

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2010 (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 ") and its Subsidiaries (collectively "the Group") as at 30 June 2010 and the related interim condensed consolidated statements of income, and comprehensive income for the three month and six month periods then ended, and interim condensed consolidated statement of changes in equity and the 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 violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the parent company during the six month period ended 30 June 2010 have occurred 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 & YOUNGDR. 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 June 2010

	Notes	3 months ended 30 June		6 months ended 30 June	
		2010 KD	2009 KD	2010 KD	2009 KD
Revenue:					
Premiums written		24,375,550	24,964,810	55,187,804	52,957,630
Reinsurance premiums ceded		(12,735,701)	(12,247,595)	(25,997,550)	(22,788,518)
Net premiums written		11,639,849	12,717,215	29,190,254	30,169,112
Movement in unearned premiums		301,284	(377,853)	(1,874,741)	(2,456,558)
Net premiums earned		11,941,133	12,339,362	27,315,513	27,712,554
Commission received on ceded reinsurance		2,075,734	2,007,443	4,574,517	4,091,284
Policy issuance fees		678,052	576,987	1,339,022	922,760
Net investment income from life insurance	3	(132,820)	1,064,678	376,473	1,147,251
		<u>14,562,099</u>	<u>15,988,470</u>	<u>33,605,525</u>	<u>33,873,849</u>
Expenses:					
Claims incurred		8,945,937	9,821,423	16,847,046	17,595,442
Commission and discounts		771,788	1,036,806	2,975,191	2,939,216
Increase in life mathematical reserve		(1,405,954)	(588,141)	1,868,587	3,515,287
Increase in additional reserve		(3,991)	40,288	19,039	12,858
Maturity and cancellations of life insurance policies		208,867	208,941	505,079	392,506
General and administrative expenses		3,956,603	3,811,630	6,957,595	6,569,046
		<u>12,473,250</u>	<u>14,330,947</u>	<u>29,172,537</u>	<u>31,024,355</u>
Net underwriting income		2,088,849	1,657,523	4,432,988	2,849,494
Net investment income	3	699,036	1,433,476	2,240,453	3,471,912
Net sundry income		8,458	51,646	69,716	59,853
		<u>2,796,343</u>	<u>3,142,645</u>	<u>6,743,157</u>	<u>6,381,259</u>
Other charges					
Unallocated general and administrative expenses		(610,171)	(621,123)	(1,385,805)	(1,250,882)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
Contribution to KFAS		2,186,172	2,521,522	5,357,352	5,130,377
National Labour Support tax (NLST)		(16,968)	(18,715)	(43,841)	(42,661)
Zakat tax		(49,303)	(44,055)	(115,057)	(103,921)
		(16,863)	(17,623)	(43,165)	(41,569)
PROFIT FOR THE PERIOD		<u>2,103,038</u>	<u>2,441,129</u>	<u>5,155,289</u>	<u>4,942,226</u>
Attributable to:					
Equity holders of the parent company		1,637,686	1,791,035	4,206,014	4,077,905
Non-controlling interest		465,352	650,094	949,275	864,321
		<u>2,103,038</u>	<u>2,441,129</u>	<u>5,155,289</u>	<u>4,942,226</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>10 fils</u>	<u>10.9 fils</u>	<u>25.5 fils</u>	<u>24.8 fils</u>

The attached notes 1 to 14 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 2010

	<i>3 months ended 30 June</i>		<i>6 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	2,103,038	2,441,129	5,155,289	4,942,226
Other comprehensive income (loss)				
Net unrealised gain (loss) on available for sale investments	3,008,080	389,208	3,554,308	(2,821,689)
Net realised loss (gain) transferred to income statement on disposal of investments available for sale	14,796	(2,218,810)	1,119	(2,168,627)
Reversal due to impairment loss on available for sale investments	71,588	1,882,128	110,504	1,882,128
Exchange differences on translation of foreign operations	(91,732)	(45,729)	(170,254)	411,695
Other comprehensive income (loss) for the period included directly in equity	3,002,732	6,797	3,495,677	(2,696,493)
Total comprehensive income for the period	5,105,770	2,447,926	8,650,966	2,245,733
ATTRIBUTABLE TO:				
Equity holders of the parent company	4,640,418	1,797,832	7,701,691	1,381,412
Non-controlling interest	465,352	650,094	949,275	864,321
	5,105,770	2,447,926	8,650,966	2,245,733

