

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2013 (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 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 September 2013 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, or of the Parent Company's Articles of Association and Memorandum of Incorporation during the nine months period ended 30 September 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 nine months period ended 30 September 2013.

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 2013
Kuwait

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2013

	Notes	3 months ended 30 September		9 months ended 30 September	
		2013	2012	2013	2012
		KD	KD	KD	KD
Revenue:					
Premiums written		50,078,914	44,971,182	122,933,221	113,118,375
Reinsurance premiums ceded		(25,989,524)	(25,852,530)	(56,135,797)	(55,999,745)
Net premiums written		24,089,390	19,118,652	66,797,424	57,118,630
Movement in unearned premiums reserve		(6,939,901)	(4,957,763)	(5,075,776)	(4,127,831)
Movement in life mathematical reserve		1,431,218	2,067,935	(3,767,508)	(2,667,284)
Net premiums earned		18,580,707	16,228,824	57,954,140	50,323,515
Commission received on ceded reinsurance		2,492,635	2,373,716	8,526,950	8,530,277
Policy issuance fees		672,232	785,308	2,418,408	2,388,801
Net investment income from life insurance	3	1,084,200	939,480	1,732,588	1,448,384
		22,829,774	20,327,328	70,632,086	62,690,977
Expenses:					
Claims incurred		14,614,025	13,340,802	44,768,056	36,990,543
Commission and discounts		1,913,730	1,397,693	5,848,138	5,203,815
Increase (decrease) in incurred but not reported reserve		172,505	(1,244,574)	703,930	347,167
Maturity and cancellations of life insurance policies		60,566	399,329	904,714	977,589
General and administrative expenses		3,825,970	4,117,228	12,773,886	12,828,470
		20,586,796	18,010,478	64,998,724	56,347,584
Net underwriting income		2,242,978	2,316,850	5,633,362	6,343,393
Net investment income	3	2,251,655	2,183,179	6,517,741	5,404,430
Net sundry income		222,386	97,045	464,798	266,676
		4,717,019	4,597,074	12,615,901	12,014,499
Other charges					
Unallocated general and administrative expenses		(1,040,262)	(842,690)	(3,118,770)	(2,842,877)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX					
Contribution to KFAS		3,676,757	3,754,384	9,497,131	9,171,622
NLST		(24,760)	(33,852)	(80,166)	(85,380)
Zakat tax		(53,871)	(65,838)	(142,619)	(142,227)
		(22,805)	(22,555)	(54,250)	(50,548)
PROFIT FOR THE PERIOD		3,575,321	3,632,139	9,220,096	8,893,467
Attributable to:					
Equity holders of the Parent Company		2,931,563	2,929,120	7,789,755	7,433,967
Non-controlling interests		643,758	703,019	1,430,341	1,459,500
		3,575,321	3,632,139	9,220,096	8,893,467
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	16.00 fils	15.96 fils	42.50 fils	40.47 fils

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 September 2013

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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	3,575,321	3,632,139	9,220,096	8,893,467
Other comprehensive income:				
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>				
Net unrealised loss on investments available for sale	1,062,885	294,872	725,115	2,606,161
Net realised gain transferred to statement of income on sale of investments available for sale	3 (11,124)	(222,648)	(373,977)	(248,932)
Impairment loss on investments available for sale	3 -	113,443	221,711	825,674
Share of other comprehensive income (loss) of associates	74,005	(16,194)	70,090	(2,715)
Exchange differences on translation of foreign operations	(333,755)	(308,300)	(1,284,153)	(405,299)
Other comprehensive income (loss) for the period	792,012	(138,827)	(641,214)	2,774,889
Total comprehensive income for the period	4,367,332	3,493,312	8,578,882	11,668,356
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	3,723,574	2,790,293	7,148,541	10,208,856
Non-controlling interests	643,758	703,019	1,430,341	1,459,500
	4,367,332	3,493,312	8,578,882	11,668,356


