

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2011 (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 2011 and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three month and nine 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 nine 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 nine month period ended 30 September 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-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 September 2011

	Notes	3 months ended 30 September		9 months ended 30 September	
		2011 KD	2010 KD	2011 KD	2010 KD
<b>Revenue:</b>					
Premiums written		45,039,749	35,548,953	103,304,454	90,736,758
Reinsurance premiums ceded		(22,112,394)	(18,171,561)	(50,083,001)	(44,169,112)
Net premiums written		22,927,355	17,377,392	53,221,453	46,567,646
Movement in unearned premiums reserve		(4,888,450)	(4,741,192)	(3,482,785)	(6,615,932)
Movement in life mathematical reserve		(826,869)	1,498,650	(2,196,489)	(369,937)
Net premiums earned		17,212,036	14,134,850	47,542,179	39,581,777
Commission received on ceded reinsurance		1,811,416	2,009,819	6,939,475	6,584,336
Policy issuance fees		665,466	741,565	2,018,720	2,080,586
Net investment (loss) income from life insurance	3	(897,617)	895,725	(634,387)	1,272,199
		18,791,301	17,781,959	55,865,987	49,518,898
<b>Expenses:</b>					
Claims incurred		11,493,328	10,393,937	31,702,008	27,240,984
Commission and discounts		1,131,083	1,247,866	4,413,053	4,223,057
Increase in additional reserve		103,671	149,579	46,476	168,618
Maturity and cancellations of life insurance policies		299,252	358,403	951,407	863,482
General and administrative expenses		3,810,522	3,656,366	11,263,385	10,613,962
		16,837,856	15,806,151	48,376,329	43,110,103
Net underwriting income		1,953,445	1,975,808	7,489,658	6,408,795
Net investment income	3	845,674	1,573,821	2,440,969	3,814,274
Net sundry income		162,182	20,585	206,082	90,301
		2,961,301	3,570,214	10,136,709	10,313,370
<b>Other charges</b>					
Unallocated general and administrative expenses		(732,820)	(566,941)	(2,517,945)	(1,952,745)
<b>PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>					
Contribution to KFAS		2,228,481	3,003,273	7,618,764	8,360,625
National Labour Support tax (NLST)		(20,550)	(24,692)	(67,982)	(68,533)
Zakat tax		(34,010)	(63,430)	(118,774)	(178,487)
		(20,606)	(24,694)	(67,437)	(67,859)
<b>PROFIT FOR THE PERIOD</b>		<b>2,153,315</b>	<b>2,890,457</b>	<b>7,364,571</b>	<b>8,045,746</b>
<b>Attributable to:</b>					
Equity holders of the parent company		1,693,529	2,366,792	5,797,617	6,572,806
Non-controlling interest		459,786	523,665	1,566,954	1,472,940
		2,153,315	2,890,457	7,364,571	8,045,746
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENTCOMPANY</b>					
	4	9.51 fils	13.51 fils	32.55fils	37.80 fils

The attached notes 1 to 15 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 September 2011

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>2,153,315</b>	<b>2,890,457</b>	<b>7,364,571</b>	<b>8,045,746</b>
<b>Other comprehensive income</b>				
Net unrealised (loss) gain on available for sale investments	(1,270,818)	1,100,975	(5,376,597)	4,655,283
Net realised gain transferred to income statement on disposal of investments available for sale	3 (17,984)	(163,617)	(1,596,733)	(344,101)
Reversal due to impairment loss on investments available for sale	3 104,737	41,750	2,733,813	152,254
Exchange differences on translation of foreign operations	(75,280)	(383,735)	(1,169,979)	(553,989)
<b>Other comprehensive (loss) income for the period</b>	<b>(1,259,345)</b>	<b>595,373</b>	<b>(5,409,496)</b>	<b>3,909,447</b>
<b>Total comprehensive income for the period</b>	<b>893,970</b>	<b>3,485,830</b>	<b>1,955,075</b>	<b>11,955,193</b>
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent company	434,184	2,962,165	388,121	10,482,253
Non-controlling interest	459,786	523,665	1,566,954	1,472,940
	<b>893,970</b>	<b>3,485,830</b>	<b>1,955,075</b>	<b>11,955,193</b>


The attached notes 1 to 15 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 September 2011

