

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 JUNE 2009 (UNAUDITED)**

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 30 June 2009

	Notes	3 months ended 30 June		6 months ended 30 June	
		2009 KD	2008 KD	2009 KD	2008 KD
<b>Revenue:</b>					
Premiums written		24,964,810	18,311,264	52,957,630	41,537,768
Reinsurance premiums ceded		(12,247,595)	(9,214,854)	(22,788,518)	(18,897,340)
Net premiums written		12,717,215	9,096,410	30,169,112	22,640,428
Movement in unearned premiums		(377,853)	504,841	(2,456,558)	(453,310)
Net premiums earned		12,339,362	9,601,251	27,712,554	22,187,118
Commission received on ceded reinsurance		2,007,443	1,574,731	4,091,284	3,580,486
Policy issuance fees		576,987	406,272	922,760	682,062
Net investment income from life insurance	3	1,064,678	198,391	1,147,251	797,324
		<u>15,988,470</u>	<u>11,780,645</u>	<u>33,873,849</u>	<u>27,246,990</u>
<b>Expenses:</b>					
Claims incurred		9,821,423	6,556,619	17,595,442	12,904,553
Commission and discounts		1,036,806	1,277,512	2,939,216	2,715,265
(Decrease) Increase in life mathematical reserve		(588,141)	(9,528)	3,515,287	2,946,655
increase(Decrease) in additional reserve		40,288	(33,213)	12,858	(308)
Maturity and cancellations of life insurance policies		208,941	116,662	392,506	206,377
General and administrative expenses		3,811,630	2,520,036	6,569,046	5,394,080
		<u>14,330,947</u>	<u>10,428,088</u>	<u>31,024,355</u>	<u>24,166,622</u>
<b>Net underwriting income</b>		<u>1,657,523</u>	<u>1,352,557</u>	<u>2,849,494</u>	<u>3,080,368</u>
Net investment income	3	1,433,476	3,102,249	3,471,912	7,578,738
Net sundry income		51,646	(136,001)	59,853	53,450
		<u>3,142,645</u>	<u>4,318,805</u>	<u>6,381,259</u>	<u>10,712,556</u>
<b>Other charges</b>					
Unallocated general and administrative expenses		(621,123)	(187,074)	(1,250,882)	(1,103,075)
<b>PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>					
		<u>2,521,522</u>	<u>4,131,731</u>	<u>5,130,377</u>	<u>9,609,481</u>
Contribution to KFAS		(18,715)	(37,284)	(42,661)	(86,832)
National Labour Support tax (NLST)		(44,055)	(93,209)	(103,921)	(154,579)
Zakat tax		(17,623)	(37,284)	(41,569)	(61,832)
<b>PROFIT FOR THE PERIOD</b>		<u>2,441,129</u>	<u>3,963,954</u>	<u>4,942,226</u>	<u>9,306,238</u>
<b>Attributable to:</b>					
Equity holders of the parent company		1,791,035	3,560,570	4,077,905	8,379,922
Non-controlling interests		650,094	403,384	864,321	926,316
		<u>2,441,129</u>	<u>3,963,954</u>	<u>4,942,226</u>	<u>9,306,238</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>					
	4	<u>10.9 fils</u>	<u>21.2 fils</u>	<u>24.8 fils</u>	<u>50.9 fils</u>

