

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

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

30 JUNE 2022

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 2022, 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 interim condensed consolidated statement of changes in equity and the 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 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.

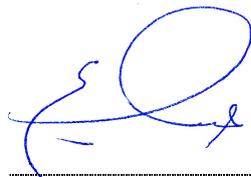
Conclusion

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 six months period ended 30 June 2022 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 six months period ended 30 June 2022 that might have had a material effect on the business of the Parent Company or on its financial position.



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

11 August 2022
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2022

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
		KD 000's	KD 000's	KD 000's	KD 000's
Revenue:					
Premiums written		226,132	133,511	458,742	252,977
Reinsurance premiums ceded		(97,747)	(78,841)	(180,810)	(140,031)
Net premiums written		128,385	54,670	277,932	112,946
Movement in unearned premiums reserve		(7,056)	(5,466)	(43,799)	(16,209)
Movement in life mathematical reserve		(1,981)	(1,344)	(5,666)	(2,628)
Net premiums earned		119,348	47,860	228,467	94,109
Commission received on ceded reinsurance		5,482	4,532	11,728	9,036
Policy issuance fees		878	594	1,810	1,548
Net investment income from designated life insurance	3	(367)	818	110	1,332
		125,341	53,804	242,115	106,025
Expenses:					
Claims incurred		78,375	32,758	152,124	63,343
Commission and discounts		17,054	5,106	32,849	11,325
Maturity and cancellations of life insurance policies		643	895	1,129	1,816
General and administrative expenses		11,355	7,321	21,855	15,211
		107,427	46,080	207,957	91,695
Net underwriting income		17,914	7,724	34,158	14,330
Net investment income	3	6,780	4,146	14,275	9,136
Finance costs		(822)	(515)	(1,425)	(877)
Monetary loss from hyperinflation	12	(5,717)	-	(5,717)	-
Net sundry income		2,186	1,365	3,354	2,204
		20,341	12,720	44,645	24,793
Other charges:					
Unallocated general and administrative expenses		(11,488)	(3,715)	(23,058)	(8,319)
PROFIT FOR THE PERIOD BEFORE TAXATION		8,853	9,005	21,587	16,474
Contribution to KFAS		(73)	(162)	(164)	(234)
NLST		(118)	(51)	(322)	(165)
Zakat		(46)	(40)	(76)	(80)
Taxation from subsidiaries		(1,842)	(1,460)	(2,981)	(2,435)
PROFIT FOR THE PERIOD		6,774	7,292	18,044	13,560
Attributable to:					
Equity holders of the Parent Company		5,195	6,287	15,003	11,769
Non-controlling interests		1,579	1,005	3,041	1,791
		6,774	7,292	18,044	13,560
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	18.31 fils	28.58 fils	52.87 fils	53.51 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 June 2022

	Note	Three months ended 30 June		Six months ended 30 June	
		2022 KD 000's	2021 KD 000's	2022 KD 000's	2021 KD 000's
Profit for the period		6,774	7,292	18,044	13,560
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		(6,331)	1,384	(7,910)	(81)
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	(1,248)	(1,428)	(1,819)	(2,113)
Impairment loss on investments available for sale	3	157	321	237	335
		(7,422)	277	(9,492)	(1,859)
- Share of other comprehensive income (loss) of associates		162	(63)	(887)	(266)
- Exchange differences on translation of foreign operations		1,574	(3,076)	(2,953)	(6,138)
Other comprehensive loss for the period		(5,686)	(2,862)	(13,332)	(8,263)
Total comprehensive income for the period		1,088	4,430	4,712	5,297
Attributable to:					
Equity holders of the Parent Company		771	4,443	3,640	4,918
Non-controlling interests		317	(13)	1,072	379
		1,088	4,430	4,712	5,297

