

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2011 (UNAUDITED)



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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 June 2011 and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three month and six month periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. 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 month period ended 30 June 2011 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 AL-HUMAIIDI
LICENSE NO. 51 A
DR. SAUD AL-HUMAIIDI & PARTNERS
MEMBER OF BAKER TILLY
INTERNATIONAL

25 July 2011

Kuwait

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 June 2011

	Notes	3 months ended 30 June		6 months ended 30 June	
		2011 KD	2010 KD	2011 KD	2010 KD
Revenue:					
Premiums written		28,177,726	24,375,550	58,264,705	55,187,804
Reinsurance premiums ceded		(13,732,226)	(12,735,701)	(27,970,607)	(25,997,550)
Net premiums written		14,445,500	11,639,849	30,294,098	29,190,254
Movement in unearned premiums		(32,252)	301,284	1,405,665	(1,874,741)
Movement in life mathematical reserve		1,398,997	1,405,954	(1,369,620)	(1,868,587)
Net premiums earned		15,812,245	13,347,087	30,330,143	25,446,926
Commission received on ceded reinsurance		2,257,922	2,075,734	5,128,059	4,574,517
Policy issuance fees		732,569	678,052	1,353,254	1,339,022
Net investment income (loss) from life insurance	3	439,002	(132,820)	263,230	376,473
		19,241,738	15,968,053	37,074,686	31,736,938
Expenses:					
Claims incurred		10,689,674	8,945,937	20,208,680	16,847,046
Commission and discounts		933,261	771,788	3,281,970	2,975,191
Increase in additional reserve		16,494	(3,991)	(57,195)	19,039
Maturity and cancellations of life insurance policies		323,075	208,867	652,155	505,079
General and administrative expenses		4,232,659	3,956,603	7,452,863	6,957,595
		16,195,163	13,879,204	31,538,473	27,303,950
Net underwriting income		3,046,575	2,088,849	5,536,213	4,432,988
Net investment income	3	633,952	699,036	1,595,295	2,240,453
Net sundry income		33,706	8,458	43,900	69,716
		3,714,233	2,796,343	7,175,408	6,743,157
Other charges					
Unallocated general and administrative expenses		(987,680)	(610,171)	(1,785,125)	(1,385,805)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
Contribution to KFAS		2,726,553	2,186,172	5,390,283	5,357,352
National Labour Support tax (NLST)		(22,237)	(16,968)	(47,432)	(43,841)
Zakat tax		(18,164)	(49,303)	(84,764)	(115,057)
		(21,776)	(16,863)	(46,831)	(43,165)
PROFIT FOR THE PERIOD		2,664,376	2,103,038	5,211,256	5,155,289
Attributable to:					
Equity holders of the parent company		2,058,950	1,637,686	4,104,088	4,206,014
Non-controlling interest		605,426	465,352	1,107,168	949,275
		2,664,376	2,103,038	5,211,256	5,155,289
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENTCOMPANY					
	4	11.56 fils	9.43 fils	23.04 fils	24.28fils

The attached notes 1 to 16 form part of the 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 2011

	Note	3 months ended 30 June		6 months ended 30 June	
		2011	2010	2011	2010
		KD	KD	KD	KD
Profit for the period		2,664,376	2,103,038	5,211,256	5,155,289
Other comprehensive income					
Net unrealised (loss) gain on available for sale investments		(3,568,385)	3,189,684	(4,105,779)	3,735,912
Net realised gain transferred to income statement on disposal of investments available for sale	3	(1,549,431)	(166,808)	(1,578,749)	(180,485)
Reversal due to impairment loss on investments available for sale	3	2,616,918	71,588	2,629,076	110,504
Exchange differences on translation of foreign operations		(287,812)	(91,732)	(1,094,699)	(170,254)
Other comprehensive (loss) income for the period		(2,788,710)	3,002,732	(4,150,151)	3,495,677
Total comprehensive (loss) income for the period		(124,334)	5,105,770	1,061,105	8,650,966
ATTRIBUTABLE TO:					
Equity holders of the parent company		(729,760)	4,640,418	(46,063)	7,701,691
Non-controlling interest		605,425	465,352	1,107,168	949,275
		(124,334)	5,105,770	1,061,105	8,650,966

