

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 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 June 2012 and the interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months period then ended, and the 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 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 six months period ended 30 June 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
DR. SAUD 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 June 2012

	Notes	3 months ended 30 June		6 months ended 30 June	
		2012 KD	2011 KD	2012 KD	2011 KD
Revenue:					
Premiums written		28,343,402	28,177,726	68,147,193	58,264,705
Reinsurance premiums ceded		(14,937,918)	(13,732,226)	(30,147,215)	(27,970,607)
Net premiums written		13,405,484	14,445,500	37,999,978	30,294,098
Movement in unearned premiums reserve		1,179,108	(32,252)	829,932	1,405,665
Movement in life mathematical reserve		2,243,606	1,398,997	(4,735,219)	(1,369,620)
Net premiums earned		16,828,198	15,812,245	34,094,691	30,330,143
Commission received on ceded reinsurance		3,272,586	2,257,922	6,156,561	5,128,059
Policy issuance fees		910,236	732,569	1,603,493	1,353,254
Net investment (loss) income from life insurance	3	(381,925)	439,002	508,904	263,230
		20,629,095	19,241,738	42,363,649	37,074,686
Expenses:					
Claims incurred		12,167,451	10,689,674	23,649,741	20,208,680
Commission and discounts		2,632,811	1,838,810	4,878,919	4,187,521
Increase (decrease) in incurred but not reported reserve		77,318	16,494	1,591,741	(57,195)
Maturity and cancellations of life insurance policies		319,742	323,075	578,260	652,155
General and administrative expenses		3,836,039	3,327,110	7,638,446	6,547,312
		19,033,361	16,195,163	38,337,107	31,538,473
Net underwriting income		1,595,734	3,046,575	4,026,542	5,536,213
Net investment income	3	2,053,418	633,952	3,221,251	1,595,295
Net sundry income		17,136	33,706	169,631	43,900
		3,666,288	3,714,233	7,417,424	7,175,408
Other charges					
Unallocated general and administrative expenses		(1,010,214)	(987,680)	(2,000,187)	(1,785,125)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX					
		2,656,074	2,726,553	5,417,237	5,390,283
Contribution to KFAS		(24,253)	(22,237)	(51,528)	(47,432)
NLST		(41,401)	(18,164)	(76,389)	(84,764)
Zakat tax		(10,777)	(21,776)	(27,994)	(46,831)
PROFIT FOR THE PERIOD		2,579,643	2,664,376	5,261,326	5,211,256
Attributable to:					
Equity holders of the Parent Company		2,257,598	2,058,950	4,504,847	4,104,088
Non-controlling interests		322,045	605,426	756,479	1,107,168
		2,579,643	2,664,376	5,261,326	5,211,256
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
	4	12.29 fils	11.56 fils	24.52 fils	23.04 fils

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 June 2012

	<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 for the period	2,579,643	2,664,376	5,261,326	5,211,256
Other comprehensive income:				
Net unrealised loss (gain) on investments available for sale	322,204	(3,568,385)	2,311,289	(4,105,779)
Net realised gain transferred to statement of income on sale of investments available for sale	3 (19,495)	(1,549,431)	(26,284)	(1,578,749)
Impairment loss on investments available for sale	3 536,697	2,616,918	712,231	2,629,076
Share of other comprehensive income of associates	13,479	-	13,479	-
Exchange differences on translation of foreign operations	217,380	(287,812)	(96,999)	(1,094,699)
Other comprehensive income (loss) for the period	1,070,265	(2,788,710)	2,913,716	(4,150,151)
Total comprehensive income (loss) for the period	3,649,908	(124,334)	8,175,042	1,061,105
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	3,327,863	(729,760)	7,418,563	(46,063)
Non-controlling interests	322,045	605,425	756,479	1,107,168
	3,649,908	(124,334)	8,175,042	1,061,105


