

**Gulf Insurance Group K.S.C.P. (Formerly  
Gulf Insurance Company K.S.C.) and  
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2014 (UNAUDITED)**



Building a better  
working world

Ernst & Young  
Al Aiban, Al Osaimi & Partners  
P.O. Box 74  
18-21st Floor, Baitak Tower  
Ahmed Al Jaber Street  
Safat Square 13001, Kuwait

Tel: +965 2295 5000  
Fax: +965 2245 6419  
kuwait@kw.ey.com  
ey.com/mena



**BAKER TILLY  
KUWAIT**

Dr. Saud Hamad Al-Humaidi & Partners  
Public Accountants

P.O.Box 1486,  
Safat 13015 Kuwait  
Tel: +965 22443222  
22442333  
Fax : +965 22461225  
www.bakertillykuwait.com

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

**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") (Formerly Gulf Insurance Company K.S.C. and Subsidiaries) as at 30 September 2014 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 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 International Accounting Standard 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 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the nine months period ended 30 September 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

DR. SAUD HAMAD AL-HUMAIIDI  
LICENSE NO. 51 A  
OF DR. SAUD HAMAD AL-HUMAIIDI & PARTNERS  
MEMBER OF BAKER TILLY INTERNATIONAL

28 October 2014  
Kuwait

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2014

	Notes	3 months ended 30 September		9 months ended 30 September	
		2014 KD	2013 KD	2014 KD	2013 KD
<b>Revenue:</b>					
Premiums written		53,705,746	50,078,914	136,958,847	122,933,221
Reinsurance premiums ceded		(27,868,912)	(25,989,524)	(62,462,300)	(56,135,797)
Net premiums written		25,836,834	24,089,390	74,496,547	66,797,424
Movement in unearned premiums reserve		(7,283,945)	(6,939,901)	(3,961,780)	(5,075,776)
Movement in life mathematical reserve		3,286,206	1,431,218	(3,637,378)	(3,767,508)
Net premiums earned		21,839,095	18,580,707	66,897,389	57,954,140
Commission received on ceded reinsurance		2,862,275	2,492,635	8,964,700	8,526,950
Policy issuance fees		690,331	672,232	2,446,544	2,418,408
Net investment (loss) income from life insurance	3	(76,944)	1,084,200	824,019	1,732,588
		<u>25,314,757</u>	<u>22,829,774</u>	<u>79,132,652</u>	<u>70,632,086</u>
<b>Expenses:</b>					
Claims incurred		16,984,228	14,614,025	51,675,011	44,768,056
Commission and discounts		1,683,334	1,913,730	6,067,748	5,848,138
(Decrease) increase in incurred but not reported reserve		(1,194,352)	172,505	(629,078)	703,930
Maturity and cancellations of life insurance policies		649,300	60,566	1,644,275	904,714
General and administrative expenses		4,383,577	3,825,970	14,176,374	12,773,886
		<u>22,506,087</u>	<u>20,586,796</u>	<u>72,934,330</u>	<u>64,998,724</u>
<b>Net underwriting income:</b>		2,808,670	2,242,978	6,198,322	5,633,362
Net investment income	3	2,055,867	2,251,655	8,593,065	6,517,741
Net sundry income		151,904	222,386	320,846	464,798
		<u>5,016,441</u>	<u>4,717,019</u>	<u>15,112,233</u>	<u>12,615,901</u>
<b>Other charges:</b>					
Unallocated general and administrative expenses		(1,466,370)	(1,040,262)	(4,301,164)	(3,118,770)
<b>PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX</b>					
		3,550,071	3,676,757	10,811,069	9,497,131
Contribution to KFAS		(29,681)	(24,760)	(92,053)	(80,166)
NLST		(37,790)	(53,871)	(149,992)	(142,619)
Zakat tax		(22,328)	(22,805)	(47,588)	(54,250)
<b>PROFIT FOR THE PERIOD</b>		<u>3,460,272</u>	<u>3,575,321</u>	<u>10,521,436</u>	<u>9,220,096</u>
<b>Attributable to:</b>					
Equity holders of the Parent Company		3,013,019	2,931,563	9,077,068	7,789,755
Non-controlling interests		447,253	643,758	1,444,368	1,430,341
		<u>3,460,272</u>	<u>3,575,321</u>	<u>10,521,436</u>	<u>9,220,096</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>					
	4	16.77 fils	15.97 fils	50.12 fils	42.50 fils

