

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2016 (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 September 2016, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three and nine months period 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. 1 of 2016, and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 2016 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

2 November 2016
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2016

	Notes	3 months ended 30 September		9 months ended 30 September	
		2016 KD	2015 KD	2016 KD	2015 KD
Revenue:					
Premiums written		54,165,483	58,393,073	152,677,604	144,835,236
Reinsurance premiums ceded		(33,472,732)	(28,124,175)	(76,507,211)	(66,529,935)
Net premiums written		20,692,751	30,268,898	76,170,393	78,305,301
Movement in unearned premiums reserve		(1,532,427)	(6,787,581)	2,216,533	(2,359,304)
Movement in life mathematical reserve		3,255,106	3,930,570	(4,396,266)	(3,999,189)
Net premiums earned		22,415,430	27,411,887	73,990,660	71,946,808
Commission received on ceded reinsurance		3,194,845	3,472,275	11,121,437	10,189,056
Policy issuance fees		644,638	777,693	2,627,304	2,645,589
Net investment income from designated life Insurance	3	333,601	(896,497)	644,156	446,037
		<u>26,588,514</u>	<u>30,765,358</u>	<u>88,383,557</u>	<u>85,227,490</u>
Expenses:					
Claims incurred		15,637,006	19,722,863	50,864,149	52,661,882
Commission and discounts		2,101,792	2,243,762	8,043,430	6,105,878
Increase / decrease in incurred but not reported reserve		268,000	(228,152)	268,000	(228,152)
Maturity and cancellations of life insurance policies		429,976	497,715	1,593,279	1,769,144
General and administrative expenses		5,328,746	6,118,640	16,118,241	15,365,675
		<u>23,765,520</u>	<u>28,354,828</u>	<u>76,887,099</u>	<u>75,674,427</u>
Net underwriting income		2,822,994	2,410,530	11,496,458	9,553,063
Net investment income	3	2,191,195	(626,404)	6,850,463	2,954,931
Finance costs		(117,026)	(145,157)	(731,984)	(511,457)
Share of results of associates		487,745	4,656,883	974,791	6,306,007
Net sundry income		141,500	148,972	391,324	387,915
		<u>5,526,408</u>	<u>6,444,824</u>	<u>18,981,052</u>	<u>18,690,459</u>
Other charges:					
Unallocated general and administrative expenses		(1,404,692)	(1,958,408)	(5,673,037)	(5,419,516)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		4,121,716	4,486,416	13,308,015	13,270,943
Contribution to KFAS		(108,936)	(39,444)	(212,916)	(136,263)
NLST		(47,415)	(93,267)	(161,178)	(242,468)
Zakat		(23,575)	(7,257)	(61,458)	(38,355)
PROFIT FOR THE PERIOD		3,941,790	4,346,448	12,872,463	12,853,857
Attributable to:					
Equity holders of the Parent Company		3,430,759	3,748,903	10,564,417	11,234,843
Non-controlling interests		511,031	597,545	2,308,046	1,619,014
		<u>3,941,790</u>	<u>4,346,448</u>	<u>12,872,463</u>	<u>12,853,857</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	19.16 fils	20.92 fils	58.99 fils	62.67 fils

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 September 2016

	Note	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
		2016	2015	2016	2015
		KD	KD	KD	KD
Profit for the period		3,941,790	4,346,448	12,872,463	12,853,857
Other comprehensive income:					
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>					
Net unrealised gain (loss) on investments available for sale		203,750	(1,531,019)	(411,995)	(3,052,186)
Net realised gain transferred to statement of income on sale of investments available for sale	3	(144,867)	(260,997)	(903,912)	(566,414)
Impairment loss on investments available for sale	3	127,380	198,301	499,260	379,303
Share of other comprehensive income of associates		(64,033)	(35,385)	17,725	9,655
Exchange differences on translation of foreign operations		(55,003)	(622,379)	(2,227,116)	(85,510)
Other comprehensive income (loss) for the period		67,227	(2,251,479)	(3,026,038)	(3,315,152)
Total comprehensive income for the period		4,009,017	2,094,969	9,846,425	9,538,705
Attributable to:					
Equity holders of the Parent Company		3,497,986	1,497,424	7,538,379	7,919,691
Non-controlling interests		511,031	597,545	2,308,046	1,619,014
		4,009,017	2,094,969	9,846,425	9,538,705