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 June 2022

		(Audited)		
	Notes	30 June 2022 KD 000's	31 December 2021 KD 000's	30 June 2021 KD 000's
ASSETS				
Property and equipment		46,445	47,497	34,812
Investments in associates		41,973	43,297	43,029
Goodwill		44,535	44,047	17,661
Financial instruments:				
Investments held to maturity		51,237	51,221	39,477
Debt securities (loans)		10,403	10,435	6,420
Investments available for sale		259,651	261,749	50,281
Investments carried at fair value through profit or loss		50,324	48,469	38,490
Loans secured by life insurance policies		508	499	740
Premiums and insurance balances receivable		261,732	227,692	198,066
Reinsurance recoverable on outstanding claims		169,463	216,638	202,406
Investment properties		10,008	10,493	8,666
Other assets		86,153	88,510	36,353
Time deposits		78,640	74,373	40,811
Cash and bank balances	5	227,247	231,601	82,769
TOTAL ASSETS		1,338,319	1,356,521	799,981
EQUITY AND LIABILITIES				
Equity				
Share capital	7	28,457	28,457	20,124
Share premium		50,947	50,947	9,280
Treasury shares	7	(429)	(429)	(429)
Treasury shares reserve		3,099	3,099	3,099
Statutory reserve		23,843	23,843	18,704
Voluntary reserve		34,424	34,424	29,285
Effect of changes in ownership interest of Subsidiaries		(2,837)	(2,837)	(2,837)
Other reserve		(572)	(481)	-
Cumulative changes in fair value reserve		(7,309)	1,135	1,742
Foreign currency translation adjustments		(38,360)	(35,441)	(30,232)
Revaluation reserve		14,667	14,667	14,907
Retained earnings		78,482	73,441	65,778
Equity attributable to the equity holders of the Parent Company		184,412	190,825	129,421
Subordinated perpetual Tier 2 bonds		60,000	60,000	-
Non-controlling interests		64,274	66,471	28,989
Total equity		308,686	317,296	158,410
Liabilities				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		379,291	432,931	291,255
Unearned premiums reserve (net)		210,726	167,596	73,285
Life mathematical reserve (net)		64,353	56,161	35,986
Incurred but not reported reserve (net)		2,486	2,594	934
Total liabilities arising from insurance contracts		656,856	659,282	401,460
Premiums received in advance		3,400	3,216	3,606
Insurance payable		184,601	152,734	137,214
Other liabilities		126,938	148,509	68,542
Long term loans	6	57,838	75,484	-
Bank overdrafts	5	-	-	30,749
Total liabilities		1,029,633	1,039,225	641,571
TOTAL EQUITY AND LIABILITIES		1,338,319	1,356,521	799,981

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 June 2022

	<i>Attributable to equity holders of the Parent Company</i>														<i>Subordinated</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>Effect of changes in Interest of Subsidiaries</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>perpetual tier 2 bonds</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>	<i>KD 000's</i>	<i>KD 000's</i>	
As at 1 January 2022 <i>(Audited)</i>	28,457	50,947	(429)	3,099	23,843	34,424	(2,837)	(481)	1,135	(35,441)	14,667	73,441	190,825	60,000	66,471	317,296	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	15,003	15,003	-	3,041	18,044	
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(8,444)	(2,919)	-	-	(11,363)	-	(1,969)	(13,332)	
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(8,444)	(2,919)	-	15,003	3,640	-	1,072	4,712	
Dividend Paid (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(9,931)	(9,931)	-	-	(9,931)	
Interest on subordinated perpetual Tier 2 bonds	-	-	-	-	-	-	-	-	-	-	-	(1,318)	(1,318)	-	-	(1,318)	
Amortization of subordinated Tier 2 Bonds transactions costs	-	-	-	-	-	-	-	-	-	-	-	(62)	(62)	-	-	(62)	
Movement in other reserve	-	-	-	-	-	-	-	(91)	-	-	-	-	(91)	-	(70)	(161)	
Hyperinflation adjustments (Note 12)	-	-	-	-	-	-	-	-	-	-	-	1,349	1,349	-	11	1,360	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,210)	(3,210)	
As at 30 June 2022	28,457	50,947	(429)	3,099	23,843	34,424	(2,837)	(572)	(7,309)	(38,360)	14,667	78,482	184,412	60,000	64,274	308,686	
As at 1 January 2021 <i>(Audited)</i>	18,704	3,600	(429)	3,099	18,704	29,285	(2,837)	-	3,587	(25,226)	14,907	54,009	117,403	-	27,928	145,331	
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	11,769	11,769	-	1,791	13,560	
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(1,845)	(5,006)	-	-	(6,851)	-	(1,412)	(8,263)	
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(1,845)	(5,006)	-	11,769	4,918	-	379	5,297	
Issue of rights shares (Note 7)	1,420	5,680	-	-	-	-	-	-	-	-	-	-	7,100	-	-	7,100	
Non-controlling interest arising from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	706	706	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(24)	(24)	
As at 30 June 2021	20,124	9,280	(429)	3,099	18,704	29,285	(2,837)	-	1,742	(30,232)	14,907	65,778	129,421	-	28,989	158,410	

