

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2012 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF INSURANCE COMPANY K.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Company K.S.C. (the "Parent Company") and its Subsidiaries (collectively "the Group") as at 31 March 2012 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the Parent Company have occurred during the three months period ended 31 March 2012 that might have had a material effect on the business of the Parent Company or on its financial position.



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



DR. SAUD 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 31 March 2012

	Notes	3 months ended 31 March	
		2012 KD	2011 KD
Revenue:			
Premiums written		39,803,791	30,086,979
Reinsurance premiums ceded		(15,209,297)	(14,238,381)
Net premiums written		24,594,494	15,848,598
Movement in unearned premiums reserve		(349,176)	1,437,917
Movement in life mathematical reserve		(6,978,825)	(2,768,617)
Net premiums earned		17,266,493	14,517,898
Commission received on ceded reinsurance		2,883,975	2,870,137
Policy issuance fees		693,257	620,685
Net investment income (loss) from life insurance	3	883,908	(175,772)
		<u>21,727,633</u>	<u>17,832,948</u>
Expenses:			
Claims incurred		11,482,290	9,519,006
Commission and discounts		2,246,108	2,348,709
Increase (decrease) in additional reserve		1,514,423	(73,689)
Maturity and cancellations of life insurance policies		258,518	329,080
General and administrative expenses		3,802,407	3,220,204
		<u>19,303,746</u>	<u>15,343,310</u>
Net underwriting income		<u>2,423,887</u>	<u>2,489,638</u>
Net investment income	3	1,174,754	961,343
Net sundry income		152,495	10,194
		<u>3,751,136</u>	<u>3,461,175</u>
Other charges			
Unallocated general and administrative expenses		(989,973)	(797,445)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT TAX			
		2,761,163	2,663,730
Contribution to KFAS		(27,275)	(25,195)
NLST		(34,988)	(66,600)
Zakat tax		(17,217)	(25,055)
PROFIT FOR THE PERIOD		<u>2,681,683</u>	<u>2,546,880</u>
Attributable to:			
Equity holders of the Parent Company		2,247,249	2,045,138
Non-controlling interests		434,434	501,742
		<u>2,681,683</u>	<u>2,546,880</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENTCOMPANY			
	4	<u>12.23 fils</u>	<u>10.93 fils</u>

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

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 31 March 2012

	<i>3 months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>
Profit for the period	2,681,683	2,546,880
Other comprehensive income		
Net unrealised loss (gain) on available for sale investments	1,989,085	(537,394)
Net realised gain transferred to income statement on sale of investments available for sale	3 (6,789)	(29,318)
Impairment loss on investments available for sale	3 175,534	12,158
Exchange differences on translation of foreign operations	(314,379)	(806,887)
Other comprehensive income (loss) for the period	1,843,451	(1,361,441)
Total comprehensive income for the period	4,525,134	1,185,439
ATTRIBUTABLE TO:		
Equity holders of the Parent Company	4,090,700	683,697
Non-controlling interests	434,434	501,742
	4,525,134	1,185,439

