

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2012 (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 September 2012 and the interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months period then ended, and the 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 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 Commercial Companies Law of 1960, as amended, or of the articles of association of the Parent Company have occurred during the nine months period ended 30 September 2012 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG



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

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2012

	Notes	3 months ended 30 September		9 months ended 30 September	
		2012	2011	2012	2011
		KD	KD	KD	KD
Revenue:					
Premiums written		44,971,182	45,039,749	113,118,375	103,304,454
Reinsurance premiums ceded		(25,852,530)	(22,112,394)	(55,999,745)	(50,083,001)
Net premiums written		19,118,652	22,927,355	57,118,630	53,221,453
Movement in unearned premiums reserve		(4,957,763)	(4,888,450)	(4,127,831)	(3,482,785)
Movement in life mathematical reserve		2,067,935	(826,869)	(2,667,284)	(2,196,489)
Net premiums earned		16,228,824	17,212,036	50,323,515	47,542,179
Commission received on ceded reinsurance		2,373,716	1,811,416	8,530,277	6,939,475
Policy issuance fees		785,308	665,466	2,388,801	2,018,720
Net investment income (loss) from life insurance	3	939,480	(897,617)	1,448,384	(634,387)
		<u>20,327,328</u>	<u>18,791,301</u>	<u>62,690,977</u>	<u>55,865,987</u>
Expenses:					
Claims incurred		13,340,802	11,493,328	36,990,543	31,702,008
Commission and discounts		1,397,693	1,131,083	5,203,815	4,413,053
(Decrease) increase in incurred but not reported reserve		(1,244,574)	103,671	347,167	46,476
Maturity and cancellations of life insurance policies		399,329	299,252	977,589	951,407
General and administrative expenses		4,117,228	3,810,522	12,828,470	11,263,385
		<u>18,010,478</u>	<u>16,837,856</u>	<u>56,347,584</u>	<u>48,376,329</u>
Net underwriting income		2,316,850	1,953,445	6,343,393	7,489,658
Net investment income	3	2,183,179	845,674	5,404,430	2,440,969
Net sundry income		97,045	162,182	266,676	206,082
		<u>4,597,074</u>	<u>2,961,301</u>	<u>12,014,499</u>	<u>10,136,709</u>
Other charges					
Unallocated general and administrative expenses		(842,690)	(732,820)	(2,842,877)	(2,517,945)
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		3,754,384	2,228,481	9,171,622	7,618,764
NLST		(33,852)	(20,550)	(85,380)	(67,982)
Zakat tax		(65,838)	(34,010)	(142,227)	(118,774)
		<u>(22,555)</u>	<u>(20,606)</u>	<u>(50,548)</u>	<u>(67,437)</u>
PROFIT FOR THE PERIOD		<u><u>3,632,139</u></u>	<u><u>2,153,315</u></u>	<u><u>8,893,467</u></u>	<u><u>7,364,571</u></u>
Attributable to:					
Equity holders of the Parent Company		2,929,120	1,693,529	7,433,967	5,797,617
Non-controlling interests		703,019	459,786	1,459,500	1,566,954
		<u><u>3,632,139</u></u>	<u><u>2,153,315</u></u>	<u><u>8,893,467</u></u>	<u><u>7,364,571</u></u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u><u>15.96 fils</u></u>	<u><u>9.05 fils</u></u>	<u><u>40.47 fils</u></u>	<u><u>31.00 fils</u></u>

The attached notes 1 to 15 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 2012

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	<u>3,632,139</u>	<u>2,153,315</u>	<u>8,893,467</u>	<u>7,364,571</u>
Other comprehensive income:				
Net unrealised loss (gain) on investments available for sale	294,872	(1,270,818)	2,606,161	(5,376,597)
Net realised gain transferred to statement of income on sale of investments available for sale	3 (222,648)	(17,984)	(248,932)	(1,596,733)
Impairment loss on investments available for sale	3 113,443	104,737	825,674	2,733,813
Share of other comprehensive income of associates	(16,194)	-	(2,715)	-
Exchange differences on translation of foreign operations	<u>(308,300)</u>	<u>(75,280)</u>	<u>(405,299)</u>	<u>(1,169,979)</u>
Other comprehensive (loss) income for the period	<u>(138,827)</u>	<u>(1,259,345)</u>	<u>2,774,889</u>	<u>(5,409,496)</u>
Total comprehensive income for the period	<u><u>3,493,312</u></u>	<u><u>893,970</u></u>	<u><u>11,668,356</u></u>	<u><u>1,955,075</u></u>
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	2,790,293	434,184	10,208,856	388,121
Non-controlling interests	703,019	459,786	1,459,500	1,566,954
	<u><u>3,493,312</u></u>	<u><u>893,970</u></u>	<u><u>11,668,356</u></u>	<u><u>1,955,075</u></u>


