

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

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

30 SEPTEMBER 2021

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2021, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine 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 nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association during the nine months period ended 30 September 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

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



ABDULKARIM AL SAMDAN
LICENCE NO. 208 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

14 November 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2021

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		KD 000's	KD 000's	KD 000's	KD 000's
Revenue:					
Premiums written		116,658	103,670	369,635	334,328
Reinsurance premiums ceded		(59,218)	(57,720)	(199,249)	(184,582)
Net premiums written		57,440	45,950	170,386	149,746
Movement in unearned premiums reserve		14,997	4,776	(1,212)	(4,643)
Movement in life mathematical reserve		(199)	(2,741)	(2,827)	(4,248)
Net premiums earned		72,238	47,985	166,347	140,855
Commission received on ceded reinsurance		6,330	4,152	15,366	13,396
Policy issuance fees		564	668	2,112	2,101
Net investment income from designated life insurance	3	499	833	1,832	986
		79,631	53,638	185,657	157,338
Expenses:					
Claims incurred		50,100	34,013	113,443	95,548
Commission and discounts		9,778	6,064	21,103	16,948
Maturity and cancellations of life insurance policies		1,274	888	3,090	1,905
General and administrative expenses		8,584	6,755	23,795	20,312
		69,736	47,720	161,431	134,713
Net underwriting income		9,895	5,918	24,226	22,625
Gain on remeasurement of a former associate from a step acquisition	5	25,787	-	25,787	-
Gain on bargain purchase from acquisition of associate	5	1,267	-	1,267	-
Net investment income	3	3,705	3,249	12,519	10,370
Finance costs		(543)	(665)	(1,420)	(1,899)
Share of results of associates		177	(1,020)	499	(143)
Other income		1,578	881	3,782	2,002
		41,866	8,363	66,660	32,955
Other charges:		(6,136)	(3,754)	(14,455)	(13,578)
PROFIT FOR THE PERIOD BEFORE TAXATION		35,730	4,609	52,205	19,377
Contribution to KFAS		12	(87)	(222)	(169)
NLST		(231)	(12)	(396)	(206)
Zakat		(36)	(28)	(116)	(93)
Taxation from subsidiaries		(1,643)	(643)	(4,078)	(2,651)
PROFIT FOR THE PERIOD		33,832	3,839	47,393	16,258
Attributable to:					
Equity holders of the Parent Company		33,010	3,249	44,779	13,092
Non-controlling interests		823	590	2,614	3,166
		33,833	3,839	47,393	16,258
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	161.37 fils	15.89 fils	218.9 fils	64.06 fils

The attached notes 1 to 12 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 September 2021

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
		KD 000's	KD 000's	KD 000's	KD 000's
Profit for the period		33,832	3,839	47,393	16,258
Other comprehensive loss:					
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>					
- Investments available for sale:					
Net unrealised (loss) gain		(1,458)	(131)	(1,539)	930
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	(731)	(780)	(2,844)	(2,347)
Impairment loss on investments available for sale	3	48	79	383	1,447
		(2,141)	(832)	(4,000)	30
- Share of other comprehensive income of associates		369	199	103	200
- Exchange differences on translation of foreign operations		528	(5,961)	(5,610)	(7,974)
Other comprehensive loss for the period		(1,244)	(6,594)	(9,507)	(7,744)
Total comprehensive income (loss) for the period		32,589	(2,755)	37,886	8,514
Attributable to:					
Equity holders of the Parent Company		32,952	(1,248)	37,870	7,664
Non-controlling interests		(363)	(1,507)	16	850
		32,589	(2,755)	37,886	8,514

The attached notes 1 to 12 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 September 2021