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 September 2016

	Notes	30 September 2016 KD	(Audited) 31 December 2015 KD	30 September 2015 KD
ASSETS				
Property and equipment		17,016,126	16,730,834	16,913,606
Investments in associates		39,238,029	39,633,670	39,324,682
Goodwill		14,093,553	12,931,332	12,934,579
Financial instruments:				
Investments held to maturity		31,643,221	25,880,471	23,267,724
Debt securities (loans)		20,528,172	18,047,621	17,781,312
Investments available for sale		16,713,408	21,806,598	27,932,372
Investments carried at fair value through income statement		24,972,345	25,864,826	19,507,974
Loans secured by life insurance policies		1,565,935	1,347,099	1,385,502
Premiums and insurance balances receivable		59,219,246	62,205,924	58,861,325
Reinsurance recoverable on outstanding claims		39,592,708	42,838,901	44,433,137
Properties held for sale		3,236,416	3,532,554	3,806,630
Other assets		20,973,582	18,971,114	17,891,921
Time deposits		35,205,590	34,660,920	32,557,795
Cash and cash equivalents	5	41,885,319	43,972,593	65,135,231
TOTAL ASSETS		365,883,650	368,424,457	381,733,790
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		89,711,467	97,460,110	96,173,645
Unearned premiums reserve (net)		32,013,414	34,462,862	39,629,736
Life mathematical reserve (net)		26,336,950	21,943,942	25,698,793
Incurred but not reported reserve (net)		1,918,000	1,650,000	2,202,235
Total liabilities arising from insurance contracts		149,979,831	155,516,914	163,704,409
Premiums received in advance		4,117,815	3,946,431	3,573,140
Insurance payable		61,365,231	49,180,466	49,210,609
Other liabilities		23,295,806	22,389,159	24,801,185
Bank overdraft	5	15,364,944	26,381,565	32,885,412
TOTAL LIABILITIES		254,123,627	257,414,535	274,174,755
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		(4,149,394)	(4,136,617)	(4,052,215)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		18,574,076	18,574,076	17,081,913
Voluntary reserve		22,527,489	22,527,489	21,035,326
Other reserve		(3,062,725)	(3,061,226)	(3,057,586)
Cumulative changes in fair values		(1,192,017)	(393,095)	(1,160,907)
Foreign currency translation adjustments		(6,246,235)	(4,019,119)	(3,971,346)
Revaluation reserve		2,559,760	2,559,760	2,559,760
Retained earnings		36,577,066	33,176,581	33,306,543
Equity attributable to the equity holders of the Parent Company		89,943,148	89,582,977	86,096,616
Non-controlling interests		21,816,875	21,426,945	21,462,419
TOTAL EQUITY		111,760,023	111,009,922	107,559,035
TOTAL LIABILITIES AND EQUITY		365,883,650	368,424,457	381,733,790


Khaled Saoud Al-Hassan
Chief Executive Officer

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 September 2016

	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 2016 (Audited)	18,703,913	3,600,000	(4,136,617)	2,051,215	18,574,076	22,527,489	(3,061,226)	(393,095)	(4,019,119)	2,559,760	33,176,581	89,582,977	21,426,945	111,009,922
Profit for the period	-	-	-	-	-	-	-	-	-	-	10,564,417	10,564,417	2,308,046	12,872,463
Other comprehensive loss	-	-	-	-	-	-	(798,922)	(798,922)	(2,227,116)	-	-	(3,026,038)	-	(3,026,038)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(798,922)	(798,922)	(2,227,116)	-	10,564,417	7,538,379	2,308,046	9,846,425
Dividends for 2015 (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,163,932)	(7,163,932)	-	(7,163,932)
Purchase of treasury shares	-	-	(12,777)	-	-	-	-	-	-	-	-	(12,777)	-	(12,777)
Change in ownership of a subsidiary	-	-	-	-	-	-	(1,499)	-	-	-	-	(1,499)	-	(1,499)
Non-controlling interest arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	124,474	(124,474)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,042,590)	(1,793,642)
Balance at 30 September 2016	18,703,913	3,600,000	(4,149,394)	2,051,215	18,574,076	22,527,489	(3,062,725)	(1,192,017)	(6,246,235)	2,559,760	36,577,066	89,943,148	21,816,875	111,760,023

