

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 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 June 2016 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. 1 of 2016 and the executive regulation of Law No. 25 of 2012 or by the Parent Company's Articles of Association and Memorandum of Incorporation, as amended, during the six months period ended 30 June 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

28 July 2016
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2016

	Notes	3 months ended 30 June		6 months ended 30 June	
		2016	2015	2016	2015
		KD	KD	KD	KD
Revenue:					
Premiums written		38,388,775	32,168,525	98,512,121	86,442,163
Reinsurance premiums ceded		(21,497,066)	(16,797,311)	(43,034,479)	(38,405,759)
Net premiums written		16,891,709	15,371,214	55,477,642	48,036,404
Movement in unearned premiums reserve		6,004,272	4,922,840	3,748,960	4,428,276
Movement in life mathematical reserve		2,393,253	2,827,252	(7,651,372)	(7,929,759)
Net premiums earned		25,289,234	23,121,306	51,575,230	44,534,921
Commission received on ceded reinsurance		3,795,241	2,770,145	7,926,593	6,716,781
Policy issuance fees		906,860	907,470	1,982,665	1,867,896
Net investment income from designated life insurance	3	68,531	(81,242)	310,555	710,687
		<u>30,059,866</u>	<u>26,717,679</u>	<u>61,795,043</u>	<u>53,830,285</u>
Expenses:					
Claims incurred		17,812,460	16,646,579	35,227,143	32,939,019
Commission and discounts		2,681,112	2,515,984	6,863,293	5,107,188
Maturity and cancellations of life insurance policies		574,720	538,542	1,163,303	1,271,429
General and administrative expenses		4,769,555	3,878,194	9,867,840	8,001,963
		<u>25,837,847</u>	<u>23,579,299</u>	<u>53,121,579</u>	<u>47,319,599</u>
Net underwriting income		4,222,019	3,138,380	8,673,464	6,510,686
Net investment income	3	2,033,862	2,198,133	4,659,268	4,213,182
Finance costs		(371,150)	(178,131)	(614,958)	(366,300)
Share of results of associates		853,736	650,084	487,046	1,649,124
Net sundry income		91,725	121,750	249,824	238,943
		<u>6,830,192</u>	<u>5,930,216</u>	<u>13,454,644</u>	<u>12,245,635</u>
Other charges:					
Unallocated general and administrative expenses		(2,139,804)	(1,449,290)	(4,268,345)	(3,461,108)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
Contribution to KFAS		4,690,388	4,480,926	9,186,299	8,784,527
NLST		(54,490)	(46,804)	(103,980)	(96,819)
Zakat		(56,045)	(82,416)	(113,763)	(149,201)
		<u>(20,482)</u>	<u>(18,743)</u>	<u>(37,883)</u>	<u>(31,098)</u>
PROFIT FOR THE PERIOD		<u>4,559,371</u>	<u>4,332,963</u>	<u>8,930,673</u>	<u>8,507,409</u>
Attributable to:					
Equity holders of the Parent Company		3,831,907	3,744,353	7,133,658	7,485,939
Non-controlling interests		727,464	588,610	1,797,015	1,021,470
		<u>4,559,371</u>	<u>4,332,963</u>	<u>8,930,673</u>	<u>8,507,409</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>21.40 fils</u>	<u>20.89 fils</u>	<u>39.83 fils</u>	<u>41.75 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 2016

	Note	3 months ended 30 June		6 months ended 30 June	
		2016 KD	2015 KD	2016 KD	2015 KD
Profit for the period		<u>4,559,371</u>	<u>4,332,963</u>	<u>8,930,673</u>	<u>8,507,409</u>
Other comprehensive income:					
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>					
Net unrealised loss on investments available for sale		(22,416)	(2,135,439)	(615,740)	(1,751,167)
Net realised gain transferred to statement of income on sale of investments available for sale	3	(590,758)	(114,494)	(759,045)	(305,417)
Impairment loss on investments available for sale	3	30,301	230,000	371,880	411,002
Share of other comprehensive income of associates		(8,586)	32,393	81,758	45,040
Exchange differences on translation of foreign operations		(200,294)	379,636	(2,172,113)	536,869
Other comprehensive loss for the period		<u>(791,753)</u>	<u>(1,607,904)</u>	<u>(3,093,260)</u>	<u>(1,063,673)</u>
Total comprehensive income for the period		<u><u>3,767,618</u></u>	<u><u>2,725,059</u></u>	<u><u>5,837,413</u></u>	<u><u>7,443,736</u></u>
Attributable to:					
Equity holders of the Parent Company		3,040,154	2,136,449	4,040,398	6,422,266
Non-controlling interests		727,464	588,610	1,797,015	1,021,470
		<u><u>3,767,618</u></u>	<u><u>2,725,059</u></u>	<u><u>5,837,413</u></u>	<u><u>7,443,736</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 2016