		(Audited)		
	Notes	30 September 2011 KD	31 December 2010 KD	30 September 2010 KD
<b>ASSETS</b>				
Property and equipment		10,972,730	7,353,257	6,967,422
Investments in associated companies		13,563,754	3,196,778	2,555,087
Goodwill		8,468,210	8,304,567	9,680,138
Financial instruments:				
Investments held to maturity		16,151,858	11,265,318	10,321,574
Debt securities (loans)		7,773,321	9,013,959	2,800,000
Investments available for sale	5	31,690,796	50,056,948	54,779,294
Investments carried at fair value through income statement	6	15,092,066	19,780,806	18,701,319
Loans secured by life insurance policies		873,772	911,311	921,561
Premiums and insurance balances receivable		41,592,485	39,994,795	38,479,975
Reinsurance recoverable on outstanding claims		40,536,720	39,993,142	40,745,973
Property held for sale		215,583	222,811	170,655
Other assets		12,469,212	9,450,760	9,620,008
Time deposits	7	28,255,441	33,609,525	27,653,013
Cash and cash equivalents	8	37,594,706	27,212,735	34,669,897
<b>TOTAL ASSETS</b>		<b>265,250,654</b>	<b>260,366,712</b>	<b>258,065,916</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Liabilities arising from insurance contracts:</b>				
Outstanding claims reserve (gross)		72,575,471	71,515,959	70,644,292
Unearned premiums reserve (net)		25,775,890	22,698,314	23,991,947
Life mathematical reserve (net)		19,474,912	17,280,733	18,837,699
Additional reserve (net)		4,121,191	3,878,920	3,725,288
Total liabilities arising from insurance contracts		121,947,464	115,373,926	117,199,226
Bank overdraft	8	13,420,399	14,961,726	3,851,677
Premiums received in advance		277,382	1,241,204	1,274,853
Insurance payable		34,312,461	33,140,724	37,238,332
Other liabilities		14,197,404	13,070,561	10,767,538
<b>TOTAL LIABILITIES</b>		<b>184,155,110</b>	<b>177,788,141</b>	<b>170,331,626</b>
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>				
Share capital		17,813,250	16,965,000	16,965,000
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares reserve		2,051,215	2,051,215	2,051,215
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		385,109	4,624,626	5,082,358
Foreign currency translation adjustments		(2,135,283)	(965,304)	(699,323)
Retained earnings		17,692,920	16,984,803	17,494,344
		66,426,756	70,279,885	72,894,743
Non-controlling interest		14,668,788	12,298,686	14,839,547
<b>Total equity</b>		<b>81,095,544</b>	<b>82,578,571</b>	<b>87,734,290</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>265,250,654</b>	<b>260,366,712</b>	<b>258,065,916</b>

  
Farqad A. Al-Sane  
Chairman

The attached notes 1 to 15 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 September 2011 (Unaudited)

	<i>Attributable to equity holders of the parent company</i>										<i>Non-controlling interest</i>		<i>Total equity</i>	
	<i>Share capital</i> <i>KD</i>	<i>Share premium</i> <i>KD</i>	<i>Treasury shares</i> <i>KD</i>	<i>Treasury shares reserve</i> <i>KD</i>	<i>Employees share option reserve</i> <i>KD</i>	<i>Statutory reserve</i> <i>KD</i>	<i>Voluntary reserve</i> <i>KD</i>	<i>Other reserves</i> <i>KD</i>	<i>Cumulative changes in fair values</i> <i>KD</i>	<i>Foreign currency translation adjustments</i> <i>KD</i>	<i>Retained earnings</i> <i>KD</i>	<i>Sub total</i> <i>KD</i>		<i>KD</i>
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)
<b>Total comprehensive (loss) income for the period</b>	-	-	-	-	-	-	-	-	(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)	-	(4,241,250)
Net movement on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	803,148	803,148
<b>Balance at 30 September 2011</b>	<b>17,813,250</b>	<b>3,600,000</b>	<b>-</b>	<b>2,051,215</b>	<b>-</b>	<b>13,038,433</b>	<b>16,991,846</b>	<b>(3,010,734)</b>	<b>385,109</b>	<b>(2,135,283)</b>	<b>17,692,920</b>	<b>66,426,756</b>	<b>14,668,788</b>	<b>81,095,544</b>
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	-	-	-	-	-	-	-	-	-	-	6,572,806	6,572,806	1,472,940	8,045,746
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	4,463,436	(553,989)	-	3,909,447	-	3,909,447
<b>Total comprehensive Income (loss) for the period</b>	-	-	-	-	-	-	-	-	4,463,436	(553,989)	6,572,806	10,482,253	1,472,940	11,955,193
Dividend for 2009 (Note 11)	-	-	-	-	-	-	-	-	-	-	(6,614,249)	(6,614,249)	-	(6,614,249)
Cost of share based payment	-	-	-	-	43,423	-	-	-	-	-	-	43,423	-	43,423
Sale of treasury share	-	-	1,757,348	558,143	(43,423)	-	-	-	-	-	-	2,272,068	-	2,272,068
Net movement on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,364,632)	(1,364,632)
<b>Balance at 30 September 2010</b>	<b>16,965,000</b>	<b>3,600,000</b>	<b>-</b>	<b>2,051,215</b>	<b>-</b>	<b>12,223,868</b>	<b>16,177,281</b>	<b>-</b>	<b>5,082,358</b>	<b>(699,323)</b>	<b>17,494,344</b>	<b>72,894,743</b>	<b>14,839,547</b>	<b>87,734,290</b>

