

**KUWAIT REINSURANCE COMPANY K.S.C.
(CLOSED)**

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

31 MARCH 2011



REPORT ON THE REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT REINSURANCE COMPANY K.S.C. (CLOSED)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Kuwait Reinsurance Company K.S.C. (Closed) ("the company") as at 31 March 2011, and the related interim condensed income statement and interim condensed statements of comprehensive income, cash flows and changes in equity for the three month period then ended. The management of the company is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard IAS 34: 'Interim Financial Reporting' ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the 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

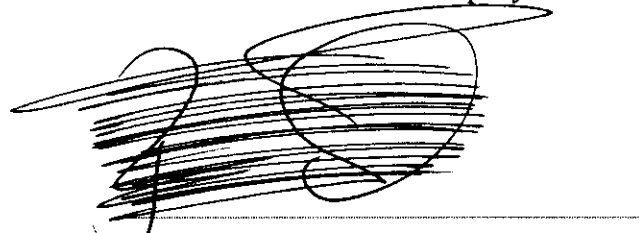
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on other legal and regulatory requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the 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 company during the period ended 31 March 2011 that might have had a material effect on the business of the company or on its financial position.



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



ALI OWAID RUKHAEYES
LICENCE NO. 72-A
MEMBER OF THE INTERNATIONAL
ACCOUNTING GROUP

4 May 2011

Kuwait

Kuwait Reinsurance Company K.S.C. (Closed)

INTERIM CONDENSED INCOME STATEMENT (UNAUDITED)

For the period ended 31 March 2011

| | Notes | Three months ended 31 March | |
|---|-------|--------------------------------|--------------------------|
| | | 2011 KD | (Restated) 2010 KD |
| Premiums earned | 3 | 7,008,640 | 8,385,875 |
| Premiums ceded to reinsurers | | (312,351) | (235,511) |
| Net premiums earned | | 6,696,289 | 8,150,364 |
| Claims incurred | | (5,724,901) | (4,922,599) |
| Reinsurers' share of claims incurred | | (492,760) | (19,703) |
| Net claims incurred | | (6,217,661) | (4,942,302) |
| Premiums acquisition costs | | (1,728,347) | (1,829,991) |
| Commission received on reinsurance ceded | | 4,687 | 13,211 |
| NET UNDERWRITING RESULT | | (1,245,032) | 1,391,282 |
| Investment income | 4 | 348,966 | 291,470 |
| Rental income from investment property | | 212,423 | 224,159 |
| General and administrative expenses | | (283,996) | (215,482) |
| Investment property expenses | | (14,978) | (16,383) |
| Depreciation | | (17,695) | (23,647) |
| Foreign exchange gain (loss) | | 9,853 | (2,487) |
| Finance cost | | (1,236) | (16,425) |
| (LOSS) PROFIT BEFORE TAXATION | | (991,695) | 1,632,487 |
| Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS") | | - | (5,254) |
| National Labour Support Tax ("NLST") | | - | (14,595) |
| Zakat | | - | (5,838) |
| (LOSS) PROFIT FOR THE PERIOD | | (991,695) | 1,606,800 |
| BASIC AND DILUTED (LOSS) EARNINGS PER SHARE | 5 | (8.51) fils | 13.78 fils |

The attached notes 1 to 9 form part of this interim condensed financial information.

Kuwait Reinsurance Company K.S.C. (Closed)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

For the period ended 31 March 2011

| | <i>Three months ended</i> | |
|--|---------------------------|-------------------|
| | <i>31 March</i> | |
| | <i>2011</i> | <i>(Restated)</i> |
| | <i>KD</i> | <i>2010</i> |
| | | <i>KD</i> |
| Profit for the period | (991,695) | 1,606,800 |
| Other comprehensive income: | | |
| Financial assets available for sale: | | |
| - Net changes in fair value of financial assets available for sale | (146,757) | 93,597 |
| - Net gain on sale of financial assets available for sale transferred to statement of income | (23,437) | (8,769) |
| | (170,194) | 84,828 |
| Foreign currency translation adjustment | (2,274) | - |
| Other comprehensive (loss) income | (172,468) | 84,828 |
| Total comprehensive (loss) income for the period | (1,164,163) | 1,691,628 |

The attached notes 1 to 9 form part of this interim condensed financial information.