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

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2012

		(Audited)		
	Notes	31 March 2012 KD	31 December 2011 KD	31 March 2011 KD
ASSETS				
Property and equipment		11,318,299	11,473,415	10,512,030
Investments in an associate	10	2,291,129	13,299,616	3,196,778
Goodwill		8,457,239	8,466,184	8,472,510
Financial instruments:				
Investments held to maturity		18,159,892	17,389,892	13,516,493
Debt securities (loans)		9,001,990	7,758,269	8,827,103
Investments available for sale	5	36,592,182	32,247,322	46,777,141
Investments carried at fair value through income statement	6	15,594,924	14,033,180	20,252,545
Loans secured by life insurance policies		870,125	832,348	869,526
Premiums and insurance balances receivable		46,472,835	42,112,326	43,677,090
Reinsurance recoverable on outstanding claims		42,219,753	41,801,433	49,067,225
Property held for sale		593,374	234,663	217,214
Other assets	10	21,905,079	12,300,885	12,696,659
Time deposit	7	29,829,034	33,951,697	30,199,747
Cash and cash equivalents	8	40,571,506	30,871,979	30,809,483
TOTAL ASSETS		283,877,361	266,773,209	279,091,544
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		75,599,567	75,179,568	80,204,889
Unearned premiums reserve (net)		24,304,115	24,100,850	20,993,199
Life mathematical reserve (net)		25,647,743	18,672,420	20,049,378
Additional reserve (net)		5,606,355	4,092,361	4,002,996
Total liabilities arising from insurance contracts		131,157,780	122,045,199	125,250,462
Premiums received in advance		512,461	276,511	1,130,372
Insurance payable		34,111,281	33,273,082	39,288,213
Other liabilities		14,637,440	14,692,035	13,607,823
Bank overdraft	8	17,870,848	14,730,513	15,390,711
TOTAL LIABILITIES		198,289,810	185,017,340	194,667,581
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		17,813,250	17,813,250	16,965,000
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares		(1,617,950)	(1,561,429)	-
Treasury shares reserve		2,051,215	2,051,215	2,051,215
Statutory reserve		13,791,001	13,791,001	13,038,433
Voluntary reserve		17,744,414	17,744,414	16,991,846
Other reserve		(3,010,734)	(3,010,734)	(3,010,734)
Cumulative changes in fair values		2,986,488	828,658	4,070,072
Foreign currency translation adjustments		(2,560,702)	(2,246,323)	(1,772,191)
Retained earnings		19,752,462	17,505,213	19,029,941
		70,549,444	66,515,265	70,963,582
Non-controlling interests		15,038,107	15,240,604	13,460,381
Total equity		85,587,551	81,755,869	84,423,963
TOTAL LIABILITIES AND EQUITY		283,877,361	266,773,209	279,091,544

Farqad A. Al-Sane
Chairman

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

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2012

	<i>Attributable to equity holders of the Parent Company</i>											<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Other reserve KD</i>	<i>Cumulative changes in fair values KD</i>	<i>Foreign currency translation adjustments KD</i>	<i>Retained earnings KD</i>	<i>Sub total KD</i>	<i>KD</i>	<i>KD</i>
Balance at 31 December 2011	17,813,250	3,600,000	(1,561,429)	2,051,215	13,791,001	17,744,414	(3,010,734)	828,658	(2,246,323)	17,505,213	66,515,265	15,240,604	81,755,869
Profit for the period	-	-	-	-	-	-	-	-	-	2,247,249	2,247,249	434,434	2,681,683
Other comprehensive income (loss)	-	-	-	-	-	-	-	2,157,830	(314,379)	-	1,843,451	-	1,843,451
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	2,157,830	(314,379)	2,247,249	4,090,700	434,434	4,525,134
Purchase of treasury shares	-	-	(56,521)	-	-	-	-	-	-	-	(56,521)	-	(56,521)
Net movement on non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(636,931)	(636,931)
Balance at 31 March 2012	17,813,250	3,600,000	(1,617,950)	2,051,215	13,791,001	17,744,414	(3,010,734)	2,986,488	(2,560,702)	19,752,462	70,549,444	15,038,107	85,587,551
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	-	-	-	-	-	-	-	-	-	2,045,138	2,045,138	501,742	2,546,880
Other comprehensive loss	-	-	-	-	-	-	-	(554,554)	(806,887)	-	(1,361,441)	-	(1,361,441)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(554,554)	(806,887)	2,045,138	683,697	501,742	1,185,439
Net movement on non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	659,953	659,953
Balance at 31 March 2011	16,965,000	3,600,000	-	2,051,215	13,038,433	16,991,846	(3,010,734)	4,070,072	(1,772,191)	19,029,941	70,963,582	13,460,381	84,423,963