The attached notes 1 to 15 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 2012

		(Audited)	
	Notes	30 September 2012 KD	31 December 2011 KD
			30 September 2011 KD
ASSETS			
Property and equipment		11,356,001	10,972,730
Investments in associates	5	20,155,445	13,563,754
Goodwill		8,394,278	8,468,210
Financial instruments:			
Investments held to maturity		18,017,367	16,151,858
Debt securities (loans)		9,239,432	7,773,321
Investments available for sale	6	32,716,658	31,690,796
Investments carried at fair value through income statement	7	16,446,300	15,092,066
Loans secured by life insurance policies		1,033,673	873,772
Premiums and insurance balances receivable		46,104,191	41,592,485
Reinsurance recoverable on outstanding claims		40,689,374	40,536,720
Property held for sale		629,233	215,583
Other assets	11	22,095,756	12,469,212
Time deposit	8	39,871,084	28,255,441
Cash and cash equivalents	9	34,006,247	37,594,706
TOTAL ASSETS		300,755,039	266,773,209
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve (gross)		75,030,918	72,575,471
Unearned premiums reserve (net)		28,077,284	25,775,890
Life mathematical reserve (net)		21,332,363	19,474,912
Incurred but not reported reserve (net)		4,443,893	4,121,191
Total liabilities arising from insurance contracts		128,884,458	121,947,464
Premiums received in advance		226,778	277,382
Insurance payable		42,071,839	34,312,461
Other liabilities		18,048,504	14,197,404
Bank overdraft	9	22,896,701	13,420,399
TOTAL LIABILITIES		212,128,280	185,017,340
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital		18,703,913	17,813,250
Share premium		3,600,000	3,600,000
Treasury shares		(1,769,432)	(1,561,429)
Treasury shares reserve		2,051,215	2,051,215
Statutory reserve		13,791,001	13,038,433
Voluntary reserve		17,744,414	16,991,846
Other reserve		(3,010,734)	(3,010,734)
Cumulative changes in fair values		4,008,846	385,109
Foreign currency translation adjustments		(2,651,622)	(2,135,283)
Retained earnings		20,550,172	17,692,920
		73,017,773	66,426,756
Non-controlling interests		15,608,986	14,668,788
Total equity		88,626,759	81,095,544
TOTAL LIABILITIES AND EQUITY		300,755,039	266,773,209


Farqad A. Al-Sane
Chairman

The attached notes 1 to 15 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 2012

	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 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 (Note 12)	890,663	-	-	-	-	-	-	-	-	(890,663)	-	-	-
Dividend for 2011 (Note 12)	-	-	-	-	-	-	-	-	-	(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
Balance at 31 December 2010	16,965,000	3,600,000	-	2,051,215	13,038,433	16,991,846	(3,010,734)	4,624,626	(965,304)	16,984,803	70,279,885	12,298,686	82,578,571
Profit for the period	-	-	-	-	-	-	-	-	-	5,797,617	5,797,617	1,566,954	7,364,571
Other comprehensive loss	-	-	-	-	-	-	-	(4,239,517)	(1,169,979)	-	(5,409,496)	-	(5,409,496)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(4,239,517)	(1,169,979)	5,797,617	388,121	1,566,954	1,955,075
Issue of bonus shares (Note 11)	848,250	-	-	-	-	-	-	-	-	(848,250)	-	-	-
Dividend for 2010 (Note 11)	-	-	-	-	-	-	-	-	-	(4,241,250)	(4,241,250)	-	(4,241,250)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	803,148	803,148
Balance at 30 September 2011	17,813,250	3,600,000	-	2,051,215	13,038,433	16,991,846	(3,010,734)	385,109	(2,135,283)	17,692,920	66,426,756	14,668,788	81,095,544

