

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2013 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Company K.S.C. (the "Parent Company") and its Subsidiaries (collectively "the Group") as at 30 June 2013 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 material violations of the Companies Law No 25 of 2012, as amended, or of the Parent Company's Articles of Association and Memorandum of Incorporation during the six months period ended 30 June 2013 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six months period ended 30 June 2013.



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

30 July 2013
Kuwait



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

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2013

	Notes	3 months ended 30 June		6 months ended 30 June	
		2013	2012	2013	2012
		KD	KD	KD	KD
Revenue:					
Premiums written		30,237,425	28,343,402	72,854,307	68,147,193
Reinsurance premiums ceded		(15,049,082)	(14,937,918)	(30,146,272)	(30,147,215)
Net premiums written		15,188,343	13,405,484	42,708,035	37,999,978
Movement in unearned premiums reserve		1,848,948	1,179,108	1,864,125	829,932
Movement in life mathematical reserve		2,297,893	2,243,606	(5,198,726)	(4,735,219)
Net premiums earned		19,335,184	16,828,198	39,373,434	34,094,691
Commission received on ceded reinsurance		3,076,031	3,272,586	6,034,315	6,156,561
Policy issuance fees		976,381	910,236	1,746,176	1,603,493
Net investment income from life insurance	3	313,529	(381,925)	648,388	508,904
		<u>23,701,125</u>	<u>20,629,095</u>	<u>47,802,313</u>	<u>42,363,649</u>
Expenses:					
Claims incurred		15,114,278	12,167,451	30,154,031	23,649,741
Commission and discounts		2,414,312	2,632,811	4,954,154	4,878,919
Increase in incurred but not reported reserve		440,503	77,318	531,425	1,591,741
Maturity and cancellations of life insurance policies		272,519	319,742	844,148	578,260
General and administrative expenses		3,916,828	3,836,039	7,928,168	7,638,446
		<u>22,158,440</u>	<u>19,033,361</u>	<u>44,411,926</u>	<u>38,337,107</u>
Net underwriting income		1,542,685	1,595,734	3,390,387	4,026,542
Net investment income	3	2,294,232	2,053,418	4,266,086	3,221,251
Net sundry income		55,489	17,136	242,412	169,631
		<u>3,892,406</u>	<u>3,666,288</u>	<u>7,898,885</u>	<u>7,417,424</u>
Other charges					
Unallocated general and administrative expenses		(847,660)	(1,010,214)	(2,078,510)	(2,000,187)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX					
		3,044,746	2,656,074	5,820,375	5,417,237
Contribution to KFAS		(29,037)	(24,253)	(55,406)	(51,528)
NLST		(46,020)	(41,401)	(88,748)	(76,389)
Zakat tax		(14,920)	(10,777)	(31,445)	(27,994)
PROFIT FOR THE PERIOD		<u>2,954,769</u>	<u>2,579,643</u>	<u>5,644,776</u>	<u>5,261,326</u>
Attributable to:					
Equity holders of the Parent Company		2,570,031	2,257,598	4,858,193	4,504,847
Non-controlling interests		384,738	322,045	786,583	756,479
		<u>2,954,769</u>	<u>2,579,643</u>	<u>5,644,776</u>	<u>5,261,326</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>14.02 fils</u>	<u>12.29 fils</u>	<u>26.50 fils</u>	<u>24.51 fils</u>

The attached notes 1 to 9 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 30 June 2013

	<i>Note</i>	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period		2,954,769	2,579,643	5,644,776	5,261,326
Other comprehensive income:					
Net unrealised (gain) loss on investments available for sale		(49,624)	322,204	(337,771)	2,311,289
Net realised gain transferred to statement of income on sale of investments available for sale	3	(279,729)	(19,495)	(362,853)	(26,284)
Impairment loss on investments available for sale	3	169,421	536,697	221,711	712,231
Share of other comprehensive income of associates		(20,286)	13,479	(3,915)	13,479
Exchange differences on translation of foreign operations		(396,941)	217,380	(950,398)	(96,999)
Other comprehensive (loss) income for the period		(577,159)	1,070,265	(1,433,226)	2,913,716
Total comprehensive income for the period		2,377,610	3,649,908	4,211,550	8,175,042
ATTRIBUTABLE TO:					
Equity holders of the Parent Company		1,992,872	3,327,863	3,424,967	7,418,563
Non-controlling interests		384,738	322,045	786,583	756,479
		2,377,610	3,649,908	4,211,550	8,175,042