The attached notes 1 to 14 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 2010

		(Audited)		
	Notes	30 June 2010 KD	31 December 2009 KD	30 June 2009 KD
ASSETS				
Property and equipment		5,389,038	5,528,429	5,877,998
Investments in associated companies		2,272,257	2,272,257	5,551,022
Intangible assets		9,044,834	8,307,165	8,309,801
Financial instruments:				
Investments carried at fair value through statement of income	5	17,640,437	15,959,421	14,595,726
Investments available for sale	6	47,225,605	40,899,210	63,081,760
Debt securities (loans)		2,800,000	8,793,912	3,300,000
Investments held to maturity		16,100,451	9,072,468	7,060,254
Loans secured by life insurance policies		895,711	861,720	728,211
Premiums and insurance balances receivable		34,642,303	37,241,776	38,657,198
Reinsurance recoverable on outstanding claims		38,484,980	38,052,922	36,736,937
Property held for sale		174,678	175,971	206,883
Other assets		9,063,747	10,352,937	12,445,739
Time deposits	7	33,590,784	-	-
Cash and cash equivalents	8	35,427,974	76,872,500	58,945,475
TOTAL ASSETS		252,752,799	254,390,688	255,497,004
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		66,196,995	67,208,293	65,722,978
Unearned premiums reserve (net)		19,523,059	18,632,455	20,312,474
Life mathematical reserve (net)		20,337,620	18,469,033	19,827,692
Additional reserve (net)		3,601,718	3,557,646	3,293,670
Total liabilities arising from insurance contracts		109,659,392	107,867,427	109,156,814
Bank overdraft	8	17,860,121	17,018,988	11,321,911
Premiums received in advance		1,397,530	1,265,325	6,329,105
Insurance payable		31,567,665	36,078,666	32,716,337
Other liabilities		10,062,597	10,717,795	10,193,395
Amount due to policyholders of Takaful Fund		-	-	114,949
TOTAL LIABILITIES		170,547,305	172,948,201	169,832,511
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		16,965,000	16,965,000	16,965,000
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares	9	(1,615,422)	(1,757,348)	(1,761,518)
Treasury shares reserve		1,536,494	1,493,072	1,492,581
Statutory reserve		12,223,868	12,223,868	11,689,049
Voluntary reserve		16,177,281	16,177,281	15,642,462
Cumulative changes in fair values		4,284,853	618,922	5,061,790
Foreign currency translation adjustments		(315,588)	(145,334)	(18,821)
Retained earnings		15,127,552	17,535,787	17,633,934
Total equity		67,984,038	66,711,248	70,304,477
Non-controlling interest		14,221,456	14,731,239	15,360,016
Total equity		82,205,494	81,442,487	85,664,493
TOTAL LIABILITIES AND EQUITY		252,752,799	254,390,688	255,497,004


Farqad A. Al-Sane
Chairman

The attached notes 1 to 14 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 2010 (Unaudited)

	Attributable to equity holders of the parent company											Non-controlling interest	Total equity
	Share capital KD	Share premium KD	Treasury shares KD	Treasury share reserve KD	Employees share option reserve KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Retained earnings KD	Sub total KD		
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	-	-	-	-	-	-	-	-	-	(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
Balance at 31 December 2008	16,965,000	3,600,000	(2,045,871)	1,578,309	-	11,689,049	15,642,462	8,169,978	(430,516)	21,808,153	76,976,564	12,439,546	89,416,110
Profit for the period	-	-	-	-	-	-	-	-	-	4,077,905	4,077,905	864,321	4,942,226
Other comprehensive (loss) Income	-	-	-	-	-	-	-	(3,108,188)	411,695	-	(2,696,493)	-	(2,696,493)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(3,108,188)	411,695	4,077,905	1,381,412	864,321	2,245,733
Dividend for 2008	-	-	-	-	-	-	-	-	-	(8,252,124)	(8,252,124)	-	(8,252,124)
Cost of share based payment	-	-	-	-	42,562	-	-	-	-	-	42,562	-	42,562
Sale of treasury share (Note 9)	-	-	284,353	(85,728)	(42,562)	-	-	-	-	-	156,063	-	156,063
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	2,056,149	2,056,149
Balance at 30 June 2009	16,965,000	3,600,000	(1,761,518)	1,492,581	-	11,689,049	15,642,462	5,061,790	(18,821)	17,633,934	70,304,477	15,360,016	85,664,493

