

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2008 (UNAUDITED)

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2008 (Unaudited)

	Notes	3 months ended 30 June		6 months ended 30 June	
		2008 KD	2007 KD	2008 KD	2007 KD
Revenue:					
Premiums written		18,311,264	16,339,810	41,537,768	36,924,591
Reinsurance premiums ceded		(9,214,854)	(8,320,561)	(18,897,340)	(17,380,800)
Net premiums written		9,096,410	8,019,249	22,640,428	19,543,791
Movement in unearned premiums		504,841	422,217	(453,310)	(661,224)
Net premiums earned		9,601,251	8,441,466	22,187,118	18,882,567
Commission received on ceded reinsurance		1,574,731	1,722,393	3,580,486	3,202,772
Policy issuance fees		406,272	343,377	682,062	618,816
Net investment income from life insurance	3	198,391	700,504	797,324	1,593,669
		<u>11,780,645</u>	<u>11,207,740</u>	<u>27,246,990</u>	<u>24,297,824</u>
Expenses:					
Claims incurred		6,566,619	6,377,569	12,904,553	11,411,643
Commission and discounts		1,277,512	1,320,676	2,715,265	2,616,704
(Decrease) increase in life mathematical reserve		(9,528)	(569,000)	2,946,655	1,971,000
(Decrease) increase in additional reserve		(43,213)	(38,844)	(308)	(23,129)
Maturity and cancellations of life insurance policies		116,662	206,307	206,377	285,085
General and administrative expenses		2,520,036	3,291,732	5,394,080	5,509,068
		<u>10,428,088</u>	<u>10,588,440</u>	<u>24,166,622</u>	<u>21,770,371</u>
Net underwriting income		1,352,557	619,300	3,080,368	2,527,453
Net investment income	3	3,102,249	5,864,290	7,578,738	32,838,906
Net sundry income		(136,001)	(19,164)	53,450	15,425
		<u>4,318,805</u>	<u>6,464,426</u>	<u>10,712,556</u>	<u>35,381,784</u>
Unallocated general and administrative expenses		(187,074)	(457,115)	(1,103,075)	(1,784,412)
Impairment of goodwill		-	-	-	(448,949)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR TAX (NLST) AND ZAKAT TAX		4,131,731	6,007,311	9,609,481	33,148,423
Contribution to KFAS		(37,284)	(55,625)	(86,832)	(320,378)
NLST		(93,209)	(135,906)	(154,579)	(792,164)
Zakat tax		(37,284)	-	(61,832)	-
PROFIT FOR THE PERIOD		3,963,954	5,815,780	9,306,238	32,035,881
Attributable to:					
Equity holders of the parent company		3,560,570	5,370,909	8,379,922	30,925,210
Minority interest		403,384	444,871	926,316	1,110,671
		<u>3,963,954</u>	<u>5,815,780</u>	<u>9,306,238</u>	<u>32,035,881</u>
BASIC AND DILUTED EARNINGS PER SHARE	4	21.2 fils	34.3 fils	50.9 fils	193.6 fils

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

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008 (Unaudited)

		(Audited)		
		30 June	31 December	30 June
		2008	2007	2007
	Notes	KD	KD	KD
ASSETS				
Property and equipment		6,334,859	6,191,673	5,478,151
Investments in associated companies	5	5,370,200	4,050,680	772,525
Intangible assets		2,774,650	2,725,109	2,250,715
Investments carried at fair value through income statement	6	23,588,337	22,829,621	14,100,089
Investments available for sale	7	67,236,796	60,913,490	49,192,149
Debt securities (loans)		4,300,000	4,300,000	4,897,834
Investments held to maturity		5,675,380	4,731,485	4,139,564
Loans secured by life insurance policies		481,828	438,165	174,070
Premiums and insurance balances receivable		29,101,327	22,961,088	22,863,849
Reinsurance recoverable on outstanding claims		26,561,342	22,224,904	24,937,593
Property held for sale		526,077	291,249	1,033,871
Other assets		7,223,735	6,364,875	9,637,449
Cash and cash equivalents	8	61,251,362	65,008,645	76,441,613
TOTAL ASSETS		240,425,893	223,030,984	215,919,472
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		51,473,494	44,263,271	43,440,298
Unearned premiums reserve (net)		13,574,019	13,287,003	13,270,585
Life mathematical reserve (net)		18,564,443	15,617,788	16,423,304
Additional reserve (net)		3,054,038	3,064,061	2,916,455
Total liabilities arising from insurance contracts		86,665,994	76,232,123	76,050,642
Bank overdraft	8	3,571,907	7,888,638	1,341,855
Term loan	9	7,215,395	-	-
Premiums received in advance		2,546,420	2,736,907	6,245,824
Insurance payable		28,002,896	25,507,388	24,273,260
Other liabilities		10,805,363	11,010,746	15,222,402
TOTAL LIABILITIES		138,807,975	123,375,802	123,133,983
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		16,965,000	11,310,000	11,310,000
Share premium		3,600,000	3,600,000	3,600,000
Treasury shares	10	(2,045,871)	(3,385,743)	(3,386,500)
Treasury shares reserve		1,578,309	1,011,297	1,011,297
Employees Share Option reserve		-	318,508	-
Statutory reserve		11,310,000	11,310,000	10,363,850
Voluntary reserve		15,263,413	15,263,413	11,319,880
Cumulative changes in fair values		15,215,639	12,084,472	9,525,668
Foreign currency translation adjustments		(511,180)	(496,807)	(39,638)
Retained earnings		27,129,735	35,555,940	33,704,885
		88,505,045	86,571,080	77,409,442
Minority interest		13,112,873	13,084,102	15,376,047
Total equity		101,617,918	99,655,182	92,785,489
TOTAL LIABILITIES AND EQUITY		240,425,893	223,030,984	215,919,472

