

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

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)**

31 MARCH 2010



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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 2010 and the related interim condensed income statement, interim condensed statement of comprehensive income, interim condensed statement of cash flows and interim condensed statement of 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 2010 that might have had a material effect on the business of the company or on its financial position.

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MEMBER OF THE INTERNATIONAL
ACCOUNTING GROUP

6 May 2010
Kuwait

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

INTERIM CONDENSED INCOME STATEMENT (UNAUDITED)

31 March 2010

	Notes	Three months ended 31 March	
		2010 KD	2009 KD
Premiums earned	3	7,709,728	4,496,967
Premiums ceded to reinsurers		(235,511)	(279,152)
Net premiums earned		7,474,217	4,217,815
Claims incurred		(5,388,367)	(3,088,658)
Reinsurers' share of claims incurred		(19,703)	30,737
Net claims incurred		(5,408,070)	(3,057,921)
Premiums acquisition costs		(1,736,768)	(837,631)
Commission received on reinsurance ceded		13,211	13,069
NET UNDERWRITING RESULT		342,590	335,332
Investment income (loss)	4	291,470	(933,739)
Rental income from investment property		224,159	273,532
General and administrative expenses		(215,482)	(190,326)
Investment property expenses		(16,383)	(14,544)
Depreciation		(23,647)	(22,480)
Foreign exchange (loss) gain		(2,487)	532,510
Finance cost		(16,425)	(38,276)
Impairment of financial assets available for sale		-	(131,943)
PROFIT (LOSS) BEFORE TAXATION		583,795	(189,934)
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		(5,254)	-
National Labour Support Tax ("NLST")		(14,595)	-
Zakat		(5,838)	-
PROFIT (LOSS) FOR THE PERIOD		558,108	(189,934)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	5	5.07 fils	(1.73) fils

The attached notes 1 to 10 form part of this interim condensed financial information.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

(UNAUDITED)

31 March 2010

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>
Profit (loss) for the period	558,108	(189,934)
Other comprehensive income (loss):		
Financial assets available for sale:		
- Net changes in fair value of financial assets available for sale	93,597	(1,166,830)
- Net (gain) loss on sale/impairment of financial assets available for sale transferred to statement of income	(8,769)	1,427,008
	84,828	260,178
Foreign currency translation adjustment	-	202,249
Other comprehensive income	84,828	462,427
Total comprehensive income for the period	642,936	272,493

The attached notes 1 to 10 form part of this interim condensed financial information.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

31 March 2010

ASSETS	Notes	31 March	(Audited) 31 December	31 March
		2010	2009	2009
		KD	KD	KD
Bank balances, deposits and cash	6	26,612,863	26,409,975	23,140,791
Financial assets available for sale	7	8,854,684	8,764,104	9,922,642
Financial assets held to maturity		8,355,474	7,800,460	6,686,088
Receivables arising from reinsurance contracts		9,861,955	9,113,558	7,138,771
Reinsurance recoverable on outstanding claims		1,184,227	1,317,457	1,796,125
Other receivables		3,090,086	2,432,017	2,323,193
Investment property		13,519,800	13,519,800	14,551,200
Property and equipment		862,471	884,348	936,064
TOTAL ASSETS		72,341,560	70,241,719	66,494,874
EQUITY AND LIABILITIES				
EQUITY				
Share capital	8	11,000,000	10,453,353	10,453,353
Share premium		5,296,366	5,296,366	5,296,366
Statutory reserve		3,920,967	3,920,967	3,816,584
Voluntary reserve		3,920,967	3,920,967	3,816,584
General reserve		9,500,000	9,500,000	9,500,000
Cumulative changes in fair value		178,436	93,608	(106,800)
Foreign currency translation reserve		59,031	59,031	80,664
Retained earnings		2,674,407	3,185,614	2,289,990
TOTAL EQUITY		36,550,174	36,429,906	35,146,741
LIABILITIES				
Technical reserves		31,799,737	29,646,576	25,311,327
Payables arising from reinsurance contracts		1,140,871	1,381,151	727,722
Term loan		1,294,110	1,617,640	2,588,230
Other payables		1,556,668	1,166,446	2,720,854
TOTAL LIABILITIES		35,791,386	33,811,813	31,348,133
TOTAL EQUITY AND LIABILITIES		72,341,560	70,241,719	66,494,874



Ibrahim Khaled Al- Duhaim
Deputy Chairman

The attached notes 1 to 10 form part of this interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

