

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2020 (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 31 March 2020, 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 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 three months period ended 31 March 2020 that might have had a material effect on the business of the Parent Company or on its financial position.



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BADER A. AL-ABDULJADER  
LICENCE NO. 207 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

12 August 2020  
Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2020

	Notes	<i>Three months ended 31 March</i>	
		<b>2020</b>	<b>2019</b>
		<b>KD</b>	<b>KD</b>
<b>Revenue:</b>			
Premiums written		<b>107,879,721</b>	92,555,473
Reinsurance premiums ceded		<b>(55,060,139)</b>	(44,198,827)
Net premiums written		<b>52,819,582</b>	48,356,646
Movement in unearned premiums reserve		<b>(4,113,766)</b>	(5,095,851)
Movement in life mathematical reserve		<b>324,824</b>	565,303
Net premiums earned		<b>49,030,640</b>	43,826,098
Commission received on ceded reinsurance		<b>5,222,411</b>	5,605,870
Policy issuance fees		<b>703,176</b>	868,739
Net investment (loss) income from designated life insurance	3	<b>(1,128,033)</b>	1,005,708
		<b>53,828,194</b>	51,306,415
<b>Expenses:</b>			
Claims incurred		<b>31,882,717</b>	31,930,215
Commission and discounts		<b>6,062,547</b>	5,534,384
Maturity and cancellations of life insurance policies		<b>752,909</b>	2,266,062
General and administrative expenses		<b>7,330,466</b>	6,782,285
		<b>46,028,639</b>	46,512,946
<b>Net underwriting income</b>		<b>7,799,555</b>	4,793,469
Net investment income	3	<b>822,337</b>	2,953,127
Finance costs		<b>(741,152)</b>	(676,643)
Share of results of associates		<b>52,801</b>	694,450
Net sundry income		<b>394,079</b>	1,013,297
		<b>8,327,620</b>	8,777,700
<b>Other charges:</b>			
Unallocated general and administrative expenses		<b>(3,869,769)</b>	(3,416,704)
<b>PROFIT FOR THE PERIOD BEFORE TAXATION</b>		<b>4,457,851</b>	5,360,996
Contribution to KFAS		<b>(34,902)</b>	(13,049)
NLST		<b>(62,112)</b>	(81,809)
Zakat		<b>(31,669)</b>	(12,681)
Taxation from subsidiaries		<b>(797,806)</b>	(1,083,671)
<b>PROFIT FOR THE PERIOD</b>		<b>3,531,362</b>	4,169,786
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>3,055,605</b>	3,741,417
Non-controlling interests		<b>475,757</b>	428,369
		<b>3,531,362</b>	4,169,786
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	4	<b>16.41 fils</b>	20.90 fils

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

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

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2020

	Note	<i>Three months ended 31 March</i>	
		<b>2020</b>	<b>2019</b>
		<b>KD</b>	<b>KD</b>
Profit for the period		<b>3,531,362</b>	4,169,786
<b>Other comprehensive loss:</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		<b>(2,371,040)</b>	(580,605)
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	<b>(947,522)</b>	(663,714)
Impairment loss on investments available for sale	3	<b>1,295,483</b>	1,316
		<b>(2,023,079)</b>	(1,243,003)
- Share of other comprehensive income (loss) of associates		<b>264,330</b>	(376,094)
- Exchange differences on translation of foreign operations		<b>844,711</b>	(414,995)
Other comprehensive loss for the period		<b>(914,038)</b>	(2,034,092)
Total comprehensive income for the period		<b>2,617,324</b>	2,135,694
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>2,441,738</b>	1,788,268
Non-controlling interests		<b>175,586</b>	347,426
		<b>2,617,324</b>	2,135,694