The attached notes 1 to 15 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 2012

	Notes	9 months ended 30 September	
		2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the period		8,893,467	7,364,571
Adjustments for:			
Depreciation		536,988	554,819
Gain on sale of property and equipment		(113,317)	-
Net investment income		(5,006,395)	(2,882,493)
Impairment loss on investments available for sale	3	825,674	2,733,813
Gain on remeasurement of investment available for sale reclassified to investment in associate	3	(2,889,980)	(985,170)
Share of results of associates	3	217,887	(672,732)
Contribution to KFAS		85,380	67,982
NLST		142,227	118,774
Zakat tax		50,548	67,437
Changes in operating assets and liabilities:		2,742,479	6,367,001
Investments carried at fair value through income statement		(841,157)	2,641,025
Premiums and insurance balances receivable		(3,991,865)	(1,597,690)
Reinsurance recoverable on outstanding claims		1,112,059	(543,578)
Property held for sale		(394,570)	7,228
Other assets		(2,289,455)	(1,619,721)
Liabilities arising from insurance contracts		6,839,259	6,573,538
Premiums received in advance		(49,733)	(963,822)
Insurance payable		8,798,757	1,171,737
Other liabilities		3,815,767	966,640
Cash from operations		15,741,541	13,002,358
Paid to NLST		(125,189)	(213,051)
Paid to Zakat		(12,264)	-
Paid to directors		(100,000)	(80,000)
Net cash from operating activities		15,504,088	12,709,307
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,415,752)	(4,174,292)
Proceeds from sale of property and equipment		1,018,654	-
Net movement of investments available for sale		(4,746,821)	5,128,239
Purchase of investments in associates		(8,491,549)	(254,570)
Proceeds from sale of investments in associates		2,540,483	-
Net movement of debt securities (loans)		(1,481,163)	1,240,638
Net movement of investments held to maturity		(627,475)	(4,886,540)
Time deposits		(5,919,387)	5,354,084
Loans secured by life insurance policies		(201,325)	37,539
Dividends income received		882,192	753,297
Dividends income received from associates		331,500	-
Interest received		2,740,180	623,677
Net cash (used in) from investing activities		(15,370,463)	3,822,072
FINANCING ACTIVITIES			
Purchase of treasury shares		(208,003)	-
Net movement in non-controlling interests		(1,091,118)	803,148
Dividends paid		(3,498,345)	(4,241,250)
Net cash used in financing activities		(4,797,466)	(3,438,102)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(4,663,841)	13,093,277
Net foreign exchange difference		(368,079)	(1,169,979)
Cash and cash equivalents at 1 January		16,141,466	12,251,009
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	9	11,109,546	24,174,307

The attached notes 1 to 15 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 2012

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 6 November 2012.

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 44.00% (31 December 2011: 41.43% and 30 September 2011: 43.23%) owned by Kuwait Project Company Holding K.S.C. and 41.42% by Fairfax Financial Holding Limited as at 30 September 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2011 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 2011. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine months period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

Changes in accounting policy and disclosures

IFRS 7: Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (Amendment) (effective 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

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 30 September 2012

3 NET INVESTMENT INCOME (LOSS)

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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>
Net realised gain on sale of investments available for sale	222,648	17,984	248,932	1,596,733
Realised gain (loss) on sale of investments at fair value through income statement	256,461	(271,447)	933,110	(163,557)
Dividend income	49,072	129,038	882,192	1,253,297
Share of results of associates	164,112	672,732	(217,887)	672,732
Gain on remeasurement of investment available for sale reclassified to investment in associate	979,562	-	2,889,980	985,170
Unrealised gain (loss) on investments at fair value through income statement	775,187	(1,300,763)	638,853	(1,884,158)
Interest on investments held to maturity	172,392	245,753	1,077,094	742,423
Interest on debt securities (loans)	168,097	144,734	500,798	444,123
Interest on time and call deposits	710,071	469,543	1,596,095	1,474,739
Foreign exchange gain	151,439	62,509	392,018	57,770
Other investment income	170,574	133,314	284,113	218,285
Impairment loss on investments available for sale (Note 6)	(113,443)	(104,737)	(825,674)	(2,733,813)
Finance charges and interest	(490,190)	(250,073)	(877,477)	(650,788)
Other investment expenses	(93,323)	(530)	(669,333)	(206,374)
	<u>3,122,659</u>	<u>(51,943)</u>	<u>6,852,814</u>	<u>1,806,582</u>