The attached notes 1 to 14 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 2010 (Unaudited)

	Notes	6 months ended 30 June	
		2010 KD	2009 KD
OPERATING ACTIVITIES			
Profit for the period		5,155,289	4,942,226
Adjustments for:			
Depreciation		253,797	260,286
Net investment income		(2,727,432)	(6,501,291)
Cost of share base payment		43,422	42,562
Impairment of investments available for sale	3	110,504	1,882,128
Contribution to KFAS		43,841	42,661
Contribution to NLST		43,165	103,921
		<u>2,922,586</u>	<u>772,493</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(2,308,404)	1,783,081
Premiums and insurance balances receivable		2,599,473	(10,815,164)
Reinsurance recoverable on outstanding claims		(432,058)	494,265
Property held for sale		1,293	22,049
Other assets		2,188,651	1,288,064
Time deposits		(33,590,784)	-
Liabilities arising from insurance contracts		1,791,964	13,898,818
Premiums received in advance		132,205	9,492
Insurance payable		(4,510,999)	2,060,797
Other liabilities		(612,466)	(1,180,679)
		<u>(31,818,539)</u>	<u>8,333,216</u>
Cash (used in) from operations		(31,818,539)	8,333,216
Paid to directors		(80,000)	(80,000)
Paid to NLST		(113,670)	(46,926)
		<u>(32,012,209)</u>	<u>8,206,290</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(114,406)	(320,235)
Net movement in investments available for sale		(2,479,880)	(1,597,626)
Purchase of investments in associates		-	(180,212)
Net movement in debt securities (loans)		5,993,912	-
Additions to investments held to maturity		(7,027,983)	(739,794)
Cash flow arising on acquisition of a subsidiary		(1,658,047)	(4,651,396)
Loans secured by life insurance policies		(33,991)	3,748
Interest received		1,120,305	262,237
Dividends received		1,243,662	2,928,579
Other investment income received		616,917	50,090
		<u>(2,339,511)</u>	<u>(4,244,609)</u>
Net cash used in investing activities		(2,339,511)	(4,244,609)
FINANCING ACTIVITIES			
Dividends paid		(6,489,975)	(8,140,786)
Net movement in treasury shares		185,348	156,063
Net movement in non-controlling interest		(1,459,058)	2,056,149
		<u>(7,763,685)</u>	<u>(5,928,574)</u>
Net cash used in financing activities		(7,763,685)	(5,928,574)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(42,115,405)	(1,555,198)
Net foreign exchange difference		(170,254)	(411,695)
Cash and cash equivalents at 1 January	8	59,853,512	49,178,762
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	17,567,853	47,623,564

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

At 30 June 2010 (Unaudited)

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Company K.S.C. (the “parent company”) and its subsidiaries (the “group”) were authorised for issue by the Board of Directors on 27 July 2010.

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 is 67.43% owned by Kuwait Projects Company Holding K.S.C. (the “ultimate parent company”). 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.

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 2009 except as discussed in the following paragraphs.

Change in accounting policies

The following new standard is applicable for the Group effective from 1 January 2010.

IFRS 3 (Revised) – Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements. The main changes in the Group’s accounting policies are as follows:

- Acquisition related costs are expensed in the consolidated statement of income in the periods in which the costs are incurred;
- Changes in ownership interest in a subsidiary that do not result in a loss of control are treated as transaction between equity holders and are accounted for within equity;
- Equity interest held prior to control being obtained are remeasured to fair value at the date of obtaining control, and any gain or loss is recognised in the statement of income.

The revised standard and new amendments have not had significant impact on the Group’s interim condensed consolidated financial information.

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 are presented in Kuwaiti Dinars (KD).

