

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 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 September 2010 and the related interim condensed consolidated statements of income and comprehensive income for the three month and nine month periods then ended, and interim condensed consolidated statement of changes in equity and the 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, nor of the articles of association of the parent company have occurred during the nine month period ended 30 September 2010 that might have had a material effect on the business of the parent company or on its financial position.



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



DR. SAUD AL-HUMAIIDI  
LICENSE NO. 51 A  
DR. SAUD AL-HUMAIIDI & PARTNERS  
MEMBER OF BAKER TILLY INTERNATIONAL

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 30 September 2010

	Notes	3 months ended 30 September		9 months ended 30 September	
		2010	2009	2010	2009
		KD	KD	KD	KD
<b>Revenue:</b>					
Premiums written		35,548,953	20,873,169	90,736,758	73,830,800
Reinsurance premiums ceded		(18,171,561)	(10,236,603)	(44,169,112)	(33,025,121)
Net premiums written		17,377,392	10,636,566	46,567,646	40,805,679
Movement in unearned premiums		(4,741,192)	1,007,384	(6,615,932)	(1,449,174)
Increase in life mathematical reserve		1,498,650	1,107,748	(369,937)	(2,407,539)
Net premiums earned		14,134,850	12,751,698	39,581,777	36,948,966
Commission received on ceded reinsurance		2,009,819	2,024,369	6,584,336	6,115,654
Policy issuance fees		741,565	467,017	2,080,586	1,389,776
Net investment income from life insurance	3	895,725	587,992	1,272,199	1,735,243
		17,781,959	15,831,076	49,518,898	46,189,639
<b>Expenses:</b>					
Claims incurred		10,393,937	8,328,772	27,240,984	25,924,214
Commission and discounts		1,247,866	1,447,097	4,223,057	4,386,313
Increase in additional reserve		149,579	57,233	168,618	70,091
Maturity and cancellations of life insurance policies		358,403	140,257	863,482	532,763
General and administrative expenses		3,656,366	3,475,527	10,613,962	10,044,574
		15,806,151	13,448,886	43,110,103	40,957,955
<b>Net underwriting income</b>		1,975,808	2,382,190	6,408,795	5,231,684
Net investment income	3	1,573,821	463,000	3,814,274	3,934,912
Net sundry income		20,585	36,090	90,301	95,944
		3,570,214	2,881,280	10,313,370	9,262,540
<b>Other charges</b>					
Unallocated general and administrative expenses		(566,941)	(651,163)	(1,952,745)	(1,902,045)
<b>PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>					
		3,003,273	2,230,117	8,360,625	7,360,495
Contribution to KFAS		(24,692)	(18,379)	(68,533)	(61,040)
National Labour Support tax (NLST)		(63,430)	(45,949)	(178,487)	(149,870)
Zakat tax		(24,694)	(18,379)	(67,859)	(59,948)
<b>PROFIT FOR THE PERIOD</b>		2,890,457	2,147,410	8,045,746	7,089,637
<b>Attributable to:</b>					
Equity holders of the parent company		2,366,792	1,755,231	6,572,806	5,833,136
Non-controlling interest		523,665	392,179	1,472,940	1,256,501
		2,890,457	2,147,410	8,045,746	7,089,637
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>					
	4	14 fils	10.6 fils	39.7 fils	35.4 fils

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 September 2010

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>2,890,457</b>	2,147,410	<b>8,045,746</b>	7,089,637
<b>Other comprehensive income (loss)</b>				
Net unrealised gain (loss) on available for sale investments	<b>1,100,975</b>	(4,316,522)	<b>4,655,283</b>	(7,138,211)
Net realised (gain) loss transferred to income statement on disposal of investments available for sale	<b>(163,617)</b>	6,398	<b>(344,101)</b>	(2,162,229)
Reversal due to impairment loss on investments available for sale	3 <b>41,750</b>	100,407	<b>152,254</b>	1,982,535
Exchange differences on translation of foreign operations	<b>(383,735)</b>	11,435	<b>(553,989)</b>	423,130
<b>Other comprehensive income (loss) for the period included directly in equity</b>	<b>595,373</b>	(4,198,282)	<b>3,909,447</b>	(6,894,775)
<b>Total comprehensive income (loss) for the period</b>	<b>3,485,830</b>	(2,050,872)	<b>11,955,193</b>	194,862
<b>ATTRIBUTABLE TO:</b>				
Equity holders of the parent company	<b>2,962,165</b>	(2,443,051)	<b>10,482,253</b>	(1,061,639)
Non-controlling interest	<b>523,665</b>	392,179	<b>1,472,940</b>	1,256,501
	<b>3,485,830</b>	(2,050,872)	<b>11,955,193</b>	194,862