The attached notes 1 to 15 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 September 2011 (Unaudited)

	Notes	9 months ended 30 September	
		2011 KD	2010 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		7,364,571	8,045,746
Adjustments for:			
Depreciation		554,819	379,548
Net investment income		(2,882,493)	(5,238,727)
Impairment of investments available for sale	3	2,733,813	152,254
Excess of fair value of investment in an associate over acquisition price	3	(985,170)	-
Share of results of associates	3	(672,732)	-
Contribution to KFAS		67,982	68,533
Contribution to NLST		118,774	178,487
Zakat		67,437	67,859
		<u>6,367,001</u>	<u>3,653,700</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		2,641,025	(1,334,975)
Premiums and insurance balances receivable		(1,597,690)	(1,238,199)
Reinsurance recoverable on outstanding claims		(543,578)	(2,693,051)
Property held for sale		7,228	1,293
Other assets		(1,723,267)	1,712,827
Time deposits		5,354,084	(27,653,013)
Liabilities arising from insurance contracts		6,573,538	9,331,799
Premiums received in advance		(963,822)	9,528
Insurance payable		1,171,737	1,159,666
Other liabilities		966,640	379,806
		<u>18,252,896</u>	<u>(16,670,620)</u>
Cash from (used in) operations			
Paid to directors		(80,000)	(80,000)
Paid to NLST		(213,051)	(113,670)
		<u>17,959,845</u>	<u>(16,864,290)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(4,174,292)	(1,818,541)
Net movement in investments available for sale		5,128,239	(9,487,624)
Purchase of investments in associated companies		(254,570)	(998,925)
Net movement in debt securities (loans)		1,240,638	5,993,912
Additions to investments held to maturity		(4,886,540)	(1,249,106)
Cash flow on acquisition of a subsidiary		-	(1,658,047)
Loans secured by life insurance policies		37,539	(59,841)
Interest received		623,677	1,420,109
Dividends received		753,297	1,330,946
Other investment income received		103,546	616,917
		<u>(1,428,466)</u>	<u>(5,910,200)</u>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(4,241,250)	(6,614,249)
Net movement in treasury shares		-	2,272,068
Net movement in non-controlling interest		803,148	(1,364,632)
		<u>(3,438,102)</u>	<u>(5,706,813)</u>
Net cash used in financing activities			
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>13,093,277</u>	<u>(28,481,303)</u>
Net foreign exchange difference		(1,169,979)	(553,989)
Cash and cash equivalents at 1 January	8	12,251,009	59,853,512
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	8	<u>24,174,307</u>	<u>30,818,220</u>

The attached notes 1 to 15 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 September 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 1 January 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.

The Parent Company is 43.23 % (31 December 2010: 43.87% and 30 September 2010: 42.69%) owned by Kuwait Project Company Holding K.S.C and 41.26% by Fairfax Financial Holding Limited as at 30 September 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 nine month period ended 30 September 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 standard is 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.

