

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2015 (UNAUDITED)



Building a better
working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 30 September 2015 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No 25 of 2012, as amended 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 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

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

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

3 November 2015
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2015

	Notes	3 months ended 30 September		9 months ended 30 September	
		2015	2014	2015	2014
		KD	KD	KD	KD
Revenue:					
Premiums written		58,393,073	53,705,746	144,835,236	136,958,847
Reinsurance premiums ceded		(28,124,175)	(27,868,912)	(66,529,935)	(62,462,300)
Net premiums written		30,268,898	25,836,834	78,305,301	74,496,547
Movement in unearned premiums reserve		(6,787,581)	(7,283,945)	(2,359,304)	(3,961,780)
Movement in life mathematical reserve		3,930,570	3,286,206	(3,999,189)	(3,637,378)
Net premiums earned		27,411,887	21,839,095	71,946,808	66,897,389
Commission received on ceded reinsurance		3,472,275	2,862,275	10,189,056	8,964,700
Policy issuance fees		777,693	690,331	2,645,589	2,446,544
Net investment (loss) income from life insurance	3	(896,497)	(76,944)	446,037	824,019
		30,765,358	25,314,757	85,227,490	79,132,652
Expenses:					
Claims incurred		19,722,863	16,984,228	52,661,882	51,675,011
Commission and discounts		2,243,762	1,683,334	6,105,878	6,067,748
Decrease in incurred but not reported reserve		(228,152)	(1,194,352)	(228,152)	(629,078)
Maturity and cancellations of life insurance policies		497,715	649,300	1,769,144	1,644,275
General and administrative expenses		6,118,640	4,383,577	15,365,675	14,176,374
		28,354,828	22,506,087	75,674,427	72,934,330
Net underwriting income		2,410,530	2,808,670	9,553,063	6,198,322
Net investment (loss) income from non-life insurance	3	(771,561)	1,472,516	2,443,474	7,029,159
Share of results of associates		4,656,883	583,351	6,306,007	1,563,906
Net sundry income		148,972	151,904	387,915	320,846
		6,444,824	5,016,441	18,690,459	15,112,233
Other charges:					
Unallocated general and administrative expenses		(1,958,408)	(1,466,370)	(5,419,516)	(4,301,164)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX					
		4,486,416	3,550,071	13,270,943	10,811,069
Contribution to KFAS		(39,444)	(29,681)	(136,263)	(92,053)
NLST		(93,267)	(37,790)	(242,468)	(149,992)
Zakat tax		(7,257)	(22,328)	(38,355)	(47,588)
PROFIT FOR THE PERIOD		4,346,448	3,460,272	12,853,857	10,521,436
Attributable to:					
Equity holders of the Parent Company		3,748,903	3,013,019	11,234,843	9,077,068
Non-controlling interests		597,545	447,253	1,619,014	1,444,368
		4,346,448	3,460,272	12,853,857	10,521,436
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	20.92 fils	16.77 fils	62.67 fils	50.12 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 2015

	Note	<u>3 months ended 30 September</u>		<u>9 months ended 30 September</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		<u>KD</u>	<u>KD</u>	<u>KD</u>	<u>KD</u>
Profit for the period		<u>4,346,448</u>	<u>3,460,272</u>	<u>12,853,857</u>	<u>10,521,436</u>
Other comprehensive income:					
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>					
Net unrealised (loss) gain on investments available for sale		(1,531,019)	1,042,619	(3,052,186)	1,564,241
Net realised gain transferred to statement of income on sale of investments available for sale	3	(260,997)	(5,767)	(566,414)	(1,542,499)
Impairment loss on investments available for sale	3	198,301	(44,551)	379,303	226,807
Share of other comprehensive (loss) income of associates		(35,385)	9,977	9,655	210,546
Exchange differences on translation of foreign operations		(622,379)	911,677	(85,510)	39,511
Other comprehensive (loss) income for the period		<u>(2,251,479)</u>	<u>1,913,955</u>	<u>(3,315,152)</u>	<u>498,606</u>
Total comprehensive income for the period		<u>2,094,969</u>	<u>5,374,227</u>	<u>9,538,705</u>	<u>11,020,042</u>
ATTRIBUTABLE TO:					
Equity holders of the Parent Company		1,497,424	4,926,974	7,919,691	9,575,674
Non-controlling interests		597,545	447,253	1,619,014	1,444,368
		<u>2,094,969</u>	<u>5,374,227</u>	<u>9,538,705</u>	<u>11,020,042</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 September 2015

