

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2011 (UNAUDITED)



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Company K.S.C. (the "Parent Company") and its Subsidiaries (collectively "the Group") as at 31 March 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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, or of the articles of association of the Parent Company have occurred during the three month period ended 31 March 2011 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 31 March 2011

	Notes	3 months ended 31 March	
		2011 KD	2010 KD
Revenue:			
Premiums written		30,086,979	30,812,254
Reinsurance premiums ceded		(14,238,381)	(13,261,849)
Net premiums written		15,848,598	17,550,405
Movement in unearned premiums		1,437,917	(2,176,025)
Increase in life mathematical reserve		(2,768,617)	(3,274,541)
Net premiums earned		14,517,898	12,099,839
Commission received on ceded reinsurance		2,870,137	2,498,783
Policy issuance fees		620,685	660,971
Net investment (loss) income from life insurance	3	(175,772)	509,293
		17,832,948	15,768,886
Expenses:			
Claims incurred		9,519,006	7,901,109
Commission and discounts		2,348,709	2,203,403
Increase in additional reserve		(73,689)	23,030
Maturity and cancellations of life insurance policies		329,080	296,212
General and administrative expenses		3,220,204	3,000,993
		15,343,310	13,424,747
Net underwriting income		2,489,638	2,344,139
Net investment income	3	961,343	1,541,417
Net sundry income		10,194	61,258
		3,461,175	3,946,814
Other charges			
Unallocated general and administrative expenses		(797,445)	(775,634)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		2,663,730	3,171,180
Contribution to KFAS		(25,195)	(26,873)
National Labour Support tax (NLST)		(66,600)	(65,754)
Zakat tax		(25,055)	(26,302)
PROFIT FOR THE PERIOD		2,546,880	3,052,251
Attributable to:			
Equity holders of the parent company		2,045,138	2,568,328
Non-controlling interest		501,742	483,923
		2,546,880	3,052,251
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENTCOMPANY	4	11.5 fils	14.9 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 STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 31 March 2011

	<i>Note</i>	<i>3 months ended 31 March</i>	
		<i>2011</i>	<i>2010</i>
		<i>KD</i>	<i>KD</i>
Profit for the period		2,546,880	3,052,251
Other comprehensive income			
Net unrealised (loss) gain on available for sale investments		(537,394)	546,228
Net realised gain transferred to income statement on disposal of investments available for sale	3	(29,318)	(13,677)
Reversal due to impairment loss on investments available for sale	3	12,158	38,916
Exchange differences on translation of foreign operations		(806,887)	(78,522)
Other comprehensive (loss) income for the period		(1,361,441)	492,945
Total comprehensive income for the period		1,185,439	3,545,196
ATTRIBUTABLE TO:			
Equity holders of the parent company		683,697	3,061,273
Non-controlling interest		501,742	483,923
		1,185,439	3,545,196


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 FINANCIAL POSITION (UNAUDITED)

