

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2014 (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.
(FORMERLY GULF INSURANCE COMPANY K.S.C.)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") (Formerly Gulf Insurance Company K.S.C. and Subsidiaries) as at 30 June 2014 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, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the six months period ended 30 June 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

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

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

23 July 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2014

	Notes	3 months ended 30 June		6 months ended 30 June	
		2014 KD	2013 KD	2014 KD	2013 KD
Revenue:					
Premiums written		29,362,411	30,237,425	83,253,101	72,854,307
Reinsurance premiums ceded		(16,152,866)	(15,049,082)	(34,593,388)	(30,146,272)
Net premiums written		13,209,545	15,188,343	48,659,713	42,708,035
Movement in unearned premiums reserve		3,444,461	1,848,948	3,322,166	1,864,125
Movement in life mathematical reserve		2,136,762	2,297,893	(6,923,584)	(5,198,726)
Net premiums earned		18,790,768	19,335,184	45,058,295	39,373,434
Commission received on ceded reinsurance		2,862,680	3,076,031	6,102,425	6,034,315
Policy issuance fees		964,264	976,381	1,756,214	1,746,176
Net investment income from life insurance	3	476,097	313,529	900,963	648,388
		<u>23,093,809</u>	<u>23,701,125</u>	<u>53,817,897</u>	<u>47,802,313</u>
Expenses:					
Claims incurred		16,085,943	15,114,278	34,690,783	30,154,031
Commission and discounts		1,726,532	2,414,312	5,499,071	4,954,154
Increase in incurred but not reported reserve		43,201	440,503	565,274	531,425
Maturity and cancellations of life insurance policies		407,457	272,519	994,975	844,148
General and administrative expenses		3,193,674	3,916,828	8,678,143	7,928,168
		<u>21,456,807</u>	<u>22,158,440</u>	<u>50,428,246</u>	<u>44,411,926</u>
Net underwriting income		1,637,002	1,542,685	3,389,651	3,390,387
Net investment income	3	2,902,515	2,294,232	6,537,198	4,266,086
Net sundry income		110,043	55,489	168,944	242,412
		<u>4,649,560</u>	<u>3,892,406</u>	<u>10,095,793</u>	<u>7,898,885</u>
Other charges					
Unallocated general and administrative expenses		(1,275,829)	(847,660)	(2,834,795)	(2,078,510)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX					
		3,373,731	3,044,746	7,260,998	5,820,375
Contribution to KFAS		(31,188)	(29,037)	(62,372)	(55,406)
NLST		(67,512)	(46,020)	(112,202)	(88,748)
Zakat tax		(13,931)	(14,920)	(25,260)	(31,445)
PROFIT FOR THE PERIOD		<u>3,261,100</u>	<u>2,954,769</u>	<u>7,061,164</u>	<u>5,644,776</u>
Attributable to:					
Equity holders of the Parent Company		3,016,832	2,570,031	6,064,049	4,858,193
Non-controlling interests		244,268	384,738	997,115	786,583
		<u>3,261,100</u>	<u>2,954,769</u>	<u>7,061,164</u>	<u>5,644,776</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>16.64 fils</u>	<u>14.02 fils</u>	<u>33.35 fils</u>	<u>26.50 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 (Formerly Gulf Insurance Company K.S.C. and Subsidiaries)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 30 June 2014

	Note	3 months ended 30 June		6 months ended 30 June	
		2014	2013	2014	2013
		KD	KD	KD	KD
Profit for the period		3,261,100	2,954,769	7,061,164	5,644,776
Other comprehensive income:					
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>					
Net unrealised gain (loss) on investments available for sale		79,517	(49,624)	617,555	(337,771)
Net realised gain transferred to statement of income on sale of investments available for sale	3	(45,445)	(279,729)	(1,548,266)	(362,853)
Impairment loss on investments available for sale	3	(205,079)	169,421	271,358	221,711
Share of other comprehensive income of associates		93,424	(20,286)	104,636	(3,915)
Exchange differences on translation of foreign operations		(304,499)	(396,941)	(872,166)	(950,398)
Other comprehensive loss for the period		(382,082)	(577,159)	(1,426,883)	(1,433,226)
Total comprehensive income for the period		2,879,018	2,377,610	5,634,281	4,211,550
ATTRIBUTABLE TO:					
Equity holders of the Parent Company		2,634,750	1,992,872	4,637,166	3,424,967
Non-controlling interests		244,268	384,738	997,115	786,583
		2,879,018	2,377,610	5,634,281	4,211,550