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 2020

		<i>(Audited)</i>		
	<i>Notes</i>	<i>31 March 2020 KD</i>	<i>31 December 2019 KD</i>	<i>31 March 2019 KD</i>
<b>ASSETS</b>				
Property and equipment		35,526,008	35,215,083	29,262,130
Right-of-use assets		1,809,368	2,213,395	2,451,118
Investments in associates		43,669,781	43,437,290	43,565,927
Goodwill		15,104,460	15,104,460	15,104,460
Financial instruments:				
Investments held to maturity		32,481,272	29,687,204	28,501,840
Debt securities (loans)		14,168,987	13,604,047	16,667,477
Investments available for sale		41,816,232	44,951,045	37,881,410
Investments carried at fair value through profit or loss		25,224,049	26,329,719	25,230,147
Loans secured by life insurance policies		1,099,999	1,104,147	1,146,054
Premiums and insurance balances receivable		169,805,093	142,633,886	150,775,084
Reinsurance recoverable on outstanding claims		244,382,124	247,320,982	131,338,637
Investment properties		6,279,838	6,166,079	5,272,370
Other assets		30,794,909	28,457,095	29,601,910
Time deposits		35,366,527	39,280,244	42,613,567
Cash and bank balances	5	71,460,746	87,661,768	51,513,260
<b>TOTAL ASSETS</b>		<b>768,989,393</b>	<b>763,166,444</b>	<b>610,925,391</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		(429,455)	(429,455)	(4,203,067)
Treasury shares reserve		3,099,292	3,099,292	2,051,215
Statutory reserve		18,703,913	18,703,913	18,703,913
Voluntary reserve		27,558,098	27,558,098	26,149,664
Other reserve		(2,836,728)	(2,836,728)	(3,101,138)
Cumulative changes in fair values		(287,601)	1,529,248	(3,408,182)
Foreign currency translation adjustments		(18,638,426)	(19,841,408)	(21,226,925)
Revaluation reserve		12,241,253	12,241,253	8,939,446
Retained earnings		42,453,564	46,474,233	38,275,803
Equity attributable to the equity holders of the Parent Company		104,167,823	108,802,359	84,484,642
Non-controlling interests		25,223,969	26,044,031	23,175,326
<b>TOTAL EQUITY</b>		<b>129,391,792</b>	<b>134,846,390</b>	<b>107,659,968</b>
<b>LIABILITIES</b>				
<b>Liabilities arising from insurance contracts:</b>				
Outstanding claims reserve (gross)		317,956,236	319,935,216	198,821,620
Unearned premiums reserve (net)		63,801,725	59,508,501	64,519,998
Life mathematical reserve (net)		26,580,526	26,370,500	24,019,065
Incurred but not reported reserve (net)		2,571,353	2,586,940	1,650,000
Total liabilities arising from insurance contracts		410,909,840	408,401,157	289,010,683
Premiums received in advance		6,162,590	5,751,229	4,666,616
Insurance payable		119,222,761	125,719,810	78,254,397
Long term loans	6	38,333,500	35,333,500	15,000,000
Other liabilities		57,341,883	51,379,273	51,284,454
Bank overdrafts	5	7,627,027	1,735,085	65,049,273
<b>TOTAL LIABILITIES</b>		<b>639,597,601</b>	<b>628,320,054</b>	<b>503,265,423</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>768,989,393</b>	<b>763,166,444</b>	<b>610,925,391</b>

  
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 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 2020