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

Gulf Insurance Company K.S.C. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2012

	Notes	3 months ended 31 March	
		2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the period		2,681,683	2,546,880
Adjustments for:			
Depreciation		202,273	159,502
Net investment income	3	(2,058,662)	(785,571)
Contribution to KFAS		27,275	25,195
NLST		34,988	66,600
Zakat tax		17,217	25,055
		<u>904,774</u>	<u>2,037,661</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(653,612)	(1,298,064)
Premiums and insurance balances receivable		(4,360,509)	(3,682,295)
Reinsurance recoverable on outstanding claims		(358,711)	(9,074,083)
Property held for sale		(358,711)	5,597
Other assets		(640,167)	(2,939,721)
Liabilities arising from insurance contracts		9,112,581	9,876,535
Premiums received in advance		235,950	(110,832)
Insurance payable		838,199	6,147,489
Other liabilities		365,925	420,411
		<u>5,026,111</u>	<u>1,382,698</u>
Cash from operations			
Paid to directors		-	(80,000)
Paid to NLST		-	(213,051)
		<u>5,026,111</u>	<u>1,089,647</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,093,062)	(3,318,275)
Proceeds from sale of property and equipment		1,016,905	-
Net movement of investments available for sale		(2,362,564)	2,742,413
Purchase of investments in associated companies		(59,095)	-
Proceeds from sale of investments in associated companies		2,540,483	-
Net movement of debt securities (loans)		(1,243,721)	(2,251,175)
Net movement of investments held to maturity		(770,000)	186,856
Time deposits		4,122,663	3,409,778
Cash flow on acquisition of a subsidiary		-	(1,269,958)
Loans secured by life insurance policies		(37,777)	41,785
Interest received		364,608	527,724
Dividends received		33,473	885,944
		<u>2,511,913</u>	<u>2,225,050</u>
Net cash from investing activities			
FINANCING ACTIVITIES			
Purchase of treasury shares		(56,521)	-
Net movement in non-controlling interests		(636,931)	659,953
		<u>(693,452)</u>	<u>659,953</u>
Net cash from financing activities			
INCREASE IN CASH AND CASH EQUIVALENTS		6,844,572	3,974,650
Net foreign exchange difference		(285,379)	(806,887)
Cash and cash equivalents at 1 January	8	16,141,466	12,251,009
CASH AND CASH EQUIVALENTS AT 31 MARCH	8	22,700,658	15,418,772

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

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Company K.S.C. (the “Parent Company”) and its subsidiaries (collectively “the Group”) were authorised for issue by the Board of Directors on 8 May 2012.

The Parent Company is a Kuwaiti Shareholding Company incorporated in the State of Kuwait in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The address of the Parent Company’s registered office is P.O. Box 1040 Safat, 13011 State of Kuwait. The Parent Company’s objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 43.23% (31 December 2011: 41.43% and 31 March 2011: 43.93%) owned by Kuwait Project Company Holding K.S.C. and 41.26% by Fairfax Financial Holding Limited as at 31 March 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 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).

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2011. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three month period ended 31 March 2012 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

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

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

The revised standards and new amendments above have not had significant impact on the company’s interim condensed financial information.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

3 NET INVESTMENT INCOME

	<i>3 months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	6,789	29,318
Realised gain on sale of investments at fair value through income statement	158,616	7,514
Dividend income	711,664	885,944
Share of results of an associate	(405,649)	-
Unrealised gain (loss) on investments at fair value through income statement	749,516	(833,740)
Interest on debt securities (loans)	157,411	404,862
Interest on time and call deposits	501,288	527,724
Foreign exchange gain	129,158	28,040
Other investment income	509,044	45,730
Impairment loss of investments available for sale (Note 5)	(175,534)	(12,158)
Finance charges and interest	(185,079)	(220,545)
Other investment expenses	(98,562)	(77,118)
	<u>2,058,662</u>	<u>785,571</u>

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

	<i>3 months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Net investment income (loss) from life insurance	883,908	(175,772)
Net investment income	1,174,754	961,343
	<u>2,058,662</u>	<u>785,571</u>

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

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less treasury shares, outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employee share option scheme.

