

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 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”) as at 30 June 2019, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association have occurred during the six months period ended 30 June 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

8 August 2019
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 KD	2018 KD	2019 KD	2018 KD
Revenue:					
Premiums written		80,560,762	78,453,981	173,116,235	168,096,671
Reinsurance premiums ceded		(39,296,376)	(39,794,402)	(83,495,203)	(83,454,472)
Net premiums written		41,264,386	38,659,579	89,621,032	84,642,199
Movement in unearned premiums reserve		3,455,593	1,748,789	(1,640,258)	(6,510,753)
Movement in life mathematical reserve		(446,255)	249,036	119,048	191,118
Net premiums earned		44,273,724	40,657,404	88,099,822	78,322,564
Commission received on ceded reinsurance		3,683,028	3,972,539	9,288,898	8,651,811
Policy issuance fees		918,993	1,151,479	1,787,732	2,207,733
Net investment income from designated life insurance	3	625,103	166,269	1,630,811	149,152
		49,500,848	45,947,691	100,807,263	89,331,260
Expenses:					
Claims incurred		29,903,248	28,258,759	61,833,463	56,351,762
Commission and discounts		5,181,144	4,829,195	10,715,528	10,114,525
Maturity and cancellations of life insurance policies		1,484,494	908,313	3,750,556	1,510,369
General and administrative expenses		6,828,947	6,824,040	13,611,232	13,594,106
		43,397,833	40,820,307	89,910,779	81,570,762
Net underwriting income		6,103,015	5,127,384	10,896,484	7,760,498
Net investment income	3	3,165,137	1,426,399	6,118,264	4,484,063
Finance costs		(704,356)	(772,139)	(1,380,999)	(1,456,326)
Share of results of associates		362,873	1,054,456	1,057,323	1,828,650
Net sundry income		49,141	192,059	1,062,438	637,323
		8,975,810	7,028,159	17,753,510	13,254,208
Other charges:					
Unallocated general and administrative expenses		(3,143,984)	(2,412,191)	(6,560,688)	(4,819,512)
PROFIT FOR THE PERIOD BEFORE TAXATION					
		5,831,826	4,615,968	11,192,822	8,434,696
Contribution to KFAS		(44,091)	(24,885)	(57,140)	(80,592)
NLST		(113,606)	(97,433)	(195,415)	(190,803)
Zakat		(34,561)	(25,783)	(47,242)	(54,435)
Taxation from subsidiaries		(566,942)	(640,572)	(1,650,613)	(738,226)
PROFIT FOR THE PERIOD		5,072,626	3,827,295	9,242,412	7,370,640
Attributable to:					
Equity holders of the Parent Company		4,370,044	3,248,899	8,111,461	6,583,752
Non-controlling interests		702,582	578,396	1,130,951	786,888
		5,072,626	3,827,295	9,242,412	7,370,640
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	24.41 fils	18.15 fils	45.32 fils	36.78 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 30 June 2019

	Note	Three months ended 30 June		Six months ended 30 June	
		2019 KD	2018 KD	2019 KD	2018 KD
Profit for the period		<u>5,072,626</u>	<u>3,827,295</u>	<u>9,242,412</u>	<u>7,370,640</u>
Other comprehensive income (loss):					
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>					
- Investments available for sale:					
Net unrealised gain (loss)		<u>1,752,535</u>	<u>(2,735,896)</u>	<u>1,171,930</u>	<u>(2,804,383)</u>
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	<u>(921,875)</u>	<u>(368,290)</u>	<u>(1,585,589)</u>	<u>(889,202)</u>
Impairment loss on investments available for sale	3	<u>30,574</u>	<u>956,274</u>	<u>31,890</u>	<u>961,646</u>
		<u>861,234</u>	<u>(2,147,912)</u>	<u>(381,769)</u>	<u>(2,731,939)</u>
- Share of other comprehensive income (loss) of associates		<u>210,044</u>	<u>(31,374)</u>	<u>(166,050)</u>	<u>(99,551)</u>
- Exchange differences on translation of foreign operations		<u>1,064,304</u>	<u>(1,632,847)</u>	<u>649,309</u>	<u>(2,622,303)</u>
Other comprehensive income (loss) for the period		<u>2,135,582</u>	<u>(3,812,133)</u>	<u>101,490</u>	<u>(5,453,793)</u>
Total comprehensive income for the period		<u>7,208,208</u>	<u>15,162</u>	<u>9,343,902</u>	<u>1,916,847</u>
Attributable to:					
Equity holders of the Parent Company		<u>6,144,003</u>	<u>(369,715)</u>	<u>7,932,271</u>	<u>1,344,446</u>
Non-controlling interests		<u>1,064,205</u>	<u>384,877</u>	<u>1,411,631</u>	<u>572,401</u>
		<u>7,208,208</u>	<u>15,162</u>	<u>9,343,902</u>	<u>1,916,847</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 FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