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 September 2016

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	-	-	-	-	-	-	-	-	-	-	11,234,843	11,234,843	1,619,014	12,853,857
Other comprehensive loss	-	-	-	-	-	-	-	(3,229,642)	(85,510)	-	-	(3,315,152)	-	(3,315,152)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(3,229,642)	(85,510)	-	11,234,843	7,919,691	1,619,014	9,538,705
Dividends for 2014	-	-	-	-	-	-	-	-	-	-	(5,915,179)	(5,915,179)	-	(5,915,179)
Purchase of treasury shares	-	-	(84,510)	-	-	-	-	-	-	-	-	(84,510)	-	(84,510)
Change in ownership of a subsidiary	-	-	-	-	-	-	(2,860)	-	-	-	-	(2,860)	-	(2,860)
Non-controlling interest arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,336,764	3,336,764
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,172,329)	(1,172,329)
Balance at 30 September 2015	18,703,913	3,600,000	(4,052,215)	2,051,215	17,081,913	21,035,326	(3,057,586)	(1,160,907)	(3,971,346)	2,559,760	33,306,543	86,096,616	21,462,419	107,559,035

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 September 2016

		<i>9 months ended 30 September</i>	
		<i>2016</i>	<i>2015</i>
	<i>Notes</i>	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		13,308,015	13,270,943
Adjustments for:			
Depreciation		854,648	682,129
Net investment income	3	(7,993,879)	(3,780,271)
Finance costs		731,984	-
Impairment loss on investments available for sale	3	499,260	379,303
Share of results of associates		(974,791)	(6,306,007)
		<u>6,425,237</u>	<u>4,246,097</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		1,162,507	(174,157)
Premiums and insurance balances receivable		3,045,428	(8,166,448)
Reinsurance recoverable on outstanding claims		3,277,816	6,427,551
Property held for sale		-	53,723
Other assets		(1,573,970)	(4,219,753)
Liabilities arising from insurance contracts		(5,818,062)	2,665,072
Premiums received in advance		171,384	2,811,696
Insurance payable		12,137,469	3,519,184
Other liabilities		902,178	(1,479,091)
		<u>19,729,987</u>	<u>5,683,874</u>
Cash from operations		19,729,987	5,683,874
Paid to KFAS		-	(88,519)
Paid to NLST		(198,783)	(174,881)
Paid to directors		-	(155,000)
		<u>19,531,204</u>	<u>5,265,474</u>
Net cash from operating activities		<u>19,531,204</u>	<u>5,265,474</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,330,452)	(1,279,359)
Proceeds from sale of property and equipment		304,439	496,975
Proceeds from property held for sale		296,138	-
Net movement of investments available for sale		4,681,194	4,195,779
Purchase of investment in associate		-	(6,312,716)
Net movement of debt securities (loans)		(2,480,551)	(6,048,164)
Net movement of investments held to maturity		(5,762,750)	(708,927)
Movement in time deposits		(544,670)	(8,992,257)
Loans secured by life insurance policies		(218,836)	(119,349)
Dividends income received		1,293,962	1,857,314
Dividends received from associates		1,046,440	1,436,132
Interest received		4,134,453	3,866,796
Acquisition of a subsidiary, net of cash acquired		(853,998)	(5,794,481)
		<u>565,369</u>	<u>(17,402,257)</u>
Net cash from (used in) investing activities		<u>565,369</u>	<u>(17,402,257)</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		(12,777)	(84,510)
Dividends paid		(7,163,932)	(5,915,179)
Transfer to other reserve		(1,499)	-
Dividends to non-controlling interests		(2,042,590)	(1,172,329)
		<u>(9,220,798)</u>	<u>(7,172,018)</u>
Net cash used in financing activities		<u>(9,220,798)</u>	<u>(7,172,018)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		10,875,775	(19,308,801)
Cash and cash equivalents at 1 January		(1,946,428)	(85,510)
		<u>17,591,028</u>	<u>51,644,130</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	<u><u>26,520,375</u></u>	<u><u>32,249,819</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 CASH FLOWS (UNAUDITED)

At 30 September 2016

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 2 November 2016. The general assembly meeting of the Parent Company's shareholders held on 28 March 2016 approved the consolidated financial statements for the year ended 31 December 2015 and approved the proposed distribution of cash dividends of 40 fils per share (2015: 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 Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 42, Office No 1 & 2, Sharq, Kuwait City P.O. Box 23982 Safat, 13100 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 2015: 44.04% and 30 September 2015: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2015: 41.42% and 30 September 2015: 41.42%) by Fairfax Financial Holding Limited as at 30 September 2016.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

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 2015.

