Company Brief

Gulf Insurance Company K.S.C. (GIC) was established in 1962. GIC is a public shareholding company listed on the Kuwait Stock Exchange and a market leader in Kuwait in terms of premiums written, both in life and nonlife insurance.

With operations in both life and non-life insurance segments, GIC is currently the largest insurance company in Kuwait in terms of written and retained premiums, its activities are further supported by first class reinsurance security and the company possesses a BBB+ with stable outlook interactive credit rating from Standard & Poor's.

GIC provides innovative and comprehensive insurance solutions and covers a variety of risks related to Motor, Marine & Aviation, Property & Casualty, and Life & Health Insurance both in conventional and takaful (Islamic insurance based on Shariah principles) basis. The company prides itself in its distinguished quality of products and superior customer service. GIC enjoys lending utmost professional and personalized attention to both individual and corporate clients in their current and future insurance needs.

Gulf Insurance Company K.S.C.

(GIC) Main Shareholders:

Kuwait Projects Co. (KIPCO) Group is one of the largest diversified holding companies in the Middle East and North Africa. KIPCO has significant ownership interests in a portfolio of over 70 companies operating across 26 countries. The company's main business sectors are financial services and media. Through the subsidiaries and affiliates of its core companies, KIPCO also has interests in the real estate, industrial, education and the management & advisory sectors.

KIPCO's financial services interests include holdings in commercial and investment banking, asset management and insurance companies. The Group's core operating companies in this sector include Burgan Bank, United Gulf Bank and Gulf Insurance Company. In the media sector, the Group has a presence through the Orbit Showtime Network, the leading pay-TV operator in the region.

Fairfax Financial Holdings Limited is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax subsidiaries provide a full range of property and casualty products, maintaining a diversified portfolio of risks across all classes of business, geographic regions, and types of insureds. Fairfax's corporate objective is to achieve a high rate of return on invested capital and build long-term shareholder value. The company has been under present management since 1985 and is headquartered in Toronto, Canada. Its common shares are listed on the Toronto Stock Exchange under the symbol FFH and in U.S. dollars under the symbol FFH.U.

→ Contents

Insurer of choice

By cultivating a team of over 150 life and non-life insurance consultants trained to offer clients the most practical advice and dedicated attention and with a growing network of over 18 branches accessible throughout Kuwait, the company has been able to realize its pledge to be the "insurer of choice".

Over the years, GIC has grown from being a leading personal and commercial insurer in Kuwait into a regional insurance solutions provider in Middle East and North Africa.

Its subsidiaries include:

- Gulf Life Insurance Company (GLIC) - Kuwait
- Bahrain Kuwait Insurance Company (BKIC) - Bahrain
- Arab Misr Insurance Group (AMIG) – Egypt
- Syrian Kuwaiti Insurance Company (SKIC) - Syria
- Fajr Al-Gulf Insurance & Reinsurance Company (FAG) – Lebanon
- Arab Orient Insurance Company (AOIC) – Jordan
- Egyptian Life Takaful - Egypt

And its affiliate includes:

- Buruj Cooperative Insurance – Saudia Arabia

Technology edge

GIC's state-of-the art internet based information technology system links of all its operations and that of subsidiaries to a mainframe. This process has immensely contributed to the company's efficiency in issuing policies, handling claims, keeping financial accounts, allowing online access to its overseas subsidiaries and reinsurers and thus renders comprehensive insurance solutions beyond boundaries. A complete database of clients has been built allowing improved customer relationship management, which is a crucial step in customer retention. GIC is the first insurance company in Kuwait and the region to commence online sale of Motor, Marine, Travel and Domestic Helper policies via www.clickgic.com.

GIC was the first insurance company in Kuwait and the region awarded the ISO 27001 Certification in Information Security Management Systems by the British Standards Institution (BSI). In 2008, GIC was awarded as the "Insurance Company for the year-Middle East' by World Finance, London and it also won the "International Quality Crown" award from Business Initiative Directions, Spain.

For the second year in a row GIC obtained the leading Brand in Kuwait SuperBrands 2010 certificate after it passed the selection criteria developed by the Council of brands, and announced by Superbrands Organization.

GIC is the first insurance company y to partner with Metal & Recycling Co. (MRC) on a waste management program called "Newair" by recycling paper and plastic bottles by promoting environmental awareness within the company as an initiative in Corporate Social Responsibility "CSR". GIC built a recycling structure committed to Go Green and to lead the way in such concept

The journey ahead

GIC intends to implement many ambitious and futuristic projects in order to meet the ever-changing customer needs and exceed their expectations. Its dynamic leadership continuously strives to train and support human resources in order to develop the technical and administrative capabilities within the its group of companies. Apart from being committed to the advancement of insurance industry both in Kuwait and in the Middle East region, GIC plans to continue the regional expansion strategy towards establishing itself as a major player in the regional insurance markets and increasing its business portfolio. In this concern, GIC intends to strengthen its presence in the regional markets, emerge as a consolidator of businesses and develop a unified branding strategy.

Mission – Our Corporate Ambition

To protect the lifestyles of our personal customers and their families and protect the assets, liabilities and employees of our corporate customers, now and in the future.

Vision – what do we wish to be known for?

We will be the insurer of choice and the leader in our chosen markets.

We will achieve this by:

- Providing solutions that consistently meet or exceed the needs and aspirations of our customers.
- Setting standards for service delivery and value creation amongst insurers in Kuwait and the MENA region.
- Being influential in enhancing the development of our industry.

We aim to be valued by our Customers, our Shareholders and our Staff alike.

"We AIM to be valued by our Customers, our shareholders and our staff alike."

Gulf Insurance Co. Timeline Achievements

2010

1962	• Commenced operations; 2nd private insurance company in Kuwait.
1977	• Government acquired 82% stake from share capital of Gulf Insurance Company
1996	• Government of Kuwait divested 82% stake • KIPCO acquired majority stake.
2000	• Acquired majority stake by 90% in Saudi Pearl Insurance (SPI) • Acquired majority stake by 61.3% in International Trust Insurance (ITI).
2003	• Formed Fajr Al-Gulf Insurance and Reinsurance Company by merger of ITI with Al-Fajr Insurance and Reinsurance Company. GIC holds 51% stake post-merger.
2005	• Acquired majority stake by 54.33% in Egypt's Arab Misr Insurance Group (AMIG).
2006	• Established Syrian Kuwaiti Insurance Company (SKIC) with 44.4% direct stake. • Acquired majority stake in Bahrain Kuwait Insurance Company (BKIC) to 42% from 21.4%. • Increased stake in SPI to be 100%.
2007	• Established Gulf Life Insurance Company (GLIC) with 98.6% stake. • Established Takaful Insurance Unit at GIC, Kuwait. • Increased its stake in BKIC to 50.22% from 42%. Increased stake in AMIG to 85.34% from 54.33%.
2008	• Increased stake in BKIC to 51.22% from 50.22%. • Obtained official approval for Buruj Cooperative Insurance Company (BCIC) , Saudi Arabia with 22.5% stake.
2009	• Acquired the majority stake in Arab Orient Insurance Company (Jordan) by 55% • Increase stakes in AMIG to 94.84% from 85.34%. • Increased stake in SKIC to 53.79% and FAG (Lebanon) to 54.70%; increased the stake in Buruj to 24.5% from 22.5%.
2010	• Fairfax acquired a significant stake in GIC 41.26% & KIPCO still the major shareholder of GIC with 43.87% stake. • Acquired Egyptian Life Takaful Insurance Company through GLIC with direct & indirect stake of 59.5%. • Increase Stakes in AOIC to 88.67%, BKIC to 56.12% and GIC Life to 99.80%, Buruj to 27.25% from 24.5%, and AMIG to 94.85%.

Our presence across the MENA Region & Local Branches Network

Branches & Subsidiaries

19 Branches in Kuwait

MENA	Country	M&A	P	G&M	L	H	T
GCC	Bahrain	●	●	●	●	●	
	Kuwait	●	●	●	●	●	●
	KSA	●	●	●	●	●	●
Non-GCC	Algeria	○	○	○	○	○	○
	Egypt	●	●	●	●	●	●
	Jordan	●	●	●	○	●	
	Lebanon	●	●	●	●	●	
	Syria	●	●	●	●	●	
	Iraq	○	○	○	○	○	○

Business Line

Presence Across the MENA Region

GCC countries
MENA (Others)

Countries in blue colour indicate GIC presence
Countries in green colour indicate GIC targeted markets

More than 1000 insurance Experts & More than 50 Banches across MENA region

● Existing operations	M&A Marine and Aviation	P Property	G & M General Accidents & Motor
● Target Operations	L Life	H Health	T Takaful

The company and subsidiary companies (The Group) adhere to the concept of "Corporate Governance" following the best practice and to be in compliance with the domestic regulations and applicable laws in each country the group operates in.

Corporate culture

Transparency, accountability and fairness are the three cornerstones of the GIC corporate culture. Responsibilities of the Board, Management, shareholders and other stakeholders are clearly outlined

One of the core values communicated within the group is a belief that the highest standard of integrity is essential in business. The governance of the group remains under continuous review and improvements, in order to enhance compliance levels according to international standards and best practice. The direct responsibility of the Board of directors is to endeavor to be in line with policies of regulatory requirements and different governmental bodies; beyond that in certain countries.

BOD roles
"Tone at the Top"

The board's main roles includes but not limited for the following:

- Ratify company strategy and the annual Budget and Long range business plans
- Monitoring operational and financial & non-financial performance
- Oversight the internal control system, Risk mitigations & controls and compliance matters
- Ratifying acquisitions, expansions, investment strategy and the divestments as well
- Ensuring that appropriate management development and succession plans are in place;
- Ensuring that a satisfactory dialogue takes place with Stakeholders.
- Review the Risk Appetite for the group with the agreed limits, and monitor the operations according to the tolerance
- Ratification of interim & Annual financial reports.

Board composition & meetings:
GIC has eight directors in its board; formed as 3 executives & 5 Non-executive directors (including 3 independents); GIC BOD members are professionals with proven history of managing companies and possessing a board range of skills, expertise and industry knowledge. The directors are elected by shareholders in General Assembly every 3 years.

The board, which meets at least four times a year and if required, has a schedule of matters reserved for its approval. During the year 2010, the Board of Directors held six meetings attended by directors as follows:

BOD Members/ Meetings	Annual Serial			1	2	3	4	5	6
	Accumulated Serial			325	326	327	328	329	330
	Position/Date	Dependency	Executive/Non	7-Feb	21-Mar	1-Apr	26-Apr	16-Sep	27-Oct
Farqad Al Sane	Chairman	Dependent	Exec.	√	√	√	√	√	√
Faisal Al Ayyar	Vice-Chairman	Dependent	Exec.	√	√	√	√	√	√
Khalid Saoud Al-Hasan	MD & CEO	Dependent	Exec.	√	√	√	√	√	√
Abdulaziz Al Fulaij	Member	Dependent	Non-Exec.	√	√	√	√	√	√
Abd Al-Ilah Marafie	Member	Dependent	Non-Exec.	√	□	√	√	√	√
Abdullah Mansour	Member	Independent	Non-Exec.	□	√	√	√	□	√
Mohamed Al Sane	Member	Independent	Non-Exec.	√	√	√	√	√	√
Khaled Al-Wazzan	Member	Independent	Non-Exec.	√	□	√	□	√	√
Rafat Al Salamony	Secretary of the board			√	√	√	√	√	√

Roles of Chairman and CEO:
Roles of the chairman and CEO are distinct and separate:

- The chairman is responsible for running an effective Board and company's overall strategy
- The CEO has executive responsibility of administering the company's business operations

Code of Conduct
The Company's Code of Conduct covers the conduct of the Company's directors and executive management. The Code binds the signatories to the highest standards of professionalism and due diligence in performance of their duties. It also covers conflicts of interest, disclosure and confidentiality of insider information & Insider trading Policies

Board Committees:
The Board has set up two committees

1. Executive Committee
2. Audit Committee

Newly established board committees in 2011 which are:

3. Risk Management Committee
4. Investment committee

These committees are with full terms of references and mandates to carry out the assigned functions.

Executive Committee

The Board has delegated the following responsibilities to the

Executive Committee, and this committee meets regularly and whenever it's necessary to be held. The committee comprises three members: The Chairman, Vice Chairman and MD/CEO.

The main roles of the committee are as followed:

- The development and recommendation of strategic plans for consideration by the Board that reflect the long-term objectives and priorities established by the Board
- Implementation of the strategies and policies of the Company as determined by the Board;
- Monitoring of the operating and financial results against plans and budgets;
- Monitoring the quality and effectiveness of the investment process against objectives and guidelines;
- Prioritizing allocation of capital, technical and human resources;
- Ensure efficient & effective management
- Oversight the implementation of the strategies and policies of the company as determined by the Board.
- Monitoring the markets shares, trends and penetration.
- Overseeing monthly the surrender, lapsed ,persistency and combined ratio , to take the corrective actions on time
- Monitoring the implementation of group expansion.

Audit Committee

The committee comprises four members; three of them are independent members. The committee has the right to invite any of company's management & staff to attend. Also the external Auditors should attend as necessary.

- Reviewing the internal audit functions terms of reference, its work programme and quarterly reports on its work during the year
- Reviewing the Company's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon;
- Reviewing the appropriateness of the Company's accounting policies and other operational procedures;
- Reviewing regularly the potential impact in the Company's financial statements of certain matters such as impairment of fixed asset values and proposed changes in International Financial Reporting Standards and International Accounting Standards applicable to the Company;
- Reviewing and approving the terms of engagement for the audit
- Reviewing an annual report on the Company's systems of internal control and its effectiveness, reporting to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- Review the duties and responsibilities of internal auditors to be compliance with the pre-approved internal audit annual plan as well as the quarterly reports accomplished during the year.

BOD Members/ Meetings	Annual Serial	1	2	3	4
	Accumulated Serial	15	16	17	18
	Position/Date	2-Feb	17-Feb	1-Apr	27-Oct
Mahmoud Al Sane	Committee head	√	√	√	√
Abd Al-Ilah Marafie	Member	√	√	√	√
Khaled Al-Wazzan	Member	□	√	√	□
Abdullah Mansour	Member	√	□	√	√

Enterprise Risk Management

ERM framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial & non-financial performance objectives, including failing to exploit opportunities. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers.

GIC has identifying its risk universe on regular basis through a comprehensive risk and control identification and assessment that is both bottom up from all business and support units of GIC and top down of the executive management of GIC.

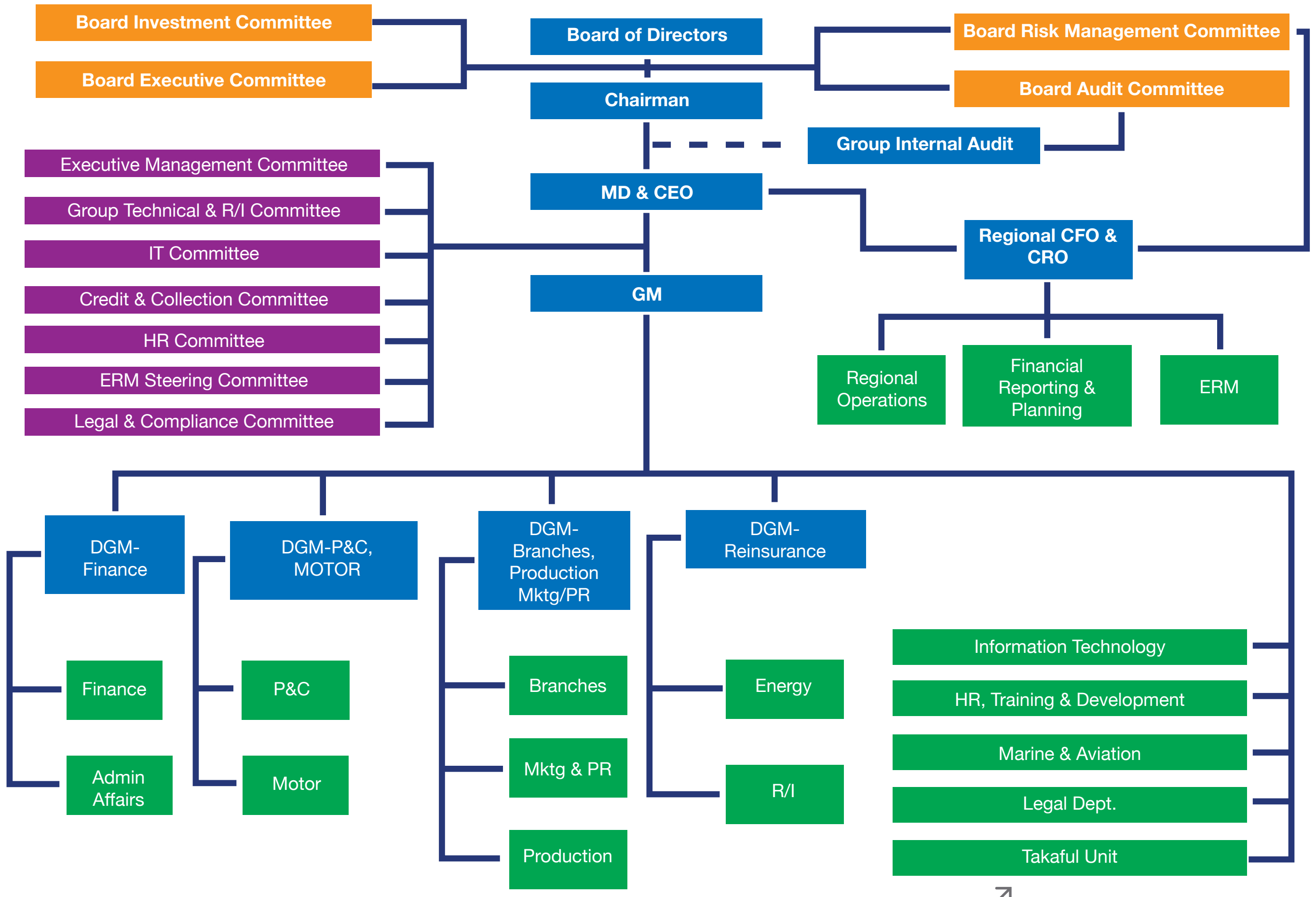
The risk and control identification and assessment process consists of identification of risks, measurement and assessment of risks in terms of likelihood and impact, control assessment, risk mitigation plan, priorities and timeline to mitigate the risks along with the key personnel responsible for each risk.

GIC group has also determined its risk appetite and tolerance through various sessions with the board and the group is monitoring closely the adhesion to the appetite and tolerance of the board of directors. GIC is also establishing an internal economic capital model to measure the capital adequacy, assist in capital allocation and to be used as a monitoring tool for any breaching

Corporate Governance

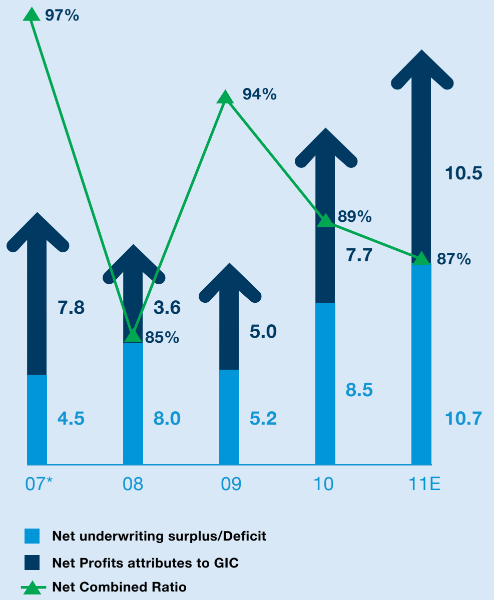
of the risk appetite.
GIC group risk management framework is established with clear identified policies and procedures that are being developed for the group.

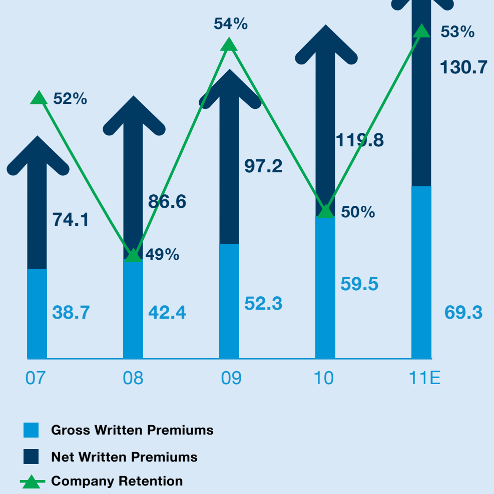
Organization Structure

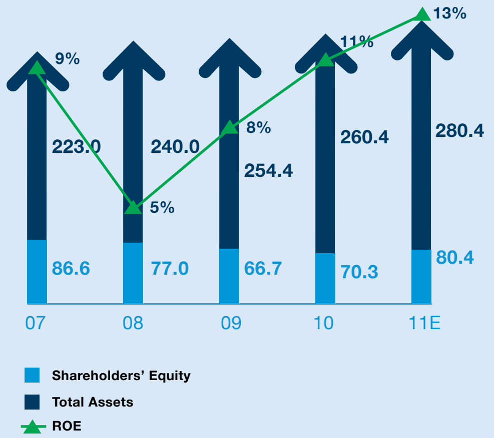


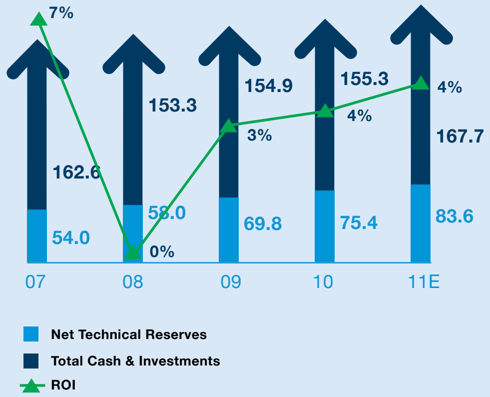
Financial Statements Highlights

KD Million









Company's KPIs	2007	2008	2009	2010	2011E
Profitability Ratio	6.0%	9.3%	5.3%	7.1%	8.2%
U/W leverage	38.8%	47.4%	64.2%	72.0%	71.3%
Liquidity ratio	105.8%	84.8%	85.7%	60.8%	74.4%

+ 66 % Growth in underwriting results

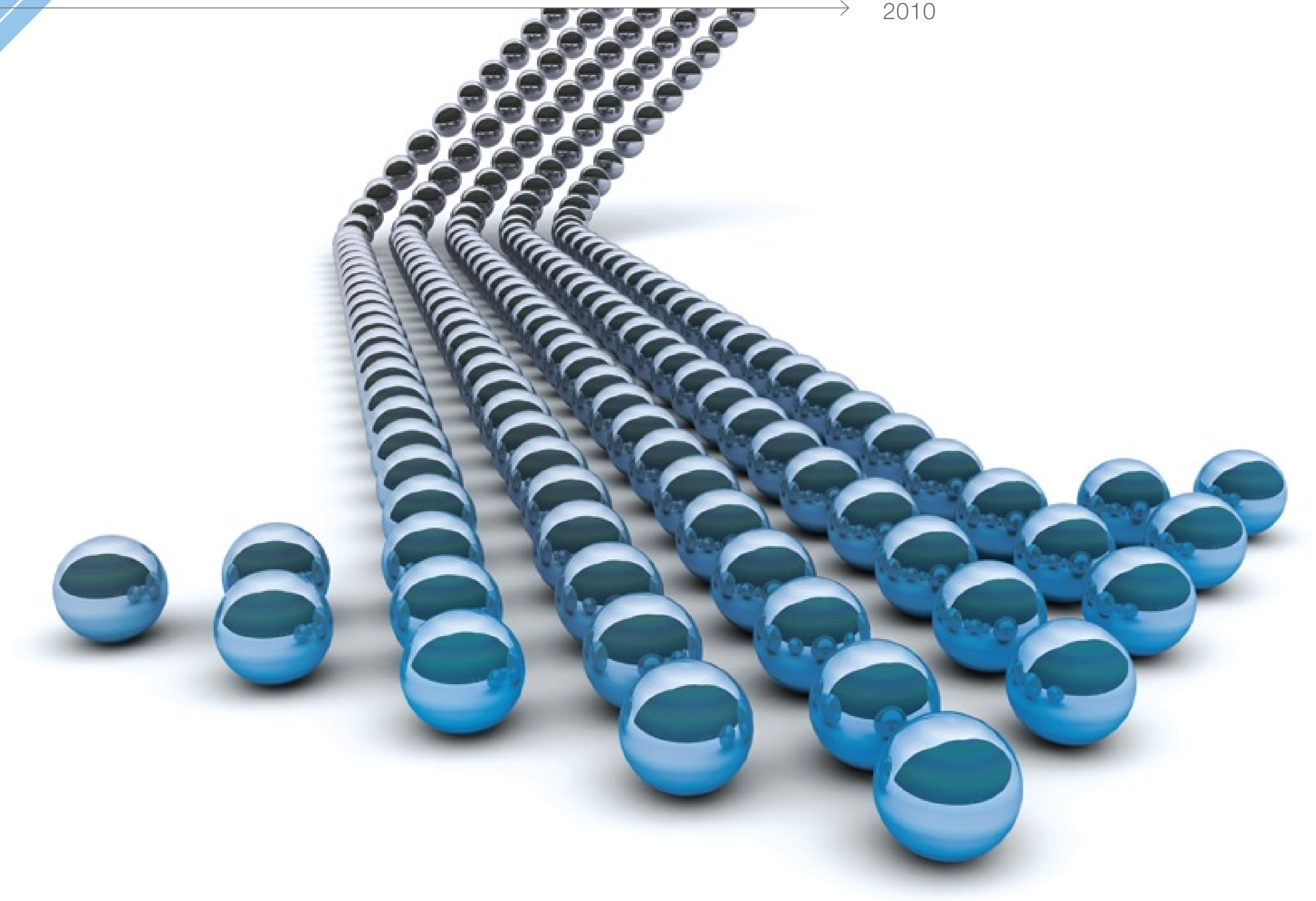
+ 52 % Growth in net profit

+ 23 % Growth in Gross Premiums Written

+ 8 % Growth in net technical reserves

+ 5 % Growth in Shareholders' Equity

* Net profit, and the related KPIs (ROI & ROE) of 2007 have been normalized by excluding non recurring profits of selling GIC shares in Watanyia Telecom & UPAC

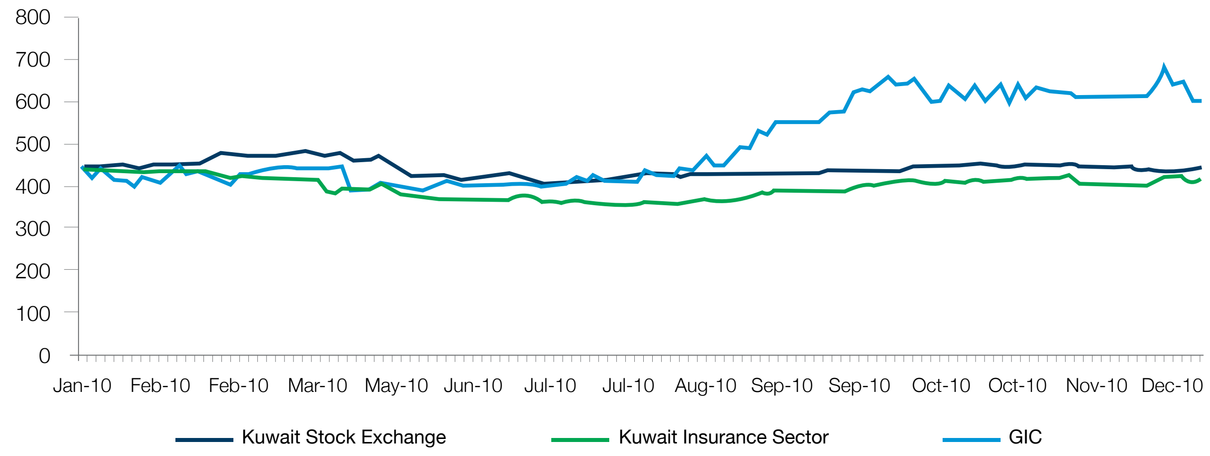


- To develop Gulf Insurance to be recognized in the Arab insurance world as the ideal one to follow.
- Maintain the most primary position in Kuwait market.
- Continuously strive to achieve the top position in the Middle East and to prepare distinct and innovative insurance products and programs to meet the customers needs actively supported by top level service by using vibrant marketing techniques.

In addition to the deep study and analysis of strong and weaker areas in the company and its subsidiaries, continuous efforts are on to know the real needs of the local and regional markets, efficient plans and programs to develop human resources and marketing capabilities. Monitoring changes in the international insurance industry and competition levels in the local and regional markets in order to position the company to tackle the same effectively. Constantly reviewing company's investment policy and fine tune it in such a manner to realize best use of assets and at the same time decrease the risk exposures in such a manner that complies with the international standards of the insurance industry.

2010...Stock market performance

GIC Share price Performance, Sector & Market Index



- **GIC share price does not commensurate with the operating insurance sector & market conditions (taking into consideration the cash dividends to shareholders amounted 6.6 million KD paid in April-2010)**

- GIC's Consolidated GWP has been increased from 97.2 million KD as at 2009YE-actual to reach 119.8 million KD as at 2010YE-actual, with increase of 22.6 million KD (growth rate 23.2%) & a little deviation from 2010YE Forecast by 2.5%. GWP of GIC stand alone also increased from 20.2 million KD as at 2009YE-actual to reach 24.0 million KD as at 2010YE-actual with increase of 3.8 million KD (Growth rate 18.7%), a little deviation from 2010YE Forecast of 8.1% . Subsidiaries share of GWP in 2010YE-actual is 95.8 million KD (reflects 79.9% from Consolidated GWP) & achieving a growth of 18.8 million KD (Growth rate 24.4%) compared with 2009YE-actual amounted of 77.0 million KD & a little deviation from 2010YE Forecast by 1.1% The major event caused this increase in subsidiaries is mainly back to the Medical Premium of Kuwait Petroleum Corporation amounted of 13.9 million KD in Gulf life insurance company, this is a new policy doesn't exist in the previous year.
- Net underwriting results increased from 5.2 million KD as at 2009YE-actual to reach 8.5 million KD as at 2010YE-actual, with increase of 3.3 million KD (growth rate 64.1%), little deviation of 3.6% from 2010YE-Forecast. GIC stand alone has achieved net underwriting results amounted of 2.1 million KD (reflects 24.5% from GIC's consolidated net underwriting results) compared with 2009YE-actual amounted of 1.8 million KD (growth rate 17.9%), a little deviation from 2010YE-Forecast by 14.7%. Subsidiaries have achieved net underwriting results amounted of 6.4 million KD (reflects 75.5% from GIC's consolidated net underwriting results) compared with 2009YE-actual amounted of 3.4 million KD with increase of 3.0 million KD (growth rate 88.0%), this mainly due to many corrective actions have been taken in subsidiaries' to enhance their underwriting which resulted in the following:
  - a) In Syria (SKIC) resulting to enhance the losses in net underwriting result to reach .04 million KD as at 2010YE-actual compared with losses amounted of 1.9 million KD as at 2009YE-actual (Growth rate 77.8%), a little deviation of 9.7% from 2010YE-Forecast.
  - b) In Lebanon (FAJR) resulting to enhance the losses in net underwriting result to reach .3 million KD as at 2010YE-actual compared with losses amounted of .9 million KD in 2009YE-actual (Growth rate in losses is 59.9%) , a little deviation of 4.9% from 2010YE-Forecast

Other corrective actions have been made in GIC stand alone to enhance TPL Motor resulting in profits in 2010YE-actual amounted of 358,482 KD compared with losses in 2009YE-actual amounted of 560,771 KD (Growth rate 163.9%)

GIC stand alone has formed a reverse as at 2010YE-actual amounted of 425.000 KD against a fire accident happened to one of major clients during January 2011

- GIC's stand alone investments return from financial instruments, subsidiaries and other income has been increased to reach 6.6 million KD as at 2010YE-actual compared with 4.3 million KD as at 2009YE-actual with increase of 2.3 million KD (growth rate of 57.7%) & Return on Investment (ROI) 7.06% despite the reduction of profit with amount of .5 million KD as GIC has formed a reserve to meet the uncertainty investment losses in associate company: Al Buruj Co-operative insurance Co.
- GIC's Group net technical reserves have been increased from 69.8 as at 2009YE-actual to reach 75.4 million KD as at 2010YE-actual, growth of 5.6 million KD (Growth rate 7.9%), Kuwait Petroleum Corporation Medical Policy Share from the reserves 2.8 million KD (reflects 3.8% from consolidated net technical reserve as at 2010YE-actual)
- Total shareholders' equity has been increased from 66.7 million KD as at 2009YE-actual to reach 70.3 million KD as at 2010YE-actual, with growth in amount by 3.6 million KD (Growth rate 5.3%) after the cash dividends for prior year 2009 amounted of 6.8 million KD as well as decreasing the shareholders' equity with amount of 3.0 million KD due to increase the amount of goodwill (Back to increase our stake in our subsidiaries AOIC & BKIC).
- Total assets have been increased from 254.4 million KD as at 2009YE-actual to reach 260.4 million KD as at 2010YE-actual with growth of 6. Million KD (growth rate of 2.3%), a little deviation of 1.2% from 2010YE-Forecast.
- GIC's Consolidated net profit "attribute to the parent" has been increased from 5.0 million KD as at 2009YE-actual to reach 7.7 million KD as at 2010YE-actual, with growth of 2.7 million KD (Growth rate 52.3%) , a little deviation of 11.4% from Consolidated net profit
- Non-controlling interest has been increased from 1.0 million KD as at 2009YE-actual to reach 1.8 million KD as at 2010YE-actual with growth of .8 million KD (Growth rate52.3%) to be consistent/ tallied with 2010YE-Forecast.
- Book value per share reached 414.2 Fils as at 2010YE-actual compared with 393.2 Fils as at 2009YE-actual.
- GICs investment instruments including cash and cash equivalent has been increased from 154.9 million KD as at 2009YE-actual to reach 155.3 million KD as at 2010YE-actual, with growth of KD .4 million KD (Growth rate .2%) , increased by 1.7% from 2010YE-Forecast. "After the distribution of shareholders cash dividends related to prior year 2009 with amount of 6.8 million KD".
- Earnings per share increased from 30.6 Fils as at 2009YE-actual to reach 46.2 Fils as at 2010YE-actual.
- Non-controlling interest share from company's net assets decreased from 14.7 million KD as at 2009YE-actual to reach 12.3 million KD as at 2010YE-actual with decreasing amount of 2.4 million KD (slide down by 16.5%) as a result of increasing our stake during the year 2010 in AOIC from 55.0% to 88.7% and also BKIC from 51.22% to 56.12%.

Key Performance Indicators for GIC's Group (Consolidated)

	31/12/2010	31/12/2009
Insurance:		
• Company's retention	49.7%	53.8%
• GWP/Total Equity	145.0%	119.4%
• NPW/Total Equity (Underwriting leverage)	72.0%	64.2%
Liquidity:		
• Liquidity ratio	60.8%	85.7%
• Net Technical Reserves/(Cash & Cash Eq)	123.9%	90.8%
Solvency Margin:		
• Net technical Reserves/Total Equity	91.3%	85.7%
• Net technical Reserves/NPW	126.7%	133.6%
Performance:		
• EPS	46.2 Fils	30.6 Fils
• Return on Shareholder's Equity	10.9%	7.6%
• Return on Assets	3.7%	2.4%

Chairman's Message

Dear shareholders,

On behalf of the Board of Directors, I would like to welcome you and express my pleasure to present to you the 47th Annual Report of the Gulf Insurance Company. The Annual Report includes an overview of some of the most important achievements during the financial year ended December 31, 2010, as well as the local and international events that influenced the company's performance.

The year 2010 was the beginning of a recovery from the global economic crisis, as well as many developments and crises that the global economy had to face. Some of these crises are offshoot of the global financial crisis there were four major developments that took place in 2010 that have created major changes in the region. Some of these carry possible repercussions into 2011, namely the oil leak in one of the British Petroleum oil wells in Mexico Bay; the sovereign debt crisis in the Euro zone; the emergence of the so-called war of currencies; and gold reaching record highs for the first time in years. The disasters that the world came under during 2010, whether natural or man-made, have cost the world economy US$ 222 billion – three times as much as the losses from the disasters in 2009, which was US$ 63 billion. The insurance industry around the world paid compensations of US$ 36 billion throughout the year, an increase of 34% from 2009. At the same time, human losses from crises were the highest since 1976, reaching 260,000 people killed compared to 15,000 in 2009. The greatest loss was accounted for by the earthquake that hit Haiti in January 2010, killing more than 220,000 people. In Russia, the heat wave and fires killed more than 15,000 people, while floods in China and Pakistan killed more than 6,000 people. These human losses revealed a great discrepancy in the levels of development in insurance systems of some of the stricken countries, and the importance of insurance in overcoming the financial repercussions of these disasters.

In 2010, China became the world's second greatest economic power – a position previously held by Japan – despite its rigid and strict image and its political and diplomatic isolation. China has successfully raised the value of its exports to US$ 1.2 trillion, making it the world's largest exporter. As for international markets across the world in 2010, we can say that Shanghai showed the worst indications... Palladium made the greatest rise, while the euro was the weakest among the currencies. The best performing currencies were the Japanese yen and the Swiss franc.

In Kuwait and the rest of the members of the Gulf Cooperation Council, the markets closed in 2010 with profits of US$ 90 billion, bringing market value to US$ 770 billion by the end of the year. Three markets saw an increase against four that deceased; the Qatar Stock Exchange led the profiting markets as its index increased 24.8% during the year, followed by the Saudi Stock Exchange with an increase of 8.2%, and then Muscat stock exchange with an index rise of 6%. On the other hand, the Dubai Financial Market suffered the greatest loss after its index dropped 9.6%, followed by the Bahrain Stock Exchange with an index loss of 1.8%, and then the Abu Dhabi Securities Exchange which shed 1.36%. The Kuwait Stock Exchange (KSE) suffered the smallest loss after its index dropped 0.7% in 2010, ending the year at 6955.5 points. KSE witnessed many dramatic economic events in 2010 as a consequence of the economic crisis, starting from the approval by the National Assembly (parliament) of a KD 37 billion Development Plan for the following four years, as well as passing the Capital Market Authority bill, and the sale of Zain – Africa resulted in a slight decrease in the price index but a great increase of 25.5% in the weighted index, which helped bring the market value of the listed company to an estimated KD 36.6 billion, an increase of KD 6 billion from 2009… During the year, eight new companies were listed and 16 were stopped from trading. As for GIC's development, a fundamental change took place in the shareholder's structure this year after the Canadian-based Fairfax Financial Holdings Limited acquired 41.3% of GIC's capital, making it the second largest shareholder. Fairfax is a leading company at a global level, and its activities extend throughout North and South America, Europe, the Middle East and Asia. Fairfax managed assets exceeds US$ 21 billion, and we are confident that Fairfax will assist GIC in achieving its plans and implementing its strategies, given the great experience and global presence that Fairfax has in the insurance and reinsurance industry, as well as its great knowledge in automated systems, development of projects, and management of investments.

Building on the achievements of previous years, which had a positive impact on GIC's track and results, the company achieved the following developments in 2010:

- Increasing GIC's stake in the capital of the Arab Orient Insurance Company – the leading insurance company in Jordan – to 88.7%.
- Increasing GIC's stake in the Bahrain Kuwait Insurance Company – one of the most stable and greatest growing companies in the Bahraini insurance market – to 56.12%.
- Gulf Life Insurance Company acquired a 59.5% majority stake in the Egyptian Takaful Insurance Company (Life), which makes it a consolidated subsidiary in the group. This will provide a base for life insurance operations in Egypt, which has a high population of people with acceptable level of insurance awareness, which makes us optimistic of great success in this company.
- Signing an agreement with the A.M. Best – an international rating company; to assign GIC & other four companies within the group the financial strength & credit rating, making us the first group of

insurance companies in the Middle East that obtain an international rating through more than one international rating company.

- Despite the financial and economic crisis that swept across the world, the effects of which are still evident, GIC succeeded in maintaining its Standard & Poor's rating to BBB+ with Stable Outlook. The annual rating review meeting was held with the rating agency (S&P) on February 16th 2011 & we do expect improvements in our rating for this year.

Dear shareholders,

The positive financial and non financial results that your company has made this year clearly reflect our good achievements, namely the following:

A growth in written premiums by 23.2% to reach	KD 119,774,544
A growth in net technical reserves by 8% to reach	KD 75,380,785
A growth in investments Profit by 6.8% to reach	KD 5,723,881
A growth in net underwriting results by 65.5% to reach	KD 8,535,771
A growth in net profit by 52.3% to reach	KD 7,692,395
A growth in shareholder equity by 5.3% to reach	KD 70,279,885
A growth in investment and cash by 1.7% to reach	KD 140,085,654
A growth in the total assets by 2.3% to reach	KD 260,366,712

The following is a detailed look at the company's business results in 2010.

First: Non Life Insurance Operations

• Marine and Aviation Insurance Operations
Written premiums had a growth of 10.4% or KD 950,179 to reach KD 10,077,910, and make a profit of KD 1,478,650 compared to KD 1,661,843.

• Motor insurance Operations
The losses of the motors insurance operation in 2009 were KD 1,744,499,which prompted the GIC Group companies to amend their underwriting policies and further enhancements in the operations at the claims Department. This led to a drop in written premiums by 6.4% to KD 28,434,515 but achieved a profit of KD 1,492,145 or 5.25% from the value of the written premiums.

• Property Insurance Operations
Although written premiums for property operations increased by KD 164,599 or 1% to stand at KD 18,011,955, net profit decreased to KD 289,261 compared to KD 618,689 in 2009. This is due to the unprecedented number of fires that broke out during the year, and we hope that these accidents do not occur in the future and that they return to their normal levels.

• Contracting and Engineering Insurance Operations
The result of 2010 is nearly equal to the result that was achieved in 2009, with net profit in 2010 is KD 556,272 compared to KD 556,171 in 2009. written premiums from these operations were also close, reaching KD 777,007 in 2010 compared to KD 682,488 in 2009, an increase of 13.8%.

• General Accident Insurance Operations
written premiums for general accidents in 2010 is KD 8,637,387, dropped by KD 270,433 or 3% from 2009, which resulted in a drop of 4.1% in the profits of this line of business , bringing the net profit down to KD 1,823,036 compared to KD 1,901,623 in 2009.

Second: Life and Health Operations

• Life Operations
Written premiums dropped 7.4% in 2010 compared to 2009, coming to KD 10,548,041 compared to KD 11,391,108 in 2009. However, underwriting results made unprecedented profit when they reached KD 2,734,900 compared to KD 1,360,364, an increase of KD 1,374,536 or 101%.

•Health Operations
Written premiums reached a record level, which affirms our leading position in health insurance operations in most of the markets in which we operate in. The written premiums reached in this year KD 32,678,857, an increase of KD 17,915,720 or 121.4% from 2009. This increase is mainly attributed to our selection to provide group health insurance for Kuwait Petroleum Corporation, with up to 40,000 subscribers. Despite this, profit made from this LOB was only KD 161,507 compared to KD 802,055 in 2009, at a decrease of KD 640,548 or 79.9% due to the increase in volume of claims.

• Training and Development

- In the area of training, the company organized many training courses for its employees throughout 2010, with the aim of boosting their technical, management and marketing capabilities.
- The combined reinsurance program for GIC Group – non life business- commenced from January 1, 2010, which includes the parent company and its subsidiaries. This has increased the insurance capacity and improved the terms & conditions, and has also increased group retention. This agreement is considered unique in the Arab region.
- During 2010, GIC worked extensively on establishing an independent Risk Management Department with a new Board Risk Committee, which reports to the Board of Directors. The company has also worked on reviewing all of its policies and procedures related to human resources, investment, credit, underwriting, reinsurance, and all other activities. This reflects the company's intention & interest in developing corporate governance practices & enhance internal controls structure.
- Before the end of 2010, GIC was chosen to manage the insurance program against delayed claims payments for airlines listed under the International Air Transport Association (IATA), against losses resultant from delays by travel agents registered in the program.
- GIC continued throughout 2010 to perform an active role towards its subsidiaries in many areas & improve group integration, including:

- Increasing their capital in line with requirements of supervisory bodies or to strength their financial positions, whether through bonus shares or cash injections, in order to allow these companies to continue to strongly compete in the domestic markets.
- Placing plans and programs related to the implementation of the corporate governance program & ERM.
- Forming marketing teams in the areas of life & non life insurance in a well-studied manner.
- Working to implement a comprehensive program of unified policies between the parent company and its subsidiaries in many areas, with the aim of streamlining operations, reducing costs, and increasing revenue.

GIC's Financial position and Investment Activities
Although the financial markets have not fully recovered and the impact of the global economic crisis remains evident, positive results were made in 2010 in investment activities, as follows:

- An increase in net Investment profit by 6.8% or KD 366,649 to stand at KD 5,723,881
- An increase in cumulative changes in the fair value listed in shareholders equity by KD 4,005,704 or 647% to stand at KD 4,624,626 which reflected the increase in just value of the company's long-term investments from their cost

Shareholders equity, which dropped sharply in 2009 by KD 10,265,316, went back up by KD 3,568,637 to stand at KD 70,279,885 despite the drop by KD 3,010,734 during 2010 in value of goodwill related to our stake in each of the Arab Orient Insurance Company in Jordan and the Bahrain Kuwait Insurance Company in Bahrain… This brings the book value per share on December 31, 2010 to 414.26 fils… And building on steps to consolidate the financial strength of the company, the reserve capital has been increased by KD 1,629,130. The statutory reserve was also increased to KD 13,038,433 which represents 76.9% of the paid up capital. The voluntary reserve, meanwhile, was raised to KD 16,991,846 which represents 100.2% of the paid up capital… Also in consolidation of the rights of policy holders, the net technical reserve was raised from KD 69,814,505 to KD 75,380,784, an increase of KD 5,566,279 or 8% of which additional reserve accounts for KD 3,878,920… The total balance sheet increased to KD 260,366,712 of which investment and cash accounts represents 59.5%.

Recommendations
It is with pleasure that the Board of Directors recommend to the General Assembly for the distribution profits for the financial year which stand at KD 18,613,933 as follows:
KD 814,565
10% for statutory reserve
KD 814,565
10% for voluntary reserve
KD 4,241,250
cash dividends to shareholders at 25 fils per share
KD 848,250
distributed as bonus shares to shareholders at 5 shares for every 100 shares
The remaining KD 11,895,303 is to be brought forward to the next year.
To conclude, and on behalf of the Members of the Board of Directors and the Executive Management, I would like to express sincere appreciation to H.H. the Amir, H.H. the Crown Prince, and to H.H. the Prime Minister for their wise guidance of the State towards greater advancement, prosperity and stability. We would also like to take this opportunity to congratulate you and the Kuwaiti people on the National Celebrations of Independence, Liberation and Accession to the Throne. We also express our thanks and appreciation to the Ministry of Commerce and Industry and its Department of Insurance Companies for understanding the situation of the local market and for seeking its best interests. A thank you also goes to the Ministry of Interior, represented by the General Traffic Department, for their constant efforts to improve the compulsory traffic accident insurance sector. We cannot forget to thank our great clients, as well as local and international reinsurers and insurance brokers for giving us their trust and constant support and cooperation. We also thank our management and employees for their great effort and dedication which contributed to achieving the targeted goals. And finally, we thank Kuwait Projects Company (Holding), our largest shareholder, and Fairfax Financial Holdings Limited, our second largest shareholder, for their constant cooperation and support. We hope that 2011 will see the achievement of the goals for which we aspire.

Farqad Al Sane
Chairman

Board of Directors

Farqad Al Sane
Chairman

Faisal Al Ayar
Vice Chairman

Khalid Al Hassan
Managing Director and CEO

Abdul Aziz Al Fulaij
Board Member

Khaled Al Wazzan
Board Member

Abdul Ilah Marafie
Board Member

Abdullah Al Mansour
Board Member

Mohmoud Al Sane
Board Member

Executive Management

Khalid Saoud Al Hassan
Managing Director & CEO

Qualification:
Bachelor of Political Science. Faculty of Commerce, Economics & Political Science-Kuwait University

Professional Experience:
Mr. Al-Hassan joined GIC in November 1978. He took over as Managing Director & CEO in February 2002. He was Assistant Manager – Fire and General Accident Department from 1979 to 1981, Manager – Fire and General Accident Department from 1981 to 1983, Deputy General Manager – Fire and General Accident Department from 1983 to 1991 and General Manager from 1991 to 2002.

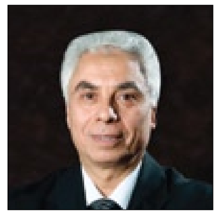
Tareq Abdulwahab Al Sahhaf
General Manager

Mr. Al-Sahhaf joined GIC in January 1979. He was appointed General Manager in July 2007. Prior to that he was Assistant Manager – Marine &Aviation in 1981, Manager – Marine & Aviation Department in 1987, AGM – Marine & Aviation Department in 1991 and Deputy General Manager – Marine & Aviation in 1998. He holds Bachelor of Business Administration. College of Insurance - New York City.

Adnan Ahmad Al Baghli
Deputy General Manager

Qualification:
Bachelor of Social Service - Egypt
Master of Business Administration - USA

Professional Experience:
Mr. Al-Baghli joined GIC in September 1978. He is in his current position since March 1998. He was Assistant Manager – FGA from 1981 to 1987, Manager – FGA from 1987 to 1991 and Assistant General Manager – Fire and General Accident Department from 1991 to 1998.



Rafat Al Salmony
Deputy General Manager

Qualification:
Bachelor of Commerce (Accounting) Class of 1971. Alexandria University– Egypt

Professional Experience:
Mr. Al-Salamony joined GIC in September 1975. He is in his current position since March 1998. He was Manager – Finance & Accounts from 1986 to 1998.

Anwar Salim Al Rufaidi
Deputy General Manager

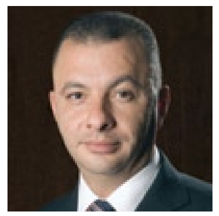
Qualification:
Bachelor of Arts – Administration (Finance). California State University - USA

Professional Experience:
Mr. Al-Rufaidi joined GIC in February 1989. He is in his current position since July 2006. He was Section Head – Fire and General Accident Department, Assistant Manager – Fire and General Accident Department, Manager – Fire and General Accident Department and AGM – Branches before his current position.

I.V.K. Chary
Deputy General Manager

Qualification:
Bachelor of Science (Mathematics, physics & Chemistry). from S.V. University, India – B.Sc.
Fellow Insurance Institute of India - FIII
Associate Chartered Insurance Institute, London - ACII

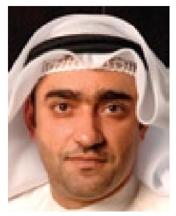
Professional Experience:
Mr. Chary joined GIC in June 2000 as Manager – Reinsurance. Prior to joining us, he was with Bahrain National Insurance Co., Bahrain as Sr. Manager – Fire & Reinsurance; Oman National Insurance Co., Oman as Manager – Reinsurance; United India Insurance Co. and Madras Motor & General Insurance Co., India – in various senior positions. He has been working in the Insurance Industry for over Four decades. He is in his current position since July 2010.



Hatem Selim
Regional CFO & CRO

Qualification:
Bachelor of Business Administration from Ain Shams University - Egypt. Advanced & Modern Diplomas in Accounting & Finance from American University of Cairo. Certified Management Accountant "CMA" candidate.

Professional Experience:
Mr. Selim joined GIC in July 2005 and is responsible to oversee the regional operations and the expansion plans of GIC group companies as well as the risk management function of GIC group. Prior to joining GIC, Mr. Selim worked as the Financial Controller, Chief Compliance Officer as well as Board Secretary for the Egyptian operations of ACE Group of Insurance & Reinsurance Companies "Bermuda"; Financial Controller at Orascom Touristic Establishments and many various positions in other well known companies in Egypt.



Thamer Ibrahim Arab
Executive Manager

Qualification:
Bachelor of Science– Computer Science. California State University – Sacrament, USA

Professional Experience:
Mr. Arab joined GIC in December 2006 as the Information Technology Department Manager. Mr. Arab is responsible to oversee the entire company Information Technology setup and operations. Prior to joining GIC, Mr. Arab's main experience was focused in the banking sector. He had worked for Burgan Bank as the Systems Development Manager. He also worked for Industrial Bank of Kuwait for 10 years starting as a Systems Analyst and worked his way up to be the IT Manager as his last position in the bank. Mr. Arab had also worked abroad with Lockheed Martin –Information Technology Division in the U.S. where he was part of the California Statewide welfare automation system.

Subsidiaries

2010

الشركة البحرينية الكويتية للتأمين
Bahrain Kuwait Insurance Company

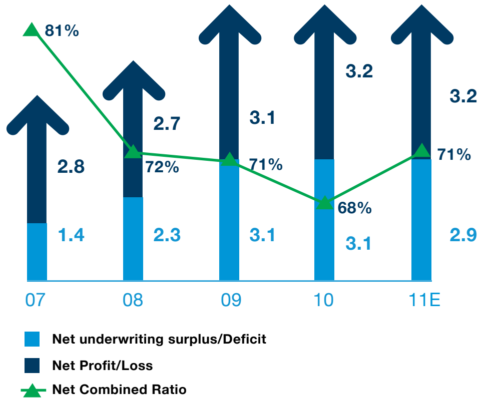
Ebrahim Al-Rayes
Chief Executive Officer

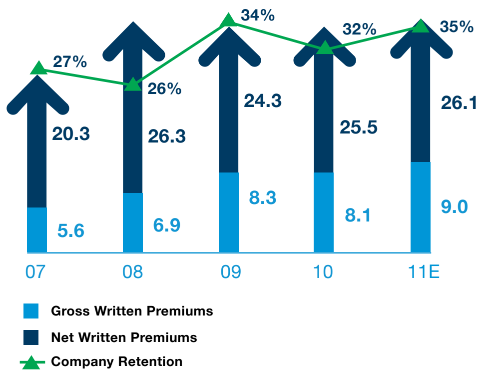
1975 Bahrain Kuwait Insurance Company (BKIC) was established. By virtue of its shareholding structure, BKIC is allowed to operate as a national insurance company both in Bahrain and Kuwait, the only company to enjoy such a privilege. Its authorized capital is Bahraini Dinars 10 million and issued capital and paid up is Bahraini Dinars 6.5 million.
BKIC has 3 branches in Bahrain and 1 branch in Kuwait. BKIC is involved in all classes of insurance. It has grown to occupy a leading position in the Bahrain insurance market.
BKIC has been a leader in community service and it prides itself on being in the forefront of training and manpower development activity. The company employs around 164 people in its various operations.
The company is currently listed on both Bahrain Stock Exchange and Kuwait Stock Exchange.

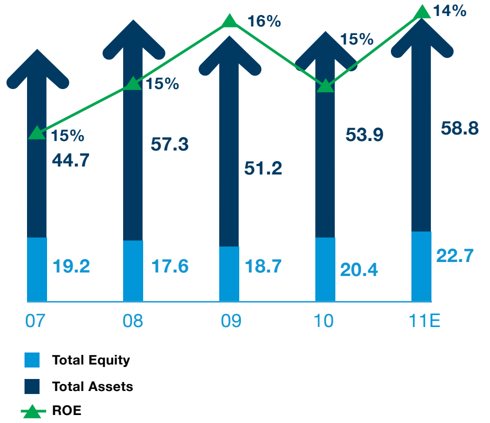
The company ranked as the Bahraini market Leader in terms of gross written premiums & technical results as well.

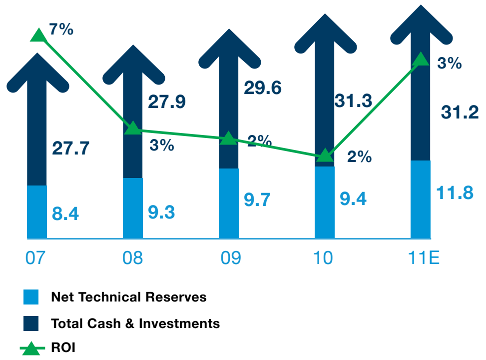
GIC's stake in BKIC is 56.12%
Tel: +973 17542222
Website: www.bkic.com

KD Million









Company's KPIs	2007	2008	2009	2010	2011E
Profitability Ratio	6.7%	8.9%	12.7%	12.2%	11.2%
U/W leverage	28.9%	39.4%	44.3%	39.7%	39.8%
Liquidity ratio	181.90%	190.20%	198.20%	223.30%	172.50%

Subsidiaries

2010

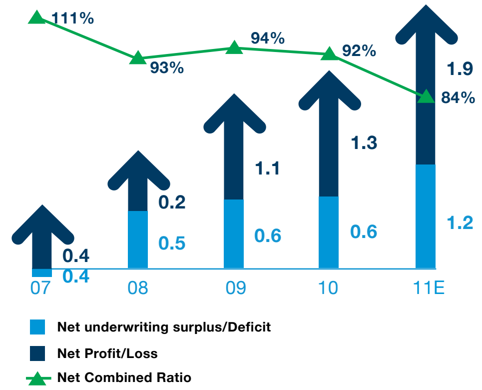
AMIG
شركة المجموعة العربية المصرية للتأمين
Arab Misr Insurance Group

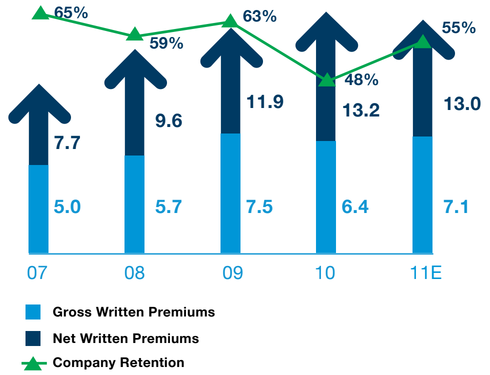
Alaa El Zoheiry
Chief Executive Officer

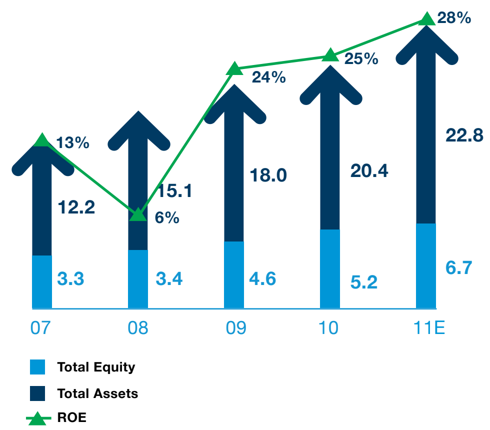
1993 Arab Misr Insurance Group (AMIG) was established as an Egyptian non-life insurance company; where its issued capital is EGP 500 million and paid-up capital is EGP 90 million. The company practices all lines of non-life insurance business through 12 branches covering most of Egypt and employing around 216.
The company ranked as market Leader in underwriting result & number 3 in terms of gross written premiums in the Egyptian insurance non-life private sector.

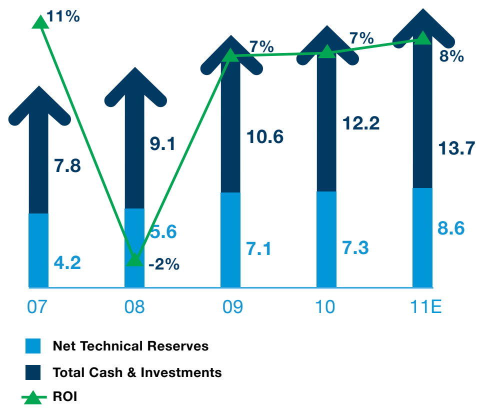
GIC's stake in AMIG is 94.85%
Tel: +202 4517620
Website: www.amig.com.eg

KD Million









Company's KPIs	2007	2008	2009	2010	2011E
Profitability Ratio	-4.6%	5.7%	4.9%	4.8%	9.1%
U/W leverage	151.0%	167.2%	165.2%	122.4%	105.5%
Liquidity ratio	90.90%	67.20%	56.70%	52.40	54.90%

Subsidiaries
2010

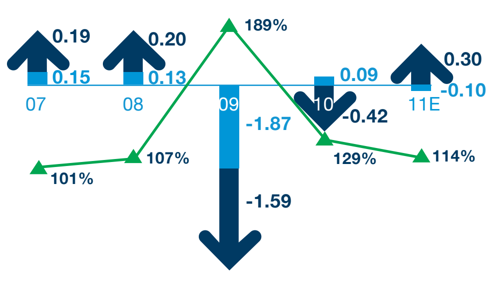
Syrian Kuwaiti Insurance Company

الشـركة السورية الكويتية للتأمين

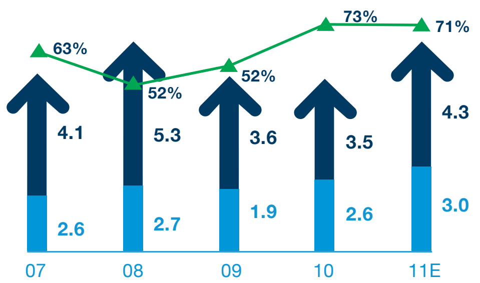
2006 Syrian Kuwaiti Insurance Company (SKIC) was established as a Syrian joint stock company; following the Ministerial decree number 13.
SKIC received its operating license number 44/100 from the Syrian Insurance Supervisory Commission On October 10, 2006, and it started officially its operations.
The company's authorized and fully paid up capital amounts to SYP 850 Million.
SKIC rely on the deep-rooted experience of its main founder and shareholder, the Gulf Insurance Company (GIC) which current stake stands at 53.79% of total capital.
Currently the number of full time employees stands at 111.
SKIC is considered as a major player in the Syrian market, the company is ranked 5th among the thirteen insurance companies operating in Syria.

GIC's stake in SKIC is 53.78%
Tel: +963 11 9276
Website: www.skicins.com

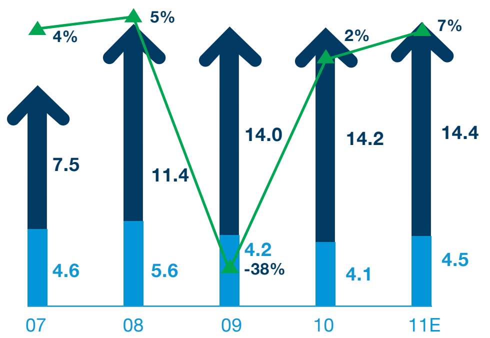
KD Million



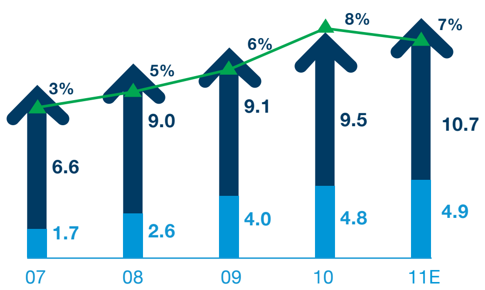
Net underwriting surplus/Deficit
Net Profit/Loss
Net Combined Ratio



Gross Written Premiums
Net Written Premiums
Company Retention



Total Equity
Total Assets
ROE



Net Technical Reserves
Total Cash & Investments
ROI

Company's KPIs	2007	2008	2009	2010	2011E
Profitability Ratio	3.6%	2.5%	-51.6%	-11.8%	-4.5%
U/W leverage	55.7%	48.8%	45.5%	62.1%	67.3%
Liquidity ratio	387.20%	339.90%	222.20%	196.40%	191.60%

Subsidiaries
2010

شركة فجر الخليج للتأمين و إعادة التأمين

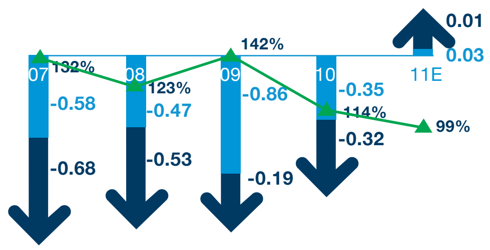
Fajr Al Gulf Insurance & Reinsurance Co.

Khalid Saoud Al Hassan
Chairman

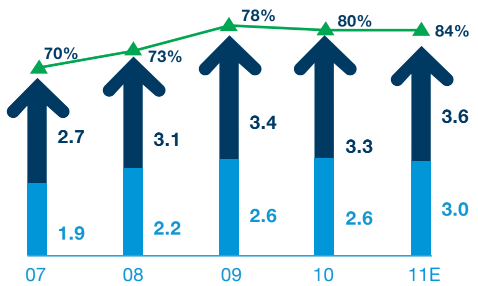
1991 AL fajr insurance & reinsurance company (FAG) was established as a Lebanese shareholding company by a group of internationally known businessmen, and since then has enjoyed remarkable growth and success in specialist areas of Insurance & Reinsurance.
On August 18th 2003 we officially merged efforts with International Trust Insurance Co (member of Gulf Insurance- Kuwait), and are now operating under the new name of Fajr Al-Gulf Insurance and Reinsurance Co. with an increased capital of LL 7 billion.
The merger brought Gulf Insurance Co KSC-Kuwait as major partner to the new enlarged company (54.70%) share.
The company practices all lines of business through 7 branches in Lebanon. The Company employs around 58 people in its various operations, and has an extensive network of consultants.

GIC's stake in FAG is 54.70%
Tel: +9611 817222
Website: www.fajralgulf.com

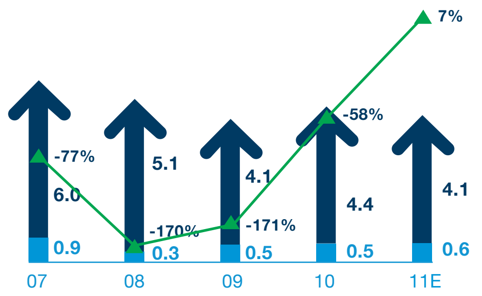
KD Million



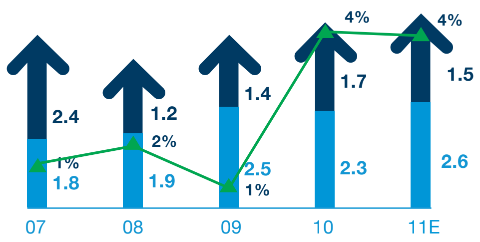
Net underwriting surplus/Deficit
Net Profit/Loss
Net Combined Ratio



Gross Written Premiums
Net Written Premiums
Company Retention



Total Equity
Total Assets
ROE



Net Technical Reserves
Total Cash & Investments
ROI

Company's KPIs	2007	2008	2009	2010	2011E
Profitability Ratio	-21.2%	-15.2%	-25.6%	-10.5%	1.0%
U/W leverage	214.1%	721.6%	493.9%	479.8	539.0%
Liquidity ratio	114.70%	20.10%	53.70%	38.40	36.60%

Subsidiaries

2010

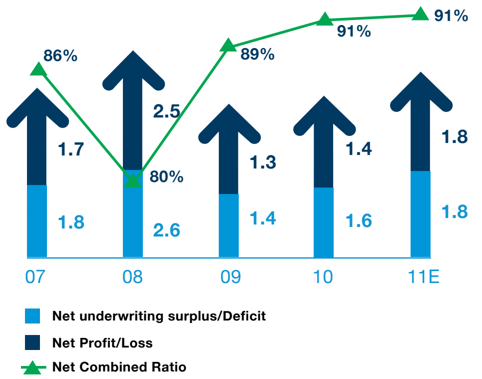
الخليج لتأمينات الحياة
GULF LIFE INSURANCE

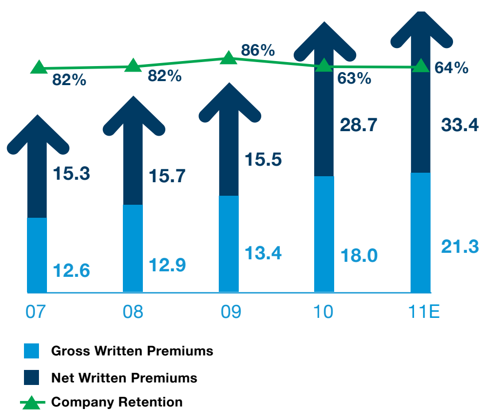
Tareq Al Sahhaf
Chairman

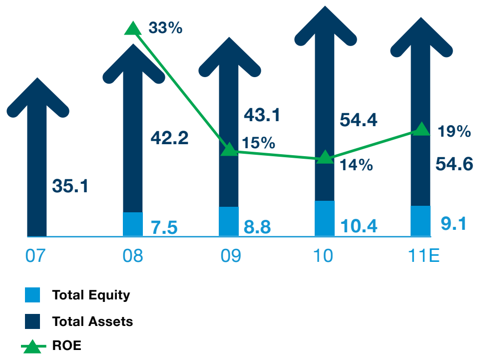
Till the year 2007, Life department was operating as one division of GIC, but in 2008 Gulf Life Insurance Company (GLIC) was established as a subsidiary of Gulf Insurance Company (GIC) in line with the global practice of separating life insurance business from other general insurance businesses, with paid-up capital of KD 5 million, GLIC offers life and health insurance solutions to individual customers and corporate entities. Company's headcount are 79 employees.
The company ranked as the market Leader in terms of gross written premiums.

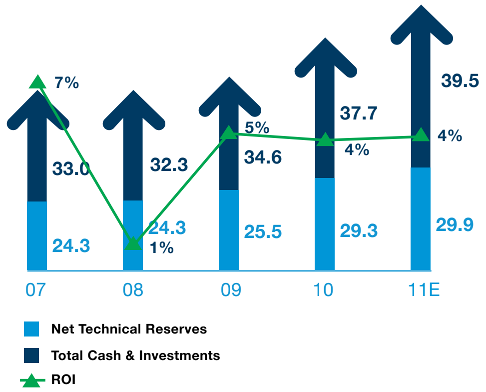
GIC's stake in GLIC is 99.80%
Tel: +965 22961777
Website: www.gulfins.com.kw

KD Million









Company's KPIs	2008	2009	2010	2011E
Profitability Ratio	16.0%	9.0%	5.5%	5.4%
U/W leverage	172.3%	152.6%	173.4%	233.9%
Liquidity ratio	71.20%	47.60%	41.80%	62.30%

Subsidiaries

2010

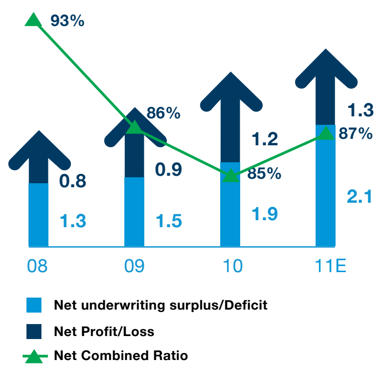
شركة الشرق العربي للتأمين
Arab Orient Insurance Company
Global Knowledge .. Local Approach معرفة عالمية بمنظور محلي

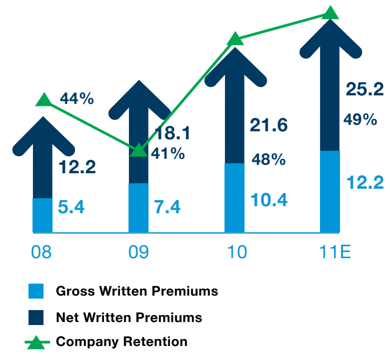
Isam Abdel Khaliq
Chief Executive Officer
Board Secretary

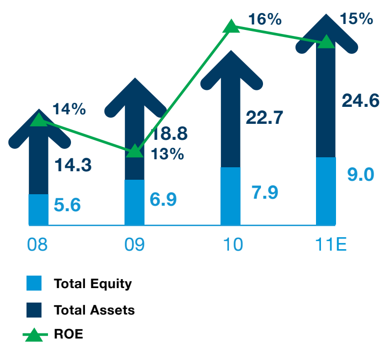
1996 Arab Orient Insurance Company was established and licensed to write general insurance business. Its earned reputation of speedy settlement of legitimate claims and its strong market positioning coupled with excellent reinsurance security placed the company in a unique that enabled it to earn upgraded rating as B++ (Good) from A.M. Best in 2010.
The paid up capital is Jordanian Dinars 15 million and the company's shareholders are both local and regional investors.
AOIC employees are about 209.
The company ranked as the Jordanian market Leader in terms of gross written premiums.

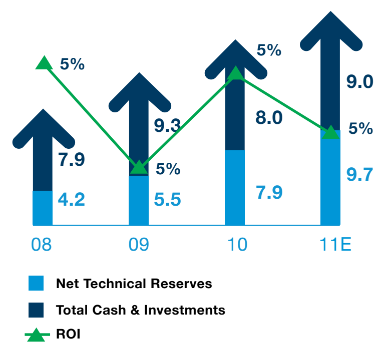
GIC's stake in AOIC is 88.67%
Tel: +962 6 5654550
Website: www.araborient.com

KD Million









Company's KPIs	2008	2009	2010	2011E
Profitability Ratio	10.7%	8.2%	8.7%	8.2%
U/W leverage	95.3%	107.8%	130.6%	135.6%
Liquidity ratio	171.10%	146.70%	87.20%	75.40%

Egyptian Takaful

المصرية للتأمين التكافلي

Egyptian Takaful - Life was formed in 2007 as Egyptian Joint Stock Company. The establishment of ETL was the steppingstone to create a viable Life Takaful industry in Egyptian Life Insurance Market.

The Authorized Capital:	L.E 500 Million.
The issued capital:	L.E. 100 Million.
The Paid up Capital:	L.E 60 Million.

The purpose of the Company is to transact Takaful operations and all related activities, aiming to meet individual and corporate needs.

GIC acquired the majority stake of the company in 2011 with direct & indirect stake of 59.5%.

Based on company's strategy, which renders customer service and customer satisfaction as a major goal, the Company is keen to make all of its services conveniently available to clients.

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Al Aiban, Al Osaimi & Partners
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Ahmed Al Jaber Street

Tel : 2245 2880 / 2295 5000
Fax: 2245 6419
Email: kuwait@kw.ey.com

BAKER TILLY
KUWAIT
Dr. Saud Al-humaidi & Partners
Public Accountants
P.O.Box 1486 Safat,13015 Kuwait
Sharq Area, Omar Bin Khattab Street
Shawafat Bldg, Block No. 5, 1st Floor
Tel : +965 1 82 82 83
Fax : +965 22 46 12 25
Email: info@bakertillykuwait.com
www.bakertillykuwait.com

Auditors' Report to the Shareholders

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE COMPANY - K.S.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Insurance Company – K.S.C. (the parent company) and its subsidiaries (together "the group"), which comprise the consolidated statement of financial position as at 31 December 2010 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management of the parent company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2010 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-HUMAIDI
LICENSE NO. 51 A
DR. SAUD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

14 February 2011
Kuwait

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

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2010

	Notes	2010 KD	2009 KD
REVENUE:			
Premiums written		**119,774,544**	97,218,702
Reinsurance premiums ceded		**(60,300,594)**	(44,958,411)
Net premiums written		**59,473,950**	52,260,291
Movement in unearned premiums		**(5,561,859)**	(754,857)
Net premiums earned		**53,912,091**	51,505,434
Commission received on ceded reinsurance		**9,425,352**	7,898,866
Policy issuance fees		**2,726,729**	2,279,773
Net investment income from life insurance	3	**1,691,038**	1,585,568
TOTAL REVENUE		**67,755,210**	63,269,641
EXPENSES:			
Claims incurred		**38,531,379**	35,917,626
Commission and discounts		**7,981,990**	7,089,369
Increase in additional reserve		**360,967**	110,101
Movement in life mathematical reserve		**(1,186,548)**	2,158,868
Maturity and cancellations of life insurance policies		**1,139,305**	702,340
General and administrative expenses		**12,392,346**	12,135,091
TOTAL EXPENSES		**59,219,439**	58,113,395
NET UNDERWRITING RESULT	21	**8,535,771**	5,156,246
Net investment income	3	**4,032,843**	3,771,664
Unallocated general and administrative expenses		**(2,747,040)**	(2,679,371)
Other income		**149,534**	122,792
		1,435,337	1,215,085
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES		**9,971,108**	6,371,331
Contribution to KFAS		**(80,435)**	(53,406)
National Labour Support tax		**(213,051)**	(113,670)
Zakat tax		**(79,768)**	(51,720)
Directors' fees	31	**(80,000)**	(80,000)
PROFIT FOR THE YEAR		**9,517,854**	6,072,535
Attributable to:			
Equity holders of the parent company		**7,692,395**	5,049,396
Non-controlling interest		**1,825,459**	1,023,139
		9,517,854	6,072,535
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**46.2 fils**	30.6 fils

The attached notes 1 to 33 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2010

	Notes	2010 KD	2009 KD
Profit for the year		**9,517,854**	6,072,535
Other comprehensive income			
Net unrealised gain (loss) on investments available for sale	8	**3,817,534**	(7,766,257)
Net realised gain transferred to income statement on disposal of investments available for sale	8	**(135,250)**	(1,903,326)
Reversal due to impairment loss on investments available for sale	8	**323,420**	2,118,527
Exchange differences on translation of foreign operations		**(819,970)**	285,182
Other comprehensive income (loss) for the year included directly in equity		**3,185,734**	(7,265,874)
Total comprehensive income (loss) for the year		**12,703,588**	(1,193,339)
ATTRIBUTABLE TO:			
Equity holders of the parent company		**10,878,129**	(2,216,478)
Non-controlling interests		**1,825,459**	1,023,139
		12,703,588	(1,193,339)

The attached notes 1 to 33 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	2010 KD	2009 KD
ASSETS			
Property and equipment	5	**7,353,257**	5,528,429
Investment in an associate	6	**3,196,778**	2,272,257
Goodwill	7	**8,304,567**	8,307,165
Financial instruments:			
Investments held to maturity		**11,265,318**	9,072,468
Debt securities (loans)		**9,013,959**	8,793,912
Investments available for sale	8	**50,056,948**	40,899,210
Investments carried at fair value through income statement	9	**19,780,806**	15,959,421
Loans secured by life insurance policies		**911,311**	861,720
Premiums and insurance balances receivable	10	**39,994,795**	37,241,776
Reinsurance recoverable on outstanding claims	11	**39,993,142**	38,052,922
Property held for sale		**222,811**	175,971
Other assets	12	**9,450,760**	10,352,937
Time deposits	13	**33,609,525**	-
Cash and cash equivalents	14	**27,212,735**	76,872,500
TOTAL ASSETS		**260,366,712**	254,390,688
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities arising from insurance contracts:	11		
Outstanding claims reserve (gross)		**71,515,959**	67,208,293
Unearned premiums reserve (net)		**22,698,314**	18,632,455
Life mathematical reserve (net)		**17,280,733**	18,469,033
Additional reserve (net)		**3,878,920**	3,557,646
Total liabilities arising from insurance contracts		**115,373,926**	107,867,427
Bank overdrafts	14	**14,961,726**	17,018,988
Premiums received in advance		**1,241,204**	1,265,325
Insurance payable	15	**33,140,724**	36,078,666
Other liabilities	16	**13,070,561**	10,717,795
TOTAL LIABILITIES		**177,788,141**	172,948,201
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT			
Share capital	17	**16,965,000**	16,965,000
Share premium		**3,600,000**	3,600,000
Treasury shares	18	**-**	(1,757,348)
Treasury shares reserve		**2,051,215**	1,493,072
Statutory reserve	19	**13,038,433**	12,223,868
Voluntary reserve	20	**16,991,846**	16,177,281
Other reserve		**(3,010,734)**	-
Cumulative changes in fair value		**4,624,626**	618,922
Foreign currency translation adjustments		**(965,304)**	(145,334)
Retained earnings		**16,984,803**	17,535,787
		70,279,885	66,711,248
Non-controlling interests		**12,298,686**	14,731,239
Total equity		**82