

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2015 (UNAUDITED)



Building a better
working world

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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 2015 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International 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 and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2015 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-HUMAIDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

27 July 2015
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2015

	Notes	3 months ended 30 June		6 months ended 30 June	
		2015 KD	2014 KD	2015 KD	2014 KD
Revenue:					
Premiums written		32,168,525	29,362,411	86,442,163	83,253,101
Reinsurance premiums ceded		(16,797,311)	(16,152,866)	(38,405,759)	(34,593,388)
Net premiums written		15,371,214	13,209,545	48,036,404	48,659,713
Movement in unearned premiums reserve		4,922,840	3,444,461	4,428,276	3,322,166
Movement in life mathematical reserve		2,827,252	2,136,762	(7,929,759)	(6,923,584)
Net premiums earned		23,121,306	18,790,768	44,534,921	45,058,295
Commission received on ceded reinsurance		2,770,145	2,862,680	6,716,781	6,102,425
Policy issuance fees		907,470	964,264	1,867,896	1,756,214
Net investment income from life insurance	3	354,392	476,097	1,342,534	900,963
		<u>27,153,313</u>	<u>23,093,809</u>	<u>54,462,132</u>	<u>53,817,897</u>
Expenses:					
Claims incurred		16,646,579	16,085,943	32,939,019	34,690,783
Commission and discounts		2,515,984	1,726,532	5,107,188	5,499,071
Increase in incurred but not reported reserve		-	43,201	-	565,274
Maturity and cancellations of life insurance policies		538,542	407,457	1,271,429	994,975
General and administrative expenses		3,878,194	3,193,674	8,001,963	8,678,143
		<u>23,579,299</u>	<u>21,456,807</u>	<u>47,319,599</u>	<u>50,428,246</u>
Net underwriting income:		3,574,014	1,637,002	7,142,533	3,389,651
Net investment income	3	2,234,452	2,902,515	4,864,159	6,537,198
Net sundry income		121,750	110,043	238,943	168,944
		<u>5,930,216</u>	<u>4,649,560</u>	<u>12,245,635</u>	<u>10,095,793</u>
Other charges:					
Unallocated general and administrative expenses		(1,449,290)	(1,275,829)	(3,461,108)	(2,834,795)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX					
		4,480,926	3,373,731	8,784,527	7,260,998
Contribution to KFAS		(46,804)	(31,188)	(96,819)	(62,372)
NLST		(82,416)	(67,512)	(149,201)	(112,202)
Zakat tax		(18,743)	(13,931)	(31,098)	(25,260)
PROFIT FOR THE PERIOD		<u>4,332,963</u>	<u>3,261,100</u>	<u>8,507,409</u>	<u>7,061,164</u>
Attributable to:					
Equity holders of the Parent Company		3,744,353	3,016,832	7,485,939	6,064,049
Non-controlling interests		588,610	244,268	1,021,470	997,115
		<u>4,332,963</u>	<u>3,261,100</u>	<u>8,507,409</u>	<u>7,061,164</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>20.89 fils</u>	<u>16.64 fils</u>	<u>41.75 fils</u>	<u>33.35 fils</u>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 30 June 2015

	Note	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period		<u>4,332,963</u>	<u>3,261,100</u>	<u>8,507,409</u>	<u>7,061,164</u>
Other comprehensive income:					
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>					
Net unrealised loss (gain) on investments available for sale		(2,135,439)	(25,119)	(1,751,167)	617,555
Net realised gain transferred to statement of income on sale of investments available for sale	3	(114,494)	(45,445)	(305,417)	(1,548,266)
Impairment loss on investments available for sale	3	230,000	-	411,002	271,358
Share of other comprehensive income of associates		32,393	38,357	45,040	104,636
Exchange differences on translation of foreign operations		<u>379,636</u>	<u>(304,499)</u>	<u>536,869</u>	<u>(872,166)</u>
Other comprehensive loss for the period		<u>(1,607,904)</u>	<u>(336,706)</u>	<u>(1,063,673)</u>	<u>(1,426,883)</u>
Total comprehensive income for the period		<u><u>2,725,059</u></u>	<u><u>2,924,394</u></u>	<u><u>7,443,736</u></u>	<u><u>5,634,281</u></u>
ATTRIBUTABLE TO:					
Equity holders of the Parent Company		2,136,449	2,680,126	6,422,266	4,637,166
Non-controlling interests		588,610	244,268	1,021,470	997,115
		<u><u>2,725,059</u></u>	<u><u>2,924,394</u></u>	<u><u>7,443,736</u></u>	<u><u>5,634,281</u></u>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2015