At 31 March 2011

		<i>(Audited)</i>		
	<i>Notes</i>	<i>31 March 2011 KD</i>	<i>31 December 2010 KD</i>	<i>31 March 2010 KD</i>
ASSETS				
Property and equipment		10,512,030	7,353,257	5,423,279
Investments in associated companies		3,196,778	3,196,778	2,272,257
Goodwill		8,472,510	8,304,567	8,307,165
Financial instruments:				
Investments held to maturity		13,516,493	11,265,318	9,552,889
Debt securities (loans)		8,827,103	9,013,959	7,846,138
Investments available for sale	5	46,777,141	50,056,948	43,105,510
Investments carried at fair value through income statement	6	20,252,545	19,780,806	18,851,918
Loans secured by life insurance policies		869,526	911,311	902,054
Premiums and insurance balances receivable		43,677,090	39,994,795	35,106,250
Reinsurance recoverable on outstanding claims		49,067,225	39,993,142	38,033,261
Property held for sale		217,214	222,811	175,571
Other assets		12,696,659	9,450,760	10,117,013
Time deposits	7	30,199,747	33,609,525	36,246,711
Cash and cash equivalents	8	30,809,483	27,212,735	33,081,493
TOTAL ASSETS		279,091,544	260,366,712	249,021,509
LIABILITIES AND EQUITY				
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		80,204,889	71,515,959	65,432,402
Unearned premiums reserve (net)		20,993,199	22,698,314	19,808,796
Life mathematical reserve (net)		20,049,378	17,280,733	21,743,574
Additional reserve (net)		4,002,996	3,878,920	3,621,799
Total liabilities arising from insurance contracts		125,250,462	115,373,926	110,606,571
Bank overdraft	8	15,390,711	14,961,726	10,767,340
Premiums received in advance		1,130,372	1,241,204	1,323,617
Insurance payable		39,288,213	33,140,724	33,105,233
Other liabilities		13,607,823	13,070,561	9,423,663
TOTAL LIABILITIES		194,667,581	177,788,141	165,226,424
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
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	-	-	(1,615,422)
Treasury shares reserve		2,051,215	2,051,215	1,536,494
Statutory reserve		13,038,433	13,038,433	12,223,868
Voluntary reserve		16,991,846	16,991,846	16,177,281
Other reserve		(3,010,734)	(3,010,734)	-
Cumulative changes in fair values		4,070,072	4,624,626	1,190,389
Foreign currency translation adjustments		(1,772,191)	(965,304)	(223,856)
Retained earnings		19,029,941	16,984,803	20,104,115
		70,963,582	70,279,885	69,957,869
Non-controlling interest		13,460,381	12,298,686	13,837,216
Total equity		84,423,963	82,578,571	83,795,085
TOTAL LIABILITIES AND EQUITY		279,091,544	260,366,712	249,021,509


Farqad A. Al-Sane
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 CHANGES IN EQUITY

Period ended 31 March 2011 (Unaudited)

	Attributable to equity holders of the parent company										Non-controlling interest	Total equity		
	Share Capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Employees share option reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserves KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD			Retained earnings KD	Sub total KD
Balance at 31 December 2010	16,965,000	3,600,000	-	2,051,215	-	13,038,433	16,991,846	(3,010,734)	4,624,626	(965,304)	16,984,803	70,279,885	12,298,686	82,578,571
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,045,138	2,045,138	501,742	2,546,880
Other comprehensive loss	-	-	-	-	-	-	-	-	(554,554)	(806,887)	-	(1,361,441)	-	(1,361,441)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(554,554)	(806,887)	2,045,138	683,697	501,742	1,185,439
Net movement on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	659,953	659,953
Balance at 31 March 2011	16,965,000	3,600,000	-	2,051,215	-	13,038,433	16,991,846	(3,010,734)	4,070,072	(1,772,191)	19,029,941	70,963,582	13,460,381	84,423,963
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	-	-	-	-	-	-	-	-	-	-	2,568,328	2,568,328	483,923	3,052,251
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	571,467	(78,522)	-	492,945	-	492,945
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	571,467	(78,522)	2,568,328	3,061,273	483,923	3,545,196
Cost of share based payment	-	-	-	-	43,422	-	-	-	-	-	-	43,422	-	43,422
Sale of treasury share (Note 9)	-	-	141,926	43,422	(43,422)	-	-	-	-	-	-	141,926	-	141,926
Net movement on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,377,946)	(1,377,946)
Balance at 31 March 2010	16,965,000	3,600,000	(1,615,422)	1,536,494	-	12,223,868	16,177,281	-	1,190,389	(223,856)	20,104,115	69,957,869	13,837,216	83,795,085

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 31 March 2011 (Unaudited)