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)

Period ended 30 September 2014

	Note	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
		<b>2014</b>	2013	<b>2014</b>	2013
		<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Profit for the period		<b>3,460,272</b>	3,575,321	<b>10,521,436</b>	9,220,096
<b>Other comprehensive income:</b>					
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>					
Net unrealised gain on investments available for sale		<b>837,947</b>	1,062,885	<b>1,455,502</b>	725,115
Net realised gain transferred to statement of income on sale of investments available for sale	3	<b>(5,767)</b>	(11,124)	<b>(1,542,499)</b>	(373,977)
(Reversal of) impairment loss on investments available for sale	3	<b>(44,551)</b>	-	<b>226,807</b>	221,711
Share of other comprehensive income of associates		<b>214,649</b>	74,005	<b>319,285</b>	70,090
Exchange differences on translation of foreign operations		<b>911,677</b>	(333,755)	<b>39,511</b>	(1,284,153)
Other comprehensive income ( loss) for the period		<b>1,913,955</b>	792,011	<b>498,606</b>	(641,214)
Total comprehensive income for the period		<b>5,374,227</b>	4,367,332	<b>11,020,042</b>	8,578,882
<b>ATTRIBUTABLE TO:</b>					
Equity holders of the Parent Company		<b>4,926,974</b>	3,723,574	<b>9,575,674</b>	7,148,541
Non-controlling interests		<b>447,253</b>	643,758	<b>1,444,368</b>	1,430,341
		<b>5,374,227</b>	4,367,332	<b>11,020,042</b>	8,578,882


The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (UNAUDITED)

At 30 September 2014

	Note	30 September 2014 KD	(Audited) 31 December 2013 KD	30 September 2013 KD
<b>ASSETS</b>				
Property and equipment		13,071,050	12,882,183	12,940,952
Investments in associates		27,300,346	24,242,332	24,091,964
Goodwill		8,998,351	8,998,351	8,998,351
Financial instruments:				
Investments held to maturity		20,557,960	19,918,966	19,729,950
Debt securities (loans)		11,739,427	11,758,037	11,764,316
Investments available for sale		35,898,190	34,686,156	33,509,108
Investments carried at fair value through income statement		19,460,882	17,739,589	17,918,005
Loans secured by life insurance policies		1,322,193	1,185,432	1,201,498
Premiums and insurance balances receivable		48,133,545	48,594,196	47,434,501
Reinsurance recoverable on outstanding claims		50,066,209	47,353,529	49,028,230
Properties held for sale		286,839	422,519	741,701
Other assets		13,236,735	12,721,119	18,853,294
Time deposits		26,565,091	21,321,046	26,750,270
Cash and cash equivalents	5	80,894,807	58,604,115	49,668,852
<b>TOTAL ASSETS</b>		<b>357,531,625</b>	<b>320,427,570</b>	<b>322,630,992</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Liabilities arising from insurance contracts:</b>				
Outstanding claims reserve (gross)		95,858,365	87,510,097	89,494,671
Unearned premiums reserve (net)		35,468,534	31,336,565	32,079,179
Life mathematical reserve (net)		25,187,395	21,550,883	23,562,663
Incurred but not reported reserve (net)		4,242,171	4,813,645	4,740,715
Total liabilities arising from insurance contracts		160,756,465	145,211,190	149,877,228
Premiums received in advance		952,055	280,055	375,935
Insurance payable		45,558,475	41,327,905	42,690,880
Other liabilities		21,550,362	17,938,797	17,768,645
Bank overdraft	5	30,579,386	20,374,524	20,560,240
<b>TOTAL LIABILITIES</b>		<b>259,396,743</b>	<b>225,132,471</b>	<b>231,272,928</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		(3,912,517)	(1,837,125)	(1,837,125)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		15,830,998	15,830,998	14,766,173
Voluntary reserve		19,784,411	19,784,411	18,719,586
Other reserve		(3,048,575)	(3,015,966)	(3,010,734)
Cumulative changes in fair values		4,623,758	4,164,663	3,391,458
Foreign currency translation adjustments		(4,678,269)	(4,717,780)	(4,603,571)
Retained earnings		27,564,387	23,935,043	23,651,951
		80,519,321	78,499,372	75,432,866
Non-controlling interests		17,615,561	16,795,727	15,925,198
<b>Total equity</b>		<b>98,134,882</b>	<b>95,295,099</b>	<b>91,358,064</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>357,531,625</b>	<b>320,427,570</b>	<b>322,630,992</b>