	Note	30 September 2015 KD	(Audited) 31 December 2014 KD	30 September 2014 KD
ASSETS				
Property and equipment		16,913,606	15,682,210	13,071,050
Investments in associates		39,324,682	28,142,091	27,300,346
Goodwill		12,934,579	8,998,351	8,998,351
Financial instruments:				
Investments held to maturity		23,267,724	19,271,576	20,557,960
Debt securities (loans)		17,781,312	11,733,148	11,739,427
Investments available for sale		27,932,372	35,170,682	35,898,190
Investments carried at fair value through income statement		19,507,974	19,854,424	19,460,882
Loans secured by life insurance policies		1,385,502	1,266,153	1,322,193
Premiums and insurance balances receivable		58,861,325	47,164,201	48,133,545
Reinsurance recoverable on outstanding claims		44,433,137	50,140,310	50,066,209
Properties held for sale		3,806,630	286,876	286,839
Other assets		17,891,921	12,767,641	13,236,735
Time deposits		32,557,795	23,565,538	26,565,091
Cash and cash equivalents	5	65,135,231	73,176,130	80,894,807
TOTAL ASSETS		381,733,790	347,219,331	357,531,625
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		96,173,645	98,444,923	95,858,365
Unearned premiums reserve (net)		39,629,736	32,654,100	35,468,534
Life mathematical reserve (net)		25,698,793	21,697,645	25,187,395
Incurred but not reported reserve (net)		2,202,235	4,126,296	4,242,171
Total liabilities arising from insurance contracts		163,704,409	156,922,964	160,756,465
Premiums received in advance		3,573,140	761,444	952,055
Insurance payable		49,210,609	44,382,066	45,558,475
Other liabilities		24,801,185	21,762,413	21,550,362
Bank overdraft	5	32,885,412	21,532,000	30,579,386
TOTAL LIABILITIES		274,174,755	245,360,887	259,396,743
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		(4,052,215)	(3,967,705)	(3,912,517)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		17,081,913	17,081,913	15,830,998
Voluntary reserve		21,035,326	21,035,326	19,784,411
Other reserve		(3,057,586)	(3,054,726)	(3,048,575)
Cumulative changes in fair values		(1,160,907)	2,068,735	4,623,758
Foreign currency translation adjustments		(3,971,346)	(3,885,836)	(4,678,269)
Revaluation reserve		2,559,760	2,559,760	-
Retained earnings		33,306,543	27,986,879	27,564,387
		86,096,616	84,179,474	80,519,321
Non-controlling interests		21,462,419	17,678,970	17,615,561
Total equity		107,559,035	101,858,444	98,134,882
TOTAL LIABILITIES AND EQUITY		381,733,790	347,219,331	357,531,625


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 September 2015

	<i>Attributable to equity holders of the Parent Company</i>													
	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Treasury share reserve</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Other reserve</i>	<i>Cumulative changes in fair values</i>	<i>Foreign currency translation adjustments</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Sub total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
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 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 CHANGES IN EQUITY (UNAUDITED)

Period ended 30 September 2015

	<i>Attributable to equity holders of the Parent Company</i>											<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Treasury shares reserve</i>	<i>Statutory reserve</i>	<i>Voluntary Reserve</i>	<i>Other reserve</i>	<i>Cumulative changes in fair values</i>	<i>Foreign currency translation adjustments</i>	<i>Retained earnings</i>	<i>Sub total</i>		
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Balance at 31 December 2013 (Audited)	18,703,913	3,600,000	(1,837,125)	2,051,215	15,830,998	19,784,411	(3,015,966)	4,164,663	(4,717,780)	23,935,043	78,499,372	16,795,727	95,295,099
Profit for the period	-	-	-	-	-	-	-	-	-	9,077,068	9,077,068	1,444,368	10,521,436
Other comprehensive income	-	-	-	-	-	-	-	459,095	39,511	-	498,606	-	498,606
Total comprehensive income for the period	-	-	-	-	-	-	-	459,095	39,511	9,077,068	9,575,674	1,444,368	11,020,042
Dividend for 2013	-	-	-	-	-	-	-	-	-	(5,447,724)	(5,447,724)	-	(5,447,724)
Other reserve additions	-	-	-	-	-	-	(32,609)	-	-	-	(32,609)	-	(32,609)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(624,534)	(624,534)
Purchase of treasury shares	-	-	(2,075,392)	-	-	-	-	-	-	-	(2,075,392)	-	(2,075,392)
Balance at 30 September 2014	18,703,913	3,600,000	(3,912,517)	2,051,215	15,830,998	19,784,411	(3,048,575)	4,623,758	(4,678,269)	27,564,387	80,519,321	17,615,561	98,134,882