Farqad A. Al-Sane, Chairman

Faisal Hamad Al-Ayyar, Vice Chairman

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

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2008 (Unaudited)

	<i>6 months ended 30 June</i>	
	<i>2008</i>	<i>2007</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
Profit for the period	9,306,238	32,035,881
Adjustments for:		
Depreciation	195,042	758,617
Net investment income	(8,328,303)	(34,432,575)
Gain on sale from associate	(47,759)	-
Impairment of goodwill	-	448,949
Cost of share base payment	383,560	-
Contribution to KFAS	86,832	320,378
Contribution to NLST	154,579	792,164
	<u>1,750,189</u>	<u>(76,586)</u>
Changes in operating assets and liabilities:		
Investments carried at fair value through income statement	(758,716)	(1,894,166)
Premiums and insurance balances receivable	(6,140,239)	(4,195,449)
Reinsurance recoverable on outstanding claims	(4,336,438)	9,131,713
Property held for sale	38,122	280,580
Other assets	(858,859)	(3,407,831)
Liabilities arising from insurance contracts	10,433,872	11,224,982
Premiums received in advance	(190,487)	478,069
Insurance payable	2,495,508	(2,610,418)
Other liabilities	1,011,428	4,059,213
	<u>3,444,380</u>	<u>12,990,107</u>
Cash from operations	3,444,380	12,990,107
Paid to directors	(120,000)	(80,000)
Paid in respect of KFAS	(391,555)	(85,802)
Paid in respect of NLST	(958,739)	(42,554)
	<u>1,974,086</u>	<u>12,781,751</u>
Net cash from operating activities	1,974,086	12,781,751
INVESTING ACTIVITIES		
Additions to property and equipment	(338,227)	(570,709)
Net movement in investments available for sale	334,857	21,661,793
Purchase of investments in associates	(2,072,655)	-
Proceeds from sale of associate	800,000	-
Additions to investments held to maturity	(943,895)	(2,607,728)
Acquisition of subsidiary	(229,956)	-
Net movement in debt securities (loans)	-	618,321
Loans secured by life insurance policies	(43,663)	(47,094)
Interest received	1,220,909	291,218
Dividends received	3,488,757	971,160
	<u>2,216,127</u>	<u>20,316,961</u>
Net cash from investing activities	2,216,127	20,316,961
FINANCING ACTIVITIES		
Dividends paid	(11,139,056)	(5,294,826)
Net movement in treasury shares	1,204,816	776,740
Term loan acquired	7,215,393	-
Net movement in minority interest	(897,545)	795,016
	<u>(3,616,392)</u>	<u>(3,723,070)</u>
Net cash used in financing activities	(3,616,392)	(3,723,070)
INCREASE IN CASH AND CASH EQUIVALENTS	573,821	29,375,642
Net foreign exchange difference	(14,373)	(62,961)
Cash and cash equivalents at beginning of the period	57,120,007	45,787,077
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	57,679,455	75,099,758
	8	

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

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008 (Unaudited)