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 June 2012

		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
		<i>2012</i>	<i>2011</i>	<i>2011</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS				
Property and equipment		11,481,322	11,473,415	10,593,521
Investments in associates	5	17,282,373	13,299,616	12,037,674
Goodwill		8,394,278	8,466,184	8,469,587
Financial instruments:				
Investments held to maturity		18,856,016	17,389,892	14,684,332
Debt securities (loans)		9,995,711	7,758,269	7,770,825
Investments available for sale	6	32,026,136	32,247,322	33,409,038
Investments carried at fair value through income statement	7	14,711,684	14,033,180	19,176,053
Loans secured by life insurance policies		912,689	832,348	831,355
Premiums and insurance balances receivable		44,251,114	42,112,326	36,395,430
Reinsurance recoverable on outstanding claims		42,929,080	41,801,433	42,087,558
Property held for sale		597,616	234,663	214,045
Other assets	11	21,563,032	12,300,885	11,515,890
Time deposit	8	41,174,059	33,951,697	31,964,265
Cash and cash equivalents	9	20,620,754	30,871,979	28,327,740
TOTAL ASSETS		284,795,864	266,773,209	257,477,313
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		76,347,290	75,179,568	71,787,339
Unearned premiums reserve (net)		23,272,549	24,100,850	20,836,082
Life mathematical reserve (net)		23,404,672	18,672,420	18,648,736
Incurred but not reported reserve (net)		5,694,212	4,092,361	3,998,213
Total liabilities arising from insurance contracts		128,718,723	122,045,199	115,270,370
Premiums received in advance		360,020	276,511	634,375
Insurance payable		33,450,688	33,273,082	28,308,368
Other liabilities		16,925,333	14,692,035	17,315,023
Bank overdraft	9	19,672,073	14,730,513	16,058,576
TOTAL LIABILITIES		199,126,837	185,017,340	177,586,712
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		18,703,888	17,813,250	17,813,250
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(1,632,466)	(1,561,429)	-
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		13,791,001	13,791,001	13,038,433
Voluntary reserve		17,744,414	17,744,414	16,991,846
Other reserve		(3,010,734)	(3,010,734)	(3,010,734)
Cumulative changes in fair values		3,839,373	828,658	1,569,174
Foreign currency translation adjustments		(2,343,322)	(2,246,323)	(2,060,003)
Retained earnings		17,621,077	17,505,213	15,999,391
		70,364,446	66,515,265	65,992,572
Non-controlling interests		15,304,581	15,240,604	13,898,029
Total equity		85,669,027	81,755,869	79,890,601
TOTAL LIABILITIES AND EQUITY		284,795,864	266,773,209	257,477,313


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 June 2012

	Attributable to equity holders of the Parent Company										Non-controlling interests	Total equity	
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD			Retained earnings KD
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 (Note 12)	890,638	-	-	-	-	-	-	-	-	(890,638)	-	-	-
Dividend for 2011 (Note 12)	-	-	-	-	-	-	-	-	-	(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
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	-	-	-	-	-	-	-	-	-	4,104,088	4,104,088	1,107,168	5,211,256
Other comprehensive loss	-	-	-	-	-	-	-	(3,055,452)	(1,094,699)	-	(4,150,151)	-	(4,150,151)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(3,055,452)	(1,094,699)	4,104,088	(46,063)	1,107,168	1,061,105
Issue of bonus shares (Note 12)	848,250	-	-	-	-	-	-	-	-	(848,250)	-	-	-
Dividend for 2010 (Note 12)	-	-	-	-	-	-	-	-	-	(4,241,250)	(4,241,250)	-	(4,241,250)
Net movement on non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	492,175	492,175
Balance at 30 June 2011	17,813,250	3,600,000	-	2,051,215	13,038,433	16,991,846	(3,010,734)	1,569,174	(2,060,003)	15,999,391	65,992,572	13,898,029	79,890,601