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 2015

	Notes	9 months ended 30 September	
		2015 KD	2014 KD
OPERATING ACTIVITIES			
Profit for the period		12,853,857	10,521,436
Adjustments for:			
Depreciation		682,129	618,701
Gain on sale of property and equipment		-	(14,321)
Net investment income	3	(3,268,814)	(7,952,371)
Impairment loss on investments available for sale	3	379,303	226,807
Gain on re-measurement of investment available for sale reclassified to investment in associate	3	-	(127,614)
Share of results of associates	3	(6,306,007)	(1,563,906)
Contribution to KFAS		136,263	92,053
NLST		242,468	149,992
Zakat tax		38,355	47,588
		4,757,554	1,998,365
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(174,157)	(2,023,049)
Premiums and insurance balances receivable		(8,166,448)	460,651
Reinsurance recoverable on outstanding claims		6,427,551	(2,712,680)
Property held for sale		53,723	135,680
Other assets		(4,731,210)	27,919
Liabilities arising from insurance contracts		2,665,072	15,545,275
Premiums received in advance		2,811,696	672,000
Insurance payable		3,519,184	4,230,570
Other liabilities		(1,479,091)	3,751,346
Cash from operations		5,683,874	22,086,077
Paid to KFAS		(88,519)	(107,213)
Paid to Zakat		-	(183,807)
Paid to NLST		(174,881)	(22,905)
Paid to directors		(155,000)	(155,000)
Net cash from operating activities		5,265,474	21,617,152
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,279,359)	(802,670)
Proceeds from sale of property and equipment		496,975	9,423
Net movement of investments available for sale		4,195,779	243,468
Purchase of investment in associate		(6,312,716)	(475,160)
Net movement of debt securities (loans)		(6,048,164)	18,610
Net movement of investments held to maturity		(708,927)	(638,994)
Time deposits		(8,992,257)	(5,244,045)
Loans secured by life insurance policies		(119,349)	(136,761)
Dividends income received		1,857,314	1,475,588
Dividends received from associates		1,436,132	733,826
Interest received		3,866,796	3,393,532
Acquisition of a subsidiary, net of cash acquired		(5,794,481)	-
Net cash used in investing activities		(17,402,257)	(1,423,183)
FINANCING ACTIVITIES			
Purchase of treasury shares		(84,510)	(2,075,392)
Dividends paid		(5,915,179)	(5,447,724)
Dividends to non-controlling interests		(1,172,329)	(624,534)
Net cash used in financing activities		(7,172,018)	(8,147,650)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(19,308,801)	12,046,319
Net foreign exchange difference		(85,510)	39,511
Cash and cash equivalents at 1 January		51,644,130	38,229,591
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	32,249,819	50,315,421

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2015

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (the “Group”) were authorised for issue by the Board of Directors on 3 November 2015. The general assembly meeting of the Parent Company’s shareholders was held on 31 March 2015 has approved the consolidated financial statements for the year ended 31 December 2014 and approved the proposed distribution of cash dividends of 33 fils per share.

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

The Parent Company is 44.04% (31 December 2014: 44.04% and 30 September 2014: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 41.42% (31 December 2014: 41.42% and 30 September 2014: 41.42%) by Fairfax Financial Holding Limited as at 30 September 2015.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2014.

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

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the IFRS. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the nine months period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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

During the period the Group acquired equity interest of 51% in L’Algerienne Des Assurances (“2A”), a company incorporated in Algeria and engaged in non-life insurance, for a consideration of KD 7,386,954. Having obtained control, the Group consolidated 2A from 1 June 2015. 2A 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 3,932,980.