	<i>Attributable to equity holders of the Parent Company</i>													
	<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</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 January 2020 <i>(Audited)</i>	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	1,529,248	(19,841,408)	12,241,253	46,474,233	108,802,359	26,044,031	134,846,390
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,055,605	3,055,605	475,757	3,531,362
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,816,849)	1,202,982	-	-	(613,867)	(300,171)	(914,038)
Total comprehensive (loss) income for the Period	-	-	-	-	-	-	-	(1,816,849)	1,202,982	-	3,055,605	2,441,738	175,586	2,617,324
Dividends payable (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,076,274)	(7,076,274)	-	(7,076,274)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(995,648)	(995,648)
<b>As at 31 March 2020</b>	<b>18,703,913</b>	<b>3,600,000</b>	<b>(429,455)</b>	<b>3,099,292</b>	<b>18,703,913</b>	<b>27,558,098</b>	<b>(2,836,728)</b>	<b>(287,601)</b>	<b>(18,638,426)</b>	<b>12,241,253</b>	<b>42,453,564</b>	<b>104,167,823</b>	<b>25,223,969</b>	<b>129,391,792</b>
As at 1 January 2019	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 year	-	-	-	-	-	-	-	-	-	-	3,741,417	3,741,417	428,369	4,169,786
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,629,922)	(323,227)	-	-	(1,953,149)	(80,943)	(2,034,092)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,629,922)	(323,227)	-	3,741,417	1,788,268	347,426	2,135,694
Dividends payable	-	-	-	-	-	-	-	-	-	-	(6,444,005)	(6,444,005)	-	(6,444,005)
Dividends paid to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(455,033)	(455,033)
<b>As at 31 March 2019</b>	<b>18,703,913</b>	<b>3,600,000</b>	<b>(4,203,067)</b>	<b>2,051,215</b>	<b>18,703,913</b>	<b>26,149,664</b>	<b>(3,101,138)</b>	<b>(3,408,182)</b>	<b>(21,226,925)</b>	<b>8,939,446</b>	<b>38,275,803</b>	<b>84,484,642</b>	<b>23,175,326</b>	<b>107,659,968</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 CASH FLOWS (UNAUDITED)

For the period ended 31 March 2020

	Notes	<i>Three months ended 31 March</i>	
		<i>2020</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period before taxation		<b>4,457,851</b>	5,360,996
<i>Adjustments for:</i>			
Depreciation of property and equipment and right-of-use assets		<b>437,614</b>	406,769
Net investment income	3	<b>(552,510)</b>	(3,960,151)
Impairment loss on investments available for sale	3	<b>1,295,483</b>	1,316
Share of results of associates		<b>(52,801)</b>	(694,450)
Finance costs		<b>755,610</b>	676,643
		<b>6,341,247</b>	1,791,123
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through profit or loss		<b>(1,677,467)</b>	510,123
Premiums and insurance balances receivable		<b>(27,171,207)</b>	(40,920,907)
Reinsurance recoverable on outstanding claims		<b>2,938,858</b>	(370,065)
Other assets		<b>(1,879,460)</b>	(725,904)
Liabilities arising from insurance contracts		<b>2,508,683</b>	7,995,055
Premiums received in advance		<b>411,361</b>	289,903
Insurance payable		<b>(6,497,049)</b>	2,952,652
Other liabilities		<b>(1,633,815)</b>	(5,966,558)
		<b>(26,658,849)</b>	(34,444,578)
Remuneration paid to directors		<b>(185,000)</b>	(185,000)
Net cash flows used in operating activities		<b>(26,843,849)</b>	(34,629,578)
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		<b>(436,159)</b>	(251,885)
Proceeds from sale of property and equipment		<b>14,641</b>	-
Net movement of investments held to maturity		<b>(2,794,068)</b>	(5,272,785)
Net movement of debt securities (loans)		<b>(564,940)</b>	(15,617)
Net movement of investments available for sale		<b>1,352,730</b>	2,578,938
Loans secured by life insurance policies		<b>4,148</b>	120,583
Movement in time deposits		<b>3,913,717</b>	(9,935,484)
Interest received		<b>2,082,455</b>	1,919,841
Dividends income received		<b>352,816</b>	257,553
Advance towards acquisition of investment		<b>(505,500)</b>	-
Dividends received from associates		<b>91,476</b>	105,288
Net cash flows from (used in) investing activities		<b>3,511,316</b>	(10,493,568)
<b>FINANCING ACTIVITIES</b>			
Term loan	6	<b>3,000,000</b>	15,000,000
Payment of lease liability		<b>(241,935)</b>	-
Finance cost paid		<b>(735,013)</b>	(676,643)
Dividends paid to non-controlling interests		<b>(995,648)</b>	(455,033)
Net cash flows from financing activities		<b>1,027,404</b>	13,868,324
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Net foreign exchange difference		<b>212,165</b>	(551,777)
Cash and cash equivalents at 1 January		<b>85,926,683</b>	18,270,586
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	5	<b>63,833,719</b>	(13,536,013)