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 September 2010

		<i>(Audited)</i>		
	<i>Notes</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
		<i>2010</i>	<i>2009</i>	<i>2009</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>ASSETS</b>				
Property and equipment		6,967,422	5,528,429	5,585,798
Investments in associated companies		2,555,087	2,272,257	5,551,022
Intangible assets		9,680,138	8,307,165	8,309,282
Financial instruments:				
Investments carried at fair value through income statement	5	18,701,319	15,959,421	15,045,422
Investments available for sale	6	54,779,294	40,899,210	59,197,994
Debt securities (loans)		2,800,000	8,793,912	3,300,000
Investments held to maturity		10,321,574	9,072,468	7,641,312
Loans secured by life insurance policies		921,561	861,720	719,162
Premiums and insurance balances receivable		38,479,975	37,241,776	37,757,401
Reinsurance recoverable on outstanding claims		40,745,973	38,052,922	37,431,154
Property held for sale		170,655	175,971	192,049
Other assets		9,620,008	10,352,937	13,408,408
Time deposits	7	27,653,013	-	-
Cash and cash equivalents	8	34,669,897	76,872,500	59,312,562
<b>TOTAL ASSETS</b>		<b>258,065,916</b>	<b>254,390,688</b>	<b>253,451,566</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Liabilities arising from insurance contracts:</b>				
Outstanding claims reserve (gross)		70,644,292	67,208,293	66,882,029
Unearned premiums reserve (net)		23,991,947	18,632,455	19,378,343
Life mathematical reserve (net)		18,837,699	18,469,033	18,719,409
Additional reserve (net)		3,725,288	3,557,646	3,361,575
Total liabilities arising from insurance contracts		117,199,226	107,867,427	108,341,356
Bank overdraft	8	3,851,677	17,018,988	12,804,774
Premiums received in advance		1,274,853	1,265,325	6,836,268
Insurance payable		37,238,332	36,078,666	31,411,591
Other liabilities		10,767,538	10,717,795	10,871,437
<b>TOTAL LIABILITIES</b>		<b>170,331,626</b>	<b>172,948,201</b>	<b>170,265,426</b>
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>				
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	-	(1,757,348)	(1,761,518)
Treasury shares reserve		2,051,215	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		5,082,358	618,922	852,073
Foreign currency translation adjustments		(699,323)	(145,334)	(7,386)
Retained earnings		17,494,344	17,535,787	19,389,165
Non-controlling interest		72,894,743	66,711,248	67,861,426
		14,839,547	14,731,239	15,324,714
<b>Total equity</b>		<b>87,734,290</b>	<b>81,442,487</b>	<b>83,186,140</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>258,065,916</b>	<b>254,390,688</b>	<b>253,451,566</b>