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2011

		(Audited)		
	Notes	30 June 2011 KD	31 December 2010 KD	30 June 2010 KD
ASSETS				
Property and equipment		10,593,521	7,353,257	5,389,038
Investments in associated companies	5	12,037,674	3,196,778	2,272,257
Goodwill		8,469,587	8,304,567	9,044,834
Financial instruments:				
Investments held to maturity		14,684,332	11,265,318	16,100,451
Debt securities (loans)		7,770,825	9,013,959	2,800,000
Investments available for sale	5	33,409,038	50,056,948	47,225,605
Investments carried at fair value through income statement	6	19,176,053	19,780,806	17,640,437
Loans secured by life insurance policies		831,355	911,311	895,711
Premiums and insurance balances receivable		36,395,430	39,994,795	34,642,303
Reinsurance recoverable on outstanding claims		42,087,558	39,993,142	38,484,980
Property held for sale		214,045	222,811	174,678
Other assets		11,515,890	9,450,760	9,063,747
Time deposits	7	31,964,265	33,609,525	33,590,784
Cash and cash equivalents	8	28,327,740	27,212,735	35,427,974
TOTAL ASSETS		257,477,313	260,366,712	252,752,799
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		71,787,339	71,515,959	66,196,995
Unearned premiums reserve (net)		20,836,082	22,698,314	19,523,059
Life mathematical reserve (net)		18,648,736	17,280,733	20,337,620
Additional reserve (net)		3,998,213	3,878,920	3,601,718
Total liabilities arising from insurance contracts		115,270,370	115,373,926	109,659,392
Bank overdraft	8	16,058,576	14,961,726	17,860,121
Premiums received in advance		634,375	1,241,204	1,397,530
Insurance payable		28,308,368	33,140,724	31,567,665
Other liabilities		17,315,023	13,070,561	10,062,597
TOTAL LIABILITIES		177,586,712	177,788,141	170,547,305
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		17,813,250	16,965,000	16,965,000
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares	9	-	-	(1,615,422)
Treasury shares reserve		2,051,215	2,051,215	1,536,494
Statutory reserve		13,038,433	13,038,433	12,223,868
Voluntary reserve		16,991,846	16,991,846	16,177,281
Other reserve		(3,010,734)	(3,010,734)	-
Cumulative changes in fair values		1,569,174	4,624,626	4,284,853
Foreign currency translation adjustments		(2,060,003)	(965,304)	(315,588)
Retained earnings		15,999,391	16,984,803	15,127,552
		65,992,572	70,279,885	67,984,038
Non-controlling interest		13,898,029	12,298,686	14,221,456
Total equity		79,890,601	82,578,571	82,205,494
TOTAL LIABILITIES AND EQUITY		257,477,313	260,366,712	252,752,799

Farqad A. Al-Sane
Chairman

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2011 (Unaudited)

	Atributable to equity holders of the parent company											Non-controlling interest	Total equity	
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Employees share option reserve	Statutory reserve	Voluntary reserve	Other reserves	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	KD	
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)	-	(4,241,250)
Net movement on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	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
Balance at 31 December 2009	16,965,000	3,600,000	(1,757,348)	1,493,072	-	12,223,868	16,177,281	-	618,922	(145,334)	17,535,787	66,711,248	14,731,239	81,442,487
Profit for the period	-	-	-	-	-	-	-	-	-	-	4,206,014	4,206,014	949,275	5,155,289
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	3,665,931	(170,254)	-	3,495,677	-	3,495,677
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	3,665,931	(170,254)	4,206,014	7,701,691	949,275	8,650,966
Dividend for 2009 (Note 12)	-	-	-	-	-	-	-	-	-	(6,614,249)	(6,614,249)	(6,614,249)	-	(6,614,249)
Cost of share based payment	-	-	-	-	43,422	-	-	-	-	-	-	43,422	-	43,422
Sale of treasury share (Note 9)	-	-	141,926	43,422	(43,422)	-	-	-	-	-	-	141,926	-	141,926
Net movement on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,459,058)	(1,459,058)
Balance at 30 June 2010	16,965,000	3,600,000	(1,615,422)	1,536,494	-	12,223,868	16,177,281	-	4,284,853	(315,588)	15,127,552	67,984,038	14,221,456	82,205,494

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2011 (Unaudited)

