

**Gulf Insurance Company K.S.C.
and Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2013 (UNAUDITED)

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2013

	Notes	3 months ended 31 March	
		2013 KD	2012 KD
Revenue:			
Premiums written		42,616,882	39,803,791
Reinsurance premiums ceded		(15,097,190)	(15,209,297)
Net premiums written		27,519,692	24,594,494
Movement in unearned premiums reserve		15,177	(349,176)
Movement in life mathematical reserve		(7,496,619)	(6,978,825)
Net premiums earned		20,038,250	17,266,493
Commission received on ceded reinsurance		2,958,284	2,883,975
Policy issuance fees		769,795	693,257
Net investment income from life insurance	3	334,859	883,908
		<u>24,101,188</u>	<u>21,727,633</u>
Expenses:			
Claims incurred		15,039,753	11,482,290
Commission and discounts		2,539,842	2,246,108
Increase in incurred but not reported reserve		90,922	1,514,423
Maturity and cancellations of life insurance policies		571,629	258,518
General and administrative expenses		4,011,340	3,802,407
		<u>22,253,486</u>	<u>19,303,746</u>
Net underwriting income		<u>1,847,702</u>	<u>2,423,887</u>
Net investment income	3	1,971,854	1,174,754
Net sundry income		186,923	152,495
		<u>4,006,479</u>	<u>3,751,136</u>
Other charges			
Unallocated general and administrative expenses		(1,230,850)	(989,973)
		<u>(1,230,850)</u>	<u>(989,973)</u>
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX		<u>2,775,629</u>	<u>2,761,163</u>
Contribution to KFAS		(26,369)	(27,275)
NLST		(42,728)	(34,988)
Zakat tax		(16,525)	(17,217)
		<u>2,690,007</u>	<u>2,681,683</u>
PROFIT FOR THE PERIOD		<u>2,690,007</u>	<u>2,681,683</u>
Attributable to:			
Equity holders of the Parent Company		2,288,162	2,247,249
Non-controlling interests		401,845	434,434
		<u>2,690,007</u>	<u>2,681,683</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENTCOMPANY	4	<u>12.48 fils</u>	<u>12.23 fils</u>

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 31 March 2013

	<i>Note</i>	<i>3 months ended 31 March</i>	
		2013	2012
		KD	KD
Profit for the period		2,690,007	2,681,683
Other comprehensive income:			
Net unrealised (gain) loss on investments available for sale		(288,147)	1,989,085
Net realised gain transferred to statement of income on sale of investments available for sale	3	(83,124)	(6,789)
Impairment loss on investments available for sale	3	52,290	175,534
Share of other comprehensive income of associates		16,371	-
Exchange differences on translation of foreign operations		(553,457)	(314,379)
Other comprehensive (loss) income for the period		(856,067)	1,843,451
Total comprehensive income for the period		1,833,940	4,525,134
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		1,432,095	4,090,700
Non-controlling interests		401,845	434,434
		1,833,940	4,525,134

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2013

		(Audited)		
	Notes	31 March 2013 KD	31 December 2012 KD	31 March 2012 KD
ASSETS				
Property and equipment		13,316,286	11,278,028	11,318,299
Investments in associates		22,742,675	21,344,080	2,291,129
Goodwill		8,998,351	8,394,278	8,457,239
Financial instruments:				
Investments held to maturity		18,745,884	18,798,050	18,159,892
Debt securities (loans)		11,026,874	11,033,153	9,001,990
Investments available for sale	5	32,971,602	31,701,357	36,592,182
Investments carried at fair value through income statement	6	16,618,839	16,554,083	15,594,924
Loans secured by life insurance policies		989,284	977,053	870,125
Premiums and insurance balances receivable		54,856,250	51,509,558	46,472,835
Reinsurance recoverable on outstanding claims		44,400,797	40,725,920	42,219,753
Property held for sale		756,571	613,841	593,374
Other assets		18,492,377	18,702,446	21,905,079
Time deposits	7	31,444,119	23,203,405	29,829,034
Cash and cash equivalents	8	28,865,697	43,508,957	40,571,506
TOTAL ASSETS		304,225,606	298,344,209	283,877,361
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		82,696,756	77,577,832	75,599,567
Unearned premiums reserve (net)		27,222,507	27,449,206	24,304,115
Life mathematical reserve (net)		27,294,421	19,762,691	25,647,743
Incurred but not reported reserve (net)		4,171,112	4,175,414	5,606,355
Total liabilities arising from insurance contracts		141,384,796	128,965,143	131,157,780
Premiums received in advance		279,216	232,595	512,461
Insurance payable		37,208,095	43,031,874	34,111,281
Other liabilities		17,987,338	16,935,887	14,637,440
Bank overdraft	8	17,717,292	20,397,443	17,870,848
TOTAL LIABILITIES		214,576,737	209,562,942	198,289,810
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		18,703,913	18,703,913	17,813,250
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(1,780,131)	(1,780,131)	(1,617,950)
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		14,766,173	14,766,173	13,791,001
Voluntary reserve		18,719,586	18,719,586	17,744,414
Other reserve		(3,010,734)	(3,010,734)	(3,010,734)
Cumulative changes in fair values		2,445,909	2,748,519	2,986,488
Foreign currency translation adjustments		(3,872,875)	(3,319,418)	(2,560,702)
Retained earnings		22,733,977	20,445,815	19,752,462
		74,357,033	72,924,938	70,549,444
Non-controlling interests		15,291,836	15,856,329	15,038,107
Total equity		89,648,869	88,781,267	85,587,551
TOTAL LIABILITIES AND EQUITY		304,225,606	298,344,209	283,877,361