During the period the Group established Algeria Gulf Life Insurance Company (“AGLIC”), with an investment of KD 1,300,500 representing equity interest of 42.50%. The investment in AGLIC has been classified as investment in an associate and accounted for under the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

Standards issued but not yet effective

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2015

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

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.

3 NET INVESTMENT INCOME

	<i>3 months ended</i>		<i>9 months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net realised gain (loss) on sale of investments available for sale	260,997	(5,767)	566,414	1,542,499
Realised gain on sale of investments at fair value through income statement	6,556	44,992	302,275	718,790
Dividend income	148,932	79,586	1,857,314	1,475,588
Gain on re-measurement of investment available for sale reclassified to investment in associate	-	127,614	-	127,614
Unrealised (loss) gain on investments at fair value through income statement	(1,199,992)	(28,749)	(832,895)	245,818
Interest on investments held to maturity	389,069	454,104	1,212,810	1,332,880
Interest on debt securities (loans)	343,962	213,368	843,325	615,120
Interest on time and call deposits	828,723	415,831	1,810,661	1,445,532
Foreign exchange (loss) gain	(60,008)	334,407	416,513	403,751
Other investment (loss) income	(84,328)	72,684	214,484	1,299,124
Impairment loss on investments available for sale	(198,301)	44,551	(379,303)	(226,807)
Finance costs	(145,157)	(94,650)	(511,457)	(412,219)
Other investment expenses	(1,958,511)	(262,399)	(2,610,630)	(714,512)
	(1,668,058)	1,395,572	2,889,511	7,853,178

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

	<i>3 months ended</i>		<i>9 months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment (loss) income from life insurance	(896,497)	(76,944)	446,037	824,019
Net investment income from non-life insurance	(771,561)	1,472,516	2,443,474	7,029,159
	(1,668,058)	1,395,572	2,889,511	7,853,178

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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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 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>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>	<i>2015</i> <i>KD</i>	<i>2014</i> <i>KD</i>
Profit attributable to equity holders of the Parent Company	3,748,903	3,013,019	11,234,843	9,077,068
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	179,235,724	179,664,769	179,274,591	181,098,584
Basic and diluted earnings per share	20.92 fils	16.77 fils	62.67 fils	50.12 fils

5 CASH AND CASH EQUIVALENTS

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

	<i>30 September</i> <i>2015</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2014</i> <i>KD</i>	<i>30 September</i> <i>2014</i> <i>KD</i>
	Bank balances and cash	11,153,464	15,499,503
Short term and call deposits	53,981,767	57,676,627	66,278,115
Cash and cash equivalents in the interim condensed consolidated statement of financial position	65,135,231	73,176,130	80,894,807
Bank overdraft	(32,885,412)	(21,532,000)	(30,579,386)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	32,249,819	51,644,130	50,315,421

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:

	<i>General risk insurance</i>					<i>Sub-total KD</i>	<i>Life and medical</i>		<i>Sub-total KD</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>Nine months ended 30 September 2015</i>										
Segment revenue	3,186,770	4,469,892	30,926,544	3,040,782	5,135,932	46,759,920	13,173,697	25,293,873	38,467,570	85,227,490
Segment results (net underwriting income)	1,523,733	1,073,791	2,209,412	780,768	2,026,893	7,614,597	684,798	1,253,668	1,938,466	9,553,063
<i>Nine months ended 30 September 2014</i>										
Segment revenue	3,146,852	4,568,754	26,994,334	2,422,971	4,954,240	42,087,151	12,664,486	24,381,015	37,045,501	79,132,652
Segment results (net underwriting income)	1,475,361	228,646	(45,129)	511,170	2,052,845	4,222,893	170,785	1,804,644	1,975,429	6,198,322

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2015

6 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

<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	223,595,306	92,846,443	65,292,041	381,733,790
Total liabilities	158,554,586	79,113,453	36,506,716	274,174,755
<i>As at 31 December 2014 (Audited)</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	200,901,310	91,710,156	54,607,865	347,219,331
Total liabilities	139,265,117	74,980,649	31,115,121	245,360,887
<i>As at 30 September 2014</i>	<i>General risk insurance KD</i>	<i>Life and medical insurance KD</i>	<i>Un-allocated KD</i>	<i>Total KD</i>
Total assets	218,145,558	80,760,442	58,625,625	357,531,625
Total liabilities	153,501,508	74,254,253	31,640,982	259,396,743