		(Audited)		
	Note	30 June 2015 KD	31 December 2014 KD	30 June 2014 KD
ASSETS				
Property and equipment		14,691,894	15,682,210	12,678,217
Investments in associates		33,529,336	28,142,091	24,585,244
Goodwill		8,998,351	8,998,351	8,998,351
Financial instruments:				
Investments held to maturity		20,310,404	19,271,576	19,746,410
Debt securities (loans)		17,766,590	11,733,148	11,745,706
Investments available for sale		29,873,902	35,170,682	34,578,984
Investments carried at fair value through income statement		20,545,336	19,854,424	19,171,085
Loans secured by life insurance policies		1,366,052	1,266,153	1,285,672
Premiums and insurance balances receivable		47,822,948	47,164,201	53,155,993
Reinsurance recoverable on outstanding claims		44,487,276	50,140,310	51,262,269
Properties held for sale		230,680	286,876	280,898
Other assets		18,142,388	12,767,641	12,175,836
Time deposits		34,532,733	23,565,538	36,928,743
Cash and cash equivalents	5	59,649,672	73,176,130	53,252,070
TOTAL ASSETS		351,947,562	347,219,331	339,845,478
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		93,675,864	98,444,923	94,627,694
Unearned premiums reserve (net)		27,113,580	32,654,100	27,805,963
Life mathematical reserve (net)		29,616,022	21,697,645	28,472,591
Incurred but not reported reserve (net)		1,650,000	4,126,296	5,411,928
Total liabilities arising from insurance contracts		152,055,466	156,922,964	156,318,176
Premiums received in advance		3,091,612	761,444	442,692
Insurance payable		39,152,522	44,382,066	38,042,214
Other liabilities		21,414,703	21,762,413	25,544,661
Bank overdraft	5	33,750,711	21,532,000	26,528,307
TOTAL LIABILITIES		249,465,014	245,360,887	246,876,050
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		18,703,913	18,703,913	18,703,913
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(4,040,267)	(3,967,705)	(3,328,958)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		17,081,913	17,081,913	15,830,998
Voluntary reserve		21,035,326	21,035,326	19,784,411
Other reserve		(3,057,586)	(3,054,726)	(3,038,498)
Cumulative changes in fair values		468,193	2,068,735	3,609,946
Foreign currency translation adjustments		(3,348,967)	(3,885,836)	(5,589,946)
Revaluation reserve		2,559,760	2,559,760	-
Retained earnings		29,557,639	27,986,879	24,551,367
Non-controlling interests		84,611,139	84,179,474	76,174,448
		17,871,409	17,678,970	16,794,980
Total equity		102,482,548	101,858,444	92,969,428
TOTAL LIABILITIES AND EQUITY		351,947,562	347,219,331	339,845,478

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. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2015

	Attributable to equity holders of the Parent Company													
	Share capital KD	Share premium KD	Treasury shares KD	Treasury share reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2015 (Audited)	18,703,913	3,600,000	(3,967,705)	2,051,215	17,081,913	21,035,326	(3,054,726)	2,068,735	(3,885,836)	2,559,760	27,986,879	84,179,474	17,678,970	101,858,444
Profit for the period	-	-	-	-	-	-	-	-	-	-	7,485,939	7,485,939	1,021,470	8,507,409
Other comprehensive (loss) income	-	-	-	-	-	-	-	(1,600,542)	536,869	-	-	(1,063,673)	-	(1,063,673)
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,600,542)	536,869	-	7,485,939	6,422,266	1,021,470	7,443,736
Dividends for 2014	-	-	-	-	-	-	-	-	-	-	(5,915,179)	(5,915,179)	-	(5,915,179)
Purchase of treasury shares	-	-	(72,562)	-	-	-	-	-	-	-	-	(72,562)	-	(72,562)
Change in ownership of a subsidiary	-	-	-	-	-	-	(2,860)	-	-	-	-	(2,860)	-	(2,860)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(829,031)	(829,031)
Balance at 30 June 2015	18,703,913	3,600,000	(4,040,267)	2,051,215	17,081,913	21,035,326	(3,057,586)	468,193	(3,348,967)	2,559,760	29,557,639	84,611,139	17,871,409	102,482,548