Net investment income (loss) 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>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income (loss) from life insurance	939,480	(897,617)	1,448,384	(634,387)
Net investment income from non-life insurance	2,183,179	845,674	5,404,430	2,440,969
	<u>3,122,659</u>	<u>(51,943)</u>	<u>6,852,814</u>	<u>1,806,582</u>

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2012

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 plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employee share option scheme.

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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	<u>2,929,120</u>	<u>1,693,529</u>	<u>7,433,967</u>	<u>5,797,617</u>
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares, less treasury shares outstanding during the period	<u>183,520,348</u>	<u>187,039,125</u>	<u>183,681,834</u>	<u>187,039,125</u>
Basic and diluted earnings per share	<u>15.96 fils</u>	<u>9.05 fils</u>	<u>40.47 fils</u>	<u>31.00 fils</u>

The basic and diluted earnings per share have been adjusted for the current and previous period following the shareholders' approval of bonus shares at the General Assembly meeting held on 2 April 2012 (Note 12).

5 INVESTMENTS IN ASSOCIATES

During the period, the Group sold its entire investment in the associated company "KIPCO Private Equity Company" for a total consideration equal to its carrying value of KD 10,161,933 to a related party (Note 11).

During the period, the Group acquired equity interest in "Alliance Insurance Company P.S.C." for a total consideration of KD 6,733,845 from a related party (Note 11).

6 INVESTMENTS AVAILABLE FOR SALE

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2012</i>	<i>31 December</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Quoted equity securities	10,177,951	10,937,392	10,369,717
Unquoted equity securities	21,391,915	20,190,548	19,848,794
Unquoted managed funds	1,146,792	1,119,382	1,472,285
	<u>32,716,658</u>	<u>32,247,322</u>	<u>31,690,796</u>

Included in investments available for sale are unquoted equity securities with a carrying value of KD 828,477 (31 December 2011: KD 1,467,090 and 30 September 2011: KD 1,706,384) 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.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2012

6 INVESTMENTS AVAILABLE FOR SALE (CONTINUED)

An impairment loss of KD 825,674 (31 December 2011: KD 3,244,781 and 30 September 2011: KD 2,733,813) 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.

7 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 September 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 September 2011 KD</i>
Held for trading:			
Quoted equity securities	2,904,349	3,074,559	3,010,940
Designated upon initial recognition:			
Managed funds of quoted securities	13,541,951	10,958,621	12,081,126
	<u>16,446,300</u>	<u>14,033,180</u>	<u>15,092,066</u>

8 TIME DEPOSITS

Time deposits are placed with local and foreign banks with an average effective interest rate of 2.13% per annum (31 December 2011: 2.14% and 30 September 2011: 2.00% per annum).

9 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 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 September 2011 KD</i>
Bank balances and cash	10,915,022	7,226,003	5,538,683
Short term and call deposits	23,091,225	23,645,976	32,056,023
Cash and cash equivalents in the interim condensed consolidated statement of financial position	34,006,247	30,871,979	37,594,706
Bank overdraft	(22,896,701)	(14,730,513)	(13,420,399)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<u>11,109,546</u>	<u>16,141,466</u>	<u>24,174,307</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2012

10 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 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
<i>Nine months ended</i>									
<i>30 September 2011</i>									
Segment revenue	2,614,331	3,519,768	20,437,245	2,481,941	3,753,650	32,806,934	7,781,902	15,277,151	23,059,053
Segment results (net underwriting income)	1,051,612	740,961	987,907	445,698	1,558,477	4,784,655	573,132	2,131,872	2,705,004

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2012

11 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 September 2012</i>		<i>30 September 2011</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Major shareholders	78,256	3,439	84,787	9,599
Directors and key management personnel	223,007	44,501	78,681	19,783
Other related parties	2,934,121	482,515	1,715,216	375,467
	<u>3,235,384</u>	<u>530,455</u>	<u>1,878,684</u>	<u>404,849</u>