	Note	30 June 2016 KD	(Audited) 31 December 2015 KD	30 June 2015 KD
ASSETS				
Property and equipment		17,033,065	16,730,834	14,691,894
Investments in associates		38,823,060	39,633,670	33,529,336
Goodwill		12,931,332	12,931,332	8,998,351
Financial instruments:				
Investments held to maturity		27,079,377	25,880,471	20,310,404
Debt securities (loans)		20,542,032	18,047,621	17,766,590
Investments available for sale		16,838,425	21,806,598	29,873,902
Investments carried at fair value through income statement		24,922,944	25,864,826	20,545,336
Loans secured by life insurance policies		1,440,017	1,347,099	1,366,052
Premiums and insurance balances receivable		55,555,849	62,205,924	47,822,948
Reinsurance recoverable on outstanding claims		40,817,616	42,838,901	44,487,276
Properties held for sale		3,344,851	3,532,554	230,680
Other assets		21,940,505	18,971,114	18,142,388
Time deposits		39,842,971	34,660,920	34,532,733
Cash and cash equivalents	5	37,185,687	43,972,593	59,649,672
TOTAL ASSETS		358,297,731	368,424,457	351,947,562
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		92,136,596	97,460,110	93,675,864
Unearned premiums reserve (net)		30,564,851	34,462,862	27,113,580
Life mathematical reserve (net)		29,592,252	21,943,942	29,616,022
Incurred but not reported reserve (net)		1,650,000	1,650,000	1,650,000
Total liabilities arising from insurance contracts		153,943,699	155,516,914	152,055,466
Premiums received in advance		4,170,310	3,946,431	3,091,612
Insurance payable		40,331,847	49,180,466	39,152,522
Other liabilities		23,870,237	22,389,159	21,414,703
Bank overdraft	5	28,095,364	26,381,565	33,750,711
TOTAL LIABILITIES		250,411,457	257,414,535	249,465,014
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		(4,144,733)	(4,136,617)	(4,040,267)
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		(1,314,242)	(393,095)	468,193
Foreign currency translation adjustments		(6,191,232)	(4,019,119)	(3,348,967)
Revaluation reserve		2,559,760	2,559,760	2,559,760
Retained earnings		33,146,307	33,176,581	29,557,639
Equity attributable to the equity holders of the Parent Company		86,449,828	89,582,977	84,611,139
Non-controlling interests		21,436,446	21,426,945	17,871,409
TOTAL EQUITY		107,886,274	111,009,922	102,482,548
TOTAL LIABILITIES AND EQUITY		358,297,731	368,424,457	351,947,562

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 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)	2,559,750	33,176,581	89,582,977	21,426,945	111,009,922
Profit for the period	-	-	-	-	-	-	-	-	-	-	7,133,658	7,133,658	1,797,015	8,930,673
Other comprehensive loss	-	-	-	-	-	-	-	(921,147)	(2,172,113)	-	-	(3,093,260)	-	(3,093,260)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(921,147)	(2,172,113)	-	7,133,658	4,040,398	1,797,015	5,837,413
Dividends for 2015 (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,163,932)	(7,163,932)	-	(7,163,932)
Purchase of treasury shares	-	-	(8,116)	-	-	-	-	-	-	-	-	(8,116)	-	(8,116)
Change in ownership of a subsidiary	-	-	-	-	-	-	(1,499)	-	-	-	-	(1,499)	-	(1,499)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,787,514)	(1,787,514)
Balance at 30 June 2016	18,703,913	3,600,000	(4,144,733)	2,051,215	18,574,076	22,527,489	(3,062,725)	(1,314,242)	(6,191,232)	2,559,760	33,146,307	86,449,828	21,436,446	107,886,274

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 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		Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total equity KD
								KD	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)	(1,600,542)	536,869	-	-	(1,063,673)	-	(1,063,673)	
Total comprehensive income for the period	-	-	-	-	-	-	(1,600,542)	(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 CASH FLOWS

(UNAUDITED)