	<i>3 months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	2,247,249	2,045,138
	Shares	Shares
Weighted average number of shares, less treasury shares outstanding during the period	183,710,571	187,039,125
Basic and diluted earnings per share	12.23 fils	10.93 fils

The basic and diluted earnings per share have been adjusted for the current and previous period following the shareholders' approval of bonus shares at the General Assembly meeting held on 2 April 2012 (Note 11).

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

5 INVESTMENTS AVAILABLE FOR SALE

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2012</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2011</i>	<i>2011</i>
		<i>KD</i>	<i>KD</i>
Quoted equity securities	14,226,642	10,937,392	14,680,360
Unquoted equity securities	21,311,814	20,190,548	21,691,637
Unquoted managed funds	1,053,726	1,119,382	10,405,144
	36,592,182	32,247,322	46,777,141

Included in investments available for sale are unquoted equity securities with a carrying value of KD 1,159,078 (31 December 2011: KD 1,467,090 and 31 March 2011: KD 2,243,356) 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 175,534 (31 December 2011: KD 3,244,781 and 31 March 2011: KD 12,158) 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.

6 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2012</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2011</i>	<i>2011</i>
		<i>KD</i>	<i>KD</i>
Held for trading:			
Quoted equity securities	2,497,161	3,074,559	3,637,599
Designated upon initial recognition:			
Managed funds of quoted securities	13,097,763	10,958,621	16,614,946
	15,594,924	14,033,180	20,252,545

7 TIME DEPOSITS

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

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

8 CASH AND CASH EQUIVALENTS

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

	31 March 2012 KD	<i>(Audited)</i> 31 December 2011 KD	31 March 2011 KD
Bank balances and cash	13,970,227	7,226,003	6,482,820
Short term and call deposits	26,601,279	23,645,976	24,326,663
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of financial position	40,571,506	30,871,979	30,809,483
Bank overdraft	(17,870,848)	(14,730,513)	(15,390,711)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	22,700,658	16,141,466	15,418,772
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Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

9 SEGMENT INFORMATION

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

	<i>General risk insurance</i>					<i>Total general risk insurance KD</i>	<i>Life and medical</i>			<i>Total KD</i>
	<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 insurance KD</i>	<i>Medical insurance KD</i>	<i>Total life and medical KD</i>	
Three months ended 31 March 2012										
Segment revenue	874,193	1,513,163	7,103,603	754,344	1,274,395	11,519,698	4,248,893	5,978,841	10,227,734	21,727,432
Segment results (net underwriting income)	292,660	517,222	(85,863)	182,746	490,275	1,397,040	616,330	410,517	1,026,847	2,423,887
	<i>General risk insurance</i>					<i>Total general risk insurance KD</i>	<i>Life and medical</i>			<i>Total KD</i>
	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General accidents KD</i>		<i>Medical insurance KD</i>	<i>Life insurance KD</i>	<i>Total life and medical KD</i>	
Three months ended 31 March 2011										
Segment revenue	828,314	1,469,134	6,720,516	880,047	1,208,062	11,106,073	4,355,984	2,370,891	6,726,875	17,832,948
Segment results (net underwriting income)	264,675	279,497	560,511	(87,098)	329,646	1,347,231	1,289,532	(147,125)	1,142,407	2,489,638

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

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.