		(Audited)	
	Notes	30 September 2021 KD 000's	31 December 2020 KD 000's
			30 September 2020 KD 000's
ASSETS			
Property and equipment		45,978	36,948
Right-of-use assets		3,239	1,276
Investments in associates		46,126	43,451
Goodwill	5	50,471	15,104
Financial instruments:			
Investments held to maturity		51,267	38,347
Debt securities (loans)		6,426	15,324
Investments available for sale		261,193	49,022
Investments carried at fair value through profit or loss		45,357	31,976
Loans secured by life insurance policies		545	866
Premiums and insurance balances receivable		280,522	132,222
Reinsurance recoverable on outstanding claims		234,217	282,416
Investment properties		10,511	8,258
Other assets		77,087	31,180
Time deposits		69,994	42,982
Cash and bank balances	6	213,696	71,338
TOTAL ASSETS		1,396,629	800,710
EQUITY AND LIABILITIES			
Equity			
Share capital	8	28,457	18,704
Share premium	8	50,947	3,600
Treasury shares	8	(429)	(429)
Treasury shares reserve		3,099	3,099
Statutory reserve		18,704	18,704
Voluntary reserve		29,285	29,285
Other reserve		(2,837)	(2,837)
Cumulative changes in fair value reserve		2,094	3,588
Foreign currency translation adjustments		(30,641)	(25,226)
Revaluation reserve		14,907	14,907
Retained earnings		98,787	54,008
Equity attributable to the equity holders of the Parent Company		212,373	117,403
Non-controlling interests		65,494	27,928
Total equity		277,867	145,331
Liabilities			
Liabilities arising from insurance contracts:			
Outstanding claims reserve (gross)		457,335	371,219
Unearned premiums reserve (net)		188,137	56,154
Life mathematical reserve (net)		60,292	33,044
Incurred but not reported reserve (net)		2,579	933
Total liabilities arising from insurance contracts		708,343	461,350
Premiums received in advance		3,602	3,191
Insurance payable		154,753	127,200
Other liabilities		126,366	63,638
Long term loans	7	125,480	-
Bank overdrafts	6	218	-
Total liabilities		1,118,762	655,379
TOTAL EQUITY AND LIABILITIES		1,396,629	800,710

Khaled Saoud Al-Hasan
Chief Executive Officer

The attached notes 1 to 12 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 September 2021

Attributable to equity holders of the Parent Company

	<i>Share capital</i>	<i>Share Premium</i>	<i>Treasury shares</i>	<i>Treasury shares reserve</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Other reserve</i>	<i>Cumulative changes in fair values</i>	<i>Foreign currency translation adjustments</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Sub-total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
As at 1 January 2021 <i>(Audited)</i>	18,704	3,600	(429)	3,099	18,704	29,285	(2,837)	3,588	(25,226)	14,907	54,008	117,403	27,928	145,331
Profit for the period	-	-	-	-	-	-	-	-	-	-	44,779	44,779	2,614	47,393
Other comprehensive loss for the period	-	-	-	-	-	-	-	(1,494)	(5,415)	-	-	(6,909)	(2,598)	(9,507)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,494)	(5,415)	-	44,779	37,870	16	37,886
Issue of rights shares (Note 8)	9,753	47,347	-	-	-	-	-	-	-	-	-	57,100	-	57,100
Non- controlling interest arising from acquisition of subsidiaries (Note 5)	-	-	-	-	-	-	-	-	-	-	-	-	37,859	37,859
Capital increase in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	608	608
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(917)	(917)
As at 30 September 2021	28,457	50,947	(429)	3,099	18,704	29,285	(2,837)	2,094	(30,641)	14,907	98,787	212,373	65,494	277,867
As at 1 January 2020 <i>(Audited)</i>	18,704	3,600	(429)	3,099	18,704	27,558	(2,837)	1,529	(19,841)	12,241	46,474	108,802	26,043	134,845
Profit for the period	-	-	-	-	-	-	-	-	-	-	13,092	13,092	3,166	16,258
Other comprehensive loss for the period	-	-	-	-	-	-	-	(115)	(5,313)	-	-	(5,428)	(2,316)	(7,744)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(115)	(5,313)	-	13,092	7,664	850	8,514
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,076)	(7,076)	-	(7,076)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,005)	(1,005)
As at 30 September 2020	18,704	3,600	(429)	3,099	18,704	27,558	(2,837)	1,414	(25,154)	12,241	52,490	109,390	25,888	135,278

The attached notes 1 to 12 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 September 2021