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 2020

### 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 12 August 2020. The Ordinary Annual General Assembly meeting of the Parent Company’s shareholders held on 23 March 2020 approved the consolidated financial statements for the year ended 31 December 2019 and approved the proposed distribution of cash dividends of 38 fils per share (2018: 36 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 45.99% (31 December 2019: 45.99% and 31 March 2019: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 43.43% (31 December 2019: 43.43% and 31 March 2019: 41.42%) by Fairfax Financial Holding Limited as at 31 March 2020.

### 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 2019. 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 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

#### 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 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

#### **Amendments to IFRS 3: Definition of a Business**

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

**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 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

**Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.

**2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

***IFRS 17 Insurance Contracts***

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

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

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

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

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

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

As at and for the period ended 31 March 2020

#### 3 NET INVESTMENT (LOSS) INCOME

	<i>Three months ended 31 March</i>	
	<i>2020 KD</i>	<i>2019 KD</i>
Net realised gain on sale of investments available for sale	<b>947,522</b>	663,714
Realised (loss) gain on sale of investments at fair value through profit or loss	<b>(25,924)</b>	18,113
Unrealised (loss) gain on investments at fair value through profit or loss	<b>(2,757,213)</b>	1,103,853
Dividend income	<b>352,816</b>	257,553
Interest on investments held to maturity	<b>920,904</b>	804,172
Interest on debt securities (loans)	<b>283,305</b>	281,254
Interest on time and call deposits	<b>878,246</b>	834,415
Foreign exchange gain (loss)	<b>437,277</b>	(7,192)
Other investment income	<b>174,577</b>	168,711
Impairment loss on investments available for sale	<b>(1,295,483)</b>	(1,316)
Other investment expenses	<b>(221,723)</b>	(164,442)
	<b><u>(305,696)</u></b>	<u>3,958,835</u>

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

	<i>Three months ended 31 March</i>	
	<i>2020 KD</i>	<i>2019 KD</i>
Net investment income from designated life insurance	<b>(1,128,033)</b>	1,005,708
Net investment income	<b>822,337</b>	2,953,127
	<b><u>(305,696)</u></b>	<u>3,958,835</u>

#### 4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share are calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less treasury shares, outstanding during the period.

	<i>Three months ended 31 March</i>	
	<i>2020 KD</i>	<i>2019 KD</i>
Profit attributable to equity holders of the Parent Company	<b>3,055,605</b>	3,741,417
	<b>Shares</b>	Shares
Weighted average number of shares, less treasury shares outstanding during the Period	<b>186,217,729</b>	179,000,146
Basic and diluted earnings per share	<b>16.41 fils</b>	20.90 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 31 March 2020

#### 5 CASH AND CASH EQUIVALENTS

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

	<b>31 March 2020 KD</b>	<i>(Audited)</i> <b>31 December 2019 KD</b>	<b>31 March 2019 KD</b>
Bank balances and cash	<b>14,520,482</b>	15,054,336	14,146,930
Short term and call deposits	<b>56,940,264</b>	72,607,432	37,366,330
	<hr/>	<hr/>	<hr/>
Cash and bank balances	<b>71,460,746</b>	87,661,768	51,513,260
Bank overdrafts	<b>(7,627,027)</b>	(1,735,085)	(65,049,273)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<b>63,833,719</b>	85,926,683	(13,536,013)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 6 TERM LOAN

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

- a) First loan is payable six annual installments beginning on 1 January 2020 and carry interest rate of 2.75% per annum and the last installment is due on 31 January 2025.
- b) Second loan is payable five annual installments beginning on 31 March 2020 and carry interest rate of 2.75% 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 31 March 2020