	Notes	3 months ended 31 March	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the period		2,546,880	3,052,251
Adjustments for:			
Depreciation		159,502	193,989
Net investment income		(797,729)	(2,089,626)
Impairment of investments available for sale	3	12,158	38,916
Contribution to KFAS		25,195	26,873
Contribution to NLST		66,600	65,754
Zakat		25,055	26,302
		<u>2,037,661</u>	<u>1,314,459</u>
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		(1,298,064)	(2,105,109)
Premiums and insurance balances receivable		(3,682,295)	2,135,526
Reinsurance recoverable on outstanding claims		(9,074,083)	19,661
Property held for sale		5,597	400
Other assets		(2,724,620)	1,794,982
Liabilities arising from insurance contracts		9,876,535	2,739,144
Premiums received in advance		(110,832)	58,293
Insurance payable		6,147,489	(2,973,433)
Other liabilities		420,411	(1,359,363)
		<u>1,597,799</u>	<u>1,624,560</u>
Cash from operations		1,597,799	1,624,560
Paid to directors		(80,000)	(80,000)
Paid to NLST		(213,051)	(113,670)
		<u>1,304,748</u>	<u>1,430,890</u>
Net cash from operating activities		1,304,748	1,430,890
INVESTING ACTIVITIES			
Purchase of property and equipment		(3,318,275)	(88,839)
Net movement in investments available for sale		2,742,413	(2,537,326)
Net movement in debt securities (loans)		(2,251,175)	947,774
Additions to investments held to maturity		186,856	(480,421)
Time deposits		3,409,778	(36,246,711)
Cash flow on acquisition of a subsidiary		(1,269,958)	-
Loans secured by life insurance policies		41,785	(40,334)
Interest received		527,724	262,302
Dividends received		885,944	432,212
Other investment income (paid) received		(215,101)	12,214
		<u>2,009,949</u>	<u>(37,739,129)</u>
Net cash from (used in) investing activities		2,009,949	(37,739,129)
FINANCING ACTIVITIES			
Net movement in treasury shares		-	185,348
Net movement in non-controlling interest		659,953	(1,337,946)
		<u>659,953</u>	<u>(1,152,598)</u>
Net cash from (used in) financing activities		659,953	(1,152,598)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		3,974,650	(37,460,837)
Net foreign exchange difference		(806,887)	(78,522)
Cash and cash equivalents at 1 January	8	12,251,009	59,853,512
CASH AND CASH EQUIVALENTS AT 31 MARCH	8	15,418,772	22,314,153

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

At 31 March 2011 (Unaudited)

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Company K.S.C. (the "Parent Company") and its subsidiaries (collectively "the Group") were authorised for issue by the Board of Directors on 4 May 2011.

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.

At 28 September 2010, 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 43.93% (31 December 2010: 43.87% and 31 March 2010: 68.85%) owned by Kuwait Project Company Holding K.S.C and 41.26% by Fairfax Financial Holding Limited as at 31 March 2011.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010 except as discussed below.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD).

Operating results for the three month period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

Changes in accounting policy and disclosures

The following new and amended standards and interpretations are applicable for the Group effective from 1 January 2011:

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

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

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2011 (Unaudited)

3 NET INVESTMENT INCOME

	<i>3 months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Net realised gain on sale of investments available for sale	29,318	13,677
Realised gain on sale of investments at fair value through income statement	7,514	177,208
Dividend income	885,944	1,062,677
Interest on debt securities (loans)	404,862	372,041
Unrealized gain on investments at fair value through income statement	(833,740)	610,180
Interest on time and call deposits	527,724	594,708
Foreign exchange gain	28,040	(16,189)
Other investment income	45,730	25,670
Impairment loss of investments available for sale	(12,158)	(38,916)
Finance charges and interest	(220,545)	(146,293)
Other investment expenses	(77,118)	(604,053)
	785,571	2,050,710

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

	<i>3 months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Net investment (loss) income from life insurance	(175,772)	509,293
Net investment income	961,343	1,541,417
	785,571	2,050,710

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

	<i>3 months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Profit attributable to equity holders of the Parent Company	2,045,138	2,568,328
	Shares	Shares
Number of shares outstanding at the beginning of the period	178,132,500	178,132,500
Weighted average number of treasury shares	-	(5,240,293)
Weighted average number of shares, less treasury shares outstanding during the period	178,132,500	172,892,207
Basic and diluted earnings per share	11.5 fils	14.9 fils

As per International Accounting standard IAS No. 33 "Earnings per share" earnings per share for the period ended 31 March 2010, has been restated due to issue of bonus shares for the year ended 31 December 2010 as per General Assembly meeting (note 12).