	Notes	Nine months ended 30 September	
		2021 KD 000's	2020 KD 000's
OPERATING ACTIVITIES			
Profit for the period before taxation		52,205	19,377
<i>Adjustments for:</i>			
Depreciation of property and equipment and right-of-use assets		2,409	1,344
Net investment income		(11,828)	(7,696)
Impairment loss on investments available for sale	3	383	1,447
Share of results of associates		(499)	143
Change in fair value of a former associate from a step acquisition	5	(25,787)	-
Gain on bargain purchase from acquisition of associate		(1,267)	-
Finance costs		1,420	1,899
		17,036	16,514
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through profit or loss		(6,691)	(4,365)
Premiums and insurance balances receivable		(60,467)	(27,968)
Reinsurance recoverable on outstanding claims		78,333	(33,541)
Other assets		(10,957)	(3,346)
Liabilities arising from insurance contracts		(66,982)	54,645
Premiums received in advance		(9,451)	(1,248)
Insurance payable		6,324	19,872
Other liabilities		14,711	4,417
Paid to KFAS		-	(87)
Paid to NLST		-	(266)
Remuneration paid to directors		(185)	(185)
		(38,329)	24,442
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES			
INVESTING ACTIVITIES			
Acquisition of subsidiaries, net of cash acquired	5	(966)	-
Purchase of property and equipment		(4,560)	(2,001)
Proceeds from sale of property and equipment		2,587	189
Purchase of investment properties		-	(143)
Additions of investment in associates		(1,581)	-
Net movement of investments held to maturity		(1,790)	(7,556)
Net movement of debt securities (loans)		8,898	(383)
Net movement of investments available for sale		(4,185)	840
Loans secured by life insurance policies		321	177
Movement in time deposits		1,223	1,827
Interest received		6,697	6,304
Dividend income received		607	827
Advance towards acquisition of investment		-	(506)
Dividend received from associates		492	592
		7,743	167
NET CASH FLOWS FROM INVESTING ACTIVITIES			
FINANCING ACTIVITIES			
Proceeds from issuance of right shares	8	57,100	-
Long term loans		125,480	3,000
Payment of lease liability		(404)	(767)
Finance costs paid		(1,420)	(1,836)
Dividend paid		-	(7,076)
Dividends paid to non-controlling interests		(917)	(1,005)
Capital increase in subsidiaries contributed by non-controlling interests		608	-
		180,447	(7,684)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(7,721)	(4,707)
Cash and cash equivalents at 1 January		71,338	85,927
		213,478	98,145
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER			

The attached notes 1 to 12 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 September 2021

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (the “Group”) were authorised for issue by the Board of Directors on 14 November 2021. The Ordinary Annual General Assembly meeting of the Parent Company’s shareholders held on 30 March 2021 approved the consolidated financial statements for the year ended 31 December 2020. No dividends were declared by the Parent Company for the year then ended (2019: 38 fils per share).

The Parent Company is a Kuwaiti Shareholding Company incorporated in the State of Kuwait in accordance with the Amiri Decree No. 25 of 9 April 1962 and is listed on the Kuwait Stock Exchange. The address of the Parent Company’s registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 40, Office No 49 & 50, Sharq, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait. The Parent Company’s objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 46.32% (31 December 2020: 45.99% and 30 September 2020: 45.99%) owned by Kuwait Project Company Holding K.S.C.P. and 43.69% (31 December 2020: 43.43% and 30 September 2020: 43.43%) by Fairfax Financial Holding Limited as at 30 September 2021.

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

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

2.1 Basis of preparation

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

The interim condensed consolidated financial information is presented in Kuwaiti Dinars to the nearest thousand, which is the functional currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the nine months period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 New standards, interpretations and amendments adopted by the Group

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

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

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

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

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

The amendments include the following practical expedients:

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

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2021

3 NET INVESTMENT INCOME

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2021	2020	2021	2020
	KD 000's	KD 000's	KD 000's	KD 000's
Net realised gain on sale of investments available for sale	731	780	2,844	2,347
Realised gain on sale of investments at fair value through profit or loss	638	206	1,521	588
Unrealised (loss) gain on investments at fair value through profit or loss	(327)	(363)	1,269	(1,403)
Dividend income	155	29	607	827
Interest on investments held to maturity	1,127	1,121	3,249	3,089
Interest on debt securities (loans)	720	277	1,150	808
Interest on time and call deposits	778	854	2,298	2,407
Foreign exchange gain	316	1,258	2,906	5,107
Other investment income	370	270	1,026	690
Impairment loss on investments available for sale	(48)	(79)	(383)	(1,447)
Other investment expenses	(256)	(271)	(2,136)	(1,657)
	4,204	4,082	14,351	11,356