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 June 2012

	Notes	6 months ended 30 June	
		2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the period		5,261,326	5,211,256
Adjustments for:			
Depreciation		441,308	382,543
Gain on sale of property and equipment		(11,040)	-
Net investment income		(2,913,967)	(3,491,270)
Impairment loss on investments available for sale	3	712,231	2,629,076
Gain on remeasurement of investment available for sale reclassified to investment in associate	3	(1,910,418)	(985,170)
Share of results of associates	3	381,999	(11,161)
Contribution to KFAS		51,528	47,432
NLST		76,389	84,764
Zakat tax		27,994	46,831
		<u>2,117,350</u>	<u>3,914,301</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(138,189)	1,080,258
Premiums and insurance balances receivable		(2,138,788)	3,599,365
Reinsurance recoverable on outstanding claims		(1,127,647)	(2,094,416)
Property held for sale		(362,953)	8,766
Other assets		(1,084,025)	(2,094,252)
Liabilities arising from insurance contracts		6,673,524	(103,556)
Premiums received in advance		83,509	(606,829)
Insurance payable		177,606	(4,832,356)
Other liabilities		2,878,464	3,745,749
		<u>7,078,851</u>	<u>2,617,030</u>
Cash from operations			
Paid to KFAS		(63,624)	-
Paid to NLST		(125,189)	(213,051)
Paid to Zakat		(12,264)	-
Paid to directors		(100,000)	(80,000)
		<u>6,777,774</u>	<u>2,323,979</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,413,012)	(3,622,807)
Proceeds from sale of property and equipment		1,017,788	-
Net movement of investments available for sale		(4,123,633)	4,697,566
Purchase of investments in associates		(6,792,940)	-
Proceeds from sale of investments in associates		2,540,483	-
Net movement of debt securities (loans)		(2,237,442)	1,243,134
Net movement of investments held to maturity		(1,466,124)	(3,419,014)
Time deposits		(7,222,362)	1,645,260
Loans secured by life insurance policies		(80,341)	79,956
Dividends received		833,120	801,903
Dividends received from associates		331,500	-
Interest received		1,055,766	1,111,952
		<u>(17,557,197)</u>	<u>2,537,950</u>
Net cash (used in) from investing activities			
FINANCING ACTIVITIES			
Purchase of treasury shares		(71,037)	-
Net movement in non-controlling interests		(692,502)	492,175
Dividends paid		(3,498,345)	(4,241,250)
		<u>(4,261,884)</u>	<u>(3,749,075)</u>
Net cash used in financing activities			
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(15,041,307)	1,112,854
Net foreign exchange difference		(151,478)	(1,094,699)
Cash and cash equivalents at 1 January		16,141,466	12,251,009
CASH AND CASH EQUIVALENTS AT 30 JUNE	9	<u><u>948,681</u></u>	<u><u>12,269,164</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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 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 31 July 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 44.75% (31 December 2011: 41.43% and 30 June 2011: 43.23%) owned by Kuwait Project Company Holding K.S.C. and 41.26% by Fairfax Financial Holding Limited as at 30 June 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 six month period ended 30 June 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 June 2012

3 NET INVESTMENT INCOME

	<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>
Net realised gain on sale of investments available for sale	19,495	1,549,431	26,284	1,578,749
Realised gain on sale of investments at fair value through income statement	518,033	100,376	676,649	107,890
Dividend income	121,456	238,314	833,120	1,124,258
Share of results from associates	23,650	11,161	(381,999)	11,161
Gain on re-measurement of investment available for sale reclassified to investment in associate (Note 5)	1,910,418	985,170	1,910,418	985,170
Unrealised (loss) gain on investments at fair value through income statement	(885,850)	250,345	(136,334)	(583,395)
Interest on debt securities (loans)	175,290	142,184	332,701	299,389
Interest on time and call deposits	845,444	726,486	1,790,726	1,501,867
Foreign exchange gain (loss)	111,421	(32,779)	240,579	(4,739)
Other investment income	48,489	28,080	113,539	73,810
Impairment loss on investments available for sale (Note 6)	(536,697)	(2,616,918)	(712,231)	(2,629,076)
Finance charges and interest	(202,208)	(283,081)	(387,287)	(503,626)
Other investment expenses	(477,448)	(25,815)	(576,010)	(102,933)
	<u>1,671,493</u>	<u>1,072,954</u>	<u>3,730,155</u>	<u>1,858,525</u>

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

	<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>
Net investment (loss) income from life insurance	(381,925)	439,002	508,904	263,230
Net investment income from non-life insurance	2,053,418	633,952	3,221,251	1,595,295
	<u>1,671,493</u>	<u>1,072,954</u>	<u>3,730,155</u>	<u>1,858,525</u>

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period. Diluted 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 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 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	2,257,598	2,058,950	4,504,487	4,104,088
	Shares	Shares	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	183,657,851	187,038,886	183,763,676	187,038,886
Basic and diluted earnings per share	12.29 fils	11.01 fils	24.52 fils	21.94 fils

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).