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2014

		(Audited)		
	Note	30 June 2014 KD	31 December 2013 KD	30 June 2013 KD
ASSETS				
Property and equipment		12,678,217	12,882,183	13,132,364
Investments in associates		24,585,244	24,242,332	22,860,417
Goodwill		8,998,351	8,998,351	8,998,351
Financial instruments:				
Investments held to maturity		19,746,410	19,918,966	19,184,654
Debt securities (loans)		11,745,706	11,758,037	11,770,595
Investments available for sale		34,578,984	34,686,156	32,909,618
Investments carried at fair value through income statement		19,171,085	17,739,589	16,346,875
Loans secured by life insurance policies		1,285,672	1,185,432	1,104,492
Premiums and insurance balances receivable		53,155,993	48,594,196	40,406,790
Reinsurance recoverable on outstanding claims		51,262,269	47,353,529	45,341,322
Properties held for sale		280,898	422,519	742,474
Other assets		12,175,836	12,721,119	18,912,752
Time deposits		36,928,743	21,321,046	29,731,515
Cash and cash equivalents	5	53,252,070	58,604,115	35,000,493
TOTAL ASSETS		339,845,478	320,427,570	296,442,712
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		94,627,694	87,510,097	85,286,375
Unearned premiums reserve (net)		27,805,963	31,336,565	25,247,738
Life mathematical reserve (net)		28,472,591	21,550,883	24,995,575
Incurred but not reported reserve (net)		5,411,928	4,813,645	4,547,276
Total liabilities arising from insurance contracts		156,318,176	145,211,190	140,076,964
Premiums received in advance		442,692	280,055	286,272
Insurance payable		38,042,214	41,327,905	33,154,540
Other liabilities		25,544,661	17,938,797	17,846,548
Bank overdraft	5	26,528,307	20,374,524	17,875,077
TOTAL LIABILITIES		246,876,050	225,132,471	209,239,401
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		(3,328,958)	(1,837,125)	(1,837,125)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		15,830,998	15,830,998	14,766,173
Voluntary reserve		19,784,411	19,784,411	18,719,586
Other reserve		(3,038,498)	(3,015,966)	(3,010,734)
Cumulative changes in fair values		3,609,946	4,164,663	2,265,691
Foreign currency translation adjustments		(5,589,946)	(4,717,780)	(4,269,816)
Retained earnings		24,551,367	23,935,043	20,720,389
		76,174,448	78,499,372	71,709,292
Non-controlling interests		16,794,980	16,795,727	15,494,019
Total equity		92,969,428	95,295,099	87,203,311
TOTAL LIABILITIES AND EQUITY		339,845,478	320,427,570	296,442,712

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 (Formerly Gulf Insurance Company K.S.C. and Subsidiaries)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 Period ended 30 June 2014

	<i>Attributable to equity holders of the Parent Company</i>										Non- controlling interests	Total equity	
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Retained earnings KD			Sub total KD
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	-	-	-	-	-	-	-	-	-	-	-	(97,862)	(97,862)
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
Balance at 31 December 2012	18,703,913	3,600,000	(1,780,131)	2,051,215	14,766,173	18,719,586	(3,010,734)	2,748,519	(3,319,418)	20,445,815	72,924,938	15,856,329	88,781,267
Profit for the period	-	-	-	-	-	-	-	-	-	4,858,193	4,858,193	786,583	5,644,776
Other comprehensive loss	-	-	-	-	-	-	-	(482,828)	(950,398)	-	(1,433,226)	-	(1,433,226)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(482,828)	(950,398)	4,858,193	3,424,967	786,583	4,211,550
Dividend for 2012	-	-	-	-	-	-	-	-	-	(4,583,619)	(4,583,619)	-	(4,583,619)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,148,893)	(1,148,893)
Purchase of treasury shares	-	-	(56,994)	-	-	-	-	-	-	-	(56,994)	-	(56,994)
Balance at 30 June 2013	18,703,913	3,600,000	(1,837,125)	2,051,215	14,766,173	18,719,586	(3,010,734)	2,265,691	(4,269,816)	20,720,389	71,709,292	15,494,019	87,203,311