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2009

			(Audited)	
	Notes	30 June 2009	31 December 2008	30 June 2008
<b>ASSETS</b>				
Property and equipment		<b>5,877,998</b>	6,458,519	6,334,859
Investments in associated companies		<b>5,551,022</b>	5,370,810	5,370,200
Intangible assets	5	<b>8,309,801</b>	2,934,275	2,774,650
Financial instruments:				
Investments carried at fair value through statement of income	6	<b>14,595,726</b>	16,378,807	23,588,337
Investments available for sale	7	<b>63,081,760</b>	64,820,838	67,236,796
Debt securities (loans)		<b>3,300,000</b>	3,300,000	4,300,000
Investments held to maturity		<b>7,060,254</b>	6,320,460	5,675,380
Loans secured by life insurance policies		<b>728,211</b>	731,959	481,828
Premiums and insurance balances receivable		<b>38,657,198</b>	27,842,034	29,101,327
Reinsurance recoverable on outstanding claims		<b>36,736,937</b>	37,231,202	26,561,342
Property held for sale		<b>206,883</b>	228,932	526,077
Other assets		<b>12,445,739</b>	12,163,792	7,223,735
Cash and cash equivalents	8	<b>58,945,475</b>	56,194,609	61,251,362
<b>TOTAL ASSETS</b>		<b>255,497,004</b>	239,976,237	240,425,893
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>Liabilities arising from insurance contracts:</b>				
Outstanding claims reserve (gross)		<b>65,722,978</b>	61,502,416	51,473,494
Unearned premiums reserve (net)		<b>20,312,474</b>	14,188,193	13,574,019
Life mathematical reserve (net)		<b>19,827,692</b>	16,311,027	18,564,443
Additional reserve (net)		<b>3,293,670</b>	3,256,360	3,054,038
Total liabilities arising from insurance contracts		<b>109,156,814</b>	95,257,996	86,665,994
Bank overdraft	8	<b>11,321,911</b>	7,015,847	3,571,907
Term loan		-	-	7,215,395
Premiums received in advance		<b>6,329,105</b>	6,319,613	2,546,420
Insurance payable		<b>32,716,337</b>	30,770,516	28,002,896
Other liabilities		<b>10,193,395</b>	11,196,155	10,805,363
Amount due to policyholders of Takaful Fund	15	<b>114,949</b>	-	-
<b>TOTAL LIABILITIES</b>		<b>169,832,511</b>	150,560,127	138,807,975
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>				
Share capital		<b>16,965,000</b>	16,965,000	16,965,000
Share premium		<b>3,600,000</b>	3,600,000	3,600,000
Treasury shares	9	<b>(1,761,518)</b>	(2,045,871)	(2,045,871)
Treasury shares reserve		<b>1,492,581</b>	1,578,309	1,578,309
Statutory reserve		<b>11,689,049</b>	11,689,049	11,310,000
Voluntary reserve		<b>15,642,462</b>	15,642,462	15,263,413
Cumulative changes in fair values		<b>5,061,790</b>	8,169,978	15,215,639
Foreign currency translation adjustments		<b>(18,821)</b>	(430,516)	(511,180)
Retained earnings		<b>17,633,934</b>	21,808,153	27,129,735
		<b>70,304,477</b>	76,976,564	88,505,045
Non-controlling interest		<b>15,360,016</b>	12,439,546	13,112,873
<b>Total equity</b>		<b>85,664,493</b>	89,416,110	101,617,918
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>255,497,004</b>	239,976,237	240,425,893

Mr. Faisal Hamad Al Ayaar  
Vice Chairman

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2009 (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	KD	KD
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)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	-	-	-	<b>(3,108,188)</b>	<b>411,695</b>	<b>4,077,905</b>	<b>1,381,412</b>	<b>864,321</b>	<b>2,245,733</b>
Dividend for 2008 (Note 11)	-	-	-	-	-	-	-	-	-	(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
<b>Balance at 30 June 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>5,061,790</b>	<b>(18,821)</b>	<b>17,633,934</b>	<b>70,304,477</b>	<b>15,360,016</b>	<b>85,664,493</b>
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
Profit for the period	-	-	-	-	-	-	-	-	-	8,379,922	8,379,922	926,316	9,306,238
Other comprehensive income/(loss)	-	-	-	-	-	-	-	3,131,167	(14,373)	-	3,116,788	-	(2,059,032)
<b>Total comprehensive income/ (loss) for the period</b>	-	-	-	-	-	-	-	<b>3,131,167</b>	<b>(14,373)</b>	<b>8,379,922</b>	<b>11,496,716</b>	-	<b>11,496,716</b>
Dividend for 2007 (Note 11)	-	-	-	-	-	-	-	-	-	(11,151,127)	(11,151,127)	-	(11,151,127)
Issue of bonus shares (Note 11)	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
Dividends received from minority	-	-	-	-	-	-	-	-	-	-	-	(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 15 form part of the interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2009 (Unaudited)