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 June 2022

	Notes	Six months ended 30 June	
		2022 KD 000's	2021 KD 000's
OPERATING ACTIVITIES			
Profit for the period before taxation		21,587	16,474
<i>Adjustments for:</i>			
Depreciation of property and equipment		1,620	2,908
Net investment income		(13,718)	(7,440)
Impairment loss on investments available for sale	3	237	335
Share of results of associates	3	(300)	(322)
Finance costs		1,425	893
Monetary loss from hyperinflation	12	5,717	-
		16,568	12,848
<i>Changes in operating assets and liabilities:</i>			
Investments carried at fair value through profit or loss		(2,854)	(4,034)
Premiums and insurance balances receivable		(34,040)	(65,845)
Reinsurance recoverable on outstanding claims		47,175	80,010
Other assets		2,295	(2,165)
Liabilities arising from insurance contracts		(6,637)	(59,889)
Premiums received in advance		184	415
Insurance payable		31,867	10,013
Other liabilities		(24,909)	(1,889)
Remuneration paid to directors		(185)	(185)
Net cash flows from (used in) operating activities		29,464	(30,721)
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,537)	(6,089)
Proceeds from sale of property and equipment		56	3,110
Net movement of investments held to maturity		(16)	(1,130)
Net movement of debt securities (loans)		32	8,904
Net movement of investments available for sale		(4,066)	(1,491)
Loans secured by life insurance policies		(9)	126
Movement in time deposits		(4,267)	2,171
Interest received		9,804	4,073
Dividend income received		2,624	452
Acquisition of a subsidiary, net of cash acquired		-	(1,810)
Dividend received from associates		742	-
Net cash flows from investing activities		2,363	8,316
FINANCING ACTIVITIES			
Proceeds from issuance of right shares	7	-	7,100
Term loans paid		(17,646)	-
Finance costs paid		(1,425)	(877)
Interest on subordinated perpetual Tier 2 bonds		(1,318)	-
Dividends paid	7	(9,931)	-
Dividends paid to non-controlling interests		(3,210)	(24)
Net movement in non-controlling interests arising on acquisition of subsidiaries		-	706
Net cash flows (used in) from financing activities		(33,530)	6,905
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(2,651)	(3,818)
Cash and cash equivalents at 1 January		231,601	71,338
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	227,247	52,020

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 June 2022

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 11 August 2022.

The Ordinary Annual General Assembly meeting of the Parent Company’s shareholders held on 6 April 2022, approved the consolidated financial statements for the year ended 31 December 2021.

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 Bursa Kuwait. 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 2021: 46.32% and 30 June 2021: 45.99%) owned by Kuwait Projects Company Holding K.S.C. and 43.69% (31 December 2021: 43.69% and 30 June 2021: 43.43%) by Fairfax Middle East Limited Company.

2 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 2021. 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 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2.1 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 used in the preparation of the group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted standards, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial information of the Group.

2.2 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.

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 2022

2.2 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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.