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2011 (Unaudited)

5 INVESTMENTS AVAILABLE FOR SALE

	<i>31 March</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>31 March</i> <i>2010</i> <i>KD</i>
Quoted equity securities	14,680,360	16,352,165	15,856,789
Unquoted equity securities	21,691,637	23,180,573	19,983,668
Unquoted managed funds	10,405,144	10,524,210	7,265,053
	46,777,141	50,056,948	43,105,510

Included in investments available for sale are unquoted equity securities with a carrying value of KD 2,243,356 (31 December 2010: KD 12,906,279 and 31 March 2010: KD 27,248,721) 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 12,158 (31 December 2010: KD 323,420 and 31 March 2010: KD 38,916) has been recorded in respect of quoted equity securities classified as available for sale where there has been a significant decline in the value of these securities.

6 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>31 March</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>31 March</i> <i>2010</i> <i>KD</i>
Held for trading:			
Quoted equity securities	3,637,599	3,263,754	10,207,534
Designated upon initial recognition:			
Managed funds of quoted securities	16,614,946	16,517,052	8,644,384
	20,252,545	19,780,806	18,851,918

7 TIME DEPOSITS

Time deposits of KD 30,199,747 (31 December 2010: KD 33,609,525 and 31 March 2010: KD 36,246,711) represent bank deposits placed with local and foreign banks with an effective interest rate of 2 % per annum (31 December 2010: 2.25% and 31 March 2010: 2.25% per annum)

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2011 (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:

	<i>31 March</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>31 March</i> <i>2010</i> <i>KD</i>
Bank balances and cash	6,482,820	5,535,475	5,348,479
Short term and call deposits	24,326,663	21,677,260	27,733,014
Cash and cash equivalents in the statement of financial position	30,809,483	27,212,735	33,081,493
Bank overdraft	(15,390,711)	(14,961,726)	(10,767,340)
Cash and cash equivalents in the statement of cash flows	15,418,772	12,251,009	22,314,153

9 TREASURY SHARES

	<i>31 March</i> <i>2011</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i>	<i>31 March</i> <i>2010</i>
Number of shares (share)	-	-	4,293,785
Percentage of issued shares (%)	-	-	2.53
Market value (KD)	-	-	1,910,734
Cost (KD)	-	-	1,615,422

Gulf Insurance Company K.S.C. And Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 31 March 2011 (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:

Three months ended 31 March 2011

	Marine & aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Total general risk insurance KD	Medical insurance KD	Life insurance KD	Total KD
Segment revenue	828,314	1,469,134	6,720,516	880,047	1,208,062	11,106,073	4,355,984	2,370,891	17,832,948
Segment results (net underwriting income)	264,675	279,497	560,511	(87,098)	329,646	1,347,231	1,289,532	(147,125)	2,489,638

Three months ended 31 March 2010

	Marine & aviation KD	Property KD	Motor KD	Engineering KD	General accidents KD	Total general risk insurance KD	Medical insurance KD	Life insurance KD	Total KD
Segment revenue	747,646	1,065,086	6,559,050	577,103	1,333,526	10,282,411	3,686,919	1,799,556	15,768,886
Segment results (net underwriting income)	365,643	271,539	102,638	92,263	504,822	1,336,905	553,149	453,085	2,343,139

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2011 (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.

	<i>31 March 2011</i>		<i>31 March 2010</i>	
	<i>Premiums KD</i>	<i>Claims KD</i>	<i>Premiums KD</i>	<i>Claims KD</i>
Ultimate Parent Company	-	-	27,054	971
Directors and key management personnel	232,418	21,626	380,743	62,152
Other related parties	1,360,235	161,647	1,357,051	175,360
	<u>1,592,653</u>	<u>183,273</u>	<u>1,764,848</u>	<u>238,483</u>