Faisal Al-Ayyar
Vice Chairman

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2013

	Attributable to equity holders of the Parent Company											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	KD	KD
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	-	-	-	-	-	-	-	-	-	2,288,162	2,288,162	401,845	2,690,007
Other comprehensive loss	-	-	-	-	-	-	-	(302,610)	(553,457)	-	(856,067)	-	(856,067)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(302,610)	(553,457)	2,288,162	1,432,095	401,845	1,833,940
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(966,338)	(966,338)
Balance at 31 March 2013	18,703,913	3,600,000	(1,780,131)	2,051,215	14,766,173	18,719,586	(3,010,734)	2,445,909	(3,872,875)	22,733,977	74,357,033	15,291,836	89,648,869
Balance at 31 December 2011	17,813,250	3,600,000	(1,561,429)	2,051,215	13,791,001	17,744,414	(3,010,734)	828,658	(2,246,323)	17,505,213	66,515,265	15,240,604	81,755,869
Profit for the period	-	-	-	-	-	-	-	-	-	2,247,249	2,247,249	434,434	2,681,683
Other comprehensive income (loss)	-	-	-	-	-	-	-	2,157,830	(314,379)	-	1,843,451	-	1,843,451
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	2,157,830	(314,379)	2,247,249	4,090,700	434,434	4,525,134
Purchase of treasury shares	-	-	(56,521)	-	-	-	-	-	-	-	(56,521)	-	(56,521)
Net movement on non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(636,931)	(636,931)
Balance at 31 March 2012	17,813,250	3,600,000	(1,617,950)	2,051,215	13,791,001	17,744,414	(3,010,734)	2,986,488	(2,560,702)	19,752,462	70,549,444	15,038,107	85,587,551

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2013

	Notes	3 months ended 31 March	
		2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit for the period		2,690,007	2,681,683
Adjustments for:			
Depreciation		242,602	202,273
Gain on sale of property and equipment		(23,052)	
Net investment income		(1,667,126)	(2,639,845)
Impairment loss on investments available for sale	3	52,290	175,534
Gain on remeasurement of investment available for sale reclassified to investment in associate	3	(352,570)	-
Share of results of associates	3	(256,464)	405,649
Contribution to KFAS		26,369	27,275
NLST		42,728	34,988
Zakat tax		16,525	17,217
		<u>771,309</u>	<u>904,774</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(64,756)	(653,612)
Premiums and insurance balances receivable		(3,346,692)	(4,360,509)
Reinsurance recoverable on outstanding claims		(3,674,877)	(418,319)
Property held for sale		(142,730)	(358,711)
Other assets		(324,634)	(640,167)
Liabilities arising from insurance contracts		12,419,653	9,112,581
Premiums received in advance		46,621	235,950
Insurance payable		(5,823,779)	838,199
Other liabilities		965,829	365,925
		<u>825,944</u>	<u>5,026,111</u>
Net cash from operations			
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,343,341)	(1,093,062)
Proceeds from sale of property and equipment		24,149	1,016,905
Net movement of investments available for sale		(1,641,334)	(2,362,564)
Purchase of investments in associates		(674,099)	(59,095)
Proceeds from sale of investments in associates		-	2,540,483
Net movement of debt securities (loans)		6,279	(1,243,721)
Net movement of investments held to maturity		52,166	(770,000)
Time deposits		(8,240,714)	4,122,663
Loans secured by life insurance policies		(12,231)	(37,777)
Dividends income received		635,137	33,473
Interest received		962,619	364,608
		<u>(11,231,369)</u>	<u>2,511,913</u>
Net cash (used in) from investing activities			
FINANCING ACTIVITIES			
Purchase of treasury shares		-	(56,521)
Net movement in non-controlling interests		(966,338)	(636,932)
		<u>(966,338)</u>	<u>(693,453)</u>
Net cash used in financing activities			
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(11,371,763)	6,844,571
Net foreign exchange difference		(591,346)	(285,379)
Cash and cash equivalents at 1 January		23,111,514	16,141,466
		<u>23,111,514</u>	<u>16,141,466</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	8	11,148,405	22,700,658