Period ended 30 June 2016

	Notes	6 months ended 30 June	
		2016 KD	2015 KD
OPERATING ACTIVITIES			
Profit for the period before contribution to KFAS, NLST and Zakat		9,186,299	8,784,527
Adjustments for:			
Depreciation		601,683	493,341
Net investment income	3	(5,341,703)	(5,334,871)
Finance costs		614,958	366,300
Impairment loss on investments available for sale	3	371,880	411,002
Share of results of associates		(487,046)	(1,649,124)
		<u>4,946,071</u>	<u>3,071,175</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		748,837	(18,397)
Premiums and insurance balances receivable		6,650,075	(658,747)
Reinsurance recoverable on outstanding claims		2,021,285	5,653,034
Property held for sale		-	56,196
Other assets		(2,664,519)	(5,001,984)
Liabilities arising from insurance contracts		(5,323,514)	(4,867,498)
Premiums received in advance		223,879	2,330,168
Insurance payable		(8,848,619)	(5,229,544)
Other liabilities		1,347,699	(297,882)
		<u>(898,806)</u>	<u>(4,963,479)</u>
Cash used in operations		(898,806)	(4,963,479)
Paid to NLST		(192,283)	(174,806)
Paid to directors		-	(155,000)
		<u>(1,091,089)</u>	<u>(5,293,285)</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,330,452)	-
Proceeds from sale of property and equipment		304,439	496,975
Net movement of investments available for sale		4,352,433	3,545,613
Purchase of investment in associate		-	(4,592,344)
Net movement of debt securities (loans)		(2,494,411)	(6,033,442)
Net movement of investments held to maturity		(1,198,906)	(1,038,828)
Movement in time deposits		(5,182,051)	(10,967,195)
Loans secured by life insurance policies		(92,918)	(99,899)
Dividends income received		1,293,962	1,708,382
Dividends received from associates		1,046,440	1,436,132
Interest received		2,631,947	2,305,043
		<u>(669,517)</u>	<u>(13,239,563)</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		(8,116)	(72,562)
Dividends paid		(7,163,932)	(5,915,179)
Dividends to non-controlling interests		(1,787,514)	(829,031)
		<u>(8,959,562)</u>	<u>(6,816,772)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(10,720,168)	(25,349,620)
Net foreign exchange difference		2,219,463	(395,549)
Cash and cash equivalents at 1 January		17,591,028	51,644,130
		<u>9,090,323</u>	<u>25,898,961</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5		

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 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 28 July 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 Khalid 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 June 2015: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2015: 41.42% and 30 June 2015: 41.42%) by Fairfax Financial Holding Limited as at 30 June 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 executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

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 six months period ended 30 June 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).

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2016

3 NET INVESTMENT INCOME

	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Net realised gain on sale of investments available for sale	590,758	114,494	759,045	305,417
Realised gain on sale of investments at fair value through income statement	108,491	144,383	168,613	295,719
Unrealised (loss) gain on investments at fair value	(449,360)	(443,684)	(361,658)	367,098
Dividend income	655,954	846,483	1,598,834	1,708,382
Interest on investments held to maturity	309,393	447,062	858,697	823,741
Interest on debt securities (loans)	437,546	291,118	735,801	499,363
Interest on time and call deposits	461,373	479,368	1,037,449	981,939
Foreign exchange gain	57,616	271,833	573,509	476,520
Other investment income	153,344	195,834	295,738	298,813
Impairment loss on investments available for sale	(30,301)	(230,000)	(371,880)	(411,002)
Other investment expenses	(192,421)	-	(324,325)	(422,121)
	2,102,393	2,116,891	4,969,823	4,923,869

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

	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Net investment income from designated life insurance	68,531	(81,242)	310,555	710,687
Net investment income	2,033,862	2,198,133	4,659,268	4,213,182
	2,102,393	2,116,891	4,969,823	4,923,869

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 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Profit attributable to equity holders of the Parent Company	3,831,907	3,744,353	7,133,658	7,485,939
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	179,098,297	179,247,857	179,098,297	179,294,389
Basic and diluted earnings per share	21.40 fils	20.89 fils	39.83 fils	41.75 fils

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2016

5 CASH AND CASH EQUIVALENTS

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

	30 June 2016 KD	<i>(Audited)</i> 31 December 2015 KD	30 June 2015 KD
Bank balances and cash	10,429,433	10,025,885	20,419,640
Short term and call deposits	26,756,254	33,946,708	39,230,032
Cash and cash equivalents in the interim condensed consolidated statement of financial position	<u>37,185,687</u>	<u>43,972,593</u>	<u>59,649,672</u>
Bank overdraft	<u>(28,095,364)</u>	<u>(26,381,565)</u>	<u>(33,750,711)</u>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<u><u>9,090,323</u></u>	<u><u>17,591,028</u></u>	<u><u>25,898,961</u></u>