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	2021	2020	2021	2020
	KD 000's	KD 000's	KD 000's	KD 000's
Net investment income from designated life insurance	499	833	1,832	986
Net investment income	3,705	3,249	12,519	10,370
	4,204	4,082	14,351	11,356

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 30 September</i>		<i>Nine months ended 30 September</i>	
	2021	2020	2021	2020
	KD 000's	KD 000's	KD 000's	KD 000's
Profit attributable to equity holders of the Parent Company	33,010	3,249	44,779	13,092
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	204,554,494	204,362,769	204,554,494	204,362,769
Basic and diluted earnings per share	161.37 fils	15.89 fils*	218.9 fils	64.06 fils*

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

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 September 2021

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

*Earnings per share for the three months period ended 30 September 2020 was 17.45 fils and nine months period ended 30 September 2020 was 70.3 fils, before retroactive adjustment to the number of shares following the rights issue (Note 8).

5 BUSINESS COMBINATION

5.1 Acquisition of AXA Insurance B.S.C.C

- a) On 29 November 2020, the Parent Company has entered into a sale and purchase agreement to acquire 100% equity interest of AXA Insurance B.S.C.C (a Closed Joint Stock Company located at Kingdom of Bahrain) (AXA Gulf) for a total consideration of USD 409,564,005 (equivalent to KD 123,196,853).

The Acquisition date has been determined to be 6 September 2021, when the Parent Company has evidenced its control over AXA Gulf.

The consideration paid and provisional values of identifiable assets and liabilities assumed were initially determined as stated in the below table:

	<i>Provisional values KD 000's</i>
Assets	
Property and equipment	9,426
Investment properties	1,626
Investments in associates	24,286
Right-of-use assets	759
Reinsurance recoverable on outstanding claims	13,638
Premiums and insurance balances receivable	59,061
Other assets	20,392
Investments available for sale	114,251
Investments carried at fair value through profit or loss	6,690
Time deposits	14,543
Cash and cash equivalents	77,705
	<u>342,377</u>
Liabilities	
Outstanding claims reserve (gross)	72,580
Unearned premiums reserve (net)	82,866
Life mathematical reserve (net)	23,918
Incurred but not reported reserve (net)	1,473
Premiums received in advance	9,862
Insurance payable	16,521
Other liabilities	13,091
	<u>220,311</u>
Net assets acquired	<u>122,066</u>
Purchase consideration transferred	<u>123,197</u>
Provisional Goodwill	<u>1,131</u>
	<i>Cash flow on acquisition</i>
Cash paid	123,197
Less: net cash acquired in subsidiary acquired	(77,705)
Net cash outflow	<u>45,492</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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5 BUSINESS COMBINATION (continued)

5.2 Step acquisition of AXA Cooperative Insurance Company

- b) On 6 September 2021, AXA Insurance B.S.C.C (a Closed Joint Stock Company located at Kingdom of Bahrain) (AXA Gulf) had acquired additional 18% equity interest in AXA Cooperative Insurance Company (a Saudi Joint Stock Company) (AXA KSA) which was previously held as an investment in associate with an effective equity holding of 32%, resulting in total effective equity holding of 50% in AXA KSA.

As this transaction met the criteria of IFRS 3 business combination for the business combination achieved in stages, AXA Gulf reclassified its investment in AXA KSA to investment in subsidiary since it obtained control, and consolidated AXA KSA from the effective date of control. AXA Gulf has elected to measure the non-controlling interest in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets. The consideration paid and provisional values of identifiable assets and liabilities assumed were initially determined as stated in the table below:

	<i>Provisional values KD 000's</i>
Assets	
Property and equipment	2,404
Right-of-use assets	1,753
Reinsurance recoverable on outstanding claims	16,496
Premiums and insurance balances receivable	28,772
Other assets	14,558
Investment held to maturity	11,130
Investments available for sale	93,735
Time deposits	13,692
Cash and cash equivalents	62,039
	<hr/> 244,579 <hr/>
Liabilities	
Outstanding claims reserve (gross)	86,083
Unearned premiums reserve (net)	47,055
Insurance payable	4,708
Other liabilities	34,926
	<hr/> 172,772 <hr/>
Net assets acquired	71,807
Less: Non-controlling interest	(35,903)
Proportionate share of fair value of the acquirer's previously held interest*	(49,980)
Consideration paid	(17,513)
Provisional Goodwill	<hr/> 31,589 <hr/> <hr/>
	<i>Cash flow on acquisition</i>
Consideration paid by cash	(17,513)
Less: net cash acquired in subsidiary acquired	62,039
Net cash inflow	<hr/> (44,526) <hr/> <hr/>

*Upon additional acquisition of 18% stake and obtaining control, the Group has fair valued its previously held interest in AXA KSA which resulted in a gain with an amount of USD 85,500,203 (equivalent to KD 25,786,861) that has been recorded in the interim condensed consolidated statement of income.