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Company K.S.C. (the "Parent Company") and its subsidiaries (collectively "the Group") were authorised for issue by the Board of Directors on 28 April 2013. The general assembly meeting of the Parent Company's shareholders was held on 8 April 2013. Approved the financial statements for the year ended 31 December 2012 and approved the proposed distribution of cash dividends of 25 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 43.44% (31 December 2012: 43.44% and 31 March 2012: 43.23%) owned by Kuwait Project Company Holding K.S.C. and 41.42% by Fairfax Financial Holding Limited as at 31 March 2013.

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 Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, 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).

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Commerce and Industry by 26 September 2013 will determine the basis and rules which the Parent Company shall adopt to regularise its affairs with the Companies Law as amended.

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 2012 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).

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, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012. 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 three months period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

Changes in accounting policy and disclosures

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) now have to be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Group's financial position or performance.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of this standard does not have any material impact on the interim condensed consolidated financial information of the Group and the relevant disclosures will be made in the annual consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements' and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has not resulted in any impact on the financial position or performance of the Group.

IFRS 12 – Disclosure of Involvement with Other Entities

The standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Group concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the financial statements to make their own assessment of the financial impact were the Group to reach a different conclusion regarding consolidation.

The Group will need to disclose more information about the consolidated and unconsolidated structure entities with which it is involved or has sponsored. The adoption of this standard does not have any material impact on the interim condensed consolidated financial information of the Group and the relevant disclosures will be made in the annual consolidated financial statements of the Group.

IFRS 13 – Fair Value measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. There are also additional disclosure requirements. The adoption of this standard does not have any material impact on the interim condensed consolidated financial information of the Group and the relevant disclosures will be made in the annual consolidated financial statements of the Group.

The revised standards and new amendments above have not had significant impact on the Group's interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

3 NET INVESTMENT INCOME

	<i>3 months ended 31 March</i>	
	<i>2013</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	83,124	6,789
Realised gain on sale of investments at fair value through income statement	129,317	158,616
Dividend income	635,137	711,664
Share of results of associates	256,464	(405,649)
Gain on remeasurement of investment available for sale reclassified to investment in associate	352,570	-
Unrealised (loss) gain on investments at fair value through income statement	(223,726)	749,516
Interest on debt securities (loans)	222,435	157,411
Interest on time and call deposits	437,685	501,288
Foreign exchange gain	163,191	129,158
Other investment income	595,595	509,044
Impairment loss on investments available for sale	(52,290)	(175,534)
Finance charges and interest	(202,562)	(185,079)
Other investment expenses	(90,227)	(98,562)
	<u>2,306,713</u>	<u>2,058,662</u>

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

	<i>3 months ended 31 March</i>	
	<i>2013</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>
Net investment income from life insurance	334,859	883,908
Net investment income from non-life insurance	1,971,854	1,174,754
	<u>2,306,713</u>	<u>2,058,662</u>

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 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	2,288,162	2,247,249
	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	183,344,670	183,710,571
Basic and diluted earnings per share	12.48 fils	12.23 fils

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

5 INVESTMENTS AVAILABLE FOR SALE

	31 March 2013 KD	<i>(Audited)</i> 31 December 2012 KD	31 March 2012 KD
Quoted equity securities	13,567,159	11,773,238	14,226,642
Unquoted equity securities	18,912,072	19,309,569	21,311,814
Unquoted managed funds	492,371	618,550	1,053,726
	<u>32,971,602</u>	<u>31,701,357</u>	<u>36,592,182</u>

Included in investments available for sale are unquoted equity securities with a carrying value of KD 538,552 (31 December 2012: KD 536,352 and 31 March 2012: KD 1,159,078) which are carried at cost because fair value could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments due to the impact of the global financial crisis. Based on specific information available in respect of these investments and their operations, management is of the view that these investments have not suffered any impairment.

