

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2008 (UNAUDITED)

Gulf Insurance Company K.S.C. And Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2008 (Unaudited)

	Notes	3 months ended 30 September		9 months ended 30 September	
		2008 KD	2007 KD	2008 KD	2007 KD
Revenue:					
Premiums written		21,211,562	16,136,631	62,749,330	53,061,222
Reinsurance premiums ceded		(10,320,761)	(7,563,440)	(29,218,101)	(24,944,240)
Net premiums written		10,890,801	8,573,191	33,531,229	28,116,982
Movement in unearned premiums		15,820	(422,318)	(437,490)	(1,083,542)
Net premiums earned		10,906,621	8,150,873	33,093,739	27,033,440
Commission received on ceded reinsurance		1,624,682	1,372,589	5,205,168	4,575,361
Policy issuance fees		279,081	299,583	961,143	918,399
Net investment income from life insurance	3	39,970	542,511	837,294	2,136,180
		12,850,354	10,365,556	40,097,344	34,663,380
Expenses:					
Claims incurred		5,422,864	5,402,437	18,327,417	16,814,080
Commission and discounts		1,196,551	1,266,145	3,911,816	3,882,849
(Decrease) increase in life mathematical reserve		(579,547)	(854,120)	2,367,108	1,116,880
Increase in additional reserve		237,554	145,688	237,244	122,559
Maturity and cancellations of life insurance policies		103,070	240,008	309,447	525,093
General and administrative expenses		3,263,182	2,776,981	8,657,264	8,286,048
		9,643,674	8,977,139	33,810,296	30,747,509
Net underwriting income		3,206,680	1,388,417	6,287,048	3,915,871
Net investment income	3	(36,815)	4,327,993	7,541,923	37,166,899
Net sundry income		100,011	18,447	153,461	33,872
		3,269,876	5,734,857	13,982,432	41,116,642
Unallocated general and administrative expenses		(275,055)	(707,901)	(1,378,130)	(2,492,312)
Impairment of goodwill		-	-	-	(448,949)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
		2,994,821	5,026,956	12,604,302	38,175,381
Contribution to KFAS		(25,736)	(46,603)	(112,568)	(366,881)
NLST		(64,342)	(116,159)	(218,921)	(908,423)
Zakat		(25,736)	-	(87,568)	-
PROFIT FOR THE PERIOD		2,879,007	4,864,194	12,185,245	36,900,077
Attributable to:					
Equity holders of the parent company		2,457,846	4,487,586	10,837,768	35,412,797
Minority interest		421,161	376,608	1,347,477	1,487,280
		2,879,007	4,864,194	12,185,245	36,900,077
BASIC AND DILUTED EARNINGS PER SHARE					
	4	15.00 fils	27.96 fils	65.9 fils	221.35 fils

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 BALANCE SHEET

At 30 September 2008 (Unaudited)

		(Audited)		
		30 September	31 December	30 September
		2008	2007	2007
	Notes	KD	KD	KD
ASSETS				
Property and equipment		6,241,264	6,191,673	6,164,963
Investments in associated companies	5	5,370,200	4,050,680	4,050,680
Intangible assets		2,774,650	2,725,109	2,725,109
Investments carried at fair value through income statement	6	25,245,589	22,829,621	17,911,006
Investments available for sale	7	64,395,063	60,913,490	51,963,901
Debt securities (loans)		3,800,000	4,300,000	4,880,834
Investments held to maturity		6,157,118	4,731,485	3,431,525
Loans secured by life insurance policies		483,919	438,165	197,108
Premiums and insurance balances receivable		35,788,358	22,961,088	23,379,094
Reinsurance recoverable on outstanding claims		28,792,508	22,224,904	24,257,231
Property held for sale		513,437	291,249	311,162
Other assets		9,725,118	6,364,875	6,665,630
Cash and cash equivalents	8	53,956,987	65,008,645	70,416,831
TOTAL ASSETS		243,244,211	223,030,984	216,355,074
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		53,427,208	44,263,271	42,709,791
Unearned premiums reserve (net)		13,554,293	13,287,003	13,750,569
Life mathematical reserve (net)		17,984,896	15,617,788	15,536,880
Additional reserve (net)		3,291,590	3,064,061	3,026,146
Total liabilities arising from insurance contracts		88,257,987	76,232,123	75,023,386
Bank overdraft	8	6,976,182	7,888,638	2,142,432
Premiums received in advance		2,670,257	2,736,907	5,753,115
Insurance payable		36,532,574	25,507,388	25,220,971
Other liabilities		10,205,226	11,010,746	11,946,528
TOTAL LIABILITIES		144,642,226	123,375,802	120,086,432
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	9	(2,045,871)	(3,385,743)	(3,385,743)
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		9,694,106	12,084,472	9,562,076
Foreign currency translation adjustments		(524,870)	(496,807)	(98,021)
Retained earnings		29,587,581	35,555,940	38,192,471
		85,427,668	86,571,080	81,875,810
Minority interest		13,174,317	13,084,102	14,392,832
Total equity		98,601,985	99,655,182	96,268,642
TOTAL LIABILITIES AND EQUITY		243,244,211	223,030,984	216,355,074