	<i>6 months ended 30 June</i>	
	<b>2009</b>	<b>2008</b>
<i>Notes</i>	<b>KD</b>	<b>KD</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	4,942,226	9,306,238
Adjustments for:		
Depreciation	260,286	195,042
Net investment income	(6,501,291)	(8,328,303)
Gain on sale from associate	-	(47,759)
Cost of share base payment	42,562	383,560
Impairment on investments available for sale	1,882,128	-
Contribution to KFAS	42,661	86,832
Contribution to NLST	103,921	154,579
	<u>772,493</u>	<u>1,750,189</u>
Changes in operating assets and liabilities:		
Investments carried at fair value through income statement	1,783,081	(758,716)
Premiums and insurance balances receivable	(10,815,164)	(6,140,239)
Reinsurance recoverable on outstanding claims	494,265	(4,336,438)
Property held for sale	22,049	38,122
Other assets	1,241,138	(858,859)
Liabilities arising from insurance contracts	13,898,818	10,433,872
Premiums received in advance	9,492	(190,487)
Insurance payable	2,060,797	2,495,508
Other liabilities	(1,180,679)	1,011,428
	<u>8,286,290</u>	<u>3,444,380</u>
Cash from operations	8,286,290	3,444,380
Paid to directors	(80,000)	(120,000)
Paid in respect of KFAS	-	(391,555)
Paid to NLST	-	(958,739)
	<u>8,206,290</u>	<u>1,974,086</u>
<b>INVESTING ACTIVITIES</b>		
Net Disposal (Purchase) of property and equipment	320,235	(338,227)
Net movement in investments available for sale	(2,238,096)	334,857
Purchase of investments in associates	(180,212)	(2,072,655)
Proceeds from sale of investments in associate	-	800,000
Additions to investments held to maturity	(739,794)	(943,895)
Cash flow arising on acquisition of a subsidiary	(4,651,396)	(229,956)
Loans secured by life insurance policies	3,748	(43,663)
Interest received	262,237	1,220,909
Dividends received	2,928,579	3,488,757
Other investment income received	50,090	-
	<u>(4,244,609)</u>	<u>2,216,127</u>
Net cash (used in) from investing activities	(4,244,609)	2,216,127
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(8,140,786)	(11,139,056)
Net movement in treasury shares	156,063	1,204,816
Term loan	-	7,215,393
Net movement in non-controlling interest	2,056,149	(897,545)
	<u>(5,928,574)</u>	<u>(3,616,392)</u>
Net cash used in financing activities	(5,928,574)	(3,616,392)
Net foreign exchange difference	(411,695)	(14,373)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,555,198)</b>	<b>573,821</b>
Cash and cash equivalents at 1 January	49,178,762	57,120,007
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>47,623,564</b>	<b>57,679,455</b>

The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 30 June 2009 (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 2009.

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 69.1% 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 2008 except as discussed in the following paragraphs.

During the period, the Group adopted the following standards effective for the annual periods beginning on or after 1 January 2009.

IAS 1 ‘Presentation of Financial Statements’ (Revised):

The revised standard requires only owner changes in equity to be presented in the statement of changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented separately from owner changes in equity in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 8 ‘Operating segments’:

The new standard which replaced IAS 14 ‘Segment reporting’ requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an additional disclosure as the secondary segment. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the decision makers.

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 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009. For more details please refer to the consolidated financial statements for the year ended 31 December 2008.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 3 NET INVESTMENT INCOME

	<i>6 months ended 30 June</i>	
	<i>Total 2009 KD</i>	<i>Total 2008 KD</i>
Net realised gain on sale of investments available for sale	<b>1,524,683</b>	2,819,098
Realised (loss) gain on sale of investments carried at fair value through income statement	<b>(99,832)</b>	704,275
Dividend income	<b>2,928,579</b>	3,488,757
Interest on debt securities (loans)	<b>96,572</b>	127,409
Changes in fair value of investments carried at fair value through income statement	<b>204,851</b>	42,182
Gain on sale of an associate	-	47,759
Interest on time and call deposits	<b>1,493,088</b>	1,654,364
Foreign exchange gain	<b>152,325</b>	-
Other investment income	<b>1,330,541</b>	288,426
Impairment loss of investments available for sale	<b>(1,882,128)</b>	-
Finance charges and interest	<b>(881,373)</b>	(374,676)
Other investment expenses	<b>(248,143)</b>	(421,532)
	<b><u>4,619,163</u></b>	<b><u>8,376,062</u></b>