An impairment loss of KD 52,290 (31 December 2012: KD 1,011,463 and 31 March 2012: KD 175,534) has been recorded in respect of quoted equity securities classified as available for sale where there has been a significant decline in the value of these securities.

6 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	31 March 2013 KD	<i>(Audited)</i> 31 December 2012 KD	31 March 2012 KD
Held for trading:			
Quoted equity securities	3,431,012	3,394,741	2,497,161
Designated upon initial recognition:			
Managed funds of quoted securities	13,187,827	13,159,342	13,097,763
	<u>16,618,839</u>	<u>16,554,083</u>	<u>15,594,924</u>

7 TIME DEPOSITS

Time deposits are placed with local and foreign banks with an average effective interest rate of 2.5% per annum (31 December 2012: 2.5% and 31 March 2012: 2.00% per annum).

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

8 CASH AND CASH EQUIVALENTS

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

	31 March 2013 KD	<i>(Audited)</i> 31 December 2012 KD	31 March 2012 KD
Bank balances and cash	7,601,291	8,288,118	13,970,227
Short term and call deposits	21,264,406	35,220,839	26,601,279
Cash and cash equivalents in the interim condensed consolidated statement of financial position	28,865,697	43,508,957	40,571,506
Bank overdraft	(17,717,292)	(20,397,443)	(17,870,848)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	11,148,405	23,111,514	22,700,658

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

9 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>Total general risk insurance</i> KD	<i>Life and medical</i>			<i>Total</i> KD
	<i>Marine and aviation</i> KD	<i>Property</i> KD	<i>Motor</i> KD	<i>Engineering</i> KD	<i>General accidents</i> KD		<i>Life insurance</i> KD	<i>Medical insurance</i> KD	<i>Total life and medical</i> KD	
<i>Three months ended</i> <i>31 March 2013</i>										
Segment revenue	830,347	1,538,456	7,645,257	888,309	1,473,159	12,375,528	4,097,332	7,628,328	11,725,660	24,101,188
Segment results (net underwriting income)	371,828	138,726	163,456	132,116	350,767	1,156,893	135,540	555,269	690,809	1,847,702
	<i>General risk insurance</i>					<i>Total general risk insurance</i> KD	<i>Life and medical</i>			<i>Total</i> KD
	<i>Marine and aviation</i> KD	<i>Property</i> KD	<i>Motor</i> KD	<i>Engineering</i> KD	<i>General accidents</i> KD		<i>Life insurance</i> KD	<i>Medical insurance</i> KD	<i>Total life and medical</i> KD	
<i>Three months ended</i> <i>31 March 2012</i>										
Segment revenue	874,193	1,513,163	7,103,603	754,344	1,274,395	11,519,698	4,248,893	5,959,042	10,207,935	21,727,633
Segment results (net underwriting income)	292,660	517,222	(85,863)	182,746	490,275	1,397,040	616,330	410,517	1,026,847	2,423,887

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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10 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 Group's management.

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

	<i>31 March 2013</i>		<i>31 March 2012</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	165,490	951	182,359	4,857
Other related parties	1,689,883	83,357	1,360,355	105,005
	<u>1,855,373</u>	<u>84,308</u>	<u>1,542,714</u>	<u>109,862</u>

Compensation of key management personnel is as follows:

	<i>31 March 2013 KD</i>	<i>31 March 2012 KD</i>
Short-term employee benefits	277,670	270,290
Termination benefits	2,947,067	2,584,028
	<u>3,224,737</u>	<u>2,854,318</u>

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

	<i>31 March 2013</i>		<i>31 March 2012</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	-	-	8,026,375	-
Other related parties	1,117,815	(910,951)	1,542,920	(39,186)
	<u>1,117,815</u>	<u>(910,951)</u>	<u>9,569,295</u>	<u>(39,186)</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 4,007,149 (31 December 2012: KD 7,326,256 and 31 March 2012: KD 4,033,742). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 10,026,874 (31 December 2012: KD 10,033,153 and 31 March 2012: KD 8,251,990).
- Loans granted to a related party amounted to KD 1,402,689 (31 December 2012: KD 1,402,689 and 31 March 2012: KD 1,402,689). These loans are repayable on demand. The interest rate is calculated based on prevailing discount rate of the Central Bank of Kuwait.

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10 RELATED PARTY TRANSACTIONS (continued)

- c) Included on other assets an amount of KD 5,199,340 (31 December 2012: KD 5,126,495 and 31 March 2012: KD 7,621,450) due from Kuwait Project Holding K.S.C. (major shareholder) on sale of an investment in associated company "KIPCO Private Equity Company" at its carrying value. The sale transaction took place on 29 March 2012.