	Notes	6 months ended 30 June	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the period		5,211,256	5,155,289
Adjustments for:			
Depreciation		382,543	253,797
Net investment income		(3,491,270)	(2,727,432)
Impairment of investments available for sale	3	2,629,076	110,504
Excess of fair value of investment in an associate over acquisition price	3	(985,170)	-
Share of results of associates	3	(11,161)	-
Contribution to KFAS		47,432	43,841
Contribution to NLST		84,764	115,057
Zakat		46,831	43,165
Cost of share base payment		-	43,422
		3,914,301	3,037,643
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		1,080,258	(2,308,404)
Premiums and insurance balances receivable		3,599,365	2,599,473
Reinsurance recoverable on outstanding claims		(2,094,416)	(432,058)
Property held for sale		8,766	1,293
Other assets		(2,065,130)	2,188,651
Liabilities arising from insurance contracts		(103,556)	1,791,964
Premiums received in advance		(606,829)	132,205
Insurance payable		(4,832,356)	(4,510,999)
Other liabilities		3,745,749	(727,523)
Cash from operations		2,646,152	1,772,245
Paid to directors		(80,000)	(80,000)
Paid to NLST		(213,051)	(113,670)
Net cash from operating activities		2,353,101	1,578,575
INVESTING ACTIVITIES			
Purchase of property and equipment		(3,622,807)	(114,406)
Net movement in investments available for sale		4,697,566	(2,479,880)
Net movement in debt securities (loans)		1,243,134	5,993,912
Additions to investments held to maturity		(3,419,014)	(7,027,983)
Time deposits		1,645,260	(33,590,784)
Cash flow on acquisition of a subsidiary		-	(1,658,047)
Loans secured by life insurance policies		79,956	(33,991)
Interest received		1,111,952	1,120,305
Dividends received		801,903	1,243,662
Other investment income (paid) received		(29,122)	616,917
Net cash from (used in) investing activities		2,508,828	(35,930,295)
FINANCING ACTIVITIES			
Dividend paid		(4,241,250)	(6,489,975)
Net movement in treasury shares		-	185,348
Net movement in non-controlling interest		492,175	(1,459,058)
Net cash used in financing activities		(3,749,075)	(7,763,685)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,112,854	(42,115,405)
Net foreign exchange difference		(1,094,699)	(170,254)
Cash and cash equivalents at 1 January	8	12,251,009	59,853,512
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	12,269,164	17,567,853

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 30 June 2011 (Unaudited)

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 25 July 2011.

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.

At 28 September 2010, Kuwait Projects Company Holding K.S.C. (previously the "Ultimate Parent Company") sold 66,502,800 shares of the Parent Company to Fairfax Financial Holding Limited. Accordingly, the Parent Company is 43.23% (31 December 2010: 43.87% and 30 June 2010: 67.43%) owned by Kuwait Project Company Holding K.S.C and 41.26% by Fairfax Financial Holding Limited as at 30 June 2011.

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 2010 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 six month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

Changes in accounting policy and disclosures

The following new and amended standards and interpretations are applicable for the Group effective from 1 January 2011:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

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

As at 30 June 2011 (Unaudited)

3 NET INVESTMENT INCOME

	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	1,549,431	166,808	1,578,749	180,485
Realised gain (loss) on sale of investments at fair value through income statement	100,376	(329,295)	107,890	(152,087)
Dividend income	238,314	180,985	1,124,258	1,243,662
Share of results from associates	11,161	-	11,161	-
Excess of fair value of investment in an associate over acquisition price *	985,170	-	985,170	-
Interest on debt securities (loans)	(105,473)	(161,790)	299,389	210,251
Unrealized gain (loss) on investments at fair value through income statement	250,345	(1,085,481)	(583,395)	(475,301)
Interest on time and call deposits	974,143	900,914	1,501,867	1,495,622
Foreign exchange (loss) gain	(32,779)	73,301	(4,739)	57,112
Other investment income	28,080	657,053	73,810	682,723
Impairment loss of investments available for sale	(2,616,918)	(71,588)	(2,629,076)	(110,504)
Finance charges and interest	(283,081)	(302,937)	(503,626)	(449,230)
Other investment expenses	(25,815)	538,246	(102,933)	(65,807)
	1,072,954	566,216	1,858,525	2,616,926

* This amount is related to the investment in KIPCO Private Equity Company that was previously treated as available for sale investment, as the Group did not have significant influence over the investee. While during the current period, the Group was able to exercise significant influence by way of representation on board of director, 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 an amount of KD 985,170, which represents the difference between the fair value and the carrying value of the investment as at the date of the investee Company became an associate, was recognized in the income statement.