31 March 2010

	Note	<i>Three months ended 31 March</i>	
		2010 KD	2009 KD
OPERATING ACTIVITIES			
Profit (loss) before taxation		583,795	(189,934)
<i>Adjustments for:</i>			
Depreciation		23,647	22,480
Investment (income) loss		(291,470)	933,739
Impairment of financial assets available for sale		-	131,943
Rental income from investment property		(224,159)	(273,532)
Provision for employees' end of service benefits		28,984	19,197
Finance cost		16,425	38,276
		<u>137,222</u>	<u>682,169</u>
<i>Working capital changes:</i>			
Receivables arising from reinsurance contracts		(748,397)	(435,450)
Reinsurance recoverable on outstanding claims		133,230	186,762
Other receivables		(616,210)	(334,369)
Technical reserves		2,153,161	405,010
Payables arising from reinsurance contracts		(240,280)	(14,875)
Other payables		(176,003)	9,595
		<u>642,723</u>	<u>498,842</u>
Cash from operations		642,723	498,842
Employees' end of service benefits paid		(11,114)	-
		<u>631,609</u>	<u>498,842</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(3,704)	(15,660)
Net movement in time deposits		(1,216,728)	338,217
Proceeds from sale of financial assets available for sale		587,868	4,235,716
Proceeds from redemption of financial assets held to maturity		-	-
Purchase of financial assets available for sale		(584,851)	(371,804)
Purchase of financial assets held to maturity		(555,014)	-
Proceeds from disposal of property and equipment		1,934	9,895
Interest received		240,842	330,256
Dividends received		-	44,336
Rent received		224,159	273,532
		<u>(1,305,494)</u>	<u>4,844,488</u>
Net cash (used in) from investing activities		(1,305,494)	4,844,488
FINANCING ACTIVITIES			
Finance cost paid		(16,425)	(38,276)
Repayment of term loan		(323,530)	(323,530)
		<u>(339,955)</u>	<u>(361,806)</u>
Net cash used in financing activities		(339,955)	(361,806)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,013,840)	4,981,524
Cash and cash equivalents at 1 January		7,834,708	7,135,998
Foreign currency translation adjustment		-	165,408
CASH AND CASH EQUIVALENTS AT 31 MARCH	6	<u>6,820,868</u>	<u>12,282,930</u>

The attached notes 1 to 10 form part of this interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

31 March 2010

	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 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	-	-	-	-	-	-	-	558,108	558,108
Other comprehensive income	-	-	-	-	-	84,828	-	-	84,828
Total comprehensive income for the period	-	-	-	-	-	84,828	-	558,108	642,936
Bonus shares (Note 8)	546,647	-	-	-	-	-	-	(546,647)	-
Dividends (Note 8)	-	-	-	-	-	-	-	(522,668)	(522,668)
At 31 March 2010	11,000,000	5,296,366	3,920,967	3,920,967	9,500,000	178,436	59,031	2,674,407	36,550,174
At 1 January 2009	10,453,353	5,296,366	3,816,584	3,816,584	9,500,000	(366,978)	(121,585)	4,047,927	36,442,251
Loss for the period	-	-	-	-	-	-	-	(189,934)	(189,934)
Other comprehensive income	-	-	-	-	-	260,178	202,249	-	462,427
Total comprehensive income (loss) for the period	-	-	-	-	-	260,178	202,249	(189,934)	272,493
Dividends	-	-	-	-	-	-	-	(1,568,003)	(1,568,003)
At 31 March 2009	10,453,353	5,296,366	3,816,584	3,816,584	9,500,000	(106,800)	80,664	2,289,990	35,146,741

The attached notes 1 to 10 form part of this interim condensed financial information.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

31 March 2010

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 6 May 2010.

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 is consistent with those used in the preparation of annual financial statements for the year ended 31 December 2009.

- b) The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the company’s annual financial statements for the year ended 31 December 2009. 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 2010. The interim condensed financial information is presented in Kuwaiti Dinars (KD).

3 SEGMENT INFORMATION

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

- a) 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.
- b) 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.
- c) 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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

31 March 2010

3 SEGMENT INFORMATION (continued)

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

Three months ended 31 March 2010	<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	3,653,953	2,929,771	1,126,004	7,709,728
Segment results	(55,795)	322,239	216,532	482,976
Unallocated investment income				232,928
Other unallocated income				(92,037)
Depreciation				(23,647)
Finance cost				(16,425)
Profit before taxation				583,795
Segment assets	21,077,875	10,472,379	5,778,637	37,328,891
Unallocated assets				35,012,669
				72,341,560
Three months ended 31 March 2009	<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	2,084,282	1,732,176	680,509	4,496,967
Segment results	(514,676)	411,421	(508,120)	(611,375)
Unallocated investment income				145,545
Impairment of financial assets available for sale				(131,943)
Other unallocated income				468,595
Depreciation				(22,480)
Finance cost				(38,276)
Loss before taxation				(189,934)
Segment assets	17,148,134	8,400,685	5,096,264	30,645,083
Unallocated assets				35,849,791
				66,494,874