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2015

	Attributable to equity holders of the Parent Company										Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Retained earnings			Sub total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	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	-	-	-	-	-	-	-	-	-	6,064,049	6,064,049	997,115	7,061,164
Other comprehensive loss	-	-	-	-	-	-	-	(554,717)	(872,166)	-	(1,426,883)	-	(1,426,883)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(554,717)	(872,166)	6,064,049	4,637,166	997,115	5,634,281
Dividend for 2013	-	-	-	-	-	-	-	-	-	(5,447,725)	(5,447,725)	-	(5,447,725)
Other reserve additions	-	-	-	-	-	-	(22,532)	-	-	-	(22,532)	-	(22,532)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(997,862)	(997,862)
Purchase of treasury shares	-	-	(1,491,833)	-	-	-	-	-	-	-	(1,491,833)	-	(1,491,833)
Balance at 30 June 2014	18,703,913	3,600,000	(3,328,958)	2,051,215	15,830,998	19,784,411	(3,038,498)	3,609,946	(5,589,946)	24,551,367	76,174,448	16,794,980	92,969,428

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 30 June 2015

	Notes	6 months ended 30 June	
		2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit for the period		8,507,409	7,061,164
Adjustments for:			
Depreciation		493,341	530,133
Gain on sale of property and equipment		-	(14,321)
Net investment income	3	(4,968,571)	(6,728,964)
Impairment loss on investments available for sale	3	411,002	271,358
Share of results of associates	3	(1,549,124)	(980,555)
Contribution to KFAS		96,819	62,372
NLST		149,201	112,202
Zakat tax		31,098	25,260
		<u>3,071,175</u>	<u>338,649</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(18,397)	391,337
Premiums and insurance balances receivable		(658,747)	(4,561,797)
Reinsurance recoverable on outstanding claims		5,653,034	(3,908,740)
Property held for sale		56,196	141,621
Other assets		(5,397,533)	(675,249)
Liabilities arising from insurance contracts		(4,867,498)	11,106,986
Premiums received in advance		2,330,168	162,637
Insurance payable		(5,229,544)	(3,285,691)
Other liabilities		(297,882)	7,713,304
		<u>(5,359,028)</u>	<u>7,423,057</u>
Cash (used in) from operations		(174,806)	(174,806)
Paid to NLST		(155,000)	(155,000)
Paid to directors			
		<u>(5,688,834)</u>	<u>7,093,251</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		-	(321,269)
Proceeds from sale of property and equipment		496,975	9,423
Net movement of investments available for sale		3,545,613	933,999
Purchase of investment in associate		(4,592,344)	-
Net movement of debt securities (loans)		(6,033,442)	12,331
Net movement of investments held to maturity		(1,038,828)	172,556
Time deposits		(10,967,195)	(15,607,697)
Loans secured by life insurance policies		(99,899)	(100,240)
Dividends income received		1,708,382	1,396,002
Dividends received from associates		1,436,132	533,007
Interest received		2,305,043	2,310,229
		<u>(13,239,563)</u>	<u>(10,661,659)</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		(72,562)	(1,491,833)
Dividends paid		(5,915,179)	(5,447,725)
Dividends to non-controlling interests		(829,031)	(997,862)
		<u>(6,816,772)</u>	<u>(7,937,420)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at 1 January		(25,745,169)	(11,505,828)
		<u>51,644,130</u>	<u>38,229,591</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	<u>25,898,961</u>	<u>26,723,763</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

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 27 July 2015. The general assembly meeting of the Parent Company's shareholders was held on 31 March 2015 has approved the consolidated financial statements for the year ended 31 December 2014 and approved the proposed distribution of cash dividends of 33 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 2014: 44.04% and 31 March 2014: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% by Fairfax Financial Holding Limited as at 30 June 2015.

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 2014.