Operating results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010. For more details please refer to the consolidated financial statements for the year ended 31 December 2009.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2010 (Unaudited)

3 NET INVESTMENT INCOME

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	166,808	1,474,500	180,485	1,524,683
Realised (loss) gain on sale of investments carried at fair value through income statement	(329,295)	441	(152,087)	(99,832)
Dividend income	180,985	339,329	1,243,662	2,928,579
Interest on debt securities (loans)	(161,790)	(174,674)	210,251	96,572
Changes in fair value of investments carried at fair value through income statement	(1,085,481)	1,403,386	(475,301)	204,851
Interest on time and call deposits	900,914	736,420	1,495,622	1,493,088
Foreign exchange gain (loss)	73,301	(16,600)	57,112	152,325
Other investment income	657,053	1,305,230	682,723	1,330,541
Impairment loss of investments available for sale	(71,588)	(1,725,176)	(110,504)	(1,882,128)
Finance charges and interest	(302,937)	(715,186)	(449,230)	(881,373)
Other investment expenses	538,246	(129,516)	(65,807)	(248,143)
	<u>566,216</u>	<u>2,498,154</u>	<u>2,616,926</u>	<u>4,619,163</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 earnings per share are calculated by dividing profit for the period attributable to equity holders of the parent company by the weighted average number of ordinary shares, less treasury shares, outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employee share option scheme.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the parent company	<u>1,637,686</u>	<u>1,791,035</u>	<u>4,206,014</u>	<u>4,077,905</u>
	Shares	Shares	Shares	Shares
Number of shares outstanding at the beginning of the period	169,650,000	169,650,000	169,650,000	169,650,000
Weighted average number of treasury shares	<u>(4,293,785)</u>	<u>(4,738,372)</u>	<u>(4,638,398)</u>	<u>(5,063,862)</u>
Weighted average number of shares, less treasury shares, outstanding during the period	<u>165,356,215</u>	<u>164,911,628</u>	<u>165,011,602</u>	<u>164,586,138</u>
Basic and diluted earnings per share	<u>10 fils</u>	<u>10.9 fils</u>	<u>25.5 fils</u>	<u>24.8 fils</u>

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2010 (Unaudited)

5 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 June</i> <i>2010</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i> <i>KD</i>	<i>30 June</i> <i>2009</i> <i>KD</i>
Held for trading:			
Quoted equity securities	8,045,158	7,798,791	1,720,717
Designated upon initial recognition:			
Quoted managed funds	9,595,279	8,160,630	12,875,009
	17,640,437	15,959,421	14,595,726

6 INVESTMENTS AVAILABLE FOR SALE

	<i>30 June</i> <i>2010</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i> <i>KD</i>	<i>30 June</i> <i>2009</i> <i>KD</i>
Quoted equity securities	16,709,677	15,285,067	41,861,592
Unquoted equity securities	22,608,785	19,154,998	16,545,242
Unquoted managed funds	7,907,143	6,459,145	4,674,926
	47,225,605	40,899,210	63,081,760

Included in investments available for sale are unquoted equity securities and managed funds with a carrying value of KD 26,689,553 (31 December 2009: KD 25,614,143 and 30 June 2009: KD 21,220,168) 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 110,504 (31 December 2009: KD 2,118,527 and 30 June 2009: 1,882,128) has been recorded in respect of quoted equity securities classified as available for sale where there has been a significant decline in value of these securities.

7 TIME DEPOSITS

Time deposits represent bank deposits placed with local and foreign banks with an effective interest rate of 2 % per annum.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2010 (Unaudited)

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>2010</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i> <i>KD</i>	<i>30 June</i> <i>2009</i> <i>KD</i>
Bank balances and cash	6,006,781	5,690,854	6,102,312
Short term and call deposits	29,421,193	71,181,646	52,843,163
Cash and cash equivalents in the statement of financial position	35,427,974	76,872,500	58,945,475
Bank overdraft	(17,860,121)	(17,018,988)	(11,321,911)
Cash and cash equivalents in the statement of cash flows	17,567,853	59,853,512	47,623,564

9 TREASURY SHARES

	<i>30 June</i> <i>2010</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i>	<i>30 June</i> <i>2009</i>
Number of shares (share)	4,293,785	4,735,699	4,747,495
Percentage of issued shares (%)	2.53	2.79	2.8
Market value (KD)	1,717,514	2,083,707	2,468,697
Cost (KD)	1,615,422	1,757,348	1,761,518