4 INVESTMENT INCOME (LOSS)

	<i>Three months ended 31 March</i>	
	<i>2010 KD</i>	<i>2009 KD</i>
Realised gain (loss) on sale of financial assets available for sale	8,769	(1,295,065)
Interest on deposits	158,876	202,207
Dividend income	-	44,336
Interest on bonds	123,825	114,553
Others	-	230
	291,470	(933,739)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION

(UNAUDITED)

31 March 2010

5 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>
Profit (loss) for the period	<u>558,108</u>	<u>(189,934)</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares outstanding during the period	<u>110,000,000</u>	<u>110,000,000</u>
	<i>Fils</i>	<i>Fils</i>
Basic and diluted earnings (loss) per share	<u>5.07</u>	<u>(1.73)</u>

The basic and diluted loss per share of the prior period have been restated for bonus shares approved by annual general assembly of the shareholders held on 31 March 2010 (Note 8).

6 BANK BALANCES, DEPOSITS AND CASH

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2010</i>	<i>31 December</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances, deposits and cash	26,612,863	26,409,975	23,140,791
Less: Time deposits with original maturities of more than 3 months	<u>(19,791,995)</u>	<u>(18,575,267)</u>	<u>(10,857,861)</u>
Cash and cash equivalents	<u>6,820,868</u>	<u>7,834,708</u>	<u>12,282,930</u>

Time deposits amounting to KD 7,040,980 (31 December 2009: KD 6,978,635 and 31 March 2009: KD 6,026,837) are held as security against letter of credit granted by a bank (Note 10).

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2010</i>	<i>31 December</i>	<i>2009</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Equity securities			
Quoted	815,759	544,459	536,795
Unquoted	<u>348,735</u>	<u>506,235</u>	<u>506,235</u>
	1,164,494	1,050,694	1,043,030
Unquoted managed funds	<u>7,690,190</u>	<u>7,713,410</u>	<u>8,879,612</u>
	<u>8,854,684</u>	<u>8,764,104</u>	<u>9,922,642</u>

Unquoted managed funds are measured at values provided by the fund managers.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

31 March 2010

7 FINANCIAL ASSETS AVAILABLE FOR SALE (continued)

Included in unquoted managed funds are private equity funds amounting to KD 5,853,882 (31 December 2009: KD 5,820,816 and 31 March 2009: KD 5,295,445). Private equity funds and unquoted equities securities are carried at cost due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these financial assets. Since these financial assets are unquoted, a reasonable estimate of fair value can only be determined when the individual financial assets are disposed. However, the management believes that there is no indication of impairment in value.

8 CASH DIVIDENDS, BONUS SHARES AND BOARD OF DIRECTORS' REMUNERATION

On 31st March 2010, the annual general assembly of the shareholders of the company approved cash dividend of 5 fils (31 December 2008: 15 fils) per share, 5,466,463 bonus shares (31 December 2008: Nil) and the directors' fees of KD 85,000 (31 December 2008: KD 85,000) in respect of the year ended 31 December 2009.

9 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 2010 Total KD</i>	<i>(Audited) 31 December 2009 Total KD</i>	<i>31 March 2009 Total KD</i>
Statement of financial position				
Receivables arising from reinsurance contracts	82,539	82,539	99,329	303,074
Payable arising from reinsurance contracts	25,622	25,622	-	-
			Three months ended 31 March	
		<i>Major shareholders KD</i>	<i>2010 Total KD</i>	<i>2009 Total KD</i>
Income statement				
Premiums earned		104,491	104,491	70,701
Claims incurred and premium acquisition costs		(6,443)	(6,443)	(112,720)
Key management personnel compensation				
			Three months ended 31 March	
			<i>2010 KD</i>	<i>2009 KD</i>
Salaries and other short term benefits			55,249	57,125
Employees end of services benefit			18,625	11,453
			<u>73,874</u>	<u>68,578</u>

10 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 KD1,934,903 (31 December 2009: KD 1,969,326 and 31 March 2009: KD 2,669,537) and had contingent liabilities in respect of letter of credit granted by a bank amounting to KD 6,519,440 (31 December 2009: KD 6,249,860 and 31 March 2009: KD 5,524,500) from which it is anticipated that no material liabilities will arise.