### 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 months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2009 KD</i>	<i>2008 KD</i>	<i>2009 KD</i>	<i>2008 KD</i>
Profit attributable to equity holders of the parent company	<b><u>1,791,035</u></b>	<u>3,560,570</u>	<b><u>4,077,905</u></b>	<u>8,379,922</u>
	<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><u>(4,738,372)</u></b>	<u>(1,839,651)</u>	<b><u>(5,063,862)</u></b>	<u>(5,065,528)</u>
Weighted average number of shares, less treasury shares, outstanding during the period	<b><u>164,911,628</u></b>	<u>167,810,349</u>	<b><u>164,586,138</u></b>	<u>164,584,472</u>
Basic and diluted earnings per share	<b><u>10.9 fils</u></b>	<u>21.2 fils</u>	<b><u>24.8 fils</u></b>	<u>50.9 fils</u>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 5 ACQUISITION OF A SUBSIDIARY

During the three month period ended 30 June 2009, the parent company acquired 6,050,000 shares being 55% of "Arab Oriental Insurance Company J.S.C" (AOIC), an existing Jordanian Insurance Company for an amount of KD 8,790,711, from a related party (Note12). The parent company was able to exercise control over the company through board representations, accordingly it has been classified as a subsidiary company and has been consolidated from the date of acquisition. The purchase price allocation is based on fair value of the net assets which has been finalised in accordance with the requirements of IFRS 3.

The purchase consideration and the fair value of identifiable assets acquired and liabilities assumed were as follows:

	<i>KD</i>
Cash and cash equivalents	4,139,315
Investments available for sale	427,346
Cheques under collection	560,801
Premiums and insurance balances receivable	3,116,550
Other assets	232,290
Property and equipment	110,398
Technical reserves	(2,957,879)
Due to insurance and reinsurance companies	(1,528,376)
Accounts payable and other liabilities	(601,833)
Net assets acquired	<u>3,498,612</u>
Purchase consideration	<u>8,790,711</u>
Goodwill	<u>5,292,099</u>
Purchase consideration	8,790,711
Less: cash and cash equivalents acquired	<u>4,139,315</u>
Net cash outflow on acquisition	<u><u>4,651,396</u></u>

### 6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2009</i>	<i>31 December</i>	<i>2008</i>
	<i>KD</i>	<i>2008</i>	<i>2008</i>
		<i>KD</i>	<i>KD</i>
<b>Held for trading:</b>			
Quoted equity securities	1,720,717	3,538,653	4,993,339
<b>Designated upon initial recognition:</b>			
Quoted managed funds	12,875,009	12,840,154	18,594,998
	<u>14,595,726</u>	<u>16,378,807</u>	<u>23,588,337</u>



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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 7 INVESTMENTS AVAILABLE FOR SALE

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2009</i>	<i>31 December</i>	<i>2008</i>
	<i>KD</i>	<i>2008</i>	<i>2008</i>
		<i>KD</i>	<i>KD</i>
Quoted equity securities	<b>41,861,592</b>	47,793,908	44,694,885
Unquoted equity securities	<b>16,545,242</b>	15,127,125	19,745,628
Unquoted managed funds	<b>4,674,926</b>	1,899,805	2,796,283
	<b>63,081,760</b>	64,820,838	67,236,796

Included in investments available for sale are unquoted equity securities and managed funds with a carrying value of KD 21,220,168 (31 December 2008: KD 17,026,930 and 30 June 2008 KD: 12,870,652) 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 1,882,128 (June 2008: Nil) has been recorded in respect of quoted equity securities classified as available for sale there has been a significant decline in value of these securities.

### 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>(Audited)</i>	<i>30 June</i>
	<i>2009</i>	<i>31 December</i>	<i>2008</i>
	<i>KD</i>	<i>2008</i>	<i>2008</i>
		<i>KD</i>	<i>KD</i>
Bank balances and cash	<b>6,102,312</b>	6,329,136	5,765,144
Time and call deposits	<b>52,843,163</b>	49,865,473	54,686,435
Money market fund	-	-	799,783
Cash and cash equivalents in the statement of financial position	<b>58,945,475</b>	56,194,609	61,251,362
Bank overdraft	<b>(11,321,911)</b>	(7,015,847)	(3,571,907)
Cash and cash equivalents in the cash flow	<b>47,623,564</b>	49,178,762	57,679,455

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 9 TREASURY SHARES

	<b>30 June 2009</b>	<i>(Audited)</i> <b>31 December 2008</b>	<b>30 June 2008</b>
Number of shares (share)	<u><b>4,747,495</b></u>	<u>5,518,953</u>	<u>5,518,953</u>
Percentage of issued shares (%)	<u><b>2.8</b></u>	<u>3.25</u>	<u>3.25</u>
Market value (KD)	<u><b>2,468,697</b></u>	<u>4,139,215</u>	<u>4,415,162</u>
Cost (KD)	<u><b>1,761,518</b></u>	<u>2,045,871</u>	<u>2,045,871</u>

During the six month period ended 30 June 2009, the employees exercised all the shares granted of 608,010 (30 June 2008: 2,409,632 shares) from the treasury shares realising net (loss) gain of KD (85,728) (30 June 2008: KD 567,012, which has been debited to treasury share reserve).