  
Farqad A. Al-Sane  
Chairman

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 September 2014

	Attributable to equity holders of the Parent Company											Non-controlling interests	Total equity
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Retained earnings KD	Sub total KD	KD	KD
Balance at 31 December 2013 (Audited)	18,703,913	3,600,000	(1,837,125)	2,051,215	15,830,998	19,784,411	(3,015,966)	4,164,663	(4,717,780)	23,935,043	78,499,372	16,795,727	95,295,099
Profit for the period	-	-	-	-	-	-	-	-	-	9,077,068	9,077,068	1,444,368	10,521,436
Other comprehensive loss	-	-	-	-	-	-	-	459,095	39,511	-	498,606	-	498,606
<b>Total comprehensive (loss) income for the period</b>	-	-	-	-	-	-	-	459,095	39,511	9,077,068	9,575,674	1,444,368	11,020,042
Dividend for 2013	-	-	-	-	-	-	-	-	-	(5,447,724)	(5,447,724)	-	(5,447,724)
Other reserve additions	-	-	-	-	-	-	(32,609)	-	-	-	(32,609)	-	(32,609)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(624,534)	(624,534)
Purchase of treasury shares	-	-	(2,075,392)	-	-	-	-	-	-	-	(2,075,392)	-	(2,075,392)
<b>Balance at 30 September 2014</b>	<b>18,703,913</b>	<b>3,600,000</b>	<b>(3,912,517)</b>	<b>2,051,215</b>	<b>15,830,998</b>	<b>19,784,411</b>	<b>(3,048,575)</b>	<b>4,623,758</b>	<b>(4,678,269)</b>	<b>27,564,387</b>	<b>80,519,321</b>	<b>17,615,561</b>	<b>98,134,882</b>
Balance at 31 December 2012	18,703,913	3,600,000	(1,780,131)	2,051,215	14,766,173	18,719,586	(3,010,734)	2,748,519	(3,319,418)	20,445,815	72,924,938	15,856,329	88,781,267
Profit for the period	-	-	-	-	-	-	-	-	-	7,789,755	7,789,755	1,430,341	9,220,096
Other comprehensive income(loss)	-	-	-	-	-	-	-	642,939	(1,284,153)	-	(641,214)	-	(641,214)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	642,939	(1,284,153)	7,789,755	7,148,541	1,430,341	8,578,882
Dividend for 2012	-	-	-	-	-	-	-	-	-	(4,583,619)	(4,583,619)	-	(4,583,619)
Purchase of treasury shares	-	-	(56,994)	-	-	-	-	-	-	-	(56,994)	-	(56,994)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,361,472)	(1,361,472)
Balance at 30 September 2013	18,703,913	3,600,000	(1,837,125)	2,051,215	14,766,173	18,719,586	(3,010,734)	3,391,458	(4,603,571)	23,651,951	75,432,866	15,925,198	91,358,064