3 NET INVESTMENT INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Share of results from associates	(652)	118	300	322
Net realised gain on sale of investments available for sale	1,248	1,428	1,819	2,113
Realised gain on sale of investments at fair value through profit or loss	538	469	1,051	883
Unrealised (loss) gain on investments at fair value through profit or loss	(1,688)	332	(2,050)	1,596
Dividend income	1,187	176	2,624	452
Interest on investments held to maturity	1,276	1,327	2,128	2,122
Interest on debt securities (loans)	1,987	160	4,019	430
Interest on time and call deposits	2,012	905	3,631	1,520
Foreign exchange gain	349	1,670	604	2,590
Other investment income (expenses)	313	(1,300)	496	(1,225)
Impairment loss on investments available for sale	(157)	(321)	(237)	(335)
	6,413	4,964	14,385	10,468

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Net investment income from designated life insurance	(367)	818	110	1,332
Net investment income	6,780	4,146	14,275	9,136
	6,413	4,964	14,385	10,468

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 2022

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>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Profit attributable to equity holders of the Parent Company	5,195	6,287	15,003	11,769
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	283,751,062	200,417,729	283,751,062	200,417,729
Basic and diluted earnings per share	18.31 fils	28.58 fils*	52.87 fils	53.51 fils*

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

*Earnings per share for the three months period ended 30 June 2021 was 31.37 fils (for the six months ended 30 June 2021 was 58.72 fils) before retroactive adjustment to the number of shares following the rights issue (Note 7).

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>2022</i>	<i>31 December</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cash and bank balances	61,517	51,066	28,333
Short term and call deposits	165,730	180,535	54,436
Cash and bank balances	227,247	231,601	82,769
Bank overdrafts	-	-	(30,749)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	227,247	231,601	52,020

Bank overdrafts represent a facility obtained from a local bank and carries an average interest rate of Nil (31 December 2021: Nil and 30 June 2021: 2.45%) over Central Bank of Kuwait discount rate.

6 LONG TERM LOANS

The Parent Company has obtained two bank loans from local banks to be payable as follows:

- First loan is payable on annual installment basis for a period of seven years beginning on 14 January 2023 and carries an interest rate of 3 months LIBOR +1.25% per annum and the last installment is due on 14 January 2030.
- Second loan is payable on quarterly installment basis for a period of five years beginning on 31 December 2022 and carries an 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 June 2022

7 SHARE CAPITAL, TREASURY SHARES AND DIVIDENDS

a) Share Capital

The authorised share capital of the Parent Company comprises of 350,000,000 shares (31 December 2021: 350,000,000 shares and 30 June 2021: 350,000,000 shares) of 100 fils each. The issued and fully paid-up share capital consists of 284,572,458 shares (31 December 2021: 284,572,458 shares and 30 June 2021: 201,239,125 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.

c) Treasury shares

	<i>30 June</i> <i>2022</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i>	<i>30 June</i> <i>2021</i>
Number of treasury shares	821,396	821,396	821,396
Percentage of issued shares	0.29%	0.29%	0.29%
Cost (KD 000's)	429	429	429
Market value (KD 000's)	846	878	821

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

d) Dividends

The Ordinary Annual General Assembly meeting of the Parent Company's shareholders held on 6 April 2022, approved the Board of Director's proposal for distributing cash dividends to the shareholders of 35 fils per share with total amount of KD 9,931 thousand.

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 2022

8 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>Conventional</i>							<i>Takaful</i>		<i>Total</i> KD 000's	
	<i>Marine and aviation</i> KD 000's	<i>Property</i> KD 000's	<i>Motor</i> KD 000's	<i>Engineering</i> KD 000's	<i>General accidents</i> KD 000's	<i>Life insurance</i> KD 000's	<i>Medical insurance</i> KD 000's	<i>Sub-total</i> KD 000's	<i>Takaful insurance</i> KD 000's		<i>Sub-total</i> KD 000's
<i>Six months ended</i> <i>30 June 2022</i>											
Segment revenue	<u>6,239</u>	<u>10,914</u>	<u>35,997</u>	<u>9,571</u>	<u>9,403</u>	<u>6,230</u>	<u>94,630</u>	<u>172,984</u>	<u>69,131</u>	<u>69,131</u>	<u>242,115</u>
Segment results											
Net underwriting income	<u>2,346</u>	<u>2,723</u>	<u>1,962</u>	<u>3,102</u>	<u>2,000</u>	<u>723</u>	<u>9,995</u>	<u>22,851</u>	<u>11,307</u>	<u>11,307</u>	<u>34,158</u>
<i>Six months ended</i> <i>30 June 2021</i>											
Segment revenue	<u>2,578</u>	<u>5,143</u>	<u>22,661</u>	<u>4,635</u>	<u>5,621</u>	<u>3,363</u>	<u>46,926</u>	<u>90,927</u>	<u>15,098</u>	<u>15,098</u>	<u>106,025</u>
Segment results											
Net underwriting income	<u>1,163</u>	<u>1,208</u>	<u>887</u>	<u>1,223</u>	<u>843</u>	<u>(791)</u>	<u>6,802</u>	<u>11,335</u>	<u>2,995</u>	<u>2,995</u>	<u>14,330</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 2022