The revised standard above has 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 September 2011 (Unaudited)

3 NET INVESTMENT INCOME

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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	17,984	163,617	1,596,733	344,101
Realised (loss) gain on sale of investments at fair value through income statement	(271,447)	133,105	(163,557)	314,623
Dividend income	129,038	87,284	1,253,297	1,330,946
Share of results from associates	672,732	-	672,732	-
Excess of fair value of investment in an associate over acquisition price *	-	-	985,170	-
Unrealized (loss) gain on investments at fair value through income statement	(1,300,763)	1,345,224	(1,884,158)	869,923
Interest on debt securities (loans)	144,734	287,521	444,123	497,772
Interest on time and call deposits	469,544	581,371	1,474,739	1,603,212
Foreign exchange gain	62,509	22,624	57,770	79,736
Other investment income	379,066	81,319	960,708	904,219
Impairment loss of investments available for sale	(104,737)	(41,750)	(2,733,813)	(152,254)
Finance charges and interest	(250,073)	(143,826)	(650,788)	(458,926)
Other investment expenses	(530)	(46,943)	(206,374)	(246,879)
	<u>(51,943)</u>	<u>2,469,546</u>	<u>1,806,582</u>	<u>5,086,473</u>

\* 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 September</i>		<i>9 months ended 30 September</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 (loss) income from life insurance	(897,617)	895,725	(634,387)	1,272,199
Net investment income	845,674	1,573,821	2,440,969	3,814,274
	<u>(51,943)</u>	<u>2,469,546</u>	<u>1,806,582</u>	<u>5,086,473</u>

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.

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

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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	<b>1,693,529</b>	2,366,792	<b>5,797,617</b>	6,572,806
	<b>Shares</b>	Shares	<b>Shares</b>	Shares
Number of shares outstanding at the beginning of the period	<b>178,132,500</b>	178,132,500	<b>178,132,500</b>	178,132,500
Weighted average number of treasury shares	-	(2,994,861)	-	(4,235,972)
Weighted average number of shares, less treasury shares outstanding during the period	<b>178,132,500</b>	175,137,639	<b>5,797,617</b>	6,572,806
Basic and diluted earnings per share	<b>9.51 fils</b>	13.51 fils	<b>32.55 fils</b>	37.80 fils

As per International Accounting standard IAS No. 33 "Earnings per share" earnings per share for the period ended 30 September 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>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2011</i>	<i>31 December</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Quoted equity securities	<b>10,369,717</b>	16,352,165	22,497,510
Unquoted equity securities	<b>19,848,794</b>	23,180,573	22,305,018
Unquoted managed funds	<b>1,472,285</b>	10,524,210	9,976,766
	<b>31,690,796</b>	50,056,948	54,779,294

Included in investments available for sale are unquoted equity securities with a carrying value of KD 1,706,384 (31 December 2010: KD 12,906,279 and 30 September 2010: KD 20,830,514) 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 2,733,813 (31 December 2010: KD 323,420 and 30 September 2010: KD 152,254) 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 September 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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**6 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT**

	<b>30 September</b>	<i>(Audited)</i> <b>31 December</b>	<b>30 September</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Held for trading:</b>			
Quoted equity securities	3,010,940	3,263,754	10,047,979
<b>Designated upon initial recognition:</b>			
Managed funds of quoted securities	12,081,126	16,517,052	8,653,340
	<u>15,092,066</u>	<u>19,780,806</u>	<u>18,701,319</u>

**7 TIME DEPOSITS**

Time deposits of KD 28,255,441 (31 December 2010: KD 33,609,525 and 30 September 2010: KD 27,653,013) 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 September 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:

	<b>30 September</b>	<i>(Audited)</i> <b>31 December</b>	<b>30 September</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Bank balances and cash	5,538,683	5,535,475	7,082,230
Short term and call deposits	32,056,023	21,677,260	27,587,667
Cash and cash equivalents in the statement of financial position	<u>37,594,706</u>	<u>27,212,735</u>	<u>34,669,897</u>
Bank overdraft	(13,420,399)	(14,961,726)	(3,851,677)
Cash and cash equivalents in the statement of cash flows	<u>24,174,307</u>	<u>12,251,009</u>	<u>30,818,220</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 30 September 2011 (Unaudited)

9 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:

	General risk insurance					Life & medical		Total life & medical & medical KD		
	Marine & aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Total general risk insurance KD	Life insurance KD		Medical insurance KD	
<i>At 30 September 2011</i>										
Segment assets	9,486,087	12,776,347	151,197,690	7,012,019	24,566,585	205,038,728	20,873,101	39,338,825	60,211,926	265,250,654
<i>Nine months ended 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	55,865,987
Segment results (net underwriting income)	4,051,612	740,961	987,907	445,798	1,558,477	4,784,655	573,132	2,131,872	2,705,004	7,489,658
	General risk insurance					Life & medical		Total life & medical & medical KD		
	Marine & aviation KD	Property KD	Motor KD	Engineering KD	General Accident KD	Total general risk insurance KD	Life insurance KD		Medical insurance KD	
<i>At 30 September 2010</i>										
Segment assets	9,856,939	9,373,774	162,659,096	4,351,152	23,431,516	209,672,477	19,691,963	28,701,476	48,393,439	258,065,916
<i>Nine months ended 30 September 2010</i>										
Segment revenue	2,447,543	3,082,350	20,411,454	2,006,904	3,359,919	31,308,170	7,716,289	10,494,439	18,210,728	49,518,898
Segment results (net underwriting income)	1,090,097	476,413	677,406	298,094	1,623,781	4,165,791	1,723,732	519,272	2,243,004	6,408,795

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2011 (Unaudited)

### 10 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 September 2011</u>		<u>30 September 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>
Directors and key management personnel	163,468	29,382	579,143	234,340
Other related parties	1,715,216	375,467	2,680,154	474,487
	<u>1,878,684</u>	<u>404,849</u>	<u>3,259,297</u>	<u>708,827</u>

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

	<u>30 September 2011</u>		<u>30 September 2010</u>	
	<i>Amounts owed by related parties</i> <i>KD</i>	<i>Amounts owed to related parties</i> <i>KD</i>	<i>Amounts owed by related parties</i> <i>KD</i>	<i>Amounts owed to related parties</i> <i>KD</i>
Directors and key management personnel	339,561	-	410,060	(30,689)
Other related parties	776,986	(676,643)	918,534	(46,985)
	<u>1,116,548</u>	<u>(676,643)</u>	<u>1,328,594</u>	<u>(77,674)</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 2,231,528 (31 December 2010: KD 5,267,208 and 30 September 2010: KD 3,780,582). Total expenses from related party transactions amounted to KD 436,309 (31 December 2010: KD 937,363 and 30 September 2010: KD 739,705).
- The Group holds certain deposits and call accounts with a related party amounting to KD 4,250,260 (31 December 2010: KD 5,107,419 and 30 September 2010: KD Nil). The Group also holds bonds issued by the previous Ultimate Parent Company and other related companies amounting to KD 7,454,931 (31 December 2010: KD 7,942,466 and 30 September 2010: KD 7,988,758).
- Loans granted to a related party amounted to KD 1,402,689 (31 December 2010: KD 1,402,689 and 30 September 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2011 (Unaudited)

10 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>30 September</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 September</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Short-term employee benefits	657,630	857,890	565,518
Termination benefits	2,458,435	2,244,435	2,150,363
	<u>3,116,065</u>	<u>3,102,325</u>	<u>2,715,881</u>

11 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 September 2010: 40 % cash dividends representing 40 fils per share for the year ended 31 December 2009).

12 COMMITMENTS

At 30 September 2011, the Group had future commitments in respect of investments amounting to KD 4,635,922 (31 December 2010: KD 6,686,048 and 30 September 2010: KD 8,008,357).

13 CONTINGENT LIABILITIES

At 30 September 2011, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 1,067,151 (31 December 2010: KD 1,968,555 and 30 September 2010: KD 221,588).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2011 (Unaudited)

**14 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 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 &amp; 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

The following tables summarise the consolidated policyholders' results by line of business and fund for the 9 months period ended 30 September 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 &amp; Medical KD</i>	<i>Total KD</i>
Premiums written	235,900	368,498	86,925	9,899	100,862	454,669	1,256,753
Surplus (deficit) from insurance operations	98,182	66,429	10,894	5,266	(3,933)	106,622	283,460

	<i>30 September 2011 KD</i>	<i>31 December 2010 KD</i>	<i>30 September 2010 KD</i>
Amount due to policyholders	272,154	230,965	155,844

Amount due to policyholders of Takaful Unit of KD 272,154 (31 December 2010: KD 230,965 and 30 September 2010: KD 155,844) is included under other liabilities in the consolidated statement of financial position.

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As at 30 September 2011 (Unaudited)

**15 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.