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	Sub-total KD	Life insurance KD		Medical insurance KD	
Six months ended 30 June 2016										
Segment revenue	2,127,632	3,603,134	22,594,679	1,874,091	3,327,319	33,526,855	9,179,026	19,089,162	28,268,188	61,795,043
Segment results (net underwriting income)	833,337	1,716,580	466,747	972,155	1,519,781	5,508,600	654,458	2,510,406	3,164,864	8,673,464
Six months ended 30 June 2015										
Segment revenue	2,038,340	2,652,152	18,493,515	1,631,131	3,246,316	28,061,454	8,099,918	17,668,913	25,768,831	53,830,285
Segment results (net underwriting income)	1,053,245	756,975	957,999	357,210	1,587,556	4,712,985	255,425	1,542,276	1,797,701	6,510,686

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2016

6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<i>As at 30 June 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	210,834,303	76,279,498	71,183,930	358,297,731
Total liabilities	155,579,435	64,083,605	30,748,417	250,411,457
<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	221,349,921	85,780,172	61,294,364	368,424,457
Total liabilities	158,288,901	68,629,421	30,496,213	257,414,535
<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

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>6 months ended 30 June 2016</i>		<i>6 months ended 30 June 2015</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	154,777	3,307	213,212	23,441
Other related parties	3,199,607	388,049	3,219,854	200,389
	3,354,384	391,356	3,433,066	223,830

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2016

7 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2016		(Audited) 31 December 2015		30 June 2015	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
	KD	KD	KD	KD	KD	KD
Directors and key management personnel	180,012	11,531	129,831	24,719	208,346	-
Other related parties	1,064,662	1,307,771	691,672	1,656,731	1,179,110	(898,502)
	<u>1,244,674</u>	<u>1,319,302</u>	<u>821,503</u>	<u>1,681,450</u>	<u>1,387,456</u>	<u>(898,502)</u>

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 4,397,986 (31 December 2015: KD 7,619,836 and 30 June 2015: KD 15,415,416). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 12,706,032 (31 December 2015: KD 10,979,621 and 30 June 2015: KD 10,720,590).
- Included under other assets an amount of KD 1,402,689 (31 December 2015: KD 1,402,689 and 30 June 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:

	6 months ended 30 June	
	2016 KD	2015 KD
Salaries and other short-term benefits	468,212	427,688
Employees' end of service benefits	146,277	39,709
	<u>614,489</u>	<u>467,397</u>

8 CONTINGENT LIABILITIES

At 30 June 2016, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 8,982,897 (31 December 2015: KD 9,556,897 and 30 June 2015: KD 6,705,079).

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 June 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 June 2016	<i>Fair value measurement using</i>			<i>Total fair value</i> KD
	<i>Level 1</i> KD	<i>Level 2</i> KD	<i>Level 3</i> KD	
Investments available for sale:				
Quoted equity securities	12,675,351	-	-	12,675,351
Unquoted equity securities	-	-	3,959,872	3,959,872
Unquoted managed funds	-	37,700	68,254	105,954
Investments carried at fair value through income statements:				
<i>Held for trading:</i>				
Quoted securities	12,574,289	-	-	12,574,289
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	12,348,655	-	-	12,348,655
Total	37,598,295	37,700	4,028,126	41,664,121

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2016

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	43,390,061	37,932	4,145,721	47,573,714
30 June 2015	<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>
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:				
<i>Held for Trading:</i>				
Quoted securities	6,942,627	-	-	6,942,627
<i>Designated upon initial recognition:</i>				
Managed funds of quoted securities	13,602,709	-	-	13,602,709
Total	45,859,162	37,795	4,522,281	50,419,238

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 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 / (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 June 2016 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	4,019,187	-	(59,315)	-	3,959,872
Unquoted managed funds	126,534	-	(2,006)	(56,274)	68,254
	<u>4,145,721</u>	<u>-</u>	<u>(61,321)</u>	<u>(56,274)</u>	<u>4,028,126</u>

	<i>At 1 January 2015 KD</i>	<i>Transfer from Level 3 to Level 2 KD</i>	<i>Loss recorded in the consolidated statement of income KD</i>	<i>Gain recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 31 December 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 / (loss) recorded in the consolidated statement of income KD</i>	<i>Gain / (loss) recorded in the consolidated statement of comprehensive income KD</i>	<i>Net purchases And disposals KD</i>	<i>At 30 June 2015 KD</i>
<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
	<u>4,527,573</u>	<u>-</u>	<u>(5,292)</u>	<u>-</u>	<u>4,522,281</u>

During the period ended 30 June 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.