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>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income (loss) from life insurance	439,002	(132,820)	263,230	376,473
Net investment income	633,952	699,036	1,595,295	2,240,453
	1,072,954	566,216	1,858,525	2,616,926

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

Basic 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 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.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2011 (Unaudited)

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

	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	2,058,950	1,637,686	4,104,088	4,206,014
	Shares	Shares	Shares	Shares
Number of shares outstanding at the beginning of the period	178,132,500	178,132,500	178,132,500	178,132,500
Weighted average number of treasury shares	-	(4,508,474)	-	(4,870,318)
Weighted average number of shares, less treasury shares outstanding during the period	178,132,500	173,624,026	178,132,500	173,262,182
Basic and diluted earnings per share	11.56 fils	9.43 fils	23.04 fils	24.28 fils

As per International Accounting standard IAS No. 33 "Earnings per share" earnings per share for the period ended 30 June 2010, has been restated due to issue of bonus shares for the year ended 31 December 2010 as per General Assembly meeting (Note 12).

5 INVESTMENTS AVAILABLE FOR SALE

	<i>(Audited)</i>		
	<i>30 June 2011</i>	<i>31 December 2010</i>	<i>30 June 2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Quoted equity securities	12,043,179	16,352,165	16,709,677
Unquoted equity securities	19,636,166	23,180,573	22,608,785
Unquoted managed funds	1,729,693	10,524,210	7,907,143
	33,409,038	50,056,948	47,225,605

Included in investments available for sale are unquoted equity securities with a carrying value of KD 1,789,718 (31 December 2010: KD 12,906,279 and 30 June 2010: KD 26,689,553) 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 2,629,076 (31 December 2010: KD 323,420 and 30 June 2010: KD 110,504) 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.

During the period ended 30 June 2011, the Group was able to exercise significant influence by the way of representation in the board of directors of KIPCO Private Equity Company. Accordingly, an amount of KD 8,840,896 has been reclassified out of the investments available for sale to investments in associated companies (Note 3).

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As at 30 June 2011 (Unaudited)

6 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 June</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 June</i> <i>2010</i> <i>KD</i>
Held for trading:			
Quoted equity securities	3,381,300	3,263,754	8,045,158
Designated upon initial recognition:			
Managed funds of quoted securities	15,794,753	16,517,052	9,595,279
	<u>19,176,053</u>	<u>19,780,806</u>	<u>17,640,437</u>

7 TIME DEPOSITS

Time deposits of KD 31,964,265 (31 December 2010: KD 33,609,525 and 30 June 2010: KD 33,590,784) represent bank deposits placed with local and foreign banks with an effective interest rate of 2% per annum (31 December 2010: 2.25% and 30 June 2010: 2% per annum)

8 CASH AND CASH EQUIVALENTS

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

	<i>30 June</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 June</i> <i>2010</i> <i>KD</i>
Bank balances and cash	6,822,059	5,535,475	6,006,781
Short term and call deposits	21,505,681	21,677,260	29,421,193
Cash and cash equivalents in the statement of financial position	<u>28,327,740</u>	<u>27,212,735</u>	<u>35,427,974</u>
Bank overdraft	(16,058,576)	(14,961,726)	(17,860,121)
Cash and cash equivalents in the statement of cash flows	<u>12,269,164</u>	<u>12,251,009</u>	<u>17,567,853</u>

9 TREASURY SHARES

	<i>30 June</i> <i>2011</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i>	<i>30 June</i> <i>2010</i>
Number of shares (share)	-	-	4,293,785
Percentage of issued shares (%)	-	-	2.53
Market value (KD)	-	-	1,717,514
Cost (KD)	-	-	1,615,422

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10 SEGMENT INFORMATION

For the management purpose the Group operates in two segments, general risk insurance and life & medical insurance; there are no inter-segment transactions. The following are the details of these two segments:

Six months ended 30 June 2011

	Marine & aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Total general risk insurance KD	Life insurance KD	Medical insurance KD	Total life & medical KD	Total KD
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

Six months ended 30 June 2010

	Marine & aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Total general risk insurance KD	Life insurance KD	Medical insurance KD	Total life & medical KD	Total KD
Segment revenue	1,686,699	2,118,024	13,302,120	1,145,674	2,452,483	20,705,000	4,909,988	6,121,950	11,031,938	31,736,938
Segment results (net underwriting income)	797,498	474,240	247,169	91,338	1,310,658	2,920,903	1,167,159	344,926	1,512,085	4,432,988

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2011 (Unaudited)

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.