11 CONTINGENT ASSETS AND LIABILITIES

At 31 March 2013, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 4,667,247 (31 December 2012: KD 3,405,786 and 31 March 2012: KD 928,468).

During the year ended 31 December 2011, an objection letter was submitted to the Department of Inspections and Tax Claims (DIT) against the NLST assessment for the years ended 31 December 2008 and 2009. Whereby, the DIT did not allow the deduction of impairment on doubtful insurance receivables related to the governmental health insurance for, and prior to, the year ended 31 December 2009. During the year ended 31 December 2008, the related provisions were written-off based on the decision of the Government on the cancellation of the insurance contract with the governmental hospitals.

The movement on provision for doubtful receivables excludes the written-off provisions in the consolidated financial statements for the years ended 31 December 2009 and 31 December 2008.

Management of the Parent Company expects the issuance of the final decision during the year ending 31 December 2013.

12 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 and cash and cash equivalent. Financial liabilities consist of bank overdrafts, insurance payable and other liabilities.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost (Note 5), are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level: 1</i> <i>KD</i>	<i>Level: 2</i> <i>KD</i>	<i>Level: 3</i> <i>KD</i>	<i>Total fair value</i> <i>KD</i>
31 March 2013				
Financial instruments:				
Investments available for sale:				
Quoted equity securities	13,567,159	-	-	13,567,159
Unquoted equity securities	-	11,801,400	6,572,120	18,373,520
	-	-	492,371	492,371

**Investments carried at fair value through
income statements:
Held for Trading:**

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At 31 March 2013

Quoted securities	3,431,012	-	-	3,431,012
Designated upon initial recognition:				
Managed funds of quoted securities	13,187,827	-	-	13,187,827
Total	30,185,998	11,801,400	7,064,491	49,051,889

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2012	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Financial instruments:				
Investments available for sale:				
Quoted equity securities	11,773,238	-	-	11,773,238
Unquoted equity securities	-	11,801,400	6,971,817	18,773,217
Unquoted managed funds	-	-	618,550	618,550
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	3,394,741	-	-	3,394,741
Designated upon initial recognition:				
Managed funds of quoted securities	13,159,342	-	-	13,159,342
Total	28,327,321	11,801,400	7,590,367	47,719,088

31 March 2012	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Financial instruments:				
Investments available for sale:				
Quoted equity securities	14,226,642	-	-	14,226,642
Unquoted equity securities	-	-	20,152,736	20,152,736
Unquoted managed funds	-	-	1,053,726	1,053,726
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	2,497,161	-	-	2,497,161
Designated upon initial recognition:				
Managed funds of quoted securities	13,097,763	-	-	13,097,763
Total	29,821,566	-	21,206,462	51,028,028

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

	At 1 January	Gain / (loss) recorded	Gain / (loss) recorded	At 31 March
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Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2013

	2013	<i>in the consolidated statement of income</i>	<i>in the consolidated statement of comprehensive income</i>	<i>Net purchases and disposals</i>	2013
	KD		KD	KD	KD
<i>Financial assets available for sale:</i>					
Unquoted equity securities	6,971,817	-	(399,697)	-	6,572,120
Unquoted managed funds	618,550	(16,338)	1,550	(111,391)	492,371
	<u>7,590,367</u>	<u>(16,338)</u>	<u>398,147</u>	<u>(111,391)</u>	<u>7,064,491</u>

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	At 1 January 2012	Transfers From Level 3 To Level 2	Gain / (loss) recorded in the consolidated statement of comprehensive income	Net purchases and disposals	At 31 December 2012
	KD	KD	KD	KD	KD
<i>Financial assets available for sale:</i>					
Unquoted equity securities	18,723,458	(12,750,000)	165,153	833,206	6,971,817
Unquoted managed funds	1,119,382	-	(12,574)	(488,258)	618,550
	<u>19,842,840</u>	<u>(12,750,000)</u>	<u>152,579</u>	<u>344,948</u>	<u>7,590,367</u>

	At 1 January 2012	Gain / (loss) recorded in the consolidated statement of comprehensive income	Net purchases and disposals	At 31 March 2012
	KD	KD	KD	KD
<i>Financial assets available for sale:</i>				
Unquoted equity securities	18,723,458	1,529,278	(100,000)	20,152,736
Unquoted managed funds	1,119,382	(58,629)	(7,027)	1,053,726
	<u>19,842,840</u>	<u>1,470,649</u>	<u>(107,027)</u>	<u>21,206,462</u>

During the period ended 31 March 2012, 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.