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 September 2021

5 BUSINESS COMBINATION (continued)

5.3 Acquisition of Arab Life Company

- c) During the period 30 September 2021, Arab Orient Insurance Company J.S.C (“the subsidiary”) acquired 74.75% equity interest in Arab Life Company for a total consideration of JD 4,919,301 (equivalent to: KD 1,810,344). As a result, goodwill amounting JD 6,947,698 (equivalent to: KD 2,559,356) has been recorded in the interim condensed consolidated statement of financial position.

5.4 Acquisition of Gulf Takaful Insurance Company

- d) During the period 30 September 2021, Gulf Insurance and Re-insurance Company K.S.C. (Closed) (“the subsidiary”) acquired 66.61% equity interest in Gulf Takaful Insurance Company – K.S.C. (Closed) for a total consideration of KD 1,443,634. As a result, gain on bargain purchase amounting KD 946,937 has been recorded in the interim condensed consolidated statement of income as other income.

5.5 Acquisition of AXA Green Crescent Insurance Company

- e) During the current period ended 30 September 2021, the Parent Company acquired 28% of AXA Green Crescent Insurance Company a Public Joint Stock Company listed at Abu Dhabi stock exchange, with total considerations of KD 1,583,400. The Parent Company has accounted for this acquisition as investment in associate. The transaction has resulted in a gain on bargain purchase amounting KD 1,267,050 that has been recorded to the interim condensed consolidated statement of income.

6 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2021 KD 000's</i>	<i>(Audited) 31 December 2020 KD 000's</i>	<i>30 September 2020 KD 000's</i>
Cash and bank balances	56,438	22,301	20,703
Short term and call deposits	157,258	49,037	84,008
	<hr/>	<hr/>	<hr/>
Cash and bank balances	213,696	71,338	104,711
Bank overdrafts	(218)	-	(6,566)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	213,478	71,338	98,145
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bank overdrafts represent a facility obtained from a local bank and carries an average interest rate of 0.75% (31 December 2020: Nil% and 30 September 2020: 0.75%) over Central Bank of Kuwait discount rate.

7 LONG TERM LOANS

During the period ended 30 September 2021, the Parent Company has obtained two bank loans from local banks to be payable as follows:

- a) First loan is payable on annual installment basis for a period of seven years beginning on 14 January 2023 and carry interest rate of 3 months LIBOR +1.25% per annum and the last installment is due on 14 January 2030.
- b) Second loan is payable on quarterly installment basis for a period of five years beginning on 31 December 2022 and carry interest rate of 1.25% per annum over Central Bank of Kuwait discount rate and the last installment is due on 31 December 2027.

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 September 2021

8 SHARE CAPITAL AND TREASURY SHARES

a) Share Capital

The authorised share capital of the Parent Company comprises of 350,000,000 shares (31 December 2020: 187,039,125 shares and 30 September 2020: 187,039,125 shares) of 100 fils each. The increase in the authorised share capital was approved by the Extraordinary General Assembly meeting of the shareholders held on 7 October 2020. The issued and fully paid-up share capital consists of 284,572,458 shares (31 December 2020: 187,039,125 shares and 30 September 2020: 187,039,125 shares) of 100 fils each.

b) Issuance of Rights shares

On 14 January 2021, the Parent Company made a rights issue to its shareholders at KD 0.500 per share made up of KD 0.100 share capital and KD 0.400 share premium. A total of 14,200,000 shares were issued resulting in an increase in share capital by KD 1,420,000 and an increase in the share premium account by KD 5,680,000. This amendment has been notarized in the commercial register dated 7 February 2021.