		(Audited)	
	Notes	30 June 2019 KD	31 December 2018 KD
		30 June 2018 KD	
ASSETS			
Property and equipment		29,833,315	17,916,645
Right-of-use assets		2,323,330	-
Investments in associates		43,303,554	42,015,287
Goodwill		15,104,460	15,104,460
Financial instruments:			
Investments held to maturity		23,269,534	23,177,378
Debt securities (loans)		13,606,851	16,617,626
Investments available for sale		39,250,401	39,739,050
Investments carried at fair value through profit or loss		23,940,472	24,442,573
Loans secured by life insurance policies		1,086,039	1,575,026
Premiums and insurance balances receivable		129,482,173	113,424,547
Reinsurance recoverable on outstanding claims		154,360,743	111,908,952
Investment properties		5,232,119	3,033,781
Other assets		27,927,151	23,460,295
Time deposits		36,802,344	39,944,123
Cash and cash equivalents	5	99,211,508	54,788,539
TOTAL ASSETS		644,733,994	527,148,282
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital		18,703,913	18,703,913
Share premium		3,600,000	3,600,000
Treasury shares		(4,203,067)	(4,203,067)
Treasury shares reserve		2,051,215	2,051,215
Statutory reserve		18,703,913	18,703,913
Voluntary reserve		26,149,664	24,888,125
Other reserve		(2,836,728)	(3,062,725)
Cumulative changes in fair values		(2,429,683)	(3,452,073)
Foreign currency translation adjustments		(20,431,465)	(19,131,539)
Revaluation reserve		8,939,446	2,559,760
Retained earnings		42,645,847	38,156,498
Equity attributable to the equity holders of the Parent Company		90,893,055	78,814,020
Non-controlling interests		23,689,646	19,075,215
TOTAL EQUITY		114,582,701	97,889,235
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve (gross)		223,504,756	169,300,902
Unearned premiums reserve (net)		61,033,554	61,455,083
Life mathematical reserve (net)		24,471,734	25,112,317
Incurred but not reported reserve (net)		1,650,000	1,650,000
Total liabilities arising from insurance contracts		310,660,044	257,518,302
Premiums received in advance		4,445,012	4,487,768
Insurance payable		119,732,251	56,022,645
Long term loans	6	31,250,000	-
Other liabilities		42,719,729	39,868,564
Bank overdrafts	5	21,344,257	71,361,768
TOTAL LIABILITIES		530,151,293	429,259,047
TOTAL EQUITY AND LIABILITIES		644,733,994	527,148,282


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 30 June 2019

	Attributable to equity holders of the Parent Company														
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2019 (Audited)	18,703,913	3,600,000	-	(4,203,067)	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
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	8,111,461	8,111,461	1,130,951	9,242,412
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(651,423)	472,233	-	-	(179,190)	280,680	101,490
Total comprehensive (loss) income for the Period	-	-	-	-	-	-	-	-	(651,423)	472,233	-	8,111,461	7,932,271	1,411,631	9,343,902
Change in ownership of a subsidiary	-	-	-	-	-	-	-	264,410	-	-	-	-	264,410	(549,885)	(285,475)
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	-	(6,444,005)	(6,444,005)	-	(6,444,005)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(455,033)	(455,033)
As at 30 June 2019	18,703,913	3,600,000	(4,203,067)	(4,203,067)	2,051,215	18,703,913	26,149,664	(2,836,728)	(2,429,683)	(20,431,465)	8,939,446	42,645,847	90,893,055	23,689,646	114,582,701
As at 1 January 2018 (Audited) (Restated)	18,703,913	3,600,000	-	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(754,256)	(16,590,050)	2,559,760	36,942,750	82,839,578	19,548,317	102,387,895
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	6,583,752	6,583,752	786,888	7,370,640
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(2,697,817)	(2,541,489)	-	-	(5,239,306)	(214,487)	(5,453,793)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(2,697,817)	(2,541,489)	-	6,583,752	1,344,446	572,401	1,916,847
Change in ownership of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(523,672)	(523,672)
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	-	(5,370,004)	(5,370,004)	-	(5,370,004)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(521,831)	(521,831)
As at 30 June 2018	18,703,913	3,600,000	(4,203,067)	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(3,452,073)	(19,131,539)	2,559,760	38,156,498	78,814,020	19,075,215	97,889,235