### 10 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 2009:

	<u><i>General risk insurance</i></u>					
	<i>Marine &amp; aviation KD</i>	<i>Property KD</i>	<i>Casualty KD</i>	<i>Total general risk insurance KD</i>	<i>Life insurance KD</i>	<i>Total KD</i>
Segment revenue	<u><b>1,735,193</b></u>	<u><b>1,750,916</b></u>	<u><b>16,367,137</b></u>	<u><b>19,853,246</b></u>	<u><b>14,020,603</b></u>	<u><b>33,873,849</b></u>
Segment results (net underwriting income)	<u><b>707,737</b></u>	<u><b>520,092</b></u>	<u><b>253,541</b></u>	<u><b>1,481,370</b></u>	<u><b>1,368,124</b></u>	<u><b>2,849,494</b></u>
Total assets	<u><b>21,550,490</b></u>	<u><b>21,745,764</b></u>	<u><b>203,274,114</b></u>	<u><b>246,570,368</b></u>	<u><b>8,926,636</b></u>	<u><b>255,497,004</b></u>
Total liabilities	<u><b>63,994,038</b></u>	<u><b>47,027,055</b></u>	<u><b>22,925,341</b></u>	<u><b>133,946,434</b></u>	<u><b>35,886,077</b></u>	<u><b>169,832,511</b></u>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 10 SEGMENT INFORMATION (continued)

Six months ended 30 June 2008:

	<i>General risk insurance</i>					
	<i>Marine &amp; aviation KD</i>	<i>Property KD</i>	<i>Casualty KD</i>	<i>Total general risk insurance KD</i>	<i>Life insurance KD</i>	<i>Total 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
Total assets	24,122,324	17,639,979	160,258,567	202,020,870	38,405,023	240,425,893
Total liabilities	37,195,194	10,107,590	53,179,449	100,482,233	38,325,742	138,807,975

The following are the details of the Geographical segments:

	<i>Kuwait</i>		<i>GCC Countries</i>		<i>Other ME Countries</i>		<i>Total</i>	
	<i>30 June 2009 KD</i>	<i>30 June 2008 KD</i>	<i>30 June 2009 KD</i>	<i>30 June 2008 KD</i>	<i>30 June 2009 KD</i>	<i>30 June 2008 KD</i>	<i>30 June 2009 KD</i>	<i>30 June 2008 KD</i>
Segment results (net underwriting income)	1,738,975	1,900,090	1,818,231	1,357,501	(707,712)	(177,223)	2,849,494	3,080,368
Profit for the period	2,588,831	7,277,659	1,033,473	1,086,552	455,601	15,711	4,077,905	8,379,922

### 11 PROPOSED DIVIDENDS

On 1 April 2009, general assembly approved the distribution of cash dividend of 50% representing 50 fils per share proposed by the Board of Directors for the year ended 31 December 2008 (2007: 100% cash dividends representing 100 fils per share and bonus shares of 50%).

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 12 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 June 2009</u>		<u>30 June 2008</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	49,562	3,532	31,768	2,678
Directors and key management personnel	592,139	38,844	535,035	103,102
Other related parties	2,002,164	589,910	1,511,363	323,928
	<u>2,643,865</u>	<u>632,286</u>	<u>2,078,166</u>	<u>429,708</u>