On 2 September 2021, the Parent Company made a rights issue to its shareholders at KD 0.600 per share made up of KD 0.100 share capital and KD 0.500 share premium. A total of 83,333,333 shares were issued resulting in an increase in share capital by KD 8,333,333 and an increase in the share premium account by KD 41,666,667. This amendment has been notarized in the commercial register dated 14 September 2021.

c) Treasury shares

	30 September 2021	<i>(Audited)</i> 31 December 2020	30 September 2020
Number of treasury shares	821,396	821,396	821,396
Percentage of issued shares	0.289%	0.439%	0.439%
Cost (KD 000's)	429	429	429
Market value (KD 000's)	729	713	587

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

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 September 2021

9 SEGMENT INFORMATION

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

a) Segmental interim condensed consolidated statement of income:

	<i>General risk insurance</i>					<i>Sub-total</i> <i>KD 000's</i>	<i>Life and medical</i>		<i>Sub-total</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
	<i>Marine and aviation</i> <i>KD 000's</i>	<i>Property</i> <i>KD 000's</i>	<i>Motor</i> <i>KD 000's</i>	<i>Engineering</i> <i>KD 000's</i>	<i>General accidents</i> <i>KD 000's</i>		<i>Life insurance</i> <i>KD 000's</i>	<i>Medical insurance</i> <i>KD 000's</i>		
<i>Nine months ended 30 September 2021</i>										
Segment revenue	4,597	9,730	47,796	7,943	10,042	80,108	13,756	91,793	105,549	185,657
Segment results										
Net underwriting income	2,405	2,880	2,809	2,265	2,264	12,623	507	11,096	11,603	24,226
<i>Nine months ended 30 September 2020</i>										
Segment revenue	3,746	8,739	42,294	7,475	8,728	70,982	10,270	76,086	86,356	157,338
Segment results										
Net underwriting income	1,261	1,438	2,774	1,919	2,244	9,636	696	12,293	12,989	22,625

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 September 2021

9 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 September 2021</i>	<i>General risk Insurance KD 000's</i>	<i>Life and medical insurance KD 000's</i>	<i>Un-allocated KD 000's</i>	<i>Total KD 000's</i>
Total assets	999,324	148,348	248,957	1,396,629
Total liabilities	751,183	147,375	220,204	1,118,762
<i>(Audited)</i>	<i>General risk Insurance KD 000's</i>	<i>Life and medical insurance KD 000's</i>	<i>Un-allocated KD 000's</i>	<i>Total KD 000's</i>
<i>As at 31 December 2020</i>				
Total assets	542,519	132,482	125,709	800,710
Total liabilities	446,943	152,838	55,598	655,379
<i>As at 30 September 2020</i>	<i>General risk insurance KD 000's</i>	<i>Life and medical insurance KD 000's</i>	<i>Un-allocated KD 000's</i>	<i>Total KD 000's</i>
Total assets	533,296	122,061	195,636	850,993
Total liabilities	444,826	173,543	97,346	715,715

10 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>Nine months ended 30 September 2021</i>		<i>Nine months ended 30 September 2020</i>	
	<i>Premiums KD 000's</i>	<i>Claims KD 000's</i>	<i>Premiums KD 000's</i>	<i>Claims KD 000's</i>
Directors and key management personnel	190	27	221	26
Other related parties	3,409	1,244	3,540	183
	3,599	1,271	3,761	209

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 September 2021

10 RELATED PARTY DISCLOSURES (continued)

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

	30 September 2021		(Audited) 31 December 2020		30 September 2020	
	Amounts owed by related parties KD 000's	Amounts owed to related Parties KD 000's	Amounts owed by related parties KD 000's	Amounts owed to related parties KD 000's	Amounts owed by related parties KD 000's	Amounts owed to related parties KD 000's
Directors and key management personnel	268	11	57	3	213	2
Other related parties	2,061	1,380	1,515	543	1,970	916
	<u>2,329</u>	<u>1,391</u>	<u>1,572</u>	<u>546</u>	<u>2,183</u>	<u>918</u>

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 25,036,070 (31 December 2020: KD 6,550,178 and 30 September 2020: KD 6,878,646). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 1,508,000 (31 December 2020: KD 4,821,000 and 30 September 2020: KD 4,832,500).