Compensation of key management personnel is as follows:

	<i>30 September 2012 KD</i>	<i>30 September 2011 KD</i>
Short-term employee benefits	707,350	657,630
Termination benefits	2,761,995	2,458,435
	<u>3,469,345</u>	<u>3,116,065</u>

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

	<i>30 September 2012</i>		<i>30 September 2011</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 shareholders	31,397	-	138,398	-
Directors and key management personnel	215,640	(1,716)	201,164	-
Other related parties	1,529,001	(46,930)	776,986	(676,643)
	<u>1,776,038</u>	<u>(48,646)</u>	<u>1,116,548</u>	<u>(676,643)</u>

The Group has also engaged with related parties in its investment activities as follows:

- Most of the Group's investment transactions are made through portfolios managed by a related party entity which resulted in a total income amounted to KD 1,163,145 (31 December 2011: KD 31,822 and 30 September 2011: KD 352,844) and total expenses amounted to KD 21,418 (31 December 2011: KD 43,404 and 30 September 2011: KD 31,460).

Gulf Insurance Company K.S.C. and Subsidiaries

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At 30 September 2012

11 RELATED PARTY TRANSACTIONS (continued)

- b) The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 12,927,279 (31 December 2011: KD 3,629,918 and 30 September 2011: KD 4,250,260). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 8,239,432 (31 December 2011: KD 7,008,269 and 30 September 2011: KD 7,454,931).
- c) Loans granted to a related party amounted to KD 1,402,689 (31 December 2011: KD 1,402,689 and 30 September 2011: 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.
- d) Included on other assets an amount of 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.
- e) During the period, the Group acquired equity interest in "Alliance Insurance Company P.S.C." for KD 6,733,845 from United States Fire Insurance Company (subsidiary of FairFax Financial Holding Limited "major shareholder" representing 20% equity interest in the associated company (Note 6).

12 DIVIDENDS PAID

On 2 April 2012, The General Assembly of the Parent Company's shareholders approved the distribution of cash dividend of 20% representing 20 fils per share of outstanding shares excluding treasury shares to the Parent Company's shareholder, and 5% bonus shares on records as of the date of the General Assembly proposed by the Board of Directors for the year ended 31 December 2011 (30 September 2011: 25% cash dividends representing 25 fils per share for the year ended 31 December 2010).

13 COMMITMENTS

At 30 September 2012, the Group had future commitments in respect of investments amounting to KD Nil (31 December 2011: KD 4,774,032 and 30 September 2011: KD 4,635,922).

14 CONTINGENT LIABILITIES

At 30 September 2012, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 948,730 (31 December 2011: KD 2,553,841 and 30 September 2011: KD 1,067,151).

15 POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations however such assets and liabilities together with the results of policyholders' lines of business are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed in this note.

Takaful business in the Group consists of the Takaful Insurance Unit established by the Parent Company and the Takaful fund of its subsidiary Egyptian Takaful Life Insurance Company (S.A.E.).

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2012

15 POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND (continued)

Policyholders' result by line of business:

The following tables summarise the consolidated policyholders' results by line of business and fund for the 9 months period ended 30 September 2012:

	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General accidents KD</i>	<i>Life and medical KD</i>	<i>Total KD</i>
Premiums written	186,301	342,280	117,726	34,113	176,111	3,321,621	4,178,152
Surplus (deficit) from insurance operations	79,363	14,835	90,660	10,197	59,230	(45,193)	209,092

The following tables summarise the consolidated policyholders' results by line of business and fund for the 9 months period ended 30 September 2011:

	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General Accidents KD</i>	<i>Life and Medical KD</i>	<i>Total KD</i>
Premiums written	223,877	306,772	122,669	25,543	127,548	1,121,288	1,927,697
Surplus (deficit) from insurance operations	107,947	97,515	20,025	5,028	40,142	(93,191)	177,466

	<i>30 September 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 September 2011 KD</i>
Amount due to policyholders	(24,635)	146,761	272,154

Amount due to policyholders of Takaful Unit of KD 24,635 (31 December 2011: KD 146,761 and 30 September 2011: KD 272,154) are included under other liabilities in the interim condensed consolidated statement of financial position.