Farqad A. Al-Sane, Chairman

Faisal Hamad Al-Ayyar, 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 CASH FLOWS

For the period ended 30 September 2008 (Unaudited)

	Note	9 months ended 30 September	
		2008 KD	2007 KD
OPERATING ACTIVITIES			
Profit for the period		12,185,245	36,900,077
Adjustments for:			
Depreciation		304,645	841,706
Net investment income		(8,331,458)	(39,303,079)
Gain on sale from associate		(47,759)	-
Impairment of goodwill		-	448,949
Cost of share base payment		383,560	-
Contribution to KFAS		112,568	366,881
Contribution to NLST		218,921	908,423
Zakat		87,568	-
		<u>4,913,290</u>	<u>162,957</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(2,415,967)	(5,705,083)
Premiums and insurance balances receivable		(12,827,270)	(4,710,694)
Reinsurance recoverable on outstanding claims		(6,567,604)	(8,451,351)
Property held for sale		(222,188)	1,003,289
Other assets		(3,360,245)	(436,012)
Liabilities arising from insurance contracts		12,025,865	10,197,727
Premiums received in advance		(66,650)	(14,640)
Insurance payable		11,025,188	(2,079,420)
Other liabilities		256,375	873,111
		<u>2,760,794</u>	<u>(9,160,116)</u>
Cash from (used in) operations		(120,000)	(80,000)
Paid to directors		(391,555)	(85,802)
Paid in respect of KFAS		(981,470)	(42,554)
Paid in respect of NLST			
		<u>1,267,769</u>	<u>(9,368,472)</u>
Net cash from (used in) operating activities			
INVESTING ACTIVITIES			
Additions to property and equipment		(354,235)	(1,340,610)
Net movement in investments available for sale		(2,906,532)	8,471,203
Purchase of investments in associates		(2,072,655)	(3,278,070)
Decrease in debt securities (loans)		-	635,321
Proceeds from sale of associate		800,000	-
Additions to investments held to maturity		(1,425,633)	(1,899,589)
Acquisition of subsidiary		(229,956)	(2,412,771)
Net movement in debt securities (loans)		500,000	-
Loans secured by life insurance policies		(45,754)	(70,132)
Interest received		2,058,602	291,118
Dividends received		3,488,757	971,160
Other investment income received		-	34,277,355
		<u>(187,406)</u>	<u>35,644,985</u>
Net cash (used in) from investing activities			
FINANCING ACTIVITIES			
Dividends paid		(11,139,056)	(5,367,816)
Net movement in treasury shares		1,204,816	777,497
Net movement in minority interest		(1,257,262)	922,472
		<u>(11,191,502)</u>	<u>(3,667,847)</u>
Net cash used in financing activities			
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(10,111,139)	22,608,666
Net foreign exchange difference		(28,063)	(121,344)
Cash and cash equivalents at beginning of the period		57,120,007	45,787,077
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8	46,980,805	68,274,399

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 September 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 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	-	-	-	-	-	-	-	(331,334)	-	-	(331,334)	-	(331,334)
Sale of investments available for sale	-	-	-	-	-	-	-	(2,059,032)	-	-	(2,059,032)	-	(2,059,032)
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	(28,063)	-	(28,063)	-	(28,063)
Net income and expense recognised directly in equity	-	-	-	-	-	-	-	(2,390,366)	(28,063)	-	(2,418,429)	-	(2,418,429)
Profit for the period	-	-	-	-	-	-	-	-	-	10,837,768	10,837,768	1,347,477	12,185,245
Total recognised income and expense for the period	-	-	-	-	-	-	-	(2,390,366)	(28,063)	10,837,768	8,419,339	1,347,477	9,766,816
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 share (Note 9)	-	-	1,339,872	567,012	(702,068)	-	-	-	-	-	1,204,816	-	1,204,816
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	-	(1,257,262)	(1,257,262)
Balance at 30 September 2008	16,965,000	3,600,000	(2,045,871)	1,578,309	-	11,310,000	15,263,413	9,694,106	(524,870)	29,587,581	85,427,668	13,174,317	98,601,985