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

	<u>30 June 2009</u>		<u>30 June 2008</u>	
	<i>Amounts owed</i> <i>by related</i> <i>parties</i> <i>KD</i>	<i>Amounts owed</i> <i>to related</i> <i>parties</i> <i>KD</i>	<i>Amounts owed</i> <i>by related</i> <i>parties</i> <i>KD</i>	<i>Amounts owed</i> <i>to related</i> <i>parties</i> <i>KD</i>
Ultimate parent company	21,800	-	25,700	-
Directors and key management personnel	528,034	(16,026)	497,742	(22,221)
Other related parties	851,209	(13,331)	674,098	(16,486)
	<u>1,401,043</u>	<u>(29,357)</u>	<u>1,197,540</u>	<u>(38,707)</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 2,695,601 (31 December 2008: 3,522,663 and 30 June 2008: KD 2,424,567). Total expenses from related party transactions amounted to KD 667,826 (31 December 2008: KD 1,062,704 and 30 June 2008: KD 489,326).
- The group holds certain deposits and call accounts with a related party bank. The group also holds bonds issued by the ultimate parent company and other related companies amounting to KD 1,300,000 (31 December 2008: KD 1,300,000 and 30 June 2008: KD 2,050,000).
- Loans granted to a related party amounted to KD 1,402,000 (31 December 2008: KD 1,402,000 and 30 June 2008: 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.
- During the three month period ended 30 June 2009, the parent company acquired a new subsidiary from a related party bank for an amount of KD 8,790,711 (Note 5).

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 12 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>(Unaudited)</i> <b>30 June</b> <b>2009</b> <b>KD</b>	<i>(Audited)</i> <b>31 December</b> <b>2008</b> <b>KD</b>	<i>(Unaudited)</i> <b>30 June</b> <b>2008</b> <b>KD</b>
Short-term employee benefits	<b>368,482</b>	760,944	369,682
Termination benefits	<b>1,770,177</b>	1,702,638	1,419,801
	<b><u>2,138,659</u></b>	<b><u>2,463,582</u></b>	<b><u>1,789,483</u></b>

### 13 COMMITMENTS

At 30 June 2009, the group had future commitments in respect of investments amounting to KD 117,000 (31 December 2008: KD 117,000 and 30 June 2008: KD 117,000).

### 14 CONTINGENT LIABILITIES

At 30 June 2009, the group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 721,177 (31 December 2008: KD 711,403 and 30 June 2008: KD 3,217,283).

### 15 TAKAFUL INSURANCE POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

The parent company has established a new insurance unit providing Takaful Insurance for life and non life. Takaful is an Islamic alternative to a conventional insurance and investment program, based on the mutual funds concept, where each policyholder will receive his share in the surplus arising from the insurance activities, in accordance with the Takaful Fund's articles of association and the approval of Fatwa and Sharee'a Supervisory Board.

The parent company (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 fund in the parent company's balance sheet and the details are disclosed in the notes.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

**15 TAKAFUL INSURANCE POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND (continued)**

**Policyholders' result by line of business:**

The following tables summarise the policyholders' results by line of business and fund:

**For the six month ended 30 June 2009**

	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>General Accidents</i>	<i>Life &amp; Medical KD</i>	<i>Total KD</i>
<b>Revenue:</b>						
Premium written	319,106	113,587	63,232	160,422	953,504	<b>1,609,851</b>
Reinsurance premiums ceded	(84,739)	(64,986)	-	(38,461)	(294,730)	<b>(482,916)</b>
Net premiums written	234,367	48,601	63,232	121,961	658,774	<b>1,126,935</b>
Movement in unearned premiums	(63,000)	(18,000)	(15,500)	(47,950)	(208,500)	<b>(352,950)</b>
Net premiums earned	171,367	30,601	47,732	74,011	450,274	<b>773,985</b>
Policy issuance fees	1,228	479	4,037	83	4,148	<b>9,975</b>
	<b>172,595</b>	<b>31,080</b>	<b>51,769</b>	<b>74,094</b>	<b>454,422</b>	<b>783,960</b>
<b>Expenses:</b>						
Claims incurred	4,035	7	28,877	21,997	365,057	<b>419,973</b>
Other insurance expenses	369	213	1,245	200	1,102	<b>3,129</b>
Commission and discounts	47,695	10,382	5,860	11,622	43,514	<b>119,073</b>
	<b>52,099</b>	<b>10,602</b>	<b>35,982</b>	<b>33,819</b>	<b>409,673</b>	<b>542,175</b>
Surplus from insurance operations	120,495	20,478	15,787	40,275	44,749	<b>241,784</b>
Allocation of general and administrative expenses	22,137	10,295	19,261	23,399	53,431	<b>128,523</b>
Net Surplus(Deficit) from insurance operations	98,358	10,183	(3,474)	16,876	(8,682)	<b>113,261</b>
Net investment loss	(15,379)	(2,746)	(4,284)	(6,642)	(40,410)	<b>(69,463)</b>
<b>Net surplus (deficit) of Takaful fund</b>	<b>82,979</b>	<b>7,437</b>	<b>(7,756)</b>	<b>10,230</b>	<b>(49,092)</b>	<b>43,798</b>