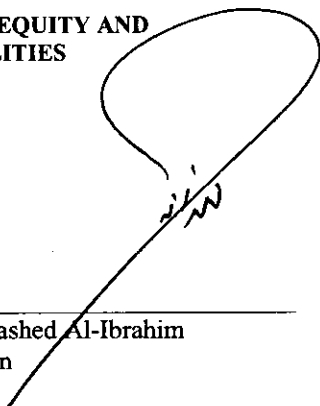
Kuwait Reinsurance Company K.S.C. (Closed)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

As at 31 March 2011

| ASSETS | Notes | 31 March | (Restated) (Audited) 31 December | (Restated) 31 March | (Restated) 1 January |
|--|-------|-------------------|--|------------------------|-------------------------|
| | | 2011 | 2010 | 2010 | 2010 |
| | | KD | KD | KD | KD |
| Bank balances, deposits and cash | 6 | 28,490,351 | 29,787,968 | 26,612,863 | 26,409,975 |
| Financial assets available for sale | | 9,303,944 | 9,455,000 | 8,854,684 | 8,764,104 |
| Financial assets held to maturity | | 8,496,523 | 8,187,575 | 8,355,474 | 7,800,460 |
| Receivables arising from reinsurance contracts | | 26,899,052 | 16,929,915 | 29,523,366 | 23,820,787 |
| Reinsurance recoverable on outstanding claims | | 697,883 | 1,202,696 | 1,184,227 | 1,317,457 |
| Other receivables | | 7,075,593 | 3,082,201 | 5,976,166 | 3,064,865 |
| Investment property | | 13,502,142 | 13,502,142 | 13,519,800 | 13,519,800 |
| Property and equipment | | 1,192,066 | 1,207,529 | 862,471 | 884,348 |
| TOTAL ASSETS | | 95,657,554 | 83,355,026 | 94,889,051 | 85,581,796 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 7 | 11,000,000 | 11,000,000 | 11,000,000 | 10,453,353 |
| Share premium | | 5,296,366 | 5,296,366 | 5,296,366 | 5,296,366 |
| Statutory reserve | | 4,138,222 | 4,138,222 | 3,920,967 | 3,920,967 |
| Voluntary reserve | | 4,138,222 | 4,138,222 | 3,920,967 | 3,920,967 |
| General reserve | | 10,000,000 | 10,000,000 | 9,500,000 | 9,500,000 |
| Cumulative changes in fair value | | (220,382) | (50,188) | 178,436 | 93,608 |
| Foreign currency translation reserve | | (56,440) | (54,166) | 59,031 | 59,031 |
| Retained earnings | | 1,651,674 | 2,643,369 | 3,723,099 | 3,185,614 |
| TOTAL EQUITY | | 35,947,662 | 37,111,825 | 37,598,866 | 36,429,906 |
| LIABILITIES | | | | | |
| Technical reserves | | 57,497,517 | 42,296,387 | 53,298,536 | 44,986,653 |
| Payables arising from reinsurance contracts | | 1,259,441 | 2,585,158 | 1,140,871 | 1,381,151 |
| Term loan | | - | 323,520 | 1,294,110 | 1,617,640 |
| Other payables | | 952,934 | 1,038,136 | 1,556,668 | 1,166,446 |
| TOTAL LIABILITIES | | 59,709,892 | 46,243,201 | 57,290,185 | 49,151,890 |
| TOTAL EQUITY AND LIABILITIES | | 95,657,554 | 83,355,026 | 94,889,051 | 85,581,796 |



Fahad Rashed Al-Ibrahim
Chairman

The attached notes 1 to 9 form part of this interim condensed financial information.