#### 7 SEGMENT INFORMATION

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

##### a) Segmental interim condensed consolidated statement of income:

	<i>General risk insurance</i>					<i>Sub-total KD</i>	<i>Life and medical</i>		<i>Sub-total KD</i>	<i>Total KD</i>
	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General accidents KD</i>		<i>Life insurance KD</i>	<i>Medical insurance KD</i>		
<i>Three months ended 31 March 2020</i>										
Segment revenue	1,377,138	3,340,595	14,460,235	2,566,822	3,346,353	<b>25,091,143</b>	3,178,694	25,558,357	<b>28,737,051</b>	<b>53,828,194</b>
Segment results net underwriting income	390,404	1,117,101	3,790	764,687	959,443	<b>3,235,425</b>	305,849	4,258,281	<b>4,564,130</b>	<b>7,799,555</b>
<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	24,328,544	4,597,090	22,380,781	26,977,871	51,306,415
Segment results net underwriting income (loss)	589,439	2,633,884	(943,128)	(249,909)	368,959	2,399,245	365,306	2,028,918	2,394,224	4,793,469

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 2020

7 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 31 March 2020</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
<b>Total assets</b>	<b>505,871,507</b>	<b>108,832,152</b>	<b>154,285,734</b>	<b>768,989,393</b>
<b>Total liabilities</b>	<b>416,740,032</b>	<b>123,719,205</b>	<b>99,138,364</b>	<b>639,597,601</b>
<i>31 December 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	514,591,829	111,169,809	137,404,806	763,166,444
Total liabilities	424,470,438	121,868,788	81,980,828	628,320,054
<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

8 RELATED PARTY DISCLOSURES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>Three months ended 31 March 2020</i>		<i>Three months ended 31 March 2019</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	177,696	3,216	192,066	562
Other related parties	2,599,070	101,148	2,036,061	350,799
	<b>2,776,766</b>	<b>104,364</b>	<b>2,228,127</b>	<b>351,361</b>

# 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 2020

### 8 RELATED PARTY DISCLOSURES (continued)

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

	31 March 2020		(Audited) 31 December 2019		31 March 2019	
	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	<b>483,967</b>	-	330,964	150	319,911	7,920
Other related parties	<b>1,868,500</b>	<b>430,853</b>	1,042,903	1,108,589	1,989,721	311,847
	<b>2,352,467</b>	<b>430,853</b>	1,373,867	1,108,739	2,309,632	319,767

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 5,385,835 (31 December 2019: KD 29,194,150 and 31 March 2019: KD 6,074,048). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 4,865,000 (31 December 2019: KD 4,816,500 and 31 March 2019: KD 7,861,500).

Compensation of key management personnel is as follows:

	Three months ended 31 March	
	2020 KD	2019 KD
Salaries and other short-term benefits	<b>146,223</b>	146,223
Employees' end of service benefits	<b>58,520</b>	61,343
	<b>204,743</b>	207,566

### 9 CONTINGENT LIABILITIES

As at 31 March 2020, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 57,939,231 (31 December 2019: KD 55,335,102 and 31 March 2019: KD 18,952,644).

### 10 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans secured by life insurance policies, premiums and insurance balances receivable, reinsurance on outstanding claims, time deposits, bank balances and short term deposits. Financial liabilities consist of bank overdrafts, insurance payable and certain other liabilities.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost, are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2020