Compensation of key management personnel is as follows:

	Nine months ended 30 September	
	2021 KD 000's	2020 KD 000's
Salaries and other short-term benefits	492	442
Employees' end of service benefits	263	186
	<u>755</u>	<u>628</u>

11 CONTINGENT LIABILITIES

As at 30 September 2021, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 65,401,814 (31 December 2020: KD 59,935,118 and 30 September 2020: KD 58,967,484).

12 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

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 September 2021

12 FAIR VALUE MEASUREMENT (continued)

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

	<i>Fair value measurement using</i>			Total <i>KD 000's</i>
	Level 1 <i>KD 000's</i>	Level 2 <i>KD 000's</i>	Level 3 <i>KD 000's</i>	
30 September 2021				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	25,705	-	-	25,705
Unquoted equity securities	-	18	8,567	8,585
Quoted managed funds	6,540	-	-	6,540
Quoted bonds	219,961	-	-	219,961
Unquoted managed funds	-	277	125	402
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	13,277	-	-	13,277
Unquoted securities	-	239	-	239
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	31,841	-	-	31,841
Property and equipment				
Land	-	13,974	-	13,974
Buildings	-	25,789	-	25,789
Investment properties	-	10,511	-	10,511
Total	297,324	50,808	8,692	356,824
	<i>Fair value measurement using</i>			Total <i>KD 000's</i>
	Level 1 <i>KD 000's</i>	Level 2 <i>KD 000's</i>	Level 3 <i>KD 000's</i>	
31 December 2020 (Audited)				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	15,004	-	-	15,004
Unquoted equity securities	-	19	5,956	5,975
Quoted managed funds	207	-	-	207
Quoted bonds	27,465	-	-	27,465
Unquoted managed funds	-	351	20	371
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	4,162	-	-	4,162
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	27,814	-	-	27,814
Property and equipment				
Land	-	16,117	-	16,117
Buildings	-	17,861	-	17,861
Investment properties	-	8,258	-	8,258
Total	74,652	42,606	5,976	123,234

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

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As at and for the period ended 30 September 2021

12 FAIR VALUE MEASUREMENT (continued)

	<i>Fair value measurement using</i>			Total KD 000's
	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	
<i>30 September 2020</i>				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	12,641	-	-	12,641
Unquoted equity securities	-	19	6,192	6,211
Quoted managed funds	203	-	-	203
Quoted bonds	25,425	-	-	25,425
Unquoted managed funds	-	498	20	518
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	3,988	-	-	3,988
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	25,892	-	-	25,892
Property and equipment				
Land	-	15,370	-	15,370
Buildings	-	15,153	-	15,153
Investment properties	-	6,010	-	6,010
Total	68,149	37,050	6,212	111,411

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

	<i>As at 1 January 2021 KD 000's</i>	<i>Arising from acquisition of subsidiaries KD 000's</i>	<i>Gain recorded in the interim condensed consolidated statement of income KD 000's</i>	<i>Loss recorded in the interim condensed consolidated statement of comprehensive income KD 000's</i>	<i>Net purchases and disposals KD 000's</i>	<i>As at 30 September 2021 KD 000's</i>
Financial assets available for sale:						
Unquoted equity securities	5,956	2,742	-	(131)	-	8,567
Unquoted managed funds	20	105	-	-	-	125
	5,976	2,847	-	(131)	-	8,692

	<i>At 1 January 2020 KD 000's</i>	<i>Loss recorded in the consolidated statement of income KD 000's</i>	<i>Loss recorded in the consolidated statement of comprehensive income KD 000's</i>	<i>Net purchases and disposals KD 000's</i>	<i>At 31 December 2020 KD 000's</i>
Financial assets available for sale:					
Unquoted equity securities	5,632	(809)	(175)	1,308	5,956
Unquoted managed funds	22	-	(2)	-	20
	5,654	(809)	(177)	1,308	5,976

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

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12 FAIR VALUE MEASUREMENT (continued)

	<i>As at 1 January 2020 KD 000's</i>	<i>Loss recorded in the interim condensed consolidated statement of income KD 000's</i>	<i>Gain recorded in the interim condensed consolidated statement of comprehensive income KD 000's</i>	<i>Net purchases and disposals KD 000's</i>	<i>As at 30 September 2020 KD 000's</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,632	(809)	61	1,308	6,192
Unquoted managed funds	22	(2)	-	-	20
	<u>5,654</u>	<u>(811)</u>	<u>61</u>	<u>1,308</u>	<u>6,212</u>