The attached notes 1 to 9 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 30 June 2013

		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
		<i>2013</i>	<i>2012</i>	<i>2012</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS				
Property and equipment		13,132,364	11,278,028	11,481,322
Investments in associates		22,860,417	21,344,080	17,282,373
Goodwill		8,998,351	8,394,278	8,394,278
Financial instruments:				
Investments held to maturity		19,184,654	18,798,050	18,856,016
Debt securities (loans)		11,770,595	11,033,153	9,995,711
Investments available for sale		32,909,618	31,701,357	32,026,136
Investments carried at fair value through income statement		16,346,875	16,554,083	14,711,684
Loans secured by life insurance policies		1,104,492	977,053	912,689
Premiums and insurance balances receivable		40,406,790	51,509,558	44,251,114
Reinsurance recoverable on outstanding claims		45,341,322	40,725,920	42,929,080
Property held for sale		742,474	613,841	597,616
Other assets		18,912,752	18,702,446	21,563,032
Time deposits		29,731,515	23,203,405	41,174,059
Cash and cash equivalents	5	35,000,493	43,508,957	20,620,754
TOTAL ASSETS		296,442,712	298,344,209	284,795,864
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		85,286,375	77,577,832	76,347,290
Unearned premiums reserve (net)		25,247,738	27,449,206	23,272,549
Life mathematical reserve (net)		24,995,575	19,762,691	23,404,672
Incurred but not reported reserve (net)		4,547,276	4,175,414	5,694,212
Total liabilities arising from insurance contracts		140,076,964	128,965,143	128,718,723
Premiums received in advance		286,272	232,595	360,020
Insurance payable		33,154,540	43,031,874	33,450,688
Other liabilities		17,846,548	16,935,887	16,925,333
Bank overdraft	5	17,875,077	20,397,443	19,672,073
TOTAL LIABILITIES		209,239,401	209,562,942	199,126,837
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		18,703,913	18,703,913	18,703,888
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(1,837,125)	(1,780,131)	(1,632,466)
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		2,265,691	2,748,519	3,839,373
Foreign currency translation adjustments		(4,269,816)	(3,319,418)	(2,343,322)
Retained earnings		20,720,389	20,445,815	17,621,077
		71,709,292	72,924,938	70,364,446
Non-controlling interests		15,494,019	15,856,329	15,304,581
Total equity		87,203,311	88,781,267	85,669,027
TOTAL LIABILITIES AND EQUITY		296,442,712	298,344,209	284,795,864


Farqad A. Al-Sane
Chairman

The attached notes 1 to 9 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 30 June 2013

	Attributable to equity holders of the Parent Company										Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Other reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Retained earnings			Sub total
	KD	KD	KD	KD	KD	KD	KD	KD	KD	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	-	-	-	-	-	-	-	-	-	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
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,583,619)	(4,583,619)	-	(4,583,619)
Purchase of treasury shares	-	-	(56,994)	-	-	-	-	-	-	-	-	(1,148,893)	(1,148,893)
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
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	-	-	-	-	-	-	-	-	-	4,504,847	4,504,847	756,479	5,261,326
Other comprehensive income (loss)	-	-	-	-	-	-	-	3,010,715	(96,999)	-	2,913,716	-	2,913,716
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	3,010,715	(96,999)	4,504,847	7,418,563	756,479	8,175,042
Issue of bonus shares	890,638	-	-	-	-	-	-	-	-	(890,638)	-	-	-
Dividend for 2011	-	-	-	-	-	-	-	-	-	(3,498,345)	(3,498,345)	-	(3,498,345)
Purchase of treasury shares	-	-	(71,037)	-	-	-	-	-	-	-	(71,037)	-	(71,037)
Net movement on non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(692,502)	(692,502)
Balance at 30 June 2012	18,703,888	3,600,000	(1,632,466)	2,051,215	13,791,001	17,744,414	(3,010,734)	3,839,373	(2,343,322)	17,621,077	70,364,446	15,304,581	85,669,027

The attached notes 1 to 9 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 30 June 2013