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 September 2013

		<i>(Audited)</i>		
	<i>Note</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
		<i>2013</i>	<i>2012</i>	<i>2012</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS				
Property and equipment		12,940,952	11,278,028	11,356,001
Investments in associates		24,091,964	21,344,080	20,155,445
Goodwill		8,998,351	8,394,278	8,394,278
Financial instruments:				
Investments held to maturity		19,729,950	18,798,050	18,017,367
Debt securities (loans)		11,764,316	11,033,153	9,239,432
Investments available for sale		33,509,108	31,701,357	32,716,658
Investments carried at fair value through income statement		17,918,005	16,554,083	16,446,300
Loans secured by life insurance policies		1,201,498	977,053	1,033,673
Premiums and insurance balances receivable		47,434,501	51,509,558	46,104,191
Reinsurance recoverable on outstanding claims		49,028,230	40,725,920	40,689,374
Property held for sale		741,701	613,841	629,233
Other assets		18,853,294	18,702,446	22,095,756
Time deposits		26,750,270	23,203,405	39,871,084
Cash and cash equivalents	5	49,668,852	43,508,957	34,006,247
TOTAL ASSETS		322,630,992	298,344,209	300,755,039
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		89,494,671	77,577,832	75,030,918
Unearned premiums reserve (net)		32,079,179	27,449,206	28,077,284
Life mathematical reserve (net)		23,562,663	19,762,691	21,332,363
Incurred but not reported reserve (net)		4,740,715	4,175,414	4,443,893
Total liabilities arising from insurance contracts		149,877,228	128,965,143	128,884,458
Premiums received in advance		375,935	232,595	226,778
Insurance payable		42,690,880	43,031,874	42,071,839
Other liabilities		17,768,645	16,935,887	18,048,504
Bank overdraft	5	20,560,240	20,397,443	22,896,701
TOTAL LIABILITIES		231,272,928	209,562,942	212,128,280
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		(1,837,125)	(1,780,131)	(1,769,432)
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		3,391,458	2,748,519	4,008,846
Foreign currency translation adjustments		(4,603,571)	(3,319,418)	(2,651,622)
Retained earnings		23,651,951	20,445,815	20,550,172
		75,432,866	72,924,938	73,017,773
Non-controlling interests		15,925,198	15,856,329	15,608,986
Total equity		91,358,064	88,781,267	88,626,759
TOTAL LIABILITIES AND EQUITY		322,630,992	298,344,209	300,755,039


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 September 2013

	Attributable to equity holders of the Parent Company											Non-controlling interests	Total equity		
	Share capital KD	Share premium KD	Treasury shares		Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values		Foreign currency translation adjustments				Retained earnings KD	Sub total KD
			Treasury shares KD	Treasury shares KD				Share changes KD	Share changes KD	Share changes KD	Share changes 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	-	-	-	-	-	-	-	-	-	7,789,755	7,789,755	1,430,341	9,220,096		
Other comprehensive income (loss)	-	-	-	-	-	-	642,939	(1,284,153)	-	-	(641,214)	-	(641,214)		
Total comprehensive income (loss) for the period	-	-	-	-	-	-	642,939	(1,284,153)	-	-	7,148,541	1,430,341	8,578,882		
Dividend for 2012	-	-	-	-	-	-	-	-	-	(4,583,619)	(4,583,619)	-	(4,583,619)		
Purchase of treasury shares	-	-	(56,994)	-	-	-	-	-	-	-	(56,994)	-	(56,994)		
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,361,472)	(1,361,472)		
Balance at 30 September 2013	18,703,913	3,600,000	(1,837,125)	2,051,215	14,766,173	18,719,586	(3,010,734)	3,391,458	(4,603,571)	23,651,951	75,432,866	15,925,198	91,358,064		
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	-	-	-	-	-	-	-	-	-	7,433,967	7,433,967	1,459,500	8,893,467		
Other comprehensive income (loss)	-	-	-	-	-	-	-	3,180,188	(405,299)	-	2,774,889	-	2,774,889		
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	3,180,188	(405,299)	7,433,967	10,208,856	1,459,500	11,668,356		
Issue of bonus shares	890,663	-	-	-	-	-	-	-	-	(890,663)	-	-	-		
Dividend for 2011	-	-	-	-	-	-	-	-	-	(3,498,345)	(3,498,345)	-	(3,498,345)		
Purchase of treasury shares	-	-	(208,003)	-	-	-	-	-	-	-	(208,003)	-	(208,003)		
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,091,118)	(1,091,118)		
Balance at 30 September 2012	18,703,913	3,600,000	(1,769,432)	2,051,215	13,791,001	17,744,414	(3,010,734)	4,008,846	(2,651,622)	20,550,172	73,017,773	15,608,986	88,626,759		