Kuwait Reinsurance Company K.S.C. (Closed)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2011

| | Note | <i>Three months ended 31 March</i> | |
|---|------|------------------------------------|--------------------------|
| | | 2011 KD | (Restated) 2010 KD |
| OPERATING ACTIVITIES | | | |
| (Loss) profit before taxation | | (991,695) | 1,632,487 |
| <i>Adjustments for:</i> | | | |
| Depreciation | | 17,695 | 23,647 |
| Investment income | | (348,966) | (291,470) |
| Rental income from investment property | | (212,423) | (224,159) |
| Provision for employees' end of service benefits | | 26,680 | 28,984 |
| Finance cost | | 1,236 | 16,425 |
| | | <u>(1,507,473)</u> | <u>1,185,914</u> |
| Working capital changes: | | | |
| Receivables arising from reinsurance contracts | | (9,969,137) | (5,702,579) |
| Reinsurance recoverable on outstanding claims | | 504,813 | 133,230 |
| Other receivables | | (3,876,018) | (2,869,442) |
| Technical reserves | | 15,201,130 | 8,311,883 |
| Payables arising from reinsurance contracts | | (1,325,717) | (240,280) |
| Other payables | | (111,882) | (176,003) |
| | | <u>(1,084,284)</u> | <u>642,723</u> |
| Cash (used in) from operations | | (1,084,284) | 642,723 |
| Employees' end of service benefits paid | | - | (11,114) |
| | | <u>(1,084,284)</u> | <u>631,609</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (2,232) | (3,704) |
| Net movement in time deposits | | (1,817,351) | (1,216,728) |
| Proceeds from sale of financial assets available for sale | | 82,146 | 587,868 |
| Proceeds from redemption of financial assets held to maturity | | 26,638 | - |
| Purchase of financial assets available for sale | | (77,847) | (584,851) |
| Purchase of financial assets held to maturity | | (335,586) | (555,014) |
| Proceeds from disposal of property and equipment | | - | 1,934 |
| Interest received | | 186,921 | 240,842 |
| Dividends received | | 21,234 | - |
| Rent received | | 212,423 | 224,159 |
| | | <u>(1,703,654)</u> | <u>(1,305,494)</u> |
| FINANCING ACTIVITIES | | | |
| Finance cost paid | | (1,236) | (16,425) |
| Repayment of term loan | | (323,520) | (323,530) |
| | | <u>(324,756)</u> | <u>(339,955)</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | | | |
| | | <u>(3,112,694)</u> | <u>(1,013,840)</u> |
| Cash and cash equivalents at the beginning of the period | | 6,638,017 | 7,834,708 |
| Foreign currency translation adjustment | | (2,274) | - |
| | | <u>6,635,743</u> | <u>7,834,708</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 6 | <u><u>3,523,049</u></u> | <u><u>6,820,868</u></u> |

The attached notes 1 to 9 form part of this interim condensed financial information.

Kuwait Reinsurance Company K.S.C. (Closed)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2011

| | Share capital KD | Share premium KD | Statutory reserve KD | Voluntary reserve KD | General reserve KD | Cumulative changes in fair value KD | Foreign currency translation reserve KD | Retained earnings KD | Total KD |
|--|---------------------|---------------------|-------------------------|-------------------------|-----------------------|--|--|-------------------------|-------------------|
| At 1 January 2011 (as previously reported) | 11,000,000 | 5,296,366 | 4,138,222 | 4,138,222 | 10,000,000 | (50,188) | (54,166) | 3,169,719 | 37,638,175 |
| Change in accounting policies (Note 2) | - | - | - | - | - | - | - | (526,350) | (526,350) |
| At 1 January 2011 (restated) | 11,000,000 | 5,296,366 | 4,138,222 | 4,138,222 | 10,000,000 | (50,188) | (54,166) | 2,643,369 | 37,111,825 |
| Loss for the period | - | - | - | - | - | - | - | (991,695) | (991,695) |
| Other comprehensive loss | - | - | - | - | - | (170,194) | (2,274) | - | (172,468) |
| Total comprehensive loss for the period | - | - | - | - | - | (170,194) | (2,274) | (991,695) | (1,164,163) |
| At 31 March 2011 | 11,000,000 | 5,296,366 | 4,138,222 | 4,138,222 | 10,000,000 | (220,382) | (56,440) | 1,651,674 | 35,947,662 |
| At 1 January 2010 | 10,453,353 | 5,296,366 | 3,920,967 | 3,920,967 | 9,500,000 | 93,608 | 59,031 | 3,185,614 | 36,429,906 |
| Profit for the period (restated) | - | - | - | - | - | - | - | 1,606,800 | 1,606,800 |
| Other comprehensive income | - | - | - | - | - | 84,828 | - | - | 84,828 |
| Total comprehensive income for the Period (restated) | - | - | - | - | - | 84,828 | - | 1,606,800 | 1,691,628 |
| Bonus shares | 546,647 | - | - | - | - | - | - | (546,647) | - |
| Dividends | - | - | - | - | - | - | - | (522,668) | (522,668) |
| At 31 March 2010 (restated) | 11,000,000 | 5,296,366 | 3,920,967 | 3,920,967 | 9,500,000 | 178,436 | 59,031 | 3,723,099 | 37,598,866 |

The attached notes 1 to 9 form part of this interim condensed financial information.