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 September 2008 (Unaudited) (continued)

	<i>Attributable to equity holders of the parent company</i>										<i>Minority interest KD</i>	<i>Total equity KD</i>
	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Treasury share 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>		
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
Changes in fair value of investments available for sale	-	-	-	-	-	-	5,441,920	-	-	5,441,920	-	5,441,920
Sale of investments available for sale	-	-	-	-	-	-	(14,390,856)	-	-	(14,390,856)	-	(14,390,856)
Foreign currency translation adjustments	-	-	-	-	-	-	-	(121,344)	-	(121,344)	-	(121,344)
Net expense recognised directly in equity	-	-	-	-	-	-	(8,948,936)	(121,344)	-	(9,070,280)	-	(9,070,280)
Profit for the period	-	-	-	-	-	-	-	-	35,412,797	35,412,797	1,487,280	36,900,077
Total recognised income and expenses for the period	-	-	-	-	-	-	(8,948,936)	(121,344)	35,412,797	26,342,517	1,487,280	27,829,797
Dividends for 2006 (Note 11)	-	-	-	-	-	-	-	-	(5,809,654)	(5,809,654)	-	(5,809,654)
Purchase of treasury shares	-	-	(2,569,057)	-	-	-	-	-	-	(2,569,057)	-	(2,569,057)
Sale of treasury shares	-	-	2,335,257	1,011,297	-	-	-	-	-	3,346,554	-	3,346,554
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	(564,808)	(564,808)
Balance at 30 September 2007	11,310,000	3,600,000	(3,385,743)	1,011,297	10,363,850	11,319,880	9,562,076	(98,021)	38,192,471	81,875,810	14,392,832	96,268,642

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

As at 30 September 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 16 October 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 68.57% 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.

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 nine month period ended 30 September 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

	<u>Three months ended 30 September</u>		<u>Nine months ended 30 September</u>	
	Total	Total	Total	Total
	2008	2007	2008	2007
	KD	KD	KD	KD
Net realised gain on sale of investments available for sale	11,092	2,997,953	2,830,190	31,929,483
Realised gain on sale of investments carried at fair value through income statement	187,258	97,403	891,533	1,255,813
Dividend income	143,766	76,079	3,632,523	1,545,024
Interest on debt securities (loans)	65,550	47,391	192,959	291,807
Changes in fair value of investments carried at fair value through income statement	(728,966)	744,390	(686,784)	2,577,772
Share of loss from associates	-	-	-	(209,061)
Gain on sale of an associate	-	-	47,759	-
Interest on time and call deposits	628,085	785,407	2,282,449	2,314,355
Other investment income	(53,386)	369,832	235,040	374,065
Finance charges and interest	(196,996)	(185,423)	(571,672)	(315,757)
Other investment expenses	(53,248)	(62,528)	(474,780)	(460,422)
	3,155	4,870,504	8,379,217	39,303,079

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 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 September</i>		<i>Nine month ended 30 September</i>	
	<i>2008 KD</i>	<i>2007 KD</i>	<i>2008 KD</i>	<i>2007 KD</i>
Profit for the period	<u>2,457,845</u>	<u>4,487,586</u>	<u>10,837,768</u>	<u>35,412,797</u>
	Shares	Shares	Shares	Shares
Number of shares outstanding at the beginning of the period	169,650,000	169,650,000	169,650,000	169,650,000
Weighted average number of treasury shares	<u>(5,518,953)</u>	<u>(9,134,205)</u>	<u>(5,215,045)</u>	<u>(9,665,373)</u>
Weighted average number of shares, less treasury shares, outstanding during the period	<u>164,131,047</u>	<u>160,515,795</u>	<u>164,434,955</u>	<u>159,984,627</u>
Basic and diluted earnings per share	<u>15.00 fils</u>	<u>27.96 fils</u>	<u>65.9 fils</u>	<u>221.35 fils</u>

Basic and diluted earnings per share for the nine month period ended 30 September 2007 and three month period ended 30 September 2007 have been restated for bonus shares issued in 2008 (Note 11).

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 12).

6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>(Audited)</i>		
	<i>30 September 2008 KD</i>	<i>31 December 2007 KD</i>	<i>30 September 2007 KD</i>
Trading:			
Quoted equity securities	8,339,877	3,848,041	428,429
Designated upon initial recognition:			
Managed funds	16,905,712	18,981,580	17,482,577
	<u>25,245,589</u>	<u>22,829,621</u>	<u>17,911,006</u>

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2008 (Unaudited)

7 INVESTMENTS AVAILABLE FOR SALE

	<i>30 September 2008 KD</i>	<i>(Audited) 31 December 2007 KD</i>	<i>30 September 2007 KD</i>
Quoted equity securities	41,610,159	46,780,049	34,453,117
Unquoted equity securities	19,883,864	11,870,211	15,080,207
Unquoted funds	2,901,040	2,263,230	2,430,577
	<u>64,395,063</u>	<u>60,913,490</u>	<u>51,963,901</u>

Included in investments available for sale are unquoted equity securities with a carrying value of KD 12,407,557 (31 December 2007: KD 9,545,525 and 30 September 2007 KD: 9,863,979) 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 September 2008.