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 September 2013

	Notes	9 months ended 30 September	
		2013 KD	2012 KD
OPERATING ACTIVITIES			
Profit for the period		9,220,096	8,893,467
Adjustments for:			
Depreciation		660,239	536,988
Gain on sale of property and equipment		(26,548)	(113,317)
Net investment income		(6,716,423)	(5,006,395)
Impairment loss on investments available for sale	3	221,711	825,674
Gain on re-measurement of investment available for sale reclassified to investment in associate	3	(367,405)	(2,889,980)
Share of results of associates	3	(1,361,664)	217,887
Contribution to KFAS		80,166	85,380
NLST		142,619	142,227
Zakat tax		54,250	50,548
		1,907,041	2,742,479
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(428,626)	(841,157)
Premiums and insurance balances receivable		4,075,057	(3,991,865)
Reinsurance recoverable on outstanding claims		(8,302,310)	1,112,059
Property held for sale		(127,860)	(394,570)
Other assets		1,292,737	(2,289,455)
Liabilities arising from insurance contracts		20,912,085	6,839,259
Premiums received in advance		143,340	(49,733)
Insurance payable		(340,994)	8,798,757
Other liabilities		898,027	3,815,767
Cash from operations		20,028,497	15,741,541
Paid to KFAS		(95,615)	-
Paid to NLST		(26,072)	(125,189)
Paid to Zakat		-	(12,264)
Paid to directors		(125,000)	(100,000)
Net cash from operations		19,781,810	15,504,088
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,478,031)	(1,415,752)
Proceeds from sale of property and equipment		78,688	1,018,654
Net movement of investments available for sale		(2,289,383)	(4,746,821)
Purchase of investments in associates		(674,099)	(8,491,549)
Proceeds from sale of investments in associates		-	2,540,483
Net movement of debt securities (loans)		(731,163)	(1,481,163)
Net movement of investments held to maturity		(931,900)	(627,475)
Time deposits		(3,546,865)	(5,919,387)
Loans secured by life insurance policies		(224,445)	(201,325)
Dividends income received		1,276,992	882,192
Dividends received from associates		591,876	331,500
Interest received		2,373,907	2,740,180
Net cash used in investing activities		(6,554,423)	(15,370,463)
FINANCING ACTIVITIES			
Purchase of treasury shares		(56,994)	(208,003)
Dividends to non-controlling interests		(1,361,472)	(1,091,118)
Dividends paid		(4,583,619)	(3,498,345)
Net cash used in financing activities		(6,002,085)	(4,797,466)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		7,225,302	(4,663,841)
Net foreign exchange difference		(1,228,204)	(368,079)
Cash and cash equivalents at 1 January		23,111,514	16,141,466
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	29,108,612	11,109,546

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 September 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 3 November 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 44.85 % (31 December 2012: 43.44% and 30 September 2012: 44.00%) owned by Kuwait Project Company Holding K.S.C. and 42.28% by Fairfax Financial Holding Limited as at 30 September 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 New Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulations, the companies have one year from the date of publishing the executive regulations to comply with the new amended law.