8 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 June 2022</i>	<i>Conventional KD 000's</i>	<i>Takaful KD 000's</i>	<i>Total KD 000's</i>
Total assets	1,010,206	328,113	1,338,319
Total liabilities	795,849	233,784	1,029,633
<i>(Audited)</i>			
<i>As at 31 December 2021</i>	<i>Conventional KD 000's</i>	<i>Takaful KD 000's</i>	<i>Total KD 000's</i>
Total assets	1,023,256	333,265	1,356,521
Total liabilities	978,494	60,731	1,039,225
<i>As at 30 June 2021</i>	<i>Conventional KD 000's</i>	<i>Takaful KD 000's</i>	<i>Total KD 000's</i>
Total assets	719,318	80,663	799,981
Total liabilities	585,939	55,632	641,571

9 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 2022</i>		<i>Six months ended 30 June 2021</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	206	16	182	32
Other related parties	2,085	435	3,113	831
	2,291	451	3,295	863

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 2022

9 RELATED PARTY DISCLOSURES (continued)

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

	30 June 2022		(Audited) 31 December 2021		30 June 2021	
	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	427	2	375	16	287	13
Other related parties	2,217	53	1,234	923	2,036	705
	2,644	55	1,609	939	2,323	718

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 12,471 thousand (31 December 2021: KD 30,637 thousand and 30 June 2021: KD 16,601 thousand). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 1,535 thousand (31 December 2021: KD 1,511 thousand and 30 June 2021: KD 1,506 thousand).

Compensation of key management personnel is as follows:

	Six months ended 30 June	
	2022 KD 000's	2021 KD 000's
Salaries and other short-term benefits	384	328
Employees' end of service benefits	706	181
	1,090	509

10 CONTINGENT LIABILITIES

As at 30 June 2022, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 113,677 thousand (31 December 2021: KD 68,014 thousand and 30 June 2021: KD 59,139,517 thousand).

11 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 June 2022

11 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 provides the fair value measurement hierarchy of the Group's assets carried at fair value.

	<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 June 2022				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	27,256	-	-	27,256
Unquoted equity securities	-	17	8,327	8,344
Quoted managed funds	4,604	-	-	4,604
Quoted bonds	218,831	-	-	218,831
Unquoted managed funds	-	560	56	616
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	6,720	-	-	6,720
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	43,604	-	-	43,604
Property and equipment				
Land	-	16,840	-	16,840
Buildings	-	21,452	-	21,452
Investment properties	-	10,008	-	10,008
Total	301,015	48,877	8,383	358,275
	<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 2021 (Audited)				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	25,654	-	-	25,654
Unquoted equity securities	-	18	8,224	8,242
Quoted managed funds	5,906	-	-	5,906
Quoted bonds	221,298	-	-	221,298
Unquoted managed funds	-	571	78	649
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	7,158	3	-	7,161
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	41,308	-	-	41,308
Property and equipment				
Land	-	18,166	-	18,166
Buildings	-	23,031	-	23,031
Investment properties	-	10,493	-	10,493
Total	301,324	52,282	8,302	361,908

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 2022

11 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 June 2021</i>				
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	15,451	-	-	15,451
Unquoted equity securities	-	18	5,995	6,013
Quoted managed funds	201	-	-	201
Quoted bonds	28,317	-	-	28,317
Unquoted managed funds	-	278	20	298
Investments carried at fair value through profit or loss:				
<i>Held for trading:</i>				
Quoted securities	7,011	-	-	7,011
Unquoted securities	-	239	-	239
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	31,240	-	-	31,240
Property and equipment				
Land	-	12,484	-	12,484
Buildings	-	19,038	-	19,038
Investment properties	-	8,666	-	8,666
Total	82,220	40,723	6,015	128,958