  
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 September 2010 (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>Share premium</i>	<i>Treasury shares</i>	<i>Treasury shares reserve</i>	<i>Employees share option reserve</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Cumulative changes in fair values</i>	<i>Foreign currency translation adjustments</i>	<i>Retained earnings</i>			<i>Sub total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	
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	(533,989)	-	3,909,447	-	3,909,447
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,463,436</b>	<b>(533,989)</b>	<b>6,572,806</b>	<b>10,482,253</b>	<b>1,472,940</b>	<b>11,955,193</b>
Dividend for 2009 (Note 12)	-	-	-	-	-	-	-	-	-	(6,614,249)	(6,614,249)	-	(6,614,249)
Cost of share based payment	-	-	-	-	43,423	-	-	-	-	43,423	43,423	-	43,423
Sale of treasury share (Note 9)	-	-	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>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>
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	-	-	-	-	-	-	-	-	-	5,833,136	5,833,136	1,256,501	7,089,637
Other comprehensive (loss)/income	-	-	-	-	-	-	-	(7,317,905)	423,130	-	(6,894,775)	-	(6,894,775)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,317,905)</b>	<b>423,130</b>	<b>5,833,136</b>	<b>(1,061,639)</b>	<b>1,256,501</b>	<b>194,862</b>
Dividend for 2008 (Note 12)	-	-	-	-	-	-	-	-	-	(8,252,124)	(8,252,124)	-	(8,252,124)
Cost of share based payment	-	-	-	-	42,562	-	-	-	-	42,562	42,562	-	42,562
Sale of treasury share (Note 9)	-	-	284,353	(85,728)	(42,562)	-	-	-	-	-	156,063	-	156,063
Net movement on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	1,628,667	1,628,667
<b>Balance at 30 September 2009</b>	<b>16,965,000</b>	<b>3,600,000</b>	<b>(1,761,518)</b>	<b>1,492,581</b>	<b>-</b>	<b>11,689,049</b>	<b>15,642,462</b>	<b>852,073</b>	<b>(7,386)</b>	<b>19,389,165</b>	<b>67,861,426</b>	<b>15,324,714</b>	<b>83,186,140</b>

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 September 2010 (Unaudited)

	Notes	9 months ended 30 September	
		2010 KD	2009 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		8,045,746	7,089,637
Adjustments for:			
Depreciation		379,548	362,752
Net investment income		(5,238,727)	(7,652,690)
Impairment of investments available for sale	3	152,254	1,982,535
Contribution to KFAS		68,533	61,040
Contribution to NLST		178,487	149,870
Zakat		67,859	59,948
		<u>3,653,700</u>	<u>2,053,092</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(1,334,975)	1,333,385
Premiums and insurance balances receivable		(1,238,199)	(9,915,367)
Reinsurance recoverable on outstanding claims		(2,693,051)	(199,952)
Property held for sale		1,293	36,883
Other assets		1,712,827	321,029
Time deposits		(27,653,013)	-
Liabilities arising from insurance contracts		9,331,799	13,083,360
Premiums received in advance		9,528	516,655
Insurance payable		1,159,666	641,075
Other liabilities		266,135	393,024
		<u>(16,784,290)</u>	<u>8,263,184</u>
Cash (used in) from operations		(16,784,290)	8,263,184
Paid to directors		(80,000)	(80,000)
		<u>(16,864,290)</u>	<u>8,183,184</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(1,818,541)	(509,969)
Net movement in investments available for sale		(9,487,624)	(1,512,506)
Purchase of investments in associates		(998,925)	(180,212)
Net movement in debt securities (loans)		5,993,912	-
Additions to investments held to maturity		(1,249,106)	(1,320,852)
Cash flow arising on acquisition of a subsidiary		(1,658,047)	(4,651,396)
Loans secured by life insurance policies		(59,841)	12,797
Interest received		1,420,109	262,237
Dividends received		1,330,946	2,928,579
Other investment income received		616,917	50,090
		<u>(5,910,200)</u>	<u>(4,921,232)</u>
Net cash used in investing activities		(5,910,200)	(4,921,232)
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(6,614,249)	(8,140,786)
Net movement in treasury shares		2,272,068	156,063
Net movement in non-controlling interest		(1,364,632)	1,628,667
		<u>(5,706,813)</u>	<u>(6,356,056)</u>
Net cash used in financing activities		(5,706,813)	(6,356,056)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<u>(28,481,303)</u>	<u>(3,094,104)</u>
Net foreign exchange difference		(553,989)	423,130
Cash and cash equivalents at 1 January	8	59,853,512	49,178,762
<b>CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>	8	<u><u>30,818,220</u></u>	<u><u>46,507,788</u></u>

The attached notes 1 to 14 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 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 October 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’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.

During the period, Kuwait Projects Company Holding K.S.C. (previously the “ultimate parent company”) sold 66,502,800 shares of the Parent Company to Fairfax Financial Holding Limited. Accordingly, the Parent Company is 42.69% (30 June 2010: 67.43% and 31 December 2009: 68.85%) owned by Kuwait Project Company Holding K.S.C and 41.26% by Fairfax Financial Holding Limited as at 30 September 2010.