Kuwait Reinsurance Company K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

As at 31 March 2011

1 GENERAL

Kuwait Reinsurance Company K.S.C. (Closed) ("the company") is a Kuwaiti shareholding company incorporated and registered in Kuwait on 2 February 1972 and is listed on the Kuwait Stock Exchange. The registered office of the company is located at KRE Tower, Al Shuhada'a Street, Sharq, State of Kuwait.

The company is engaged in, providing reinsurance products and services to insurance companies and investment activities.

The company operates a Far East regional office ("the branch") in Labuan, Malaysia registered as a foreign offshore company under the Offshore Companies Act, 1990 on 11 August 2006.

The interim condensed financial information of the company was authorised for issue by the board of directors on 4 May 2011.

2 BASIS OF PREPARATION

- a) The interim condensed financial information of the company has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the guidelines issued by the Kuwait Stock Exchange.

The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of annual financial statements for the year ended 31 December 2010, except for the adoption of the following revised International Financial Reporting Standards ("IFRS") effective for annual periods beginning on or after 1 January 2011.

IAS 24 Related party disclosures (Revised)

The amended Standard clarified 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 34 Interim Financial Reporting (Revised)

Improvement to IAS 34 introduces the concept of "Significant events and transactions" and has brought in additional disclosures for changes in business and economic circumstances, transfers between levels of the fair value hierarchy used and changes in the classification of financial assets resulting from change in the purpose or use of those assets.

Application of the above standards did not have any impact on the interim condensed financial information of the company.

Change in accounting policy

The company has assessed its accounting policy for the recognition of premium earned. The company previously recognised the premium earned based on premiums reported by the cedants to the company. However, following best practice and industry practices, the company determined that it would change its accounting policy to recognise premium earned based on pipeline premium (being the premium written but not reported to the company as at the reporting date) and premium reported by the cedants to the company. The management of the company believes that the new accounting policy is more consistent with the practice of its immediate peers. Changes have been applied retrospectively in accordance with IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior period financial information.

Kuwait Reinsurance Company K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

As at 31 March 2011

2 BASIS OF PREPARATION (continued)

As result of the change in accounting policy, the following adjustments are made to the financial information.

| | <i>Increase (decrease) Three months ended 31 March 2010 KD</i> |
|----------------------------|--|
| Premiums earned | 676,147 |
| Claims incurred | (465,768) |
| Premiums acquisition costs | 93,223 |
| Profit before taxation | 1,048,692 |

The effect on basic and diluted earnings per share related to the restatement for three months period ended 31 March 2010 was an increase by 8.99 fils (Note 5).

The following adjustments were also made to the interim condensed statements of financial position.

| | <i>Increase (decrease)</i> | | |
|--|------------------------------------|---------------------------------|----------------------------------|
| | <i>31 December 2010 KD</i> | <i>31 March 2010 KD</i> | <i>1 January 2010 KD</i> |
| Receivables arising from reinsurance contracts | 8,899,960 | 19,661,411 | 14,707,229 |
| Other receivables | (16,208) | 2,886,080 | 632,848 |
| Retained earnings | (526,350) | 1,048,692 | - |
| Technical reserves | 9,410,102 | 21,498,799 | 15,340,077 |

The new policy is as follows:

Insurance premium

Written premium on insurance contracts comprises premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premium earned for the period includes adjustments to premiums written in prior accounting periods and estimates for pipeline or premium not yet advised by the cedant for contracts in force at the end of the period. Where statements of insurance contract accounts have not been received at the end of the period, pipeline premiums are estimated on the basis of the latest available information. An estimate is made at the reporting date to recognise retrospective adjustments to premium. Premium relating to the expired risk period is taken as earned and recognised as revenue for the period while premium relating to the unexpired risk period is treated as a reserve for unexpired risks. Pipeline premium (being the premium written but not reported to the company as at the reporting date) are reported as accrued insurance premium under 'Receivables arising from reinsurance contracts'.