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

	<i>31 March 2011</i>		<i>31 March 2010</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	-	-	138,559	-
Directors and key management personnel	465,140	(39,827)	599,431	(61,062)
Other related parties	1,596,141	(11,034)	1,341,695	(10,345)
	<u>2,061,281</u>	<u>(50,861)</u>	<u>2,079,685</u>	<u>(71,407)</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 1,747,203 (31 December 2010: KD 5,267,208 and 31 March 2010: KD 1,950,160). Total expenses from related party transactions amounted to KD 194,763 (31 December 2010: KD 937,363 and 31 March 2010: KD 248,410).
- The Group holds certain deposits and call accounts with a related party amounting to KD 4,408,727 (31 December 2010: KD 5,107,419 and 31 March 2010: KD 8,000,000). The Group also holds bonds issued by the previous Ultimate Parent Company and other related companies amounting to KD 7,327,103 (31 December 2010: KD 7,942,466 and 31 March 2010: KD 6,346,138).
- Loans granted to a related party amounted to KD 1,402,689 (31 December 2010: KD 1,402,689 and 31 March 2010: KD 1,402,689). These loans are repayable on demand. The interest rate is calculated based on prevailing discount rate of the Central Bank of Kuwait.

Other related parties include transactions with the previous Ultimate Parent Company.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2011 (Unaudited)

11 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2011</i>	<i>31 December</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Short-term employee benefits	242,245	857,890	190,825
Termination benefits	2,296,467	2,244,435	1,912,622
	<u>2,538,712</u>	<u>3,102,325</u>	<u>2,103,447</u>

12 PROPOSED DIVIDENDS

On 6 April 2011, The General Assembly approved the distribution of cash dividend of 25% representing 25 fils per share of outstanding shares excluding treasury shares to the Parent Company's shareholder, and 5 % bonus shares on records as of the date of the General Assembly proposed by the Board of Directors for the year ended 31 December 2010 (31 March 2010: 40% cash dividends representing 40 fils per share for the year ended 31 December 2009).

13 COMMITMENTS

At 31 March 2011, the Group had future commitments in respect of investments amounting to KD 6,334,807 (31 December 2010: KD 6,686,048 and 31 March 2010: KD 9,880,820).

14 CONTINGENT LIABILITIES

At 31 March 2011, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 748,826 (31 December 2010: KD 1,968,555 and 31 March 2010: KD 757,588).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 31 March 2011 (Unaudited)

15 POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations however such assets and liabilities together with the results of policyholders' lines of business are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed in this note.

Takaful business in the Group consists of the Takaful Insurance Unit established by the Parent Company and the Takaful fund of its subsidiary Egyptian Takaful Life Insurance Company.

Policyholders' result by line of business:

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

	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General Accidents KD</i>	<i>Life & Medical KD</i>	<i>Total KD</i>
Premium written	92,917	58,749	50,278	10,850	26,060	246,932	485,786
Surplus (deficit) from insurance operations	48,989	43,257	20,739	(3,162)	9,109	(35,353)	83,579

The following tables summarise the consolidated policyholders' results by line of business and fund for the 3 months period ended 31 March 2010:

	<i>Marine and aviation KD</i>	<i>Property KD</i>	<i>Motor KD</i>	<i>Engineering KD</i>	<i>General Accidents KD</i>	<i>Life & Medical KD</i>	<i>Total KD</i>
Premium written	91,228	33,778	37,200	1,750	19,844	87,283	271,083
Surplus (deficit) from insurance operations	13,371	9,252	5,716	1,363	(3,567)	26,303	52,438

	<i>31 March 2011 KD</i>	<i>31 December 2010 KD</i>	<i>31 March 2010 KD</i>
Amount due to policyholders	483,511	230,965	121,792

Amount due to policyholders of Takaful Unit of KD 483,511 (31 December 2010: KD 230,965 and 31 March 2010: KD 121,792) is included under other liabilities in the consolidated statement of financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at 31 March 2011 (Unaudited)

16 COMPARATIVE INFORMATION

The Group has changed the classification of the life mathematical reserve in the statement of income to be included within the net premiums earned instead of being part of the expenses.

Management of the Parent Company believes that the current classification is more appropriate due to the nature of the life business, where the majority of the premiums relate to one year group medical policies. The change in the classification had no impact on the net underwriting income or the profit before taxes for both periods.