### 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 transactions 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 is presented in Kuwaiti Dinars (KD).

Operating results for the nine month period ended 30 September 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 September 2010 (Unaudited)

### 3 NET INVESTMENT INCOME

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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	<b>163,617</b>	291,844	<b>344,101</b>	1,816,528
Realised gain on sale of investments carried at fair value through income statement	<b>133,105</b>	244,318	<b>314,623</b>	394,280
Dividend income	<b>87,284</b>	393,125	<b>1,330,946</b>	3,321,705
Interest on debt securities (loans)	<b>287,521</b>	147,561	<b>497,772</b>	529,856
Changes in fair value of investments carried at fair value through income statement	<b>1,345,224</b>	355,038	<b>869,923</b>	559,889
Interest on time and call deposits	<b>581,371</b>	745,840	<b>1,603,212</b>	2,238,928
Foreign exchange gain	<b>22,624</b>	17,185	<b>79,736</b>	181,412
Other investment income	<b>81,319</b>	(608,910)	<b>904,219</b>	109,524
Impairment loss of investments available for sale	<b>(41,750)</b>	(100,407)	<b>(152,254)</b>	(1,982,535)
Finance charges and interest	<b>(143,826)</b>	(434,602)	<b>(458,926)</b>	(1,499,432)
Other investment expenses	<b>(46,943)</b>	-	<b>(246,879)</b>	-
	<b>2,469,546</b>	1,050,992	<b>5,086,473</b>	5,670,155

### 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.

	<i>3 months ended 30 September</i>		<i>9 months ended 30 September</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	<b>2,366,792</b>	1,755,231	<b>6,572,806</b>	5,833,136
	<b>Shares</b>	Shares	<b>Shares</b>	Shares
Number of shares outstanding at the beginning of the period	<b>169,650,000</b>	169,650,000	<b>169,650,000</b>	169,650,000
Weighted average number of treasury shares	<b>(2,852,249)</b>	(4,746,937)	<b>(4,034,259)</b>	(4,956,664)
Weighted average number of shares, less treasury shares, outstanding during the period	<b>166,797,751</b>	164,903,063	<b>165,615,741</b>	164,693,336
Basic and diluted earnings per share	<b>14 fils</b>	10.6 fils	<b>39.7 fils</b>	35.4 fils

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2010 (Unaudited)

**5 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT**

	<i>30 September 2010 KD</i>	<i>(Audited) 31 December 2009 KD</i>	<i>30 September 2009 KD</i>
<b>Held for trading:</b>			
Quoted equity securities	10,047,979	7,798,791	1,462,755
<b>Designated upon initial recognition:</b>			
Quoted managed funds	8,653,340	8,160,630	13,582,667
	<u>18,701,319</u>	<u>15,959,421</u>	<u>15,045,422</u>

**6 INVESTMENTS AVAILABLE FOR SALE**

	<i>30 September 2010 KD</i>	<i>(Audited) 31 December 2009 KD</i>	<i>30 September 2009 KD</i>
Quoted equity securities	22,497,510	15,285,067	38,905,776
Unquoted equity securities	22,305,018	19,154,998	15,601,844
Unquoted managed funds	9,976,766	6,459,145	4,690,374
	<u>54,779,294</u>	<u>40,899,210</u>	<u>59,197,994</u>

Included in investments available for sale are unquoted equity securities and managed funds with a carrying value of KD 20,830,514 (31 December 2009: KD 25,614,143 and 30 September 2009: KD 12,866,119) 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 152,254 (31 December 2009: KD 2,118,527 and 30 September 2009: 1,982,535) 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 September 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:

	<b>30 September 2010 KD</b>	<i>(Audited)</i> <b>31 December 2009 KD</b>	<b>30 September 2009 KD</b>
Bank balances and cash	7,082,230	5,690,854	5,554,514
Short term and call deposits	27,587,667	71,181,646	53,758,048
Cash and cash equivalents in the statement of financial position	<u>34,669,897</u>	<u>76,872,500</u>	<u>59,312,562</u>
Bank overdraft	<u>(3,851,677)</u>	<u>(17,018,988)</u>	<u>(12,804,774)</u>
Cash and cash equivalents in the statement of cash flows	<u><u>30,818,220</u></u>	<u><u>59,853,512</u></u>	<u><u>46,507,788</u></u>