Amendments to IFRS which are effective for annual accounting periods starting from 1 January 2016 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 nine months period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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

During the period, the Group acquired equity interest of 90% in Gulf Sigorta A.Ş., a company incorporated in Turkey and engaged in non-life insurance, for a consideration of KD 2,331,685. Having obtained control, the Group consolidated Gulf Sigorta A.Ş. from 1 July 2016. Gulf Sigorta A.Ş. has been consolidated based on the provisional values assigned to the identifiable assets and liabilities as on the acquisition date and the management is in the process of determining the fair values of assets acquired and liabilities assumed. Provisional goodwill recorded amounts to KD 1,162,221.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2016

3 NET INVESTMENT INCOME (LOSS)

	<i>3 months ended</i> <i>30 September</i>		<i>9 months ended</i> <i>30 September</i>	
	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Net realised gain on sale of investments available for sale	144,867	260,997	903,912	566,414
Realised gain on sale of investments at fair value through income statement	122,614	6,556	291,227	302,275
Unrealised gain (loss) on investments at fair value through income statement	340,456	(1,199,992)	(21,202)	(832,895)
Dividend income	89,193	148,932	1,688,027	1,857,314
Interest on investments held to maturity	804,953	389,069	1,663,650	1,212,810
Interest on debt securities (loans)	289,373	343,962	1,025,174	843,325
Interest on time and call deposits	408,179	828,723	1,445,628	1,810,661
Foreign exchange gain (loss)	440,989	(60,008)	1,014,498	416,513
Other investment income	195,169	-	490,907	214,484
Impairment loss on investments available for sale	(127,380)	(198,301)	(499,260)	(379,303)
Other investment expenses	(183,617)	(2,042,839)	(507,942)	(2,610,630)
	<u>2,524,796</u>	<u>(1,522,901)</u>	<u>7,494,619</u>	<u>3,400,968</u>

Net investment income (loss) 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>	
	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Net investment income (loss) from designated life Insurance	333,601	(896,497)	644,156	446,037
Net investment income	2,191,195	(626,404)	6,850,463	2,954,931
	<u>2,524,796</u>	<u>(1,522,901)</u>	<u>7,494,619</u>	<u>3,400,968</u>

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

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

	<i>3 months ended</i> <i>30 September</i>		<i>9 months ended</i> <i>30 September</i>	
	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2016</i> <i>KD</i>	<i>2015</i> <i>KD</i>
Profit attributable to equity holders of the Parent Company	3,430,759	3,748,903	10,564,417	11,234,843
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares, less treasury shares outstanding during the period	179,082,651	179,235,724	179,039,038	179,274,591
Basic and diluted earnings per share	<u>19.16 fils</u>	<u>20.92 fils</u>	<u>58.99 fils</u>	<u>62.67 fils</u>

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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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>2016</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD</i>	<i>30 September</i> <i>2015</i> <i>KD</i>
Bank balances and cash	11,991,257	10,025,885	11,153,464
Short term and call deposits	29,894,062	33,946,708	53,981,767
Cash and cash equivalents in the interim condensed consolidated statement of financial position	41,885,319	43,972,593	65,135,231
Bank overdraft	(15,364,944)	(26,381,565)	(32,885,412)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	26,520,375	17,591,028	32,249,819

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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>Nine months ended</i>								
<i>30 September 2016</i>								
Segment revenue	3,209,831	4,655,247	33,463,060	3,468,508	4,792,261	13,606,558	25,188,092	88,383,557
Segment results (net underwriting income)	1,418,988	1,863,421	930,795	1,504,569	1,917,547	1,647,680	2,213,458	11,496,458
<i>Nine months ended</i>								
<i>30 September 2015</i>								
Segment revenue	3,186,770	4,469,892	30,926,544	3,040,782	5,135,932	13,173,697	25,293,873	85,227,490
Segment results (net underwriting income)	1,523,733	1,073,791	2,209,412	780,768	2,026,893	684,798	1,253,668	9,553,063

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2016

6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 September 2016</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	<u>191,923,763</u>	<u>102,391,785</u>	<u>71,568,102</u>	<u>365,883,650</u>
Total liabilities	<u>149,911,051</u>	<u>86,254,587</u>	<u>17,957,988</u>	<u>254,123,627</u>
<i>As at 31 December 2015 (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	<u>221,349,921</u>	<u>85,780,172</u>	<u>61,294,364</u>	<u>368,424,457</u>
Total liabilities	<u>158,288,901</u>	<u>68,629,421</u>	<u>30,496,213</u>	<u>257,414,535</u>
<i>As at 30 September 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	<u>223,595,306</u>	<u>92,846,443</u>	<u>65,292,041</u>	<u>381,733,790</u>
Total liabilities	<u>158,554,586</u>	<u>79,113,453</u>	<u>36,506,716</u>	<u>274,174,755</u>