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 nine months period ended 30 September 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.

At 30 September 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 September 2013

3 NET INVESTMENT INCOME

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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	11,124	222,648	373,977	248,932
Realised gain on sale of investments at fair value through income statement	82,095	256,461	282,603	933,110
Dividend income	118,336	49,072	1,276,992	882,192
Share of results of associates	393,829	164,112	1,361,664	(217,887)
Gain on re-measurement of investment available for sale reclassified to investment in associate	14,835	979,562	367,405	2,889,980
Unrealised gain on investments at fair value through income statement	992,788	775,187	652,693	638,853
Interest on investments held to maturity	429,968	172,392	1,482,351	1,077,094
Interest on debt securities (loans)	202,253	168,097	600,947	500,798
Interest on time and call deposits	455,488	710,071	1,378,319	1,596,095
Foreign exchange gain	591,171	151,439	1,056,828	392,018
Other investment income	269,325	170,574	548,557	284,113
Impairment loss on investments available for sale	-	(113,443)	(221,711)	(825,674)
Finance costs	(210,072)	(490,190)	(581,923)	(877,477)
Other investment expenses	(15,285)	(93,323)	(328,373)	(669,333)
	<u>3,335,855</u>	<u>3,122,659</u>	<u>8,250,329</u>	<u>6,852,814</u>

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

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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 investment income from life insurance	1,084,200	939,480	1,732,588	1,448,384
Net investment income from non-life insurance	2,251,655	2,183,179	6,517,741	5,404,430
	<u>3,335,855</u>	<u>3,122,659</u>	<u>8,250,329</u>	<u>6,852,814</u>

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2013

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 September</i>		<i>9 months ended 30 September</i>	
	<i>2013 KD</i>	<i>2012 KD</i>	<i>2013 KD</i>	<i>2012 KD</i>
Profit attributable to equity holders of the Parent Company	<u>2,931,563</u>	<u>2,929,120</u>	<u>7,789,755</u>	<u>7,433,967</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	<u>183,246,149</u>	<u>183,520,348</u>	<u>183,295,044</u>	<u>183,681,834</u>
Basic and diluted earnings per share	<u>16.00 fils</u>	<u>15.96 fils</u>	<u>42.50 fils</u>	<u>40.47 fils</u>

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 2013 KD</i>	<i>(Audited) 31 December 2012 KD</i>	<i>30 September 2012 KD</i>
	Bank balances and cash	<u>6,718,518</u>	8,288,118
Short term and call deposits	<u>42,950,334</u>	<u>35,220,839</u>	<u>23,091,225</u>
Cash and cash equivalents in the interim condensed consolidated statement of financial position	<u>49,668,852</u>	43,508,957	34,006,247
Bank overdraft	<u>(20,560,240)</u>	<u>(20,397,443)</u>	<u>(22,896,701)</u>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<u>29,108,612</u>	<u>23,111,514</u>	<u>11,109,546</u>

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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
<i>Nine months ended</i>									
<i>30 September 2013</i>									
Segment revenue	3,050,876	4,193,766	23,294,443	2,409,994	4,382,844	37,331,923	11,799,386	21,500,777	33,300,163
Segment results (net underwriting income)	1,620,373	328,768	325,525	123,380	1,912,196	4,310,242	445,808	877,312	1,323,121
	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
<i>Nine months ended</i>									
<i>30 September 2012</i>									
Segment revenue	2,897,075	4,009,998	21,805,608	2,239,993	4,004,115	34,956,789	10,850,222	16,883,966	27,734,188
Segment results (net underwriting income)	1,369,996	942,609	917,386	420,592	1,657,308	5,307,891	448,945	586,557	1,035,502

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 Parent Company's management.