	Attributable to equity holders of the parent company											Minority 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	KD	KD
Balance at 31 December 2007	11,310,000	3,600,000	(3,385,743)	1,011,297	318,508	11,310,000	15,263,413	12,084,472	(496,807)	35,555,940	86,571,080	13,084,102	99,655,182
Change in fair value of investments available for sale	-	-	-	-	-	-	-	5,190,199	-	-	5,190,199	-	5,190,199
Sale of investments available for sale	-	-	-	-	-	-	-	(2,059,032)	-	-	(2,059,032)	-	(2,059,032)
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	(14,373)	-	(14,373)	-	(14,373)
Net income and expense recognised directly in equity	-	-	-	-	-	-	-	3,131,167	(14,373)	-	3,116,794	-	3,116,794
Profit for the period	-	-	-	-	-	-	-	-	-	8,379,922	8,379,922	926,316	9,306,238
Total recognised income and expense for the period	-	-	-	-	-	-	-	3,131,167	(14,373)	8,379,922	11,496,716	926,316	12,423,032
Dividend for 2007 (Note 12)	-	-	-	-	-	-	-	-	-	(11,151,127)	(11,151,127)	-	(11,151,127)
Issue of bonus shares (Note 12)	5,655,000	-	-	-	-	-	-	-	-	(5,655,000)	-	-	-
Cost of share based payment	-	-	-	-	383,560	-	-	-	-	-	383,560	-	383,560
Sale of treasury shares (Note 10)	-	-	1,339,872	567,012	(702,068)	-	-	-	-	-	1,204,816	-	1,204,816
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	-	(897,545)	(897,545)
Balance at 30 June 2008	16,965,000	3,600,000	(2,045,871)	1,578,309	-	11,310,000	15,263,413	15,215,639	(511,180)	27,129,735	88,505,045	13,112,873	101,617,918

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

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008 (Unaudited)

	<i>Attributable to equity holders of the parent company</i>											<i>Minority interest</i>	<i>Total equity</i>
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Treasury share reserve KD</i>	<i>Employees share option reserve KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary 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 2006	11,310,000	3,600,000	(3,151,943)	-	-	10,363,850	11,319,880	18,511,012	23,323	8,589,328	60,565,450	13,470,360	74,035,810
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	(62,961)	-	(62,961)	-	(62,961)
Changes in fair value of investments available for sale	-	-	-	-	-	-	-	5,405,512	-	-	5,405,512	-	5,405,512
Sale of investments available for sale	-	-	-	-	-	-	-	(14,390,856)	-	-	(14,390,856)	-	(14,390,856)
Net expense recognised directly in equity	-	-	-	-	-	-	-	(8,985,344)	(62,961)	-	(9,048,305)	-	(9,048,305)
Profit for the period	-	-	-	-	-	-	-	-	-	30,925,210	30,925,210	1,110,671	32,035,881
Gain on sale of treasury shares	-	-	-	1,011,297	-	-	-	-	-	-	1,011,297	-	1,011,297
Total recognised income and expenses for the period	-	-	-	1,011,297	-	-	-	(8,985,344)	(62,961)	30,925,210	22,888,202	1,110,671	23,998,873
Dividends for 2006 at 55 fils per share (Note 12)	-	-	-	-	-	-	-	-	-	(5,809,653)	(5,809,653)	-	(5,809,653)
Purchase of treasury shares	-	-	(234,557)	-	-	-	-	-	-	-	(234,557)	-	(234,557)
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	-	795,016	795,016
Balance at 30 June 2007	11,310,000	3,600,000	(3,386,500)	1,011,297	-	10,363,850	11,319,880	9,525,668	(39,638)	33,704,885	77,409,442	15,376,047	92,785,489

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

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2008 (Unaudited)

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Company K.S.C. (the “parent company”) and subsidiaries (the “group”) were authorised for issue by the Board of Directors on 21 July 2008.

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 68.56% owned by Kuwait Projects Company Holding K.S.C. (the “Group”). 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 BASIS OF PRESENTATION

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 2007 except as discussed in the following paragraphs.

Term loan

The term loan is carried on the balance sheet at its principal amount. Interest is charged as an expense as it accrues, with unpaid amounts included in ‘Term loan’.

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. Operating results for the six month period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008. For more details please refer to the consolidated financial statements for the year ended 31 December 2007.