The attached notes 1 to 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 2019

	Notes	Six months ended 30 June	
		2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period before taxation		11,192,822	8,434,696
<i>Adjustments for:</i>			
Depreciation of property and equipment and right-of-use assets		1,081,410	708,670
Net investment income	3	(7,755,222)	(5,594,861)
Impairment loss on investments available for sale	3	31,890	961,646
Share of results of associates		(1,057,323)	(1,828,650)
Finance costs		6,140,413	1,456,327
		<u>9,633,990</u>	<u>4,137,828</u>
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through profit or loss		1,475,689	1,372,870
Premiums and insurance balances receivable		(19,627,996)	(19,953,674)
Reinsurance recoverable on outstanding claims		(23,392,171)	(8,165,641)
Other assets		1,361,807	(2,962,971)
Liabilities arising from insurance contracts		29,644,416	27,499,646
Premiums received in advance		68,299	57,449
Insurance payable		44,430,506	(10,706,553)
Other liabilities		(8,916,537)	3,225,374
		<u>34,678,003</u>	<u>(5,495,672)</u>
Paid KFAS		(82,612)	(101,026)
Paid to NLST		-	(215,764)
Paid to Zakat		(93,637)	(112,312)
Remuneration paid to directors		(185,000)	(185,000)
		<u>34,316,754</u>	<u>(6,109,774)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,116,628)	(865,509)
Proceeds from sale of property and equipment		27,636	9,996
Net movement of investments held to maturity		(40,479)	(3,667,478)
Net movement of debt securities (loans)		3,045,009	1,712,363
Net movement of investments available for sale		3,078,401	(6,440,409)
Loans secured by life insurance policies		180,598	29,009
Movement in time deposits		(4,124,261)	(1,505,212)
Interest received		4,014,478	3,364,340
Dividends income received		948,615	1,538,347
Dividends received from associates		857,158	552,542
		<u>6,870,527</u>	<u>(5,272,011)</u>
FINANCING ACTIVITIES			
Term loan	6	31,250,000	-
Finance cost paid		(6,140,413)	(1,456,327)
Dividends paid		(6,444,005)	(5,370,004)
Dividends paid to non-controlling interests		(455,033)	(521,831)
Net movement in non-controlling interest		(285,475)	(523,672)
		<u>17,925,074</u>	<u>(7,871,834)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		484,310	254,587
Cash and cash equivalents at 1 January		18,270,586	2,425,803
		<u>77,867,251</u>	<u>(16,573,229)</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5		

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 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 6 August 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 30 June 2018: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2018: 41.42% and 30 June 2018: 41.42%) by Fairfax Financial Holding Limited as at 30 June 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 six months period ended 30 June 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/ represented to conform to current period's presentation. Such reclassifications/ representations 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 30 June 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>
Assets	
Right-of-use assets	2,697,426
Prepayments	(43,763)
	<u>2,653,663</u>
Liabilities	
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 30 June 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>
As at 1 January 2019	2,697,426	2,653,663
Depreciation expense	(374,096)	-
Finance cost	-	47,892
Payment	-	(474,250)
As at 30 June 2019	2,323,330	2,227,305

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 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019 KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
Net realised gain on sale of investments available for sale	921,875	368,290	1,585,589	889,202
Realised gain on sale of investments at fair value through profit or loss	418,116	187,365	436,229	471,982
Unrealised (loss) gain on investments at fair value through profit or loss	(742,225)	(950,366)	361,628	(838,976)
Dividend income	691,062	1,200,752	948,615	1,591,724
Interest on investments held to maturity	877,331	611,751	1,681,503	1,071,417
Interest on debt securities (loans)	276,847	315,502	558,101	626,783
Interest on time and call deposits	940,459	907,146	1,774,874	1,751,929
Foreign exchange gain (loss)	491,106	(39,193)	483,914	21,636
Other investment income	157,594	76,835	326,305	285,767
Impairment loss on investments available for sale	(30,574)	(956,274)	(31,890)	(961,646)
Other investment expenses	(211,351)	(129,140)	(375,793)	(276,603)
	3,790,240	1,592,668	7,749,075	4,633,215