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 balance sheet amounts:

	<i>30 September 2008 KD</i>	<i>(Audited) 31 December 2007 KD</i>	<i>30 September 2007 KD</i>
Bank balances and cash	5,716,756	7,616,889	8,064,572
Time and call deposits	48,240,231	57,391,756	62,352,259
Bank balances and short term deposits	53,956,987	65,008,645	70,416,831
Bank overdraft	(6,976,182)	(7,888,638)	(2,142,432)
	<u>46,980,805</u>	<u>57,120,007</u>	<u>68,274,399</u>

9 TREASURY SHARES

	<i>30 September 2008</i>	<i>(Audited) 31 December 2007</i>	<i>30 September 2007</i>
Number of shares (share)	5,518,953	6,088,934	6,088,934
Percentage of issued shares (%)	3.2	5.3	5.38
Market value (KD)	4,304,783	5,175,594	4,932,037
Cost (KD)	2,045,871	3,385,743	3,385,743

During the nine month period ended 30 September 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.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2008 (Unaudited)

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:

Nine months ended 30 September 2008:

	<i>General risk insurance</i>			<i>Total general risk insurance</i>	<i>Life insurance</i>	<i>Total</i>
	<i>Marine & aviation</i>	<i>Property</i>	<i>Casualty</i>			
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	2,825,083	2,042,299	20,510,658	25,378,040	14,719,304	40,097,344
Segment results (net underwriting income)	858,714	255,110	2,574,237	3,688,061	2,598,987	6,287,048

Nine months ended 30 September 2007:

	<i>General risk insurance</i>			<i>Total general risk insurance</i>	<i>Life insurance</i>	<i>Total</i>
	<i>Marine & aviation</i>	<i>Property</i>	<i>Casualty</i>			
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	2,194,412	1,827,975	17,624,496	21,646,883	13,016,497	34,663,380
Segment results (net underwriting income)	651,969	301,877	1,564,295	2,518,141	1,397,730	3,915,871

11 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).

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2008 (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 September 2008</u>		<u>30 September 2007</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	63,077	4,012	74,385	3,951
Directors and key management personnel	662,756	155,471	554,949	130,611
Other related parties	1,603,069	450,986	1,455,102	415,226
	<u>2,328,902</u>	<u>610,469</u>	<u>2,084,436</u>	<u>549,788</u>

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

	<u>30 September 2008</u>		<u>30 September 2007</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	47,268	-	-	(4,014)
Directors and key management personnel	442,162	(8,805)	352,771	(16,868)
Other related parties	711,229	(11,136)	663,068	(4,931)
	<u>1,200,659</u>	<u>(19,941)</u>	<u>1,015,839</u>	<u>(25,813)</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 parties' transaction amounted to KD 2,831,176 (31 December 2007: 4,574,850 and 30 September 2007: KD 336,824).

Total expenses from related parties' transactions amounted to KD 700,298 (31 December 2007: KD 1,418,140 and 30 September 2007: KD 31,260).
- 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 September 2007: KD 2,610,000).
- 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 September 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.
- Loan acquired from the Ultimate parent company amounted to KD Nil (31 December 2007: Nil and 30 September 2007: KD Nil). This loan is repayable on demand with interest rate of 7% per annum. The interest expense recognised during the nine month period ended 30 September 2008 is KD 334,262.
- The group sold all the investment in an associated company "United Warehousing and Refrigeration K.S.C. (Closed) to a related party resulting in a gain of KD 47,759.

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 September 2008 (Unaudited)

12 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation

	<i>30 September 2008 KD</i>	<i>30 September 2007 KD</i>
Salaries and other short term benefits	565,323	424,395
Employees' end of service benefits	1,583,514	1,534,436
	2,148,837	1,958,831

13 COMMITMENTS

At 30 September 2008, the group had future commitments in respect of investments amounting to KD 2,313,000 (31 December 2007: KD 185,750 and 30 September 2007: KD 187,000).

14 CONTINGENT LIABILITIES

At 30 September 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 September 2007: KD 3,188,863).

15 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 interim condensed consolidated financial information because of this change.