- b) The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRSs and should be read in conjunction with the company's annual financial statements for the year ended 31 December 2010. 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 period are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011. The interim condensed financial information is presented in Kuwaiti Dinars (KD).

Kuwait Reinsurance Company K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

As at 31 March 2011

3 SEGMENT INFORMATION

For management purposes, the company is organised into three operating segments based on business units as follows:

- Fire policy reinsurance: provides risk coverage on damage/loss caused to residential, commercial and industrial property due to fire and other allied perils. All risks policies underwritten are on treaty, facultative and excess of loss basis.
- General accident policy reinsurance: provides risk coverage on damage/loss caused to person/property due to accidents. All risks policies underwritten are on treaty, facultative and excess of loss basis.
- Marine policy reinsurance: provides risk coverage on damage/loss caused to cargo and ships due to accident. All risks policies underwritten are on treaty, facultative and excess of loss basis.

The company also operates in the life segment which is insignificant and its net result is included in the life fund which forms part of the technical reserves.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental profit or loss.

The following table presents segment revenue, (loss) profit before taxation and total assets information in respect of the company's business segments:

| Three months ended 31 March 2011 | <i>Fire</i> | <i>General accident</i> | <i>Marine and aviation</i> | <i>Total</i> |
|--|-------------|-----------------------------|--------------------------------|--------------|
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Segment revenue | 4,359,951 | 1,387,292 | 1,261,397 | 7,008,640 |
| Segment results | (1,621,963) | 362,963 | 69,392 | (1,189,608) |
| Unallocated investment loss | | | | 257,094 |
| Other unallocated income | | | | (50,103) |
| Depreciation | | | | (17,695) |
| Foreign exchange gain | | | | 9,853 |
| Finance cost | | | | (1,236) |
| Loss before taxation | | | | (991,695) |
| Segment assets | 39,800,477 | 13,510,565 | 8,038,987 | 61,350,029 |
| Unallocated assets | | | | 34,307,525 |
| | | | | 95,657,554 |
| Three months ended 31 March 2010 (Restated) | | | | |
| | <i>Fire</i> | <i>General accident</i> | <i>Marine and aviation</i> | <i>Total</i> |
| | <i>KD</i> | <i>KD</i> | <i>KD</i> | <i>KD</i> |
| Segment revenue | 4,636,681 | 2,334,688 | 1,414,506 | 8,385,875 |
| Segment results | 837,122 | 345,782 | 348,763 | 1,531,667 |
| Unallocated investment income | | | | 232,928 |
| Other unallocated loss | | | | (89,549) |
| Depreciation | | | | (23,647) |
| Foreign exchange loss | | | | (2,487) |
| Finance cost | | | | (16,425) |
| Profit before taxation | | | | 1,632,487 |
| Segment assets | 35,474,773 | 16,871,816 | 7,049,061 | 59,395,650 |
| Unallocated assets | | | | 35,493,401 |
| | | | | 94,889,051 |

Kuwait Reinsurance Company K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

As at 31 March 2011

4 INVESTMENT INCOME

| | <i>Three months ended 31 March</i> | |
|--|------------------------------------|----------------|
| | <i>2011</i> | <i>2010</i> |
| | <i>KD</i> | <i>KD</i> |
| Realised gain on sale of financial assets available for sale | 23,437 | 8,769 |
| Interest on deposits | 182,605 | 158,876 |
| Dividend income | 21,234 | - |
| Interest on bonds | 121,690 | 123,825 |
| | <u>348,966</u> | <u>291,470</u> |

5 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings profit per share are calculated by dividing the (loss) profit for the period by the weighted average number of shares outstanding during the period, as follows:

| | <i>Three months ended 31 March</i> | |
|---|------------------------------------|------------------------|
| | <i>2011</i> | <i>(Restated) 2010</i> |
| | <i>KD</i> | <i>KD</i> |
| (Loss) profit for the period | <u>(991,695)</u> | <u>1,606,800</u> |
| | <i>Shares</i> | <i>Shares</i> |
| Weighted average number of shares outstanding during the period | <u>116,600,000</u> | <u>116,600,000</u> |
| | <i>Fils</i> | <i>Fils</i> |
| Basic and diluted (loss) earnings per share | <u>(8.51)</u> | <u>13.78</u> |

The basic and diluted profit per share of the prior period have been restated as stated below:

- (a) approval of bonus shares by annual general assembly of the shareholders held on 13 April 2011 (Note 7); and
- (b) restatement of profit for the period ended 31 March 2010 as a result of change in accounting policy as disclosed in Note 2.