3 NET INVESTMENT INCOME

	<i>Six months ended 30 June</i>	
	<i>Total</i>	<i>Total</i>
	<i>2008</i>	<i>2007</i>
	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	2,819,098	28,931,530
Realised gain on sale of investments carried at fair value through income statement	704,275	1,158,410
Dividend income	3,488,757	1,468,945
Interest on debt securities (loans)	127,409	244,416
Changes in fair value of investments carried at fair value through income statement	42,182	1,833,382
Share of loss from associates	-	(209,061)
Gain on sale of an associate	47,759	-
Interest on time and call deposits	1,654,364	1,528,948
Other investment income	288,426	4,233
Finance charges and interest	(374,676)	(130,334)
Other investment expenses	(421,532)	(397,894)
	8,376,062	34,432,575

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2008 (Unaudited)

4 BASIC AND DILUTED EARNING 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>Three month ended 30 June</i>		<i>Six month ended 30 June</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	3,560,570	5,370,909	8,379,922	30,925,210
	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	(1,839,651)	(12,886,425)	(5,065,528)	(9,947,196)
Weighted average number of shares, less treasury shares, outstanding during the period	167,810,349	156,763,575	164,584,472	159,702,804
Basic and diluted earnings per share	21.2 fils	34.3 fils	50.9 fils	193.6 fils

Basic and diluted earnings per share for the six month period ended 30 June 2007 and three month period ended 30 June 2007 have been restated for bonus shares issued in 2008 (Note 12).

5 INVESTMENTS IN ASSOCIATED COMPANIES

During the period, the parent company acquired 2,925,000 shares for an amount of KD 2,072,655 being 22.5% of the share capital of newly formed insurance Company: "Buruj Cooperative Insurance S.S.C", a company incorporated in Kingdom of Saudi Arabia.

During the period, the parent company sold all the shares in the associated company "United Warehousing and Refrigeration K.S.C. (Closed)" to a related party with a purchase consideration amounting to KD 800,000 resulting in a gain of KD 47,759 (Note 13).

6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2008</i>	<i>2007</i>	<i>2007</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Quoted equity securities	4,993,339	3,848,041	13,655,646
Managed funds	18,594,998	18,981,580	444,443
	23,588,337	22,829,621	14,100,089

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2008 (Unaudited)

7 INVESTMENTS AVAILABLE FOR SALE

	<i>(Unaudited)</i> 30 June 2008 KD	<i>(Audited)</i> 31 December 2007 KD	<i>(Unaudited)</i> 30 June 2007 KD
Quoted equity securities	44,694,885	46,780,049	31,440,610
Unquoted equity securities	19,745,628	11,870,211	12,770,697
Unquoted funds	2,796,283	2,263,230	4,980,842
	67,236,796	60,913,490	49,192,149

Included in investments available for sale are unquoted equity securities with a carrying value of KD 12,870,652 (31 December 2007: KD 9,545,525 and 30 June 2007 KD: 9,949,498) which are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable measure of fair value. Management is not aware of any circumstances that would indicate impairment in the value of these investments at 30 June 2008.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows include the following consolidated balance sheet amounts:

	<i>(Unaudited)</i> 30 June 2008 KD	<i>(Audited)</i> 31 December 2007 KD	<i>(Unaudited)</i> 30 June 2007 KD
Bank balances and cash	5,765,144	7,616,889	7,771,709
Time and call deposits	54,686,435	57,391,756	54,924,809
Money market fund	799,783	-	13,745,095
Bank balances and short term deposits	61,251,362	65,008,645	76,441,613
Bank overdraft	(3,571,907)	(7,888,638)	(1,341,855)
	57,679,455	57,120,007	75,099,758

9 TERM LOAN

Term loan of KD 7.2 million has been obtained from the ultimate parent company Kuwait Project Company Holding K.S.C. at an interest rate of 7% per annum and is repayable on demand (Note 13).

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2008 (Unaudited)

10 TREASURY SHARES

	<i>(Unaudited)</i> 30 June 2008	<i>(Audited)</i> 31 December 2007	<i>(Unaudited)</i> 30 June 2007
Number of shares (share)	5,518,953	6,088,934	6,090,000
Percentage of issued shares (%)	3.25	5.3	5.38
Market value (KD)	4,415,162	5,175,594	4,750,200
Cost (KD)	2,045,871	3,385,743	3,386,500

During the six month period ended 30 June 2008, the employees exercised all the shares granted of 2,409,632 shares from the treasury shares realising net gain of KD 567,012, which has been credited to treasury share reserve.