During the six month period ended 30 June 2010, the employees exercised all the shares granted of KD 991,914 (31 December 2009: KD 608,010 and 30 June 2009: 608,010 shares) from the treasury shares realising net gain of KD 43,422 (31 December 2009: KD 43,053 and 30 June 2009: KD 85,728), which has been debited to treasury share reserve.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 30 June 2010 (Unaudited)

10 SEGMENT INFORMATION

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

Six months ended 30 June 2010

	<i>General risk insurance</i>							
	<i>Marine & aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Casualty KD</i>	<i>Total general risk insurance KD</i>	<i>Medical insurance KD</i>	<i>Life insurance KD</i>	<i>Total KD</i>
Segment revenue	1,686,699	2,118,024	13,302,120	3,598,097	20,705,000	6,121,950	6,778,575	33,605,525
Segment results (net underwriting income)	797,498	474,240	247,169	1,401,996	2,920,903	344,926	1,167,159	4,432,988

Six months ended 30 June 2009

	<i>General risk insurance</i>							
	<i>Marine & aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Casualty KD</i>	<i>Total general risk insurance KD</i>	<i>Medical insurance KD</i>	<i>Life insurance KD</i>	<i>Total KD</i>
Segment revenue	1,735,193	1,750,916	-	16,367,137	19,853,246	-	14,020,603	33,873,849
Segment results (net underwriting income)	707,737	520,092	-	253,541	1,481,370	-	1,368,124	2,849,494

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2010 (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.

	<i>30 June 2010</i>		<i>30 June 2009</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Ultimate parent company	47,338	2,013	49,562	3,532
Directors and key management personnel	457,200	215,133	592,139	38,844
Other related parties	2,137,977	632,657	2,002,164	589,910
	<u>2,642,515</u>	<u>849,803</u>	<u>2,643,865</u>	<u>632,286</u>

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

	<i>30 June 2010</i>		<i>30 June 2009</i>	
	<i>Amounts owed by related parties KD</i>	<i>Amounts owed to related parties KD</i>	<i>Amounts owed by related parties KD</i>	<i>Amounts owed to related parties KD</i>
Ultimate parent company	141,550	-	21,800	-
Directors and key management personnel	436,329	(32,296)	528,034	(16,026)
Other related parties	982,564	(48,495)	851,209	(13,331)
	<u>1,560,443</u>	<u>(80,791)</u>	<u>1,401,043</u>	<u>(29,357)</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 2,870,126 (31 December 2009: KD 4,169,437 and 30 June 2009: KD 2,695,601). Total expenses from related party transactions amounted to KD 870,003 (31 December 2009: KD 925,588 and 30 June 2009: KD 667,826).
- The group holds certain deposits and call accounts with a related party amounting to KD 7,000,000 (31 December 2009: KD 14,000,000 and 30 June 2009: KD Nil). The group also holds bonds issued by the ultimate parent company and other related companies amounting to KD 7,840,738 (31 December 2009: KD 7,293,912 and 30 June 2009: KD 1,300,000).
- Loans granted to a related party amounted to KD 1,402,689 (31 December 2009: KD 1,402,689 and 30 June 2009: KD 1,402,000). These loans are repayable on demand. The interest rate is calculated based on prevailing discount rate of the Central Bank of Kuwait.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2010 (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>2010</i>	<i>31 December</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Short-term employee benefits	368,482	763,300	368,482
Termination benefits	1,960,102	1,865,140	1,770,177
	<u>2,328,584</u>	<u>2,628,440</u>	<u>2,138,659</u>

12 PROPOSED DIVIDENDS

On 1 April 2010, general assembly approved the distribution of cash dividend of 40% representing 40 fils per share of outstanding shares excluding treasury shares to the parent company's shareholder, proposed by the Board of Directors for the year ended 31 December 2009 (30 June 2009: 50% cash dividends representing 50 fils per share for the year ended 31 December 2008).

13 COMMITMENTS

At 30 June 2010, the group had future commitments in respect of investments amounting to KD 9,642,706 (31 December 2009: KD 9,987,817 and 30 June 2009: KD 117,000).

14 CONTINGENT LIABILITIES

At 30 June 2010, the group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 217,453 (31 December 2009: KD 1,253,042 and 30 June 2009: KD 721,177).