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

5 INVESTMENTS IN ASSOCIATES

	Country of incorporation	Percentage of ownership		Principal activity
		2012	2011	
Al-Brouj Co-Operative Insurance Company (A Saudi Joint Stock Company)	Kingdom of Saudi Arabia	27.25%	27.25%	Insurance activities
Kipco Private Equity Company*	Kuwait	-	38.78%	Investment activities
Al-Argan International Real Estate Company K.S.C. **	Kuwait	12.51%	Nil	Real estate activities
Alliance Insurance Company P.S.C. ***	United Arab Emirates	20.00%	Nil	Insurance activities

* 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 10,161K to a related party (Note 11).

** Al-Argan International Real Estate Company K.S.C. was previously accounted for as an investment available for sale as the Group did not have any significant influence over the investee company. During the current period, the Group was able to exercise significant influence by way of representation on board of directors, and accordingly, this investment has been accounted for as an associate in accordance with International Accounting Standard 28 ("Investments in associates"). As a result of this classification, the Group has recycled the previously recognized changes in fair values within "cumulative changes in fair values" and the excess of share of net fair value of the associate's identifiable assets and liabilities over the cost of the investment in the interim condensed consolidated statement of income at the reclassification date.

*** 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

	30 June 2012 KD	(Audited)		30 June 2011 KD
		31 December 2011 KD		
Quoted equity securities	9,330,658	10,937,392		12,043,179
Unquoted equity securities	21,371,463	20,190,548		19,636,166
Unquoted managed funds	1,324,017	1,119,382		1,729,693
	<u>32,026,136</u>	<u>32,247,322</u>		<u>33,409,038</u>

Included in investments available for sale are unquoted equity securities with a carrying value of KD 1,121,187 (31 December 2011: KD 1,467,090 and 30 June 2011: KD 1,789,718) which are carried at cost because fair value could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments due to the impact of the global financial crisis. Based on specific information available in respect of these investments and their operations, management is of the view that these investments have not suffered any impairment.

An impairment loss of KD 712,231 (31 December 2011: KD 3,244,781 and 30 June 2011: KD 2,629,076) 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.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

7 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 June</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i>	<i>30 June</i> <i>2011</i> <i>KD</i>
Held for trading:			
Quoted equity securities	4,318,769	3,074,559	3,381,300
Designated upon initial recognition:			
Managed funds of quoted securities	10,392,914	10,958,621	15,794,753
	<u>14,711,684</u>	<u>14,033,180</u>	<u>19,176,053</u>

8 TIME DEPOSITS

Time deposits are placed with local and foreign banks with an average effective interest rate of 2.125% per annum (31 December 2011: 2.14% and 30 June 2011: 2% 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 June</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i>	<i>30 June</i> <i>2011</i> <i>KD</i>
Bank balances and cash	8,824,509	7,226,003	6,822,059
Short term and call deposits	11,796,245	23,645,976	21,505,681
	<u>20,620,754</u>	<u>30,871,979</u>	<u>28,327,740</u>
Cash and cash equivalents in the interim condensed consolidated statement of financial position	20,620,754	30,871,979	28,327,740
Bank overdraft	(19,672,073)	(14,730,513)	(16,058,576)
	<u>948,681</u>	<u>16,141,466</u>	<u>12,269,164</u>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	948,681	16,141,466	12,269,164

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 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	Total KD
Six months ended										
30 June 2012										
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
Six months ended										
30 June 2011										
Segment revenue	1,703,300	2,549,948	13,468,785	1,728,450	2,657,212	22,107,695	4,938,613	10,028,378	14,966,991	37,074,686
Segment results (net underwriting income)	851,282	440,851	931,300	184,467	1,195,160	3,603,060	363,645	1,569,508	1,933,153	5,536,213