	Notes	6 months ended 30 June	
		2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit for the period		5,644,776	5,261,326
Adjustments for:			
Depreciation		447,669	441,308
Gain on sale of property and equipment		(26,548)	(11,040)
Net investment income		(3,672,209)	(2,913,967)
Impairment loss on investments available for sale	3	221,711	712,231
Gain on remeasurement of investment available for sale reclassified to investment in associate	3	(352,570)	(1,910,418)
Share of results of associates	3	(967,835)	381,999
Contribution to KFAS		55,406	51,528
NLST		88,748	76,389
Zakat tax		31,445	27,994
		1,470,593	2,117,350
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		67,621	(138,189)
Premiums and insurance balances receivable		11,102,768	(2,138,788)
Reinsurance recoverable on outstanding claims		(4,615,402)	(1,127,647)
Property held for sale		(128,633)	(362,953)
Other assets		(535,147)	(1,084,025)
Liabilities arising from insurance contracts		11,111,821	6,673,524
Premiums received in advance		53,677	83,509
Insurance payable		(9,877,334)	177,606
Other liabilities		981,750	2,878,464
Cash from operations		9,631,714	7,078,851
Paid to KFAS		(95,615)	(63,624)
Paid to NLST		(26,072)	(125,189)
Paid to Zakat		-	(12,264)
Paid to directors		(125,000)	(100,000)
Net cash from operations		9,385,027	6,777,774
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,411,471)	(1,413,012)
Proceeds from sale of property and equipment		41,019	1,017,788
Net movement of investments available for sale		(1,908,885)	(4,123,633)
Purchase of investments in associates		(674,099)	(6,792,940)
Proceeds from sale of investments in associates		-	2,540,483
Net movement of debt securities (loans)		(737,442)	(2,237,442)
Net movement of investments held to maturity		(386,604)	(1,466,124)
Time deposits		(6,528,110)	(7,222,362)
Loans secured by life insurance policies		(127,439)	(80,341)
Dividends income received		1,158,656	833,120
Dividends received from associates		591,876	331,500
Interest received		2,373,908	1,055,766
Net cash used in investing activities		(8,608,591)	(17,557,197)
FINANCING ACTIVITIES			
Purchase of treasury shares		(56,994)	(71,037)
Net movement in non-controlling interests		(1,148,893)	(692,502)
Dividends paid		(4,583,619)	(3,498,345)
Net cash used in financing activities		(5,789,506)	(4,261,884)
DECREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		(5,013,070)	(15,041,307)
Cash and cash equivalents at 1 January		(973,028)	(151,478)
		23,111,514	16,141,466
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	17,125,416	948,681

The attached notes 1 to 9 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 30 June 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 30 July 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 30 June 2012: 44.75%) owned by Kuwait Project Company Holding K.S.C. and 41.42% by Fairfax Financial Holding Limited as at 30 June 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).

Operating results for the three months period ended 30 June 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2013

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 has resulted in introducing new disclosures to 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.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

3 NET INVESTMENT INCOME

	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	279,729	19,495	362,853	26,284
Realised gain on sale of investments at fair value through income statement	71,191	518,033	200,508	676,649
Dividend income	523,519	121,456	1,158,656	833,120
Share of results of associates	711,371	23,650	967,835	(381,999)
Gain on remeasurement of investment available for sale reclassified to investment in associate	-	1,910,418	352,570	1,910,418
Unrealised loss on investments at fair value through income statement	(116,369)	(885,850)	(340,095)	(136,334)
Interest on debt securities (loans)	176,259	175,290	398,694	332,701
Interest on time and call deposits	1,537,529	845,444	1,975,214	1,790,726
Foreign exchange gain	302,466	111,421	465,657	240,579
Other investment (loss) income	(316,363)	48,489	279,232	113,539
Impairment loss on investments available for sale	(169,421)	(536,697)	(221,711)	(712,231)
Finance charges and interest	(169,289)	(202,208)	(371,851)	(387,287)
Other investment expenses	(222,861)	(477,448)	(313,088)	(576,010)
	2,607,761	1,671,493	4,914,474	3,730,155

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

	<i>2013</i>		<i>2012</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income from life insurance	313,529	(381,925)	648,388	508,904
Net investment income from non-life insurance	2,294,232	2,053,418	4,266,086	3,221,251
	2,607,761	1,671,493	4,914,474	3,730,155

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 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	2,570,031	2,257,598	4,858,193	4,504,847
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	183,295,401	183,658,090	183,320,035	183,763,915
Basic and diluted earnings per share	14.02 fils	12.29 fils	26.50 fils	24.51 fils