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

	<i>30 September 2013</i>		<i>30 September 2012</i>	
	<i>Premiums</i>	<i>Claims</i>	<i>Premiums</i>	<i>Claims</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Major shareholders	64,052	1,478	78,256	3,439
Directors and key management personnel	218,770	86,296	223,007	44,501
Other related parties	2,450,771	372,215	2,934,121	482,515
	<u>2,733,593</u>	<u>459,989</u>	<u>3,235,384</u>	<u>530,455</u>

Compensation of key management personnel is as follows:

	<i>30 September 2013</i>	<i>30 September 2012</i>
	<i>KD</i>	<i>KD</i>
Short-term employee benefits	692,510	707,350
Termination benefits	3,070,477	2,761,995
	<u>3,762,987</u>	<u>3,469,345</u>

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

	<i>30 September 2013</i>		<i>30 September 2012</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>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Major shareholder	51,128	-	31,397	-
Directors and key management personnel	239,722	-	215,640	(1,716)
Other related parties	826,645	1,247,334	1,529,001	(46,930)
	<u>1,117,495</u>	<u>1,247,334</u>	<u>1,776,038</u>	<u>(48,646)</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 18,875,394 (31 December 2012: KD 7,326,256 and 30 September 2012: KD 12,927,279). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 10,764,316 (31 December 2012: KD 10,033,153 and 30 September 2012: KD 8,239,432).
- Loans granted to a related party amounted to KD 16,402,689 (31 December 2012: KD 1,402,689 and 30 September 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 September 2013

7 RELATED PARTY TRANSACTIONS (continued)

- c) Included on other assets an amount of KD 5,153,812 (31 December 2012: KD 5,126,495 and 30 September 2012: KD 7,689,743) 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 September 2013, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 3,544,814 (31 December 2012: KD 3,405,786 and 30 September 2012: KD 948,730).

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 September 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	15,449,929	-	-	15,449,929
Unquoted equity securities	-	11,804,400	5,856,505	17,660,905
Unquoted managed funds	-	-	398,274	398,274
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	5,504,993	-	-	5,504,993
Designated upon initial recognition:				
Managed funds of quoted securities	12,413,012	-	-	12,413,012
Total	<u>33,367,934</u>	<u>11,804,400</u>	<u>6,254,779</u>	<u>51,427,113</u>

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 September 2012	Level: 1 KD	Level: 2 KD	Level: 3 KD	Total fair value KD
Financial instruments:				
Investments available for sale:				
Quoted equity securities	10,177,951	-	-	10,177,951
Unquoted equity securities	-	13,600,357	7,791,558	21,391,915
Unquoted managed funds	-	-	318,315	318,315
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	2,904,349	-	-	2,904,349
Designated upon initial recognition:				
Managed funds of quoted securities	13,541,951	-	-	13,541,951
Total	26,624,251	13,600,357	8,109,873	48,334,481

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	Gain / (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 September 2013 KD
<i>Financial assets available for sale:</i>					
Unquoted equity securities	6,971,817	8,005	(389,865)	(733,452)	5,856,505
Unquoted managed funds	618,550	(88,646)	(74,121)	(57,509)	398,274
	<u>7,590,367</u>	<u>(80,641)</u>	<u>(463,986)</u>	<u>(790,961)</u>	<u>6,254,779</u>

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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>Transfers From Level 3 To Level 2 KD</i>	<i>Gain recorded in the consolidated statement of comprehensive 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 2012 KD</i>
<i>Financial assets available for sale:</i>						
Unquoted equity securities	18,723,458	(13,600,357)	-	1,015,510	1,652,947	7,791,558
Unquoted managed funds	1,119,382	-	270,291	(12,574)	(1,058,784)	318,315
	<u>19,842,840</u>	<u>(13,600,357)</u>	<u>270,291</u>	<u>1,002,936</u>	<u>594,163</u>	<u>8,109,873</u>

During the period ended 30 September 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.