Amendments to IFRS which are effective for annual accounting periods starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the IFRS. 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 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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

Standards issued but not yet effective

IFRS 9 Financial Instruments (effective for annual periods on or after 1 January 2018)

Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

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. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

3 NET INVESTMENT INCOME

	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	114,494	45,445	305,417	1,548,266
Realised gain on sale of investments at fair value through income statement	144,383	245,038	295,719	673,798
Dividend income	846,483	387,882	1,708,382	1,396,002
Share of results of associates	650,084	345,509	1,649,124	980,555
Unrealised (loss) gain on investments at fair value through income statement	(443,684)	74,899	367,098	274,567
Interest on investments held to maturity	447,062	492,730	823,741	878,776
Interest on debt securities (loans)	291,118	202,025	499,363	401,752
Interest on time and call deposits	479,368	488,877	981,939	1,029,701
Foreign exchange gain	271,833	16,846	476,520	69,344
Other investment income (loss)	195,834	1,283,656	(123,308)	774,327
Impairment loss on investments available for sale	(230,000)	-	(411,002)	(271,358)
Finance costs	(178,131)	(204,295)	(366,300)	(317,569)
	2,588,844	3,378,612	6,206,693	7,438,161

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

	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income from life insurance	354,392	476,097	1,342,534	900,963
Net investment income from non-life insurance	2,234,452	2,902,515	4,864,159	6,537,198
	2,588,844	3,378,612	6,206,693	7,438,161

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

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>6 months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	3,744,353	3,016,832	7,485,939	6,064,049
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	179,247,857	181,281,248	179,294,389	181,831,424
Basic and diluted earnings per share	20.89 fils	16.64 fils	41.75 fils	33.35 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 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2015</i>	<i>31 December</i>	<i>30 June</i>
	<i>KD</i>	<i>2014</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	20,419,640	15,499,503	11,113,267
Short term and call deposits	39,230,032	57,676,627	42,138,803
Cash and cash equivalents in the interim condensed consolidated statement of financial position	59,649,672	73,176,130	53,252,070
Bank overdraft	(33,750,711)	(21,532,000)	(26,528,307)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	25,898,961	51,644,130	26,723,763

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

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:

a) Segmental interim condensed consolidated statement of income:

	General risk insurance					Life and medical		Total KD
	Marine and aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Life insurance KD	Medical insurance KD	
<i>Six months ended</i>								
<i>30 June 2015</i>								
Segment revenue	2,038,340	2,652,152	18,493,515	1,631,131	3,246,316	8,731,765	17,668,913	26,400,678
Segment results (net underwriting income)	1,053,245	756,975	957,999	357,210	1,587,556	887,272	1,542,276	2,429,548
<i>Six months ended</i>								
<i>30 June 2014</i>								
Segment revenue	2,161,936	3,253,754	18,104,606	1,581,705	3,462,855	9,099,346	16,153,695	25,253,041
Segment results (net underwriting income)	1,100,454	94,516	(156,188)	122,671	1,385,158	483,573	359,467	843,040

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 June 2015</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	195,136,481	89,463,008	67,348,073	351,947,562
Total liabilities	150,279,043	62,910,781	36,275,190	249,465,014
<i>As at 31 December 2014 (Audited)</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	200,901,310	91,710,156	54,607,865	347,219,331
Total liabilities	139,265,117	74,980,649	31,115,121	245,360,887
<i>As at 30 June 2014</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	279,509,956	60,335,522	-	339,845,478
Total liabilities	188,956,240	57,919,810	-	246,876,050

As a result of the Group's restructure plan (Note 7), the management has designated all balances relating to its investments activities within unallocated category since these activities does not relate to any of the primary two segments.

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:

	<i>30 June 2015</i>		<i>30 June 2014</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	213,212	23,441	193,480	23,578
Other related parties	3,219,854	200,389	2,604,598	239,643
	3,433,066	223,830	2,798,078	263,221

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

7 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>6 months ended 30 June</i>	
	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	427,688	460,683
Employees' end of service benefits	39,709	225,777
	<u>467,397</u>	<u>686,460</u>

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

	<i>30 June 2015</i>		<i>(Audited)</i> <i>31 December 2014</i>		<i>30 June 2014</i>	
	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related 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	208,346	-	193,447	-	270,634	(17)
Other related parties	1,179,110	(898,502)	592,514	958,727	1,238,586	(1,125,647)
	<u>1,387,456</u>	<u>(898,502)</u>	<u>785,961</u>	<u>958,727</u>	<u>1,509,220</u>	<u>(1,125,664)</u>

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

- a) The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 15,415,416 (31 December 2014: KD 17,795,406 and 30 June 2014: KD 15,778,030). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 10,720,590 (31 December 2014: KD 10,733,148 and 30 June 2014: KD 10,745,706).
- b) Included under other assets an amount of KD 1,402,689 (31 December 2014: KD 1,402,689 and 30 June 2014: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

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.