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

7 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>9 months ended 30 September 2015</i>		<i>9 months ended 30 September 2014</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	222,322	46,657	231,160	27,854
Other related parties	3,424,673	232,833	3,046,108	382,216
	3,646,995	279,490	3,277,268	410,070

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2015

7 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>9 months ended 30 September</i>	
	2015	2014
	KD	KD
Salaries and other short-term benefits	589,821	598,705
Employees' end of service benefits	160,981	(111,630)
	750,802	487,075

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

	<i>30 September 2015</i>		<i>(Audited)</i> <i>31 December 2014</i>		<i>30 September 2014</i>	
	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	KD	KD	KD	KD	KD	KD
Directors and key management personnel	120,043	-	193,447	-	242,622	17
Other related parties	1,073,735	1,232,611	592,514	958,727	968,713	723,006
	1,193,778	1,232,611	785,961	958,727	1,211,335	723,023

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 24,948,590 (31 December 2014: KD 17,795,406 and 30 September 2014: KD 25,483,083). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 10,714,311 (31 December 2014: KD 10,733,148 and 30 September 2014: KD 10,739,427).
- Included under other assets an amount of KD 1,402,689 (31 December 2014: KD 1,402,689 and 30 September 2014: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

Group Restructure plan:

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2015

8 CONTINGENT LIABILITIES

At 30 September 2015, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 8,265,971 (31 December 2014: KD 6,986,076 and 30 September 2014: KD 4,169,801).

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 September 2015	<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	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:				
Held for Trading:				
Quoted securities	6,750,724	-	-	6,750,724
Designated upon initial recognition:				
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 2015

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2014 (Audited)	<i>Level 1 KD</i>	<i>Level 2 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Financial instruments:				
Investments available for sale:				
Quoted equity securities	21,697,303	-	-	21,697,303
Unquoted equity securities	-	8,851,050	4,364,196	13,215,246
Unquoted managed funds	-	-	163,377	163,377
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	5,008,511	-	-	5,008,511
Designated upon initial recognition:				
Managed funds of quoted securities	14,845,913	-	-	14,845,913
Total	<u>41,551,727</u>	<u>8,851,050</u>	<u>4,527,573</u>	<u>54,930,350</u>
30 September 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	19,331,793	-	-	19,331,793
Unquoted equity securities	-	11,801,400	4,498,559	16,299,959
Unquoted managed funds	-	-	126,837	126,837
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	4,950,585	-	-	4,950,585
Designated upon initial recognition:				
Managed funds of quoted securities	14,510,297	-	-	14,510,297
Total	<u>38,792,675</u>	<u>11,801,400</u>	<u>4,625,396</u>	<u>55,219,471</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2015

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 2015 KD</i>	<i>Transfer from available for sale to investment in associate 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 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>-</u>	<u>4,243</u>	<u>-</u>	<u>4,531,816</u>
	<i>At 1 January 2014 KD</i>	<i>Transfer from available for sale to investment in associate 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 31 December 2014 KD</i>
<i>Financial assets available for sale:</i>						
Unquoted equity securities	5,585,067	(1,138,750)	(11,210)	(66,734)	(4,177)	4,364,196
Unquoted managed funds	356,636	-	(84,230)	82,918	(191,947)	163,377
	<u>5,941,703</u>	<u>(1,138,750)</u>	<u>(95,440)</u>	<u>16,184</u>	<u>(196,124)</u>	<u>4,527,573</u>
	<i>At 1 January 2014 KD</i>	<i>Transfer from available for sale to investment in associate KD</i>	<i>Gain (loss) recorded in the consolidated statement of income KD</i>	<i>Gain (loss) recorded in the consolidated statement of income KD</i>	<i>Net purchases and disposals KD</i>	<i>At 30 September 2014 KD</i>
<i>Financial assets available for sale:</i>						
Unquoted equity securities	5,585,067	(1,177,819)	175,030	175,030	(83,719)	4,498,559
Unquoted managed funds	356,636	-	(88,104)	(88,104)	(141,695)	126,837
	<u>5,941,703</u>	<u>(1,177,819)</u>	<u>86,926</u>	<u>86,926</u>	<u>(225,414)</u>	<u>4,625,396</u>

During the period ended 30 September 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

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