	<u>30 June 2011</u>		<u>30 June 2010</u>	
	<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	51,386	278	47,338	2,013
Directors and key management personnel	202,626	48,397	457,200	215,133
Other related parties	1,691,573	205,436	2,137,977	632,657
	<u>1,945,585</u>	<u>254,111</u>	<u>2,642,515</u>	<u>849,803</u>

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

	<u>30 June 2011</u>		<u>30 June 2010</u>	
	<i>Amounts owed</i> <i>by related</i> <i>parties</i> <i>KD</i>	<i>Amounts owed</i> <i>to related</i> <i>parties</i> <i>KD</i>	<i>Amounts owed</i> <i>by related</i> <i>parties</i> <i>KD</i>	<i>Amounts owed</i> <i>to related</i> <i>parties</i> <i>KD</i>
Ultimate Parent Company	130,557	-	141,550	-
Directors and key management personnel	217,307	-	436,329	(32,296)
Other related parties	959,674	(67,603)	982,564	(48,495)
	<u>1,307,538</u>	<u>(67,603)</u>	<u>1,560,443</u>	<u>(80,791)</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 company. Total income from related party transactions amounted to KD 1,967,724 (31 December 2010: KD 5,267,208 and 30 June 2010: KD 2,870,126). Total expenses from related party transactions amounted to KD 266,697 (31 December 2010: KD 937,363 and 30 June 2010: KD 870,003).
- The Group holds certain deposits and call accounts with a related party amounting to KD 3,942,374 (31 December 2010: KD 5,107,419 and 30 June 2010: KD 7,000,000). The Group also holds bonds issued by the previous Ultimate Parent Company and other related companies amounting to KD 7,444,053 (31 December 2010: KD 7,942,466 and 30 June 2010: KD 7,840,738).
- Loans granted to a related party amounted to KD 1,402,689 (31 December 2010: KD 1,402,689 and 30 June 2010: 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.

Other related parties include transactions with the previous Ultimate Parent Company.

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As at 30 June 2011 (Unaudited)

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>2011</i>	<i>31 December</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Short-term employee benefits	440,990	857,890	368,482
Termination benefits	2,316,416	2,244,435	1,960,102
	<u>2,757,406</u>	<u>3,102,325</u>	<u>2,328,584</u>

12 DIVIDENDS PAID

On 6 April 2011, The General Assembly approved the distribution of cash dividend of 25% representing 25 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 2010 (30 June 2010: 40% cash dividends representing 40 fils per share for the year ended 31 December 2009).

13 COMMITMENTS

At 30 June 2011, the Group had future commitments in respect of investments amounting to KD 5,504,712 (31 December 2010: KD 6,686,048 and 30 June 2010: KD 9,642,706).

14 CONTINGENT LIABILITIES

At 30 June 2011, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 748,826 (31 December 2010: KD 1,968,555 and 30 June 2010: KD 217,453).

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As at 30 June 2011 (Unaudited)

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.

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 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 & 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

The following tables summarise the consolidated policyholders' results by line of business and fund for the 6 months period ended 30 June 2010:

	<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 & Medical KD</i>	<i>Total KD</i>
Premium written	171,299	189,230	60,322	4,635	82,543	294,206	802,235
Surplus (deficit) from insurance operations	40,795	31,410	14,143	2,519	(752)	40,967	129,082

	<i>30 June 2011 KD</i>	<i>31 December 2010 KD</i>	<i>30 June 2010 KD</i>
Amount due to policyholders	548,352	230,965	256,952

Amount due to policyholders of Takaful Unit of KD 548,352 (31 December 2010: KD 230,965 and 30 June 2010: KD 256,952) is included under other liabilities in the consolidated statement of financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at 30 June 2011 (Unaudited)

16 COMPARATIVE INFORMATION

The Group has changed the classification of the life mathematical reserve in the statement of income to be included within the net premiums earned instead of being part of the expenses.

Management of the Parent Company believes that the current classification is more appropriate due to the nature of the life business, where the majority of the premiums relate to one year group medical policies. The change in the classification had no impact on the net underwriting income or the profit before taxes for both periods.