11 SEGMENT INFORMATION

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 primary segments:

Six months ended 30 June 2008:

	<u>General risk insurance</u>			<i>Total general risk insurance KD</i>	<i>Life insurance KD</i>	<i>Total KD</i>
	<i>Marine & aviation KD</i>	<i>Property KD</i>	<i>Casualty KD</i>			
Segment revenue	1,981,051	1,448,687	13,161,269	16,591,007	10,655,983	27,246,990
Segment results (net underwriting income)	718,572	195,268	1,027,371	1,941,211	1,139,157	3,080,368

Six months ended 30 June 2007:

	<u>General risk insurance</u>			<i>Total general risk insurance KD</i>	<i>Life insurance KD</i>	<i>Total KD</i>
	<i>Marine & aviation KD</i>	<i>Property KD</i>	<i>Casualty KD</i>			
Segment revenue	1,458,165	1,280,850	11,371,061	14,110,076	10,187,748	24,297,824
Segment results (net underwriting income)	433,160	306,767	1,112,622	1,852,549	674,904	2,527,453

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2008 (Unaudited)

12 DIVIDEND DISTRIBUTION

On 23 March 2008, the general assembly approved the distribution of cash dividend of 100% amounting to KD 11,151,127 representing 100 fils per share and bonus shares of 50% (50 shares for each 100 share) proposed by the Board of Directors for the year ended 31 December 2007 (2007: 55% cash dividend amounting to KD 5,809,650).

13 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 2008</i>		<i>30 June 2007</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Ultimate parent company	31,768	2,678	23,542	564
Directors and key management personnel	535,035	103,102	545,351	72,255
Other related parties	1,511,363	323,928	1,238,819	383,911
	2,078,166	429,708	1,807,712	456,730

Balances with related parties included in the consolidated balance sheet are as follows:

	<i>30 June 2008</i>		<i>30 June 2007</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	25,700	-	-	(104,442)
Directors and key management personnel	497,742	(22,221)	534,109	(8,223)
Other related parties	674,098	(16,486)	549,106	(54,800)
	1,197,540	(38,707)	1,083,215	(167,465)

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

- a) Most of the group's investment transactions are made through portfolios managed by a related company. Total income from related parties' transaction amounted to KD 2,424,567 (31 December 2007: 4,574,850 and 30 June 2007: KD 1,993,730).

Total expenses from related parties' transactions amounted to KD 489,326 (31 December 2007: KD 1,418,140 and 30 June 2007: KD 495,926).

- b) The group holds certain deposits and call accounts with Burgan Bank. The group also holds bonds issued by the ultimate parent company and other related companies amounting to KD 2,050,000 (31 December 2007: KD 1,800,000 and 30 June 2007: KD 2,627,000).

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2008 (Unaudited)

13 RELATED PARTY TRANSACTIONS (continued)

- c) Loans granted to an associated company and a related party amounted to KD 1,402,000 (31 December 2007: KD 1,402,000 and 30 June 2007: KD 1,698,689). These loans are repayable on demand. The interest rate is calculated based on prevailing discount rate of the Central Bank of Kuwait.
- d) Loan acquired from the Ultimate parent company amounted to KD 7,215,395 (31 December 2007: Nil and 30 June 2007: KD Nil). This loans is repayable on demand with interest rate of 7% per annum. The interest expense recognised during the six month period ended 30 June 2008 is KD 215,295.
- e) The group sold all the investment in an associated company "United Warehousing and Refrigeration K.S.C. (Closed) to a related party resulting a gain of KD 47,759.

Key management personnel compensation

	<i>30 June 2008 KD</i>	<i>30 June 2007 KD</i>
Salaries and other short term benefits	369,682	335,554
Employees' end of service benefits	1,419,801	1,312,648
	1,789,483	1,648,202

14 COMMITMENTS

At 30 June 2008, the group had future commitments in respect of investments amounting to KD 117,000 (31 December 2007: KD 185,750 and 30 June 2007: KD 264,825).

15 CONTINGENT LIABILITIES

At 30 June 2008, the group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 3,217,283 (31 December 2007: KD 3,316,903 and 30 June 2007: KD 3,293,442).

16 FORMATION OF SUBSIDIARY

Gulf Insurance for Life Company K.S.C. (Closed)

During 2007, the parent company established a new entity for life and health insurance in Kuwait where it has equity interest of 98.60%. This new entity started its operations as a separate legal entity on 1 January 2008 after obtaining the necessary licensing and certification from the Kuwait authorities. Effectively, from 1 January 2008 the assets and liabilities relating to life and health business managed by a separate division within the parent company, Gulf Insurance Company K.S.C. (Closed), have been transferred to the newly established subsidiary, Gulf Insurance for Life Company K.S.C. (Closed). The parent company has consolidated this subsidiary from 1 January 2008 and there is no material impact on the financial statements because of this change.