**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 2020</b>				
<b>Assets measured at fair value</b>				
<b>Investments available for sale:</b>				
Quoted equity securities	9,853,270	-	-	<b>9,853,270</b>
Unquoted equity securities	-	20,384	5,069,770	<b>5,090,154</b>
Quoted managed funds	191,130	-	-	<b>191,130</b>
Quoted bonds	26,120,285	-	-	<b>26,120,285</b>
Unquoted managed funds	-	541,048	20,345	<b>561,393</b>
<b>Investments carried at fair value through profit or loss:</b>				
<i>Held for trading:</i>				
Quoted securities	3,785,900	-	-	<b>3,785,900</b>
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	21,438,149	-	-	<b>21,438,149</b>
<b>Property and equipment</b>				
Land	-	16,093,673	-	<b>16,093,673</b>
Buildings	-	16,818,604	-	<b>16,818,604</b>
<b>Investment properties</b>	-	6,279,838	-	<b>6,279,838</b>
<b>Total</b>	<b>61,388,734</b>	<b>39,753,547</b>	<b>5,090,115</b>	<b>106,232,396</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 2019</b>				
<b>Assets measured at fair value</b>				
<b>Investments available for sale:</b>				
Quoted equity securities	11,433,900	-	-	11,433,900
Unquoted equity securities	240,990	20,192	5,632,027	5,893,209
Quoted managed funds	221,438	-	-	221,438
Quoted bonds	26,725,541	-	-	26,725,541
Unquoted managed funds	-	654,514	22,443	676,957
<b>Investments carried at fair value through profit or loss:</b>				
<i>Held for trading:</i>				
Quoted securities	4,844,468	-	-	4,844,468
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	21,485,251	-	-	21,485,251
<b>Property and equipment</b>				
Land	-	15,913,719	-	15,913,719
Buildings	-	16,882,747	-	16,882,747
<b>Investment properties</b>	-	6,166,079	-	6,166,079
<b>Total</b>	<b>64,951,588</b>	<b>39,637,251</b>	<b>5,654,470</b>	<b>110,243,309</b>

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 2020

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

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

	<i>As at 1 January 2020 KD</i>	<i>Loss recorded in the interim condensed consolidated statement of income KD</i>	<i>Gain recorded in the interim condensed consolidated statement of comprehensive income KD</i>	<i>As at 31 March 2020 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	5,632,027	(808,500)	246,243	<b>5,069,770</b>
Unquoted managed funds	22,443	(2,098)	-	<b>20,345</b>
	<u>5,654,470</u>	<u>(810,598)</u>	<u>246,243</u>	<u><b>5,090,115</b></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 2020

**10 FAIR VALUE MEASUREMENT (continued)**

	<i>At 1 January 2019 KD</i>	<i>Transfer from Level 3 to Level 2 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 31 December 2019 KD</i>
<i>Investments available for sale:</i>						
Unquoted equity securities	5,770,801	-	-	-	(138,774)	5,632,027
Unquoted managed funds	55,650	-	(14,836)	-	(18,371)	22,443
	<u>5,826,451</u>	<u>-</u>	<u>(14,836)</u>	<u>-</u>	<u>(157,145)</u>	<u>5,654,470</u>

	<i>As at 1 January 2019 KD</i>	<i>Loss recorded in the interim condensed statement of income KD</i>	<i>loss recorded in the interim condensed statement of comprehensive income KD</i>	<i>As at 31 March 2019 KD</i>
<i>Financial assets available for sale:</i>				
Unquoted equity securities	5,770,801	-	(85,946)	5,684,855
Unquoted managed funds	55,650	(14,836)	(18,371)	22,443
	<u>5,826,451</u>	<u>(14,836)</u>	<u>(104,317)</u>	<u>5,707,298</u>

**11 COVID-19 IMPACT**

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

*Recoverability of receivables*

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

Based on management's, the Group has not identified a material impact to the recoverability of receivables for the period ended 31 March 2020.

*Fair value measurement of financial instruments*

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

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

Based on management's, the Group has not identified a material impact to the fair values of financial assets and liabilities for the period ended 31 March 2020 except for what is disclosed in the condensed consolidated interim financial information under financial assets available for sale.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2020

**11 COVID-19 IMPACT (continued)**

*Fair value measurement of investment properties*

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

Based on management's, this is in early stages and there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Group has not identified any significant impact to the fair values of investment properties for the period ended 31 March 2020. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

*Outstanding claims*

The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the period ended 31 March 2020. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

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