6 BANK BALANCES, DEPOSITS AND CASH

| | <i>31 March</i> | <i>(Restated)</i> | <i>31 March</i> | <i>1 January</i> |
|--|------------------|--------------------|------------------|------------------|
| | <i>2011</i> | <i>(Audited)</i> | <i>2010</i> | <i>2010</i> |
| | <i>KD</i> | <i>31 December</i> | <i>KD</i> | <i>KD</i> |
| | | <i>2010</i> | | |
| | | <i>KD</i> | | |
| Bank balances, deposits and cash | 28,490,351 | 29,787,968 | 26,612,863 | 26,409,975 |
| Less: Time deposits with original maturities of more than 3 months | (24,967,302) | (23,149,951) | (19,791,995) | (18,575,267) |
| Cash and cash equivalents | <u>3,523,049</u> | <u>6,638,017</u> | <u>6,820,868</u> | <u>7,834,708</u> |

Time deposits amounting to KD 10,697,675 (31 December 2010: KD 7,229,377 and 31 March 2010: KD 7,040,980) are held as security against letter of credit granted by a bank (Note 9).

Kuwait Reinsurance Company K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

As at 31 March 2011

7 CASH DIVIDENDS, BONUS SHARES AND BOARD OF DIRECTORS' FEES

Subsequent to the reporting date, on 13 April 2011, the annual general assembly of the shareholders of the company approved cash dividend of 6 fils (31 December 2009: 5 fils) per share, 6,600,000 bonus shares (31 December 2009: 5,466,463) and the directors' fees of KD 95,000 (31 December 2009: KD 85,000 for the year ended 31 December 2010).

8 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the company and entities controlled, jointly controlled or significantly influenced by such parties. In the normal course of business, the company conducts mutual reinsurance services with related parties. The company also has deposits with banks who are shareholders in the company. Related party balances and transactions consist of the following:

| | <i>Major shareholders KD</i> | <i>31 March 2011 Total KD</i> | <i>(Restated)</i> | <i>(Restated)</i> |
|--|--------------------------------------|---|--|---|
| | | | <i>(Audited)</i> <i>31 December 2010 Total KD</i> | <i>31 March 2010 Total KD</i> |
| Interim condensed statement of financial position | | | | |
| Receivables arising from reinsurance contracts | 501,040 | 501,040 | 786,283 | 345,238 |
| Payable arising from reinsurance contracts | 816 | 816 | 149 | 25,622 |
| <i>Three months ended 31 March</i> | | | | |
| | | <i>Major shareholders KD</i> | <i>2011 Total KD</i> | <i>(Restated) 2010 Total KD</i> |
| Interim condensed income statement | | | | |
| Premiums earned | | 88,996 | 88,996 | 87,733 |
| Claims incurred and premium acquisition costs | | 143,845 | 143,845 | 10,713 |
| Key management personnel compensation | | | | |
| <i>Three months ended 31 March</i> | | | | |
| | | | <i>2011 KD</i> | <i>2010 KD</i> |
| Salaries and other short term benefits | | | 94,496 | 55,249 |
| Employees end of services benefit | | | 17,249 | 18,625 |
| | | | 111,745 | 73,874 |

9 CAPITAL COMMITMENTS AND CONTINGENCIES

As at the reporting date, the company had future capital commitments with respect to purchase of financial assets available for sale amounting to KD 1,694,078 (31 December 2010: KD 1,875,477 and 31 March 2010: KD 1,934,903) and had contingent liabilities in respect of letter of credit granted by a bank amounting to KD 9,226,944 (31 December 2010: KD 6,374,160 and 31 March 2010: KD 6,519,440) from which it is anticipated that no material liabilities will arise.