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

Period ended 30 September 2014

	Notes	9 months ended 30 September	
		2014 KD	2013 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		10,521,436	9,220,096
Adjustments for:			
Depreciation		618,701	660,239
Gain on sale of property and equipment		(14,321)	(26,548)
Net investment income		(7,952,371)	(6,716,423)
Impairment loss on investments available for sale	3	226,807	221,711
Gain on re-measurement of investment available for sale reclassified to investment in associate	3	(127,614)	(367,405)
Share of results of associates	3	(1,563,906)	(1,361,664)
Contribution to KFAS		92,053	80,166
NLST		149,992	142,619
Zakat tax		47,588	54,250
		<b>1,998,365</b>	<b>1,907,041</b>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(2,023,049)	(428,626)
Premiums and insurance balances receivable		460,651	4,075,057
Reinsurance recoverable on outstanding claims		(2,712,680)	(8,302,310)
Property held for sale		135,680	(127,860)
Other assets		27,919	1,292,737
Liabilities arising from insurance contracts		15,545,275	20,912,085
Premiums received in advance		672,000	143,340
Insurance payable		4,230,570	(340,994)
Other liabilities		3,790,857	898,027
		<b>22,125,588</b>	<b>20,028,497</b>
Cash from operations			
Paid to KFAS		(107,213)	(95,615)
Paid to NLST		(183,807)	(26,072)
Paid to Zakat		(22,905)	-
Paid to directors		(155,000)	(125,000)
Net cash from operating activities		<b>21,656,663</b>	<b>19,781,810</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(802,670)	(2,478,031)
Proceeds from sale of property and equipment		9,423	78,688
Net movement of investments available for sale		243,468	(2,289,383)
Purchase of investments in associates		(475,160)	(674,099)
Net movement of debt securities (loans)		18,610	(731,163)
Net movement of investments held to maturity		(638,994)	(931,900)
Time deposits		(5,244,045)	(3,546,865)
Loans secured by life insurance policies		(136,761)	(224,445)
Dividends income received		1,475,588	1,276,992
Dividends received from associates		733,826	591,876
Interest received		3,393,532	2,373,907
Net cash used in investing activities		<b>(1,423,183)</b>	<b>(6,554,423)</b>
<b>FINANCING ACTIVITIES</b>			
Purchase of treasury shares		(2,075,392)	(56,994)
Dividends paid		(5,447,724)	(4,583,619)
Dividends to non-controlling interests		(624,534)	(1,361,472)
Net cash used in financing activities		<b>(8,147,650)</b>	<b>(6,002,085)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>12,085,830</b>	<b>7,225,302</b>
Net foreign exchange difference		-	(1,228,204)
Cash and cash equivalents at 1 January		<b>38,229,591</b>	<b>23,111,514</b>
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	<b>5</b>	<b>50,315,421</b>	<b>29,108,612</b>

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

# Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.) and Subsidiaries

---

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

At 30 September 2014

### 1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (the “Group”) (Formerly Gulf Insurance Company K.S.C. and Subsidiaries) were authorised for issue by the Board of Directors on 28 October 2014. The general assembly meeting of the Parent Company’s shareholders was held on 3 April 2014 Approved the financial statements for the year ended 31 December 2013 and approved the proposed distribution of cash dividends of 30 fils per share.

The Parent Company is a Kuwaiti Shareholding Company incorporated in the State of Kuwait in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The address of the Parent Company’s registered office is P.O. Box 1040 Safat 13011, State of Kuwait. The Parent Company’s objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 44.04% (31 December 2013: 44.04% and 30 September 2013: 44.85%) owned by Kuwait Project Company Holding K.S.C.P and 41.42% by Fairfax Financial Holding Limited as at 30 September 2014.

The Extraordinary General Assembly Meeting of the Parent Company’s shareholders was held on 30 September 2013 and has resolved to change the commercial name of the Parent Company from “Gulf Insurance Company K.S.C.” to “Gulf Insurance Group K.S.C.P.”. The commercial register of the Parent Company was amended to reflect this change on 9 December 2013.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2013 except as discussed below.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

Operating results for the nine months period ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

#### **Changes in accounting policy and disclosures**

##### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.



Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

---

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2014

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Changes in accounting policy and disclosures (continued)**

*IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)*

These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in material impact on the financial position or performance of the Group.

*IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. Though these amendments have not resulted in any additional disclosures currently, the same would continue to be considered for future disclosures.

*IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have not resulted in material impact on the financial position or performance of the Group.