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019 KD</i>	<i>2018 KD</i>	<i>2019 KD</i>	<i>2018 KD</i>
Net investment income from designated life insurance	625,103	166,269	1,630,811	149,152
Net investment income	3,165,137	1,426,399	6,118,264	4,484,063
	3,790,240	1,592,668	7,749,075	4,633,215

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 2019

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>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	4,370,044	3,248,899	8,111,461	6,583,752
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	179,000,147	179,000,147	179,000,147	179,000,147
Basic and diluted earnings per share	24.41 fils	18.15 fils	45.32 fils	36.78 fils

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

5 CASH AND CASH EQUIVALENTS

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

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2019</i>	<i>31 December</i>	<i>2018</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	50,366,044	15,188,446	13,178,599
Short term and call deposits	48,845,464	49,755,316	41,609,940
Cash and cash equivalents in the interim condensed consolidated statement of financial position	99,211,508	64,943,762	54,788,539
Bank overdrafts	(21,344,257)	(46,673,176)	(71,361,768)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	77,867,251	18,270,586	(16,573,229)

6 TERM LOAN

During the current period, the Parent Company obtained two bank loans from local banks to be payables as follows:

- First loan is payable 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.
- Second loan is payable five annual installments beginning on 31 March 2020 and carry interest rate of 4.25% per annum and the last installment is due on 31 March 2024.

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 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	Sub-total KD		Life insurance KD	Medical insurance KD	Sub-total KD
<i>Six months ended</i>										
<i>30 June 2019</i>										
Segment revenue	2,672,515	6,420,116	28,001,979	4,346,974	6,262,180	47,703,764	8,563,440	44,540,059	53,103,499	100,807,263
Segment results										
net underwriting income (loss)	1,294,683	3,406,483	(1,649,320)	736,024	1,038,900	4,826,770	800,656	5,269,058	6,069,714	10,896,484
<i>Six months ended</i>										
<i>30 June 2018</i>										
Segment revenue	2,759,554	4,601,748	27,261,496	4,431,273	6,572,703	45,626,774	5,786,363	37,918,123	43,704,486	89,331,260
Segment results										
net underwriting income (loss)	887,229	778,858	(425,927)	768,154	1,858,852	3,867,166	775,563	3,117,769	3,893,332	7,760,498

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 2019

7 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 June 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	410,192,702	95,399,806	139,141,486	644,733,994
Total liabilities	336,231,737	94,736,473	99,183,083	530,151,293
<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	105,855,084	63,801,843	454,716,941
<i>As at 30 June 2018</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	319,828,406	93,539,717	113,780,159	527,148,282
Total liabilities	259,227,264	91,964,814	78,066,969	429,259,047

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 2019</i>		<i>Six months ended 30 June 2018</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	218,339	2,379	203,577	12,296
Other related parties	2,704,661	843,241	2,272,291	249,410
	2,923,000	845,620	2,475,868	261,706

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 2019

8 RELATED PARTY DISCLOSURES (continued)

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

	30 June 2019		(Audited) 31 December 2018		30 June 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	325,686	7,920	163,696	20,703	231,777	9,525
Other related parties	1,596,405	1,096,134	1,158,652	667,900	1,595,812	953,804
	<u>1,922,091</u>	<u>1,104,054</u>	<u>1,322,348</u>	<u>688,603</u>	<u>1,827,589</u>	<u>963,329</u>

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 4,892,088 (31 December 2018: KD 4,987,605 and 30 June 2018: KD 5,212,749). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 4,817,000 (31 December 2018: KD 7,855,250 and 30 June 2018: KD 7,841,750).

Compensation of key management personnel is as follows:

	Six months ended 30 June	
	2019 KD	2018 KD
Salaries and other short-term benefits	292,446	280,856
Employees' end of service benefits	122,488	122,094
	<u>414,934</u>	<u>402,950</u>

9 CONTINGENT LIABILITIES

As at 30 June 2019, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 57,548,440 (31 December 2018: KD 16,393,283 and 30 June 2018: KD 16,949,338).