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Period ended 30 June 2014

	Notes	6 months ended 30 June	
		2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the period		7,061,164	5,644,776
Adjustments for:			
Depreciation		530,133	447,669
Gain on sale of property and equipment		(14,321)	(26,548)
Net investment income		(1,806,630)	(3,672,209)
Impairment loss on investments available for sale	3	271,358	221,711
Gain on re-measurement of investment available for sale reclassified to investment in associate	3	-	(352,570)
Share of results of associates	3	(980,555)	(967,835)
Contribution to KFAS		62,372	55,406
NLST		112,202	88,748
Zakat tax		25,260	31,445
		5,260,983	1,470,593
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(483,131)	67,621
Premiums and insurance balances receivable		(4,561,797)	11,102,768
Reinsurance recoverable on outstanding claims		(3,908,740)	(4,615,402)
Property held for sale		(141,621)	(128,633)
Other assets		2,137,900	(535,147)
Liabilities arising from insurance contracts		11,118,503	11,111,821
Premiums received in advance		162,637	53,677
Insurance payable		(3,285,691)	(9,877,334)
Other liabilities		2,627,064	981,750
Cash from operations		8,926,107	9,631,714
Paid to KFAS		(107,213)	(95,615)
Paid to NLST		(183,807)	(26,072)
Paid to Zakat		(22,905)	-
Paid to directors		(155,000)	(125,000)
Net cash from operating activities		8,457,182	9,385,027
INVESTING ACTIVITIES			
Purchase of property and equipment		(625,534)	(2,411,471)
Proceeds from sale of property and equipment		9,423	41,019
Net movement of investments available for sale		1,029,932	(1,908,885)
Purchase of investments in associates		-	(674,099)
Net movement of debt securities (loans)		12,331	(737,442)
Net movement of investments held to maturity		172,556	(386,604)
Time deposits		(15,607,697)	(6,528,110)
Loans secured by life insurance policies		(100,240)	(127,439)
Dividends income received		1,396,002	1,158,656
Dividends received from associates		533,007	591,876
Interest received		1,029,701	2,373,908
Net cash used in investing activities		(12,150,519)	(8,608,591)
FINANCING ACTIVITIES			
Purchase of treasury shares		(1,491,853)	(56,994)
Net movement in non-controlling interests		997,115	(1,148,893)
Dividends paid		(5,447,725)	(4,583,619)
Dividends to non-controlling interests		(997,862)	-
Net cash used in financing activities		(6,940,325)	(5,789,506)
DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(10,633,662)	(5,013,070)
Cash and cash equivalents at 1 January		(872,166)	(973,028)
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	26,723,763	17,125,416

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (the "Group") (Formerly Gulf Insurance Company K.S.C. and Subsidiaries) were authorised for issue by the Board of Directors on 23 July 2014. The general assembly meeting of the Parent Company's shareholders was held on 3 April 2014 Approved the financial statements for the year ended 31 December 2013 and approved the proposed distribution of cash dividends of 30 fils per share.

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

The Parent Company is 44.04% (31 December 2013: 44.04% and 30 June 2013: 43.44%) owned by Kuwait Project Company Holding K.S.C.P and 41.42% by Fairfax Financial Holding Limited as at 30 June 2014.

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

The New Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the Executive Regulations, the companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Changes in accounting policy and disclosures

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

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

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

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

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

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

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

Standards issued but not yet effective

IFRS 15 – Revenue from Contracts with customers

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

3 NET INVESTMENT INCOME

	<i>3 months ended</i>		<i>6 months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	45,445	279,729	1,548,266	362,853
Realised gain on sale of investments at fair value through income statement	245,038	71,191	673,798	200,508
Dividend income	387,882	523,519	1,396,002	1,158,656
Share of results of associates	345,509	711,371	980,555	967,835
Gain on re-measurement of investment available for sale reclassified to investment in associate	-	-	-	352,570
Unrealised gain (loss) on investments at fair value through income statement	74,899	(116,369)	274,567	(340,095)
Interest on investments held to maturity	492,730	1,042,958	878,776	1,052,383
Interest on debt securities (loans)	202,025	176,259	401,752	398,694
Interest on time and call deposits	488,877	494,571	1,029,701	922,831
Foreign exchange gain	16,846	302,466	69,344	465,657
Other investment income	(8,302)	(316,363)	1,226,440	279,232
Impairment loss on investments available for sale	-	(169,421)	(271,358)	(221,711)
Finance costs	(204,295)	(169,289)	(317,569)	(371,851)
Other investment expenses	1,291,958	(222,861)	(452,113)	(313,088)
	<u>3,378,612</u>	<u>2,607,761</u>	<u>7,438,161</u>	<u>4,914,474</u>

3 NET INVESTMENT INCOME

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>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income from life insurance	476,097	313,529	900,963	648,388
Net investment income from non-life insurance	2,902,515	2,294,232	6,537,198	4,266,086
	<u>3,378,612</u>	<u>2,607,761</u>	<u>7,438,161</u>	<u>4,914,474</u>

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

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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 earning 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>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	3,016,832	2,570,031	6,064,049	4,858,193
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	181,281,248	183,295,401	181,831,424	183,320,035
Basic and diluted earnings per share	16.64 fils	14.02 fils	33.35 fils	26.50 fils

5 CASH AND CASH EQUIVALENTS

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

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2014</i>	<i>31 December</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	11,113,267	13,907,786	11,639,831
Short term and call deposits	42,138,803	44,696,329	23,360,662
Cash and cash equivalents in the interim condensed consolidated statement of financial position	53,252,070	58,604,115	35,000,493
Bank overdraft	(26,528,307)	(20,374,524)	(17,875,077)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	26,723,763	38,229,591	17,125,416