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 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 June 2012</i>		<i>30 June 2011</i>	
	<i>Premiums</i> <i>KD</i>	<i>Claims</i> <i>KD</i>	<i>Premiums</i> <i>KD</i>	<i>Claims</i> <i>KD</i>
Ultimate Parent Company	65,448	1,416	51,386	278
Directors and key management personnel	217,586	15,462	202,626	48,397
Other related parties	1,810,355	318,788	1,691,573	205,436
	<u>2,093,389</u>	<u>335,666</u>	<u>1,945,585</u>	<u>254,111</u>

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

	<i>30 June 2012</i>		<i>30 June 2011</i>	
	<i>Amounts</i> <i>owed by</i> <i>related</i> <i>Parties</i> <i>KD</i>	<i>Amounts</i> <i>owed to</i> <i>related</i> <i>parties</i> <i>KD</i>	<i>Amounts</i> <i>owed by</i> <i>related</i> <i>parties</i> <i>KD</i>	<i>Amounts</i> <i>owed to</i> <i>related</i> <i>parties</i> <i>KD</i>
Ultimate Parent Company	94,100	-	130,557	-
Directors and key management personnel	268,719	-	217,307	-
Other related parties	1,205,400	(33,605)	959,674	(67,603)
	<u>1,568,219</u>	<u>(33,605)</u>	<u>1,307,538</u>	<u>(67,603)</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 2,881,547 (31 December 2011: KD 3,011,833 and 30 June 2011: KD 1,967,724) and total expenses amounted to KD 348,941 (31 December 2011: KD 440,710 and 30 June 2011: KD 266,697).
- The Group holds certain deposits and call accounts with a related party entity amounting to KD 3,924,331 (31 December 2011: KD 3,629,918 and 30 June 2011: KD 3,942,374). The Group also holds bonds issued by the previous Ultimate Parent Company and other related companies amounting to KD 8,245,711 (31 December 2011: KD 7,008,269 and 30 June 2011: KD 7,444,053).
- Loans granted to a related party amounted to KD 1,402,689 (31 December 2011: KD 1,402,689 and 30 June 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.
- Included on other assets an amount of 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.
- 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).

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2012

11 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2012</i>	<i>31 December</i>	<i>2011</i>
	<i>KD</i>	<i>2011</i>	<i>2011</i>
		<i>KD</i>	<i>KD</i>
Short-term employee benefits	500,580	880,270	440,990
Termination benefits	2,631,609	2,511,188	2,316,416
	<u>3,132,189</u>	<u>3,391,458</u>	<u>2,757,406</u>

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 June 2011: 25% cash dividends representing 25 fils per share for the year ended 31 December 2010).

13 COMMITMENTS

At 30 June 2012, the Group had future commitments in respect of investments amounting to KD Nil (31 December 2011: KD 4,774,032 and 30 June 2011: KD 5,504,712).

14 CONTINGENT LIABILITIES

At 30 June 2012, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 2,871,715 (31 December 2011: KD 2,553,841 and 30 June 2011: KD 748,826).

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.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 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 6 months period ended 30 June 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	129,500	23,162	79,190	33,484	58,480	1,868,495	2,192,311
Surplus (deficit) from insurance operations	54,638	3,761	48,422	12,814	17,854	(102,117)	35,372

The following tables summarise the consolidated policyholders' results by line of business and fund for the 6 months period ended 30 June 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>
Premium written	176,634	143,792	91,982	17,853	88,209	775,730	1,294,200
Surplus (deficit) from insurance operations	71,174	70,240	2,689	704	34,496	(56,822)	122,481

	<i>30 June 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 June 2011 KD</i>
Amount due to policyholders	184,060	146,761	548,352

Amount due to policyholders of Takaful Unit of KD 184,060 (31 December 2011: KD 146,761 and 30 June 2011: KD 548,352) are included under other liabilities in the interim condensed consolidated statement of financial position.