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

**15 TAKAFUL INSURANCE DEPARTMENT POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND (continued)**

For the three month ended 30 June 2009

	<i>Marine and Aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>General Accidents KD</i>	<i>Life &amp; Medical KD</i>	<i>Total KD</i>
<b>Revenue:</b>						
Premium written	85,616	19,978	7,024	70,166	111,585	<b>294,369</b>
Reinsurance premiums ceded	(23,103)	(11,769)	-	(34,164)	(945)	<b>(69,981)</b>
Net premiums written	62,513	8,209	7,024	36,002	110,640	<b>224,388</b>
Movement in unearned premiums	(18,442)	3,399	3,121	(7,552)	23,315	<b>3,841</b>
Net premiums earned	44,071	11,608	10,145	28,450	133,955	<b>228,229</b>
Policy issuance fees	452	41	311	32	408	<b>1,244</b>
	<b>44,523</b>	<b>11,649</b>	<b>10,456</b>	<b>28,482</b>	<b>134,363</b>	<b>229,473</b>
<b>Expenses:</b>						
Claims incurred	(14,441)	7	10,861	7,500	153,384	<b>157,311</b>
Other insurance expenses	-	-	40	-	-	<b>40</b>
Commission and discounts	12,806	1,494	312	4,437	3,265	<b>22,314</b>
	<b>(1,635)</b>	<b>1,501</b>	<b>11,213</b>	<b>11,937</b>	<b>156,649</b>	<b>179,665</b>
Surplus from insurance operations	<b>46,158</b>	<b>10,148</b>	<b>(757)</b>	<b>16,545</b>	<b>(22,286)</b>	<b>49,808</b>
Allocation of general and administrative expenses	5,564	3,409	4,301	6,316	6,386	<b>25,976</b>
Net Surplus from insurance operations	40,594	6,739	(5,058)	10,229	(28,672)	<b>23,832</b>
Net investment income	2,267	597	522	1,463	6,889	<b>11,738</b>
<b>Net surplus (deficit) of Takaful fund</b>	<b>42,861</b>	<b>7,336</b>	<b>(4,536)</b>	<b>11,692</b>	<b>(21,783)</b>	<b>35,570</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 15 TAKAFUL INSURANCE DEPARTMENT POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND (continued)

#### Policyholders' assets, liabilities and fund:

	<i>30 June 2009</i>
	<i>Marine and aviation, general accident, motor vehicles, property, medical and life</i>
	<i>KD</i>
<b>ASSETS</b>	
Bank balances and cash	131,819
Premiums receivable	334,021
Available for sale investments	403,400
Property and equipment	4,428
Re-insurance recoverable on outstanding claims	32,706
Amount due from Takaful fund manager	114,949
<b>TOTAL ASSETS</b>	<b>1,021,323</b>
<b>LIABILITIES</b>	
Unearned premiums( net)	352,950
Outstanding claims reserve (gross)	185,953
Reinsurers payable	193,315
Premium received in advance	-
Insurance payables	204,937
Other liabilities	28,770
<b>TOTAL LIABILITIES</b>	<b>965,925</b>
<b>POLICYHOLDERS' FUND</b>	
Cumulative changes in fair values	11,600
Net surplus from Takaful fund to be distributed between policyholders and manager of Takaful fund	43,798
<b>TOTAL LIABILITIES AND POLICYHOLDERS' FUND</b>	<b>1,021,323</b>



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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2009 (Unaudited)

### 15 TAKAFUL INSURANCE DEPARTMENT POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND (continued)

Movement in policyholders' fund:

	<i>30 June 2009 KD</i>
At 1 January	-
Net surplus from insurance operations	<u>43,798</u>
	<u><u>43,798</u></u>

Takaful fund manager's share of insurance surplus will be distributed in accordance with Article (10) of the Takaful fund's articles of association based on the results at year end. This article requires fund surplus to be allocated between the Takaful fund manager and policyholders equally. Share of policyholders should be not less than 50% of net insurance surplus and should be approved by the Fatwa and Sharee'a Supervisory Board.

In accordance with Article (12) of the Takaful fund's articles of association, Takaful fund manager receives management fees for managing the investment on behalf of policyholders at year end. Management fee should not exceed 35% of the investment income from the policyholders' results.