**Standards issued but not yet effective**

*IFRS 15 – Revenue from Contracts with customers*

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The parent company is in the process of evaluating the effect of IFRS 15 on the group and do not expect any significant impact on adoption of this standard

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2014

**3 NET INVESTMENT INCOME**

	<i>3 months ended</i> <i>30 September</i>		<i>9 months ended</i> <i>30 September</i>	
	<b>2014</b> <b>KD</b>	<b>2013</b> <b>KD</b>	<b>2014</b> <b>KD</b>	<b>2013</b> <b>KD</b>
Net realised (loss) gain on sale of investments available for sale	(5,767)	11,124	1,542,499	373,977
Realised gain on sale of investments at fair value through income statement	44,992	82,095	718,790	282,603
Dividend income	79,586	118,336	1,475,588	1,276,992
Share of results of associates	583,351	393,829	1,563,906	1,361,664
Gain on re-measurement of investment available for sale reclassified to investment in associate	127,614	14,835	127,614	367,405
Unrealised (loss) gain on investments at fair value through income statement	(28,749)	992,788	245,818	652,693
Interest on investments held to maturity	454,104	429,968	1,332,880	1,482,351
Interest on debt securities (loans)	213,368	202,253	615,120	600,947
Interest on time and call deposits	415,831	455,488	1,445,532	1,378,319
Foreign exchange gain	334,407	591,171	403,751	1,056,828
Other investment income	72,684	269,325	1,299,124	548,557
Reversal of (Impairment loss) on investments available for sale	44,551	-	(226,807)	(221,711)
Finance costs	(94,650)	(210,072)	(412,219)	(581,923)
Other investment expenses	(262,399)	(15,285)	(714,512)	(328,373)
	<b>1,978,923</b>	<b>3,335,855</b>	<b>9,417,084</b>	<b>8,250,329</b>

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

	<i>3 months ended</i> <i>30 September</i>		<i>9 months ended</i> <i>30 September</i>	
	<b>2014</b> <b>KD</b>	<b>2013</b> <b>KD</b>	<b>2014</b> <b>KD</b>	<b>2013</b> <b>KD</b>
Net investment income from life insurance	(76,944)	1,084,200	824,019	1,732,588
Net investment income from non-life insurance	2,055,867	2,251,655	8,593,065	6,517,741
	<b>1,978,923</b>	<b>3,335,855</b>	<b>9,417,084</b>	<b>8,250,329</b>

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2014

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

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period. 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>3 months ended</i>		<i>9 months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>KD</b>	<i>KD</i>	<b>KD</b>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	<b>3,013,020</b>	2,931,563	<b>9,077,068</b>	7,789,755
	<b>Shares</b>	Shares	<b>Shares</b>	Shares
Weighted average number of shares, less treasury shares outstanding during the period	<b>179,664,769</b>	183,520,348	<b>181,098,584</b>	183,295,044
Basic and diluted earnings per share	<b>16.77 fils</b>	15.97 fils	<b>50.12 fils</b>	42.50 fils

**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 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<b>2014</b>	<i>31 December</i>	<i>30 September</i>
	<b>KD</b>	<i>KD</i>	<i>KD</i>
Bank balances and cash	<b>14,616,692</b>	13,907,786	6,718,518
Short term and call deposits	<b>66,278,115</b>	44,696,329	42,950,334
Cash and cash equivalents in the interim condensed consolidated statement of financial position	<b>80,894,807</b>	58,604,115	49,668,852
Bank overdraft	<b>(30,579,386)</b>	(20,374,524)	(20,560,240)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<b>50,315,421</b>	38,229,591	29,108,612

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2014

6 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:

	<i>General risk insurance</i>					<i>Sub-total KD</i>	<i>Life and medical</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>Sub-total KD</i>	
<i>Nine months ended 30 September 2014</i>										
Segment revenue	<u>3,146,852</u>	<u>4,568,754</u>	<u>26,994,334</u>	<u>2,422,971</u>	<u>4,954,240</u>	<b>42,087,151</b>	<u>12,664,486</u>	<u>24,381,015</u>	<b>37,045,501</b>	<b>79,132,652</b>
Segment results (net underwriting income)	<u>1,475,361</u>	<u>228,646</u>	<u>(45,129)</u>	<u>511,170</u>	<u>2,052,845</u>	<b>4,222,893</b>	<u>170,785</u>	<u>1,804,644</u>	<b>1,975,429</b>	<b>6,198,322</b>
	<i>General risk insurance</i>					<i>Total general risk insurance KD</i>	<i>Life and medical</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>Total life and medical KD</i>	
<i>Nine months ended 30 September 2013</i>										
Segment revenue	<u>3,050,876</u>	<u>4,193,766</u>	<u>23,294,443</u>	<u>2,409,994</u>	<u>4,382,844</u>	37,331,923	<u>11,799,386</u>	<u>21,500,777</u>	33,300,163	<u>70,632,086</u>
Segment results (net underwriting income)	<u>1,620,373</u>	<u>328,768</u>	<u>325,525</u>	<u>123,380</u>	<u>1,912,196</u>	4,310,242	<u>445,808</u>	<u>877,312</u>	1,323,121	<u>5,633,362</u>