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>9 months ended 30 September 2016</i>		<i>9 months ended 30 September 2015</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	234,457	25,405	222,322	46,657
Other related parties	2,895,716	583,292	3,424,673	232,833
	<u>3,130,173</u>	<u>608,697</u>	<u>3,646,995</u>	<u>279,490</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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7 RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2016		(Audited) 31 December 2015		30 September 2015	
	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD
Directors and key management personnel	200,299	20,752	129,831	24,719	120,043	-
Other related parties	894,286	1,519,728	691,672	1,656,731	1,073,735	1,232,611
	1,094,585	1,540,480	821,503	1,681,450	1,193,778	1,232,611

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 5,539,216 (31 December 2015: KD 7,619,836 and 30 September 2015: KD 24,948,590). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 12,698,172 (31 December 2015: KD 10,979,621 and 30 September 2015: KD 10,714,311).
- Included under other assets an amount of KD 1,402,689 (31 December 2015: KD 1,402,689 and 30 September 2015: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

Compensation of key management personnel is as follows:

	9 months ended 30 September	
	2016 KD	2015 KD
Salaries and other short-term benefits	702,797	589,821
Employees' end of service benefits	107,726	160,981
	810,523	750,802

8 CONTINGENT LIABILITIES

At 30 September 2016, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 15,701,465 (31 December 2015: KD 9,556,897 and 30 September 2015: KD 8,265,971).

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2016

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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:

30 September 2016	Fair value measurement using			Total fair value KD
	Level 1 KD	Level 2 KD	Level 3 KD	
Investments available for sale:				
Quoted equity securities	12,552,355	-	-	12,552,355
Unquoted equity securities	-	-	3,957,963	3,957,963
Unquoted managed funds	-	37,686	68,254	105,940
Investments carried at fair value through income statements:				
Held for trading:				
Quoted securities	12,387,746	-	-	12,387,746
Designated upon initial recognition:				
Managed funds of quoted securities	12,584,599	-	-	12,584,599
Total	37,524,700	37,686	4,026,217	41,588,603

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

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9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Fair value measurement using</i>			<i>Total fair value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
31 December 2015 (Audited)	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Investments available for sale:				
Quoted equity securities	17,525,235	-	-	17,525,235
Unquoted equity securities	-	-	4,019,187	4,019,187
Unquoted managed funds	-	37,932	126,534	164,466
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	11,538,502	-	-	11,538,502
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	14,326,324	-	-	14,326,324
Total	<u>43,390,061</u>	<u>37,932</u>	<u>4,145,721</u>	<u>47,573,714</u>

	<i>Fair value measurement using</i>			<i>Total fair value</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
30 September 2015	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Financial instruments:				
Investments available for sale:				
Quoted equity securities	23,400,556	-	-	23,400,556
Unquoted equity securities	-	-	4,367,461	4,367,461
Unquoted managed funds	-	-	164,355	164,355
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	6,750,724	-	-	6,750,724
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	12,757,250	-	-	12,757,250
Total	<u>42,908,530</u>	<u>-</u>	<u>4,531,816</u>	<u>47,440,346</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2016

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	<i>At 1 January 2016 KD</i>	<i>Gain on Sale 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 2016 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	4,019,187	-	(61,224)	-	3,957,963
Unquoted managed funds	126,534	-	(2,006)	(56,274)	68,254
	<u>4,145,721</u>	<u>-</u>	<u>(63,230)</u>	<u>(56,274)</u>	<u>4,026,217</u>

	<i>At 1 January 2015 KD</i>	<i>Transfer from Level 3 to Level 2 KD</i>	<i>Loss on sale KD</i>	<i>Gain recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 31 December 2015 KD</i>
<i>Financial assets available for sale:</i>						
Unquoted equity securities	4,364,196	-	(189,722)	155,490	(310,777)	4,019,187
Unquoted managed funds	163,377	(37,932)	-	1,089	-	126,534
	<u>4,527,573</u>	<u>(37,932)</u>	<u>(189,722)</u>	<u>156,579</u>	<u>(310,777)</u>	<u>4,145,721</u>

	<i>At 1 January 2015 KD</i>	<i>Gain on sale KD</i>	<i>Gain recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases And disposals KD</i>	<i>At 30 September 2015 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity Securities	4,364,196	-	3,265	-	4,367,461
Unquoted managed funds	163,377	-	978	-	164,355
	<u>4,527,573</u>	<u>-</u>	<u>4,243</u>	<u>-</u>	<u>4,531,816</u>

During the period ended 30 September 2016, there were no transfers between hierarchies.

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