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>31 March 2012</i>		<i>31 March 2011</i>	
	<i>Premiums</i> <i>KD</i>	<i>Claims</i> <i>KD</i>	<i>Premiums</i> <i>KD</i>	<i>Claims</i> <i>KD</i>
Directors and key management personnel	182,359	4,857	232,418	21,626
Other related parties	1,360,355	105,005	1,360,235	161,647
	1,542,714	109,862	1,592,653	183,273

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

	<i>31 March 2012</i>		<i>31 March 2011</i>	
	<i>Amounts</i> <i>owed by</i> <i>related</i> <i>parties</i> <i>KD</i>	<i>Amounts</i> <i>owed to</i> <i>related</i> <i>parties</i> <i>KD</i>	<i>Amounts</i> <i>owed by</i> <i>related</i> <i>parties</i> <i>KD</i>	<i>Amounts</i> <i>owed to</i> <i>related</i> <i>parties</i> <i>KD</i>
Directors and key management personnel	8,026,375	-	465,140	(39,827)
Other related parties	1,542,920	(39,186)	1,596,141	(11,034)
	9,569,295	(39,186)	2,061,281	(50,861)

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

- Most of the Group's investment transactions are made through portfolios managed by a related party entity which resulted in a total income amounted to KD 2,221,659 (31 December 2011: KD 3,011,833 and 31 March 2011: KD 1,747,203) and total expenses amounted to KD 118,272 (31 December 2011: KD 440,710 and 31 March 2011: KD 194,763).
- The Group holds certain deposits and call accounts with a related party entity amounting to KD 4,033,742 (31 December 2011: KD 3,629,918 and 31 March 2011: KD 4,408,727). The Group also holds bonds issued by the previous Ultimate Parent Company and other related companies amounting to KD 8,251,990 (31 December 2011: KD 7,008,269 and 31 March 2011: KD 7,327,103).
- Loans granted to a related party amounted to KD 1,402,689 (31 December 2011: KD 1,402,689 and 31 March 2011: KD 1,402,689). These loans are repayable on demand. The interest rate is calculated based on prevailing discount rate of the Central Bank of Kuwait.
- Included on other assets an amount of KD 7,621,450 due from Kuwait Project Holding K.S.C. (major shareholder) on sale of an investment in associated company "KIPCO Private Equity Company" at its carrying value. The sale transaction took place on 29 March 2012.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

10 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2012</i>	<i>31 December</i>	<i>2011</i>
	<i>KD</i>	<i>2011</i>	<i>2011</i>
		<i>KD</i>	<i>KD</i>
Short-term employee benefits	270,290	880,270	242,245
Termination benefits	2,854,318	2,511,188	2,296,467
	<u>2,854,318</u>	<u>3,391,458</u>	<u>2,538,712</u>

11 DIVIDENDS PAID

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

12 COMMITMENTS

At 31 March 2012, the Group had future commitments in respect of investments amounting to KD Nil (31 December 2011: KD 4,774,032 and 31 March 2011: KD 6,334,807).

13 CONTINGENT LIABILITIES

At 31 March 2012, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 928,468 (31 December 2011: KD 2,553,841 and 31 March 2011: KD 748,826).

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.

Gulf Insurance Company K.S.C. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2012

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

Policyholders' result by line of business:

The following tables summarise the consolidated policyholders' results by line of business and fund for the 3 months period ended 31 March 2012:

	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General accidents KD</i>	<i>Life and medical KD</i>	<i>Total KD</i>
Premiums written	44,842	25,203	49,030	9,488	27,466	380,466	536,495
Surplus (deficit) from insurance operations	33,499	24,922	5,798	8,017	14,198	(75,958)	10,476

The following tables summarise the consolidated policyholders' results by line of business and fund for the 3 months period ended 31 March 2011:

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

	<i>31 March 2012 KD</i>	<i>31 December 2011 KD</i>	<i>31 March 2011 KD</i>
Amount due to policyholders	176,990	146,761	483,510

Amount due to policyholders of Takaful Unit of KD 176,990 (31 December 2011: KD 146,761 and 31 March 2011: KD 483,510) is included under other liabilities in the interim condensed consolidated statement of financial position.