-	507,231	55,650	<b>562,881</b>
<b>Investments carried at fair value through profit or loss:</b>				
<i>Held for trading:</i>				
Quoted securities	11,490,711	-	-	<b>11,490,711</b>
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	13,127,593	-	-	<b>13,127,593</b>
<b>Property and equipment</b>				
Land	-	12,738,867	-	<b>12,738,867</b>
Buildings	-	13,959,374	-	<b>13,959,374</b>
<b>Investment properties</b>				
	-	4,978,330	-	<b>4,978,330</b>
<b>Total</b>	<b>59,982,769</b>	<b>32,204,306</b>	<b>5,534,326</b>	<b>97,721,401</b>



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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 2018</i>				
Assets measured at fair value				
<i>Investments available for sale:</i>				
Quoted equity securities	14,805,297	-	-	14,805,297
Unquoted equity securities	-	-	5,426,839	5,426,839
Quoted managed funds	164,179	-	-	164,179
Quoted bonds	23,030,520	-	-	23,030,520
Unquoted managed funds	-	2,596,298	37,906	2,634,204
<i>Investments carried at fair value through profit or loss:</i>				
<i>Held for trading:</i>				
Quoted securities	10,697,278	-	-	10,697,278
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	14,790,166	-	-	14,790,166
<i>Investment properties</i>	-	3,086,758	-	3,086,758
Total	63,487,440	5,683,056	5,464,745	74,635,241

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 2019 KD</i>	<i>Loss recorded in the interim condensed consolidated statement of income KD</i>	<i>Gain (loss) recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>As at 31 March 2019 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	5,478,676	-	206,179	5,684,855
Unquoted managed funds	55,650	(14,836)	(18,371)	22,443
	5,534,326	(14,836)	187,808	5,707,298

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10 FAIR VALUE MEASUREMENT (continued)

	<i>As at 1 January 2018 KD</i>	<i>Gain recorded in the consolidated statement of income KD</i>	<i>Gain recorded in the consolidated statement of comprehensive income KD</i>	<i>As at 31 December 2018 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	5,289,391	-	189,285	5,478,676
Unquoted managed funds	37,906	-	17,744	55,650
	<u>5,327,297</u>	<u>-</u>	<u>207,029</u>	<u>5,534,326</u>
	<i>As at 1 January 2018 KD</i>	<i>Gain recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>Gain recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>As at 31 March 2018 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	5,289,391	-	137,448	5,426,839
Unquoted managed funds	37,906	-	-	37,906
	<u>5,327,297</u>	<u>-</u>	<u>137,448</u>	<u>5,464,745</u>

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

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

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### 11 COMPARATIVE INFORMATION

In the prior years, the Group has presented the net position of takaful policyholders as Qard Hasan under other assets. During the current period, the management has decided to present the balances and related results of takaful policyholders on gross basis.

Accordingly, the comparative figures in this interim condensed consolidated financial information have been represented to conform to the current period's presentation. This representation did not result in and change in previously reported profits and total equity. The impact of representation is summarised as follows:

	<i>As previously reported KD</i>	<i>Effect of representation KD</i>	<i>After representation KD</i>
<i>Interim condensed consolidated statement of financial position</i>			
<i>As at 31 March 2018</i>			
<b>ASSETS</b>			
Investments held to maturity	21,409,559	1,498,930	22,908,489
Investments available for sale	39,150,232	6,910,807	46,061,039
Investments carried at fair value through profit or loss	25,480,204	7,240	25,487,444
Premiums and insurance balances receivable	106,143,453	10,231,533	116,374,986
Reinsurance recoverable on outstanding claims	96,850,854	5,683,877	102,534,731
Investment properties	2,787,158	299,600	3,086,758
Other assets	22,486,050	(328,246)	22,157,804
Time deposits	38,378,622	969,588	39,348,210
Cash and cash equivalents	49,959,896	3,067,115	53,027,011
<b>LIABILITIES</b>			
Outstanding claims reserve (gross)	150,532,392	9,474,792	160,007,184
Unearned premiums reserve (net)	57,686,670	6,118,856	63,805,526
Life mathematical reserve (net)	19,902,483	6,087,434	25,989,917
Insurance payable	52,091,644	5,675,807	57,767,451
Other liabilities	40,875,439	983,555	41,858,994
	<i>As previously reported KD</i>	<i>Effect of representation KD</i>	<i>After representation KD</i>
<i>Interim condensed consolidated statement of financial position</i>			
<i>As at 31 December 2018</i>			
<b>ASSETS</b>			
Investments held to maturity	21,793,233	1,435,822	23,229,055
Investments available for sale	38,400,265	3,026,261	41,426,526
Investments carried at fair value through profit or loss	19,369,175	5,249,129	24,618,304
Premiums and insurance balances receivable	99,497,076	10,357,101	109,854,177
Reinsurance recoverable on outstanding claims	123,620,660	7,347,912	130,968,572
Investment properties	4,522,780	455,550	4,978,330
Other assets	24,219,696	4,660,579	28,880,275
Time deposits	29,488,863	3,189,220	32,678,083
Cash and cash equivalents	62,785,001	2,158,761	64,943,762
<b>LIABILITIES</b>			
Outstanding claims reserve (gross)	184,137,808	11,253,112	195,390,920
Unearned premiums reserve (net)	52,143,506	7,324,071	59,467,577
Life mathematical reserve (net)	17,443,014	7,064,117	24,507,131
Insurance payable	66,200,677	9,101,064	75,301,741
Other liabilities	44,211,712	3,137,971	47,349,683

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11 COMPARATIVE INFORMATION (continued)

	<i>As previously reported KD</i>	<i>Effect of representation KD</i>	<i>After representation KD</i>
<i>Interim condensed consolidated statement of income</i>			
<i>As at 31 March 2018</i>			
<b>Revenue:</b>			
Premiums written	82,232,353	7,410,337	89,642,690
Reinsurance premiums ceded	(41,117,698)	(2,542,372)	(43,660,070)
Movement in unearned premiums reserve	(7,677,768)	(581,774)	(8,259,542)
Movement in life mathematical reserve	287,862	(345,780)	(57,918)
Commission received on ceded reinsurance	4,407,155	272,117	4,679,272
Policy issuance fees	905,952	150,302	1,056,254
Net investment loss from designated life insurance	(193,815)	176,698	(17,117)
<b>Expenses:</b>			
Claims incurred	25,391,543	(2,701,460)	28,093,003
Commission and discounts	4,605,773	(679,557)	5,285,330
General and administrative expenses	6,653,119	(116,947)	6,770,066
Net investment income	2,994,398	63,266	3,057,664
Unallocated general and administrative expenses	(1,302,491)	(1,104,830)	(2,407,321)