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 2019

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	
30 June 2019				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	11,327,645	-	-	11,327,645
Unquoted equity securities	-	20,360	5,656,708	5,677,068
Quoted managed funds	222,902	-	-	222,902
Quoted bonds	21,326,662	-	-	21,326,662
Unquoted managed funds	-	673,681	22,443	696,124
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	4,917,969	-	-	4,917,969
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	19,022,503	-	-	19,022,503
Property and equipment				
Land	-	13,071,772	-	13,071,772
Buildings	-	14,723,219	-	14,723,219
Investment properties				
	-	5,232,119	-	5,232,119
Total	56,817,681	33,721,151	5,679,151	96,217,983

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

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 2019

10 FAIR VALUE MEASUREMENT (continued)

	<i>Fair value measurement using</i>			<i>Total fair value KD</i>
	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	
<i>30 June 2018</i>				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	16,218,816	-	-	16,218,816
Unquoted equity securities	-	-	5,676,320	5,676,320
Quoted managed funds	239,638	-	-	239,638
Quoted bonds	16,715,899	-	-	16,715,899
Unquoted managed funds	-	850,471	37,906	888,377
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	5,550,473	-	-	5,550,473
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	18,892,100	-	-	18,892,100
<i>Investment properties</i>	-	3,033,781	-	3,033,781
Total	57,616,926	3,884,252	5,714,226	67,215,404

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 30 June 2019 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	5,478,676	-	178,032	5,656,708
Unquoted managed funds	55,650	(14,836)	(18,371)	22,443
	<u>5,534,326</u>	<u>(14,836)</u>	<u>159,661</u>	<u>5,679,151</u>
	<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>

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 2019

10 FAIR VALUE MEASUREMENT (continued)

	<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 30 June 2018 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	5,289,391	-	386,929	5,676,320
Unquoted managed funds	37,906	-	-	37,906
	<u>5,327,297</u>	<u>-</u>	<u>386,929</u>	<u>5,714,226</u>

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 30 June 2018</i>			
ASSETS			
Investments held to maturity	21,820,735	1,356,643	23,177,378
Investments available for sale	36,659,021	3,080,029	39,739,050
Investments carried at fair value through profit or loss	19,991,606	4,450,967	24,442,573
Premiums and insurance balances receivable	103,682,496	9,742,051	113,424,547
Reinsurance recoverable on outstanding claims	106,398,442	5,510,510	111,908,952
Investment properties	2,730,981	302,800	3,033,781
Other assets	22,552,307	907,988	23,460,295
Time deposits	37,728,859	2,215,264	39,944,123
Cash and cash equivalents	52,534,964	2,253,575	54,788,539
LIABILITIES			
Outstanding claims reserve (gross)	160,234,942	9,065,960	169,300,902
Unearned premiums reserve (net)	54,398,943	7,056,140	61,455,083
Life mathematical reserve (net)	19,455,456	5,656,861	25,112,317
Insurance payable	51,152,056	4,870,589	56,022,645
Other liabilities	36,698,283	3,170,281	39,868,564

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 2019

11 COMPARATIVE INFORMATION (continued)

	<i>As previously reported</i> KD	<i>Effect of representation</i> KD	<i>After representation</i> KD
<i>Consolidated statement of financial position</i>			
<i>As at 31 December 2018</i>			
ASSETS			
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
LIABILITIES			
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
	<i>As previously reported</i> KD	<i>Effect of representation</i> KD	<i>After representation</i> KD
<i>Interim condensed consolidated statement of income</i>			
<i>As at 30 June 2018</i>			
Revenue:			
Premiums written	154,322,565	13,774,106	168,096,671
Reinsurance premiums ceded	(79,282,448)	(4,172,024)	(83,454,472)
Movement in unearned premiums reserve	(5,694,148)	(816,605)	(6,510,753)
Movement in life mathematical reserve	734,357	(543,239)	191,118
Commission received on ceded reinsurance	8,194,478	457,333	8,651,811
Policy issuance fees	2,023,778	183,955	2,207,733
Net investment loss from designated life insurance	(145,963)	295,115	149,152
Expenses:			
Claims incurred	50,696,077	5,655,685	56,351,762
Commission and discounts	8,714,285	1,400,240	10,114,525
General and administrative expenses	13,350,854	243,252	13,594,106
Net investment income	4,304,140	179,923	4,484,063
Unallocated general and administrative expenses	(2,760,124)	(2,059,388)	(4,819,512)