#### 9 TREASURY SHARES

	<b>30 September 2010</b>	<i>(Audited)</i> <b>31 December 2009</b>	<b>30 September 2009</b>
Number of shares (share)	-	4,735,699	4,746,937
Percentage of issued shares (%)	-	2.79	2.80
Market value (KD)	-	2,083,707	2,064,918
Cost (KD)	-	1,757,348	1,761,518

During the nine months period ended 30 September 2010, the employees exercised all the shares granted of KD 991,914 (31 December 2009: KD 608,010 and 30 September 2009: 608,010 shares) from the treasury shares realising net gain of KD 43,433 (31 December 2009: KD 43,053 and 30 September 2009: KD 85,728), which has been reflected to treasury shares reserve.

Also during the period, the Parent Company sold 4,293,785 shares of the treasury shares with a total price of KD 2,132,372 realising net gain of KD 514,720 which has been added to the treasury shares reserve.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 30 September 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:

*Nine months ended 30 September 2010*

	<i>General risk insurance</i>							
	<i>Marine &amp; 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	2,447,543	3,082,350	20,411,454	5,366,823	31,308,170	10,494,439	7,716,289	49,518,898
Segment results (net underwriting income)	1,090,097	476,413	677,406	1,921,875	4,165,791	519,272	1,723,732	6,408,795

*Nine months ended 30 September 2009*

	<i>General risk insurance</i>							
	<i>Marine &amp; 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	2,637,995	2,514,629	20,137,880	5,478,218	30,768,722	7,467,393	7,953,524	46,189,639
Segment results (net underwriting income)	1,191,031	602,837	(1,194,694)	2,342,287	2,941,461	1,052,339	1,237,884	5,231,684

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 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.

	<u>30 September 2010</u>		<u>30 September 2009</u>	
	<i>Premiums</i> <i>KD</i>	<i>Claims</i> <i>KD</i>	<i>Premiums</i> <i>KD</i>	<i>Claims</i> <i>KD</i>
Ultimate parent company	-	-	77,921	4,574
Directors and key management personnel	579,143	234,340	703,126	89,865
Other related parties	2,680,154	474,487	2,350,896	756,209
	<u>3,259,297</u>	<u>708,827</u>	<u>3,131,943</u>	<u>850,648</u>

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

	<u>30 September 2010</u>		<u>30 September 2009</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>
Ultimate parent company	-	-	122,832	-
Directors and key management personnel	410,060	(30,689)	470,084	(15,436)
Other related parties	918,534	(46,985)	823,351	(33,484)
	<u>1,328,594</u>	<u>(77,674)</u>	<u>1,416,267</u>	<u>(48,920)</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 3,780,582 (31 December 2009: KD 4,169,437 and 30 September 2009: KD 3,356,256). Total expenses from related party transactions amounted to KD 739,705 (31 December 2009: KD 925,588 and 30 September 2009: KD 897,413).
- The group holds certain deposits and call accounts with a related party amounting to KD Nil (31 December 2009: KD 14,000,000 and 30 September 2009: KD 3,704,423). The group also holds bonds issued by the previous ultimate parent company and other related companies amounting to KD 7,988,758 (31 December 2009: KD 7,293,912 and 30 September 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 September 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.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2010 (Unaudited)

### 11 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>30 September 2010 KD</i>	<i>(Audited) 31 December 2009 KD</i>	<i>30 September 2009 KD</i>
Short-term employee benefits	<b>565,518</b>	763,300	572,475
Termination benefits	<b>2,150,363</b>	1,865,140	1,817,660
	<b><u>2,715,881</u></b>	<u>2,628,440</u>	<u>2,390,135</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 September 2009: 50% cash dividends representing 50 fils per share for the year ended 31 December 2008).

### 13 COMMITMENTS

At 30 September 2010, the group had future commitments in respect of investments amounting to KD 8,008,357 (31 December 2009: KD 9,987,817 and 30 September 2009: KD 117,000).

### 14 CONTINGENT LIABILITIES

At 30 September 2010, the group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 221,588 (31 December 2009: KD 1,253,042 and 30 September 2009: KD 731,177).