The management of the Group believes that there will be no significant impact on policyholders and shareholders as result of transferring the Non-life insurance portfolios.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

8 CONTINGENT LIABILITIES

At 30 June 2015, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 6,705,079 (31 December 2014: KD 6,986,076 and 30 June 2014: KD 3,946,035).

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.

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>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total fair value</i> <i>KD</i>
30 June 2015				
Financial instruments:				
Investments available for sale:				
Quoted equity securities	25,313,826	-	-	25,313,826
Unquoted equity securities	-	-	4,397,518	4,397,518
Unquoted managed funds	-	37,795	124,763	162,558
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	6,942,627	-	-	6,942,627
Designated upon initial recognition:				
Managed funds of quoted securities	13,602,709	-	-	13,602,709
Total	<u>45,859,162</u>	<u>37,795</u>	<u>4,522,281</u>	<u>50,419,238</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2014 (Audited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial instruments:				
Investments available for sale:				
Quoted equity securities	21,697,303	-	-	21,697,303
Unquoted equity securities	-	8,851,050	4,364,196	13,215,246
Unquoted managed funds	-	-	163,377	163,377
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	5,008,511	-	-	5,008,511
Designated upon initial recognition:				
Managed funds of quoted securities	14,845,913	-	-	14,845,913
Total	41,551,727	8,851,050	4,527,573	54,930,350
30 June 2014	Level 1 KD	Level 2 KD	Level 3 KD	Total fair value KD
Financial instruments:				
Investments available for sale:				
Quoted equity securities	16,790,015	-	-	16,790,015
Unquoted equity securities	-	11,801,400	5,816,769	17,618,169
Unquoted managed funds	-	-	-	-
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	4,510,209	-	-	4,510,209
Designated upon initial recognition:				
Managed funds of quoted securities	14,660,876	-	-	14,660,876
Total	35,961,100	11,801,400	5,816,769	53,579,269

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 2015 KD	Transfer from available for sale to investment in associate KD	Gain / (loss) recorded in the consolidated statement of income KD	Gain / (loss) recorded in the consolidated statement of comprehensive income KD	Net purchases And disposals KD	At 30 June 2015 KD
<i>Financial assets available for sale:</i>						
Unquoted equity securities	4,364,196	-	-	33,322	-	4,397,518
Unquoted managed funds	163,377	-	-	(38,614)	-	124,763
	4,527,573	-	-	(5,292)	-	4,522,281

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2015

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	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	Gain / (loss) recorded in the consolidated statement of comprehensive income KD	Net purchases And disposals KD	At 31 December 2014 KD
<i>Financial assets available for sale:</i>						
Unquoted equity securities	5,585,067	(1,138,750)	(11,210)	(66,734)	(4,177)	4,364,196
Unquoted managed funds	356,636	-	(84,230)	82,918	(191,947)	163,377
	<u>5,941,703</u>	<u>(1,138,750)</u>	<u>(95,440)</u>	<u>16,184</u>	<u>(196,124)</u>	<u>4,527,573</u>

	At 1 January 2014 KD	Gain (loss) recorded in the consolidated statement of income KD	Gain (loss) recorded in the consolidated statement of comprehensive income KD	Net purchases and disposals KD	At 30 June 2014 KD
<i>Financial assets available for sale:</i>					
Unquoted equity securities	5,585,067	3,848	150,038	77,816	5,816,769
Unquoted managed funds	356,636	(83,467)	(4,637)	(98,532)	170,000
	<u>5,941,703</u>	<u>(79,619)</u>	<u>145,401</u>	<u>(20,716)</u>	<u>5,986,769</u>

During the period ended 30 June 2015, 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.