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2013

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>2013</i>	<i>31 December</i>	<i>2012</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and cash	11,639,831	8,288,118	8,824,509
Short term and call deposits	23,360,662	35,220,839	11,796,245
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of financial position	35,000,493	43,508,957	20,620,754
Bank overdraft	(17,875,077)	(20,397,443)	(19,672,073)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	17,125,416	23,111,514	948,681
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

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:

	General risk insurance				Life and medical					
	Marine and aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Total general risk insurance KD	Life insurance KD	Medical insurance KD	Total life and medical KD	Total KD
<i>Three months ended</i>										
<i>30 June 2013</i>										
Segment revenue	2,123,519	3,111,315	15,473,309	1,670,851	2,881,529	25,260,523	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	2,529,654	324,526	536,207	860,733	3,390,387
<i>Six months ended</i>										
<i>30 June 2012</i>										
Segment revenue	1,909,726	2,924,136	14,355,164	1,613,930	2,603,781	23,406,737	7,388,595	11,568,317	18,956,912	42,363,649
Segment results (net underwriting income)	844,921	638,524	253,336	294,866	1,211,861	3,243,508	427,797	355,237	783,034	4,026,542

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

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 Group's management.

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

	<i>30 June 2013</i>		<i>30 June 2012</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Directors and key management personnel	216,108	(55,564)	283,034	16,478
Other related parties	2,361,639	(207,720)	1,810,355	318,788
	<u>2,577,747</u>	<u>(263,284)</u>	<u>2,093,389</u>	<u>335,666</u>

Compensation of key management personnel is as follows:

	<i>30 June 2013 KD</i>	<i>30 June 2012 KD</i>
Short-term employee benefits	502,340	500,580
Termination benefits	3,046,044	2,631,609
	<u>3,548,384</u>	<u>3,132,189</u>

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

	<i>30 June 2013</i>		<i>30 June 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>
Major shareholder	-	-	94,100	-
Directors and key management personnel	280,819	-	268,719	-
Other related parties	976,733	(825,973)	1,205,400	(33,605)
	<u>1,257,552</u>	<u>(825,973)</u>	<u>1,568,219</u>	<u>(33,605)</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 4,487,718 (31 December 2012: KD 7,326,256 and 30 June 2012: KD 3,924,331). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 10,770,595 (31 December 2012: KD 10,033,153 and 30 June 2012: KD 8,245,711).
- Loans granted to a related party amounted to KD 1,402,689 (31 December 2012: KD 1,402,689 and 30 June 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.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

7 RELATED PARTY TRANSACTIONS (continued)

- c) Included on other assets an amount of KD 5,208,446 (31 December 2012: KD 5,126,495 and 30 June 2012: KD 7,676,084) 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.

8 CONTINGENT LIABILITIES

At 30 June 2013, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 3,894,440 (31 December 2012: KD 3,405,786 and 30 June 2012: KD 2,871,715).

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 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, 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 2013	<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>
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	11,610,389	-	-	11,610,389
Total	<u>29,970,687</u>	<u>11,801,400</u>	<u>6,942,205</u>	<u>48,714,292</u>

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

9 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

30 June 2012	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Financial instruments:				
Investments available for sale:				
Quoted equity securities	9,330,658	-	-	9,330,658
Unquoted equity securities	-	-	20,250,276	20,250,276
Unquoted managed funds	-	-	1,334,017	1,334,017
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	4,318,769	-	-	4,318,769
Designated upon initial recognition:				
Managed funds of quoted securities	10,392,914	-	-	10,392,914
Total	24,042,341	-	21,584,293	45,626,634

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 2013 KD	Loss recorded in the consolidated statement of income	Loss recorded in the consolidated statement of comprehensive income KD	Net purchases and disposals KD	At 30 June 2013 KD
<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
	7,590,367	(88,647)	(459,443)	(100,072)	6,942,205

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2013

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>At 1 January 2012 KD</i>	<i>Transfers From Level 3 To Level 2 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 2012 KD</i>
<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>
	<i>At 1 January 2012 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 2012 KD</i>
<i>Financial assets available for sale:</i>					
Unquoted equity securities	18,723,458		1,626,818	(100,000)	20,250,276
Unquoted managed funds	1,119,382		211,662	(7,027)	1,053,726
	<u>19,842,840</u>		<u>1,838,480</u>	<u>(107,027)</u>	<u>21,574,293</u>

During the period ended 30 June 2013, 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.