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 2022 KD 000's</i>	<i>Arising from acquisition of subsidiaries KD 000's</i>	<i>Gain (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 June 2022 KD 000's</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	8,224	-	125	(22)	8,327
Unquoted managed funds	78	-	(22)	-	56
	8,302	-	103	(22)	8,383

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

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As at and for the period ended 30 June 2022

11 FAIR VALUE MEASUREMENT (continued)

	<i>At 1 January 2021 KD 000's</i>	<i>Arising on acquisition of subsidiaries 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 2021 KD 000's</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,956	2,567	(297)	(2)	8,224
Unquoted managed funds	20	105	-	(47)	78
	<u>5,976</u>	<u>2,672</u>	<u>(297)</u>	<u>(49)</u>	<u>8,302</u>

	<i>As at 1 January 2021 KD 000's</i>	<i>Arising on acquisition of subsidiaries 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 June 2021 KD 000's</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,956	-	(154)	194	5,995
Unquoted managed funds	20	-	-	-	20
	<u>5,976</u>	<u>-</u>	<u>(154)</u>	<u>194</u>	<u>6,015</u>

12 HYPERINFLATION ADJUSTMENTS OF FOREIGN SUBSIDIARIES

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the statement of financial position date and that corresponding figures for previous periods be stated in the same terms to the latest statement of financial position date. This has been applied in Gulf Sigorta A.S. a subsidiary, and the restatement has been calculated by means of conversion factors derived from the Consumer Price Index (CPI) provided by Turkey Statistical Institute. The conversion factors used to restate the financial statements of the subsidiary are as follows:

	Index	Conversion factor
30 June 2022	977.90	1.424
31 December 2021	686.95	1.361
31 December 2020	504.81	1.146
31 December 2019	440.50	1.118
31 December 2018	393.88	1.203

The above-mentioned restatement has been accounted for as follows:

- i. Financial statements prepared in the currency of a hyperinflationary economy are stated after applying the measuring unit current at the statement of financial position date and corresponding figures for the previous period are stated on the same basis. Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the statement of financial position date. Monetary items are money held and items to be recovered or paid in money;
- ii. Non-monetary assets and liabilities that are not carried at amounts current at the statement of financial position date and components of shareholders' equity are restated by applying the relevant conversion factors.
- iii. All items in the income statement are restated by applying the relevant quarterly average or year-end conversion factors, and
- iv. The effect on the net monetary position of the Group is included in the interim condensed consolidated statement of profit or loss as a monetary gain or loss from hyperinflation.

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

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12 HYPERINFLATION ADJUSTMENTS OF FOREIGN SUBSIDIARIES (continued)

The hyperinflation adjustment of KD 1,360 thousand in the books of Gulf Sigorta, up to 31 December 2021, has been adjusted directly in the interim condensed consolidated statement of changes in equity.

The movement in assets and liabilities due to hyperinflation is as follows:

	30 June 2022 <i>KD 000's</i>
Property and equipment	138
Unearned premium reserve	(4,211)
Other impact on the interim condensed consolidated statement of profit or loss and consolidated statement of changes in equity	(284)
	<hr/>
Total impact of hyperinflation	(4,357) <hr/> <hr/>

Interim condensed Consolidated statement of changes in equity:

	30 June 2022 <i>KD 000's</i>
Hyperinflation adjustment	
Attributable to:	
Equity holders of the Parent Company	1,349
Non-controlling interests	11
	<hr/>
	1,360 <hr/> <hr/>

Interim condensed consolidated statement of profit or loss:

	30 June 2022 <i>KD 000's</i>
Monetary loss from hyperinflation	
Attributable to:	
Equity holders of the Parent Company	(5,671)
Non-controlling interests	(46)
	<hr/>
	(5,717) <hr/>
Total impact of hyperinflation	(4,357) <hr/> <hr/>