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

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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:

	<i>General risk insurance</i>					<i>Life and medical</i>			<i>Total KD</i>
	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General accidents KD</i>	<i>Life insurance KD</i>	<i>Medical insurance KD</i>	<i>Total life and medical KD</i>	
<i>Three months ended 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	53,817,897
Segment results (net underwriting income)	1,100,454	94,516	(156,188)	122,671	1,385,158	483,573	359,467	843,040	3,389,651
	<i>General risk insurance</i>								
	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General accidents KD</i>	<i>Life and medical</i>			<i>Total KD</i>
<i>Three months ended 30 June 2013</i>									
Segment revenue	2,123,519	3,111,315	15,473,309	1,670,851	2,881,529	8,098,396	14,443,394	22,541,790	47,802,313
Segment results (net underwriting income)	1,159,170	85,480	102,141	128,313	1,054,550	324,526	536,207	860,733	3,390,387

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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 2014</i>		<i>30 June 2013</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	193,480	23,578	216,108	(55,564)
Other related parties	2,604,598	239,643	2,361,639	(207,720)
	<u>2,798,078</u>	<u>263,221</u>	<u>2,577,747</u>	<u>(263,284)</u>

Compensation of key management personnel is as follows:

	<i>6 months ended 30 June</i>	
	<i>2014 KD</i>	<i>2013 KD</i>
Short-term employee benefits	463,338	502,340
Termination benefits	3,412,821	3,046,044
	<u>3,876,159</u>	<u>3,548,384</u>

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

	<i>30 June 2014</i>		<i>31 December 2013 (Audited)</i>		<i>30 June 2013</i>	
	<i>Amounts owed by related parties KD</i>	<i>Amounts owed to related parties KD</i>	<i>Amounts owed by related parties KD</i>	<i>Amounts owed to related parties KD</i>	<i>Amounts owed by related parties KD</i>	<i>Amounts owed to related parties KD</i>
Directors and key management personnel	270,634	(17)	235,882	-	280,819	-
Other related parties	1,238,586	(1,125,647)	446,618	597,041	976,733	(825,973)
	<u>1,509,220</u>	<u>(1,125,664)</u>	<u>682,500</u>	<u>597,041</u>	<u>1,257,552</u>	<u>(825,973)</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 15,778,030 (31 December 2013: KD 16,284,826 and 30 June 2013: KD 4,487,718). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 10,745,706 (31 December 2013: KD 10,758,037 and 30 June 2013: KD 10,770,595).
- Included under other assets an amount of KD 1,402,689 (31 December 2013: KD 1,402,689 and 30 June 2013: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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8 CONTINGENT LIABILITIES

At 30 June 2014, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 3,946,035 (31 December 2013: KD 4,182,478 and 30 June 2013: KD 5,208,446).

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:

30 June 2014	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total fair value KD</i>
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	<u>35,961,100</u>	<u>11,801,400</u>	<u>5,816,769</u>	<u>53,579,269</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 December 2013 (Audited)				
Financial instruments:				
Investments available for sale:				
Quoted equity securities	16,677,873	-	-	16,677,873
Unquoted equity securities	-	11,801,400	5,585,067	17,386,467
Unquoted managed funds	-	-	356,636	356,636
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	4,574,878	-	-	4,574,878
Designated upon initial recognition:				
Managed funds of quoted securities	13,164,711	-	-	13,164,711
Total	<u>34,417,462</u>	<u>11,801,400</u>	<u>5,941,703</u>	<u>52,160,565</u>
30 June 2013				
Financial instruments:				
Investments available for sale:				
Quoted equity securities	13,623,811	-	-	13,623,811
Unquoted equity securities	-	11,801,400	6,545,597	18,346,997
Unquoted managed funds	-	-	396,608	396,608
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	4,736,487	-	-	4,736,487
Designated upon initial recognition:				
Managed funds of quoted securities	11,610,388	-	-	11,610,388
Total	<u>29,970,686</u>	<u>11,801,400</u>	<u>6,942,205</u>	<u>48,714,291</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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 2014 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 2014 KD</i>
<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>

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

	<i>At 1 January 2013 KD</i>	<i>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 2013 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	6,971,817	-	(385,322)	(40,898)	6,545,597
Unquoted managed funds	618,550	(88,647)	(74,121)	(59,174)	396,608
	<u>7,590,367</u>	<u>(88,647)</u>	<u>(459,443)</u>	<u>(100,072)</u>	<u>6,942,205</u>

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

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

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9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation of financial assets:

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

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