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2014

**7 RELATED PARTY TRANSACTIONS**

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:

	<u>30 September 2014</u>		<u>30 September 2013</u>	
	<i>Premiums</i>	<i>Claims</i>	<i>Premiums</i>	<i>Claims</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Directors and key management personnel	<b>231,160</b>	<b>27,854</b>	282,824	87,774
Other related parties	<b>3,046,108</b>	<b>382,216</b>	2,450,769	372,215
	<b>3,277,268</b>	<b>410,070</b>	2,733,593	459,989

Compensation of key management personnel is as follows:

	<u>9 months ended 30 September</u>	
	<u>2014</u>	<u>2013</u>
	<i>KD</i>	<i>KD</i>
Short-term employee benefits	<b>598,705</b>	692,510
Termination benefits	<b>3,077,831</b>	3,070,477
	<b>3,676,536</b>	3,762,987

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

	<u>30 September 2014</u>		<u>31 December 2013</u>		<u>30 September 2013</u>	
	<i>Amounts owed</i>	<i>Amounts owed</i>	<i>Amounts owed by</i>	<i>Amounts owed</i>	<i>Amounts owed</i>	<i>Amounts owed</i>
	<i>by related</i>	<i>to related</i>	<i>related</i>	<i>to related</i>	<i>by related</i>	<i>to related</i>
	<i>parties</i>	<i>parties</i>	<i>parties</i>	<i>parties</i>	<i>parties</i>	<i>parties</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Directors and key management personnel	<b>242,622</b>	<b>17</b>	235,882	-	290,850	-
Other related parties	<b>968,713</b>	<b>723,006</b>	446,618	597,041	826,645	1,247,334
	<b>1,211,335</b>	<b>723,023</b>	682,500	597,041	1,117,495	1,247,334

The Group has also engaged with related parties in its investment activities as follows:

- The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 25,483,083 (31 December 2013: KD 16,284,826 and 30 September 2013: KD 18,875,394). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 10,739,427 (31 December 2013: KD 10,758,037 and 30 September 2013: KD 10,764,316).
- Included under other assets an amount of KD 1,402,689 (31 December 2013: KD 1,402,689 and 30 September 2013: KD 16,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

# Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.) and Subsidiaries

---

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

At 30 September 2014

### 7 RELATED PARTY TRANSACTIONS (continued)

#### Group Restructure plan:

On 24 September 2014, the General Assembly of the Parent Company's shareholder and its subsidiary Gulf Insurance and Re-insurance Company K.S.C. (Closed) "GIRC" (Formerly Gulf Life Insurance Company K.S.C. (Closed)) were held and approved the following:

- Transfer the ownership of certain assets held by the Parent Company to GIRC at its carrying value of KD 64,454,181
- Transfer of certain corresponding liabilities from the Parent Company to GIRC at its carrying value of KD 60,189,548
- In addition, it was agreed to transfer the investment in Egypt Life Takaful Insurance Company S.A.E., a 59.5 % owned subsidiary held by GIRC to the Parent Company at its carrying value as of 30 June 2014.

The effective date of the above transaction is 1 July 2014 which was approved by the General Assembly of the Parent Company and the General Assembly of the subsidiary company.

### 8 CONTINGENT LIABILITIES

At 30 September 2014, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 4,169,801 (31 December 2013: KD 4,182,478 and 30 September 2013: KD 3,544,814).

### 9 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 income statement, 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. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2014

**9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total fair value</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>30 September 2014</b>				
<b>Financial instruments:</b>				
<b>Investments available for sale:</b>				
Quoted equity securities	19,331,793	-	-	<b>19,331,793</b>
Unquoted equity securities	-	11,801,400	4,498,559	<b>16,299,959</b>
Unquoted managed funds	-	-	126,837	<b>126,837</b>
<b>Investments carried at fair value through income statements:</b>				
<b>Held for Trading:</b>				
Quoted securities	4,950,585	-	-	<b>4,950,585</b>
<b>Designated upon initial recognition:</b>				
Managed funds of quoted securities	14,510,297	-	-	<b>14,510,297</b>
<b>Total</b>	<b>38,792,675</b>	<b>11,801,400</b>	<b>4,625,396</b>	<b>55,219,471</b>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>31 December 2013 (Audited)</b>				
<b>Financial instruments:</b>				
<b>Investments available for sale:</b>				
Quoted equity securities	16,677,873	-	-	16,677,873
Unquoted equity securities	-	11,801,400	5,585,067	17,386,467
Unquoted managed funds	-	-	356,636	356,636
<b>Investments carried at fair value through income statements:</b>				
<b>Held for Trading:</b>				
Quoted securities	4,574,878	-	-	4,574,878
<b>Designated upon initial recognition:</b>				
Managed funds of quoted securities	13,164,711	-	-	13,164,711
<b>Total</b>	<b>34,417,462</b>	<b>11,801,400</b>	<b>5,941,703</b>	<b>52,160,565</b>

Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2014

**9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

30 September 2013	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Financial instruments:				
Investments available for sale:				
Quoted equity securities	15,449,929	-	-	15,449,929
Unquoted equity securities	-	11,804,400	5,856,505	17,660,905
Unquoted managed funds	-	-	398,274	398,274
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	5,504,993	-	-	5,504,993
Designated upon initial recognition:				
Managed funds of quoted securities	12,413,012	-	-	12,413,012
<b>Total</b>	<b>33,367,934</b>	<b>11,804,400</b>	<b>6,254,779</b>	<b>51,427,113</b>

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

	At 1 January 2014 KD	Transfer from available for sale to investment in associate KD	Gain (loss) recorded in the consolidated statement of income KD	Net purchases and disposals KD	At 30 September 2014 KD
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,585,067	(1,177,819)	175,030	(83,719)	4,498,559
Unquoted managed funds	356,636		(88,104)	(141,695)	126,837
	<u>5,941,703</u>	<u>(1,177,819)</u>	<u>86,926</u>	<u>(225,414)</u>	<u>4,625,396</u>

	At 1 January 2013 KD	Transfers from level 3 to level 2 KD	Transfer from available for sale to investment in associate KD	Loss recorded in the consolidated statement of comprehensive income KD	Net purchases and disposals KD	At 31 December 2013 KD
<i>Financial assets available for sale:</i>						
Unquoted equity securities	6,971,817	157,658	(898,417)	(340,962)	(305,029)	5,585,067
Unquoted managed funds	618,550	-	-	(6,796)	(255,118)	356,636
	<u>7,590,367</u>	<u>157,658</u>	<u>(898,417)</u>	<u>(347,758)</u>	<u>(560,147)</u>	<u>5,941,703</u>



Gulf Insurance Group K.S.C.P. (Formerly Gulf Insurance Company K.S.C.)  
and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 September 2014

**9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

	<i>At 1 January 2013 KD</i>	<i>Gain / (loss) recorded in the consolidated statement of income KD</i>	<i>Loss recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 30 September 2013 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	6,971,817	8,005	(389,865)	(733,452)	5,856,505
Unquoted managed funds	618,550	(88,646)	(74,121)	(57,509)	398,274
	<u>7,590,367</u>	<u>(80,641)</u>	<u>(463,986)</u>	<u>(790,961)</u>	<u>6,254,779</u>

During the period ended 30 September 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

The calculation of fair value of level 3 financial instruments is not materially sensitive to changes in assumptions.

**Description of significant unobservable inputs to valuation of financial assets:**

Local unquoted securities represent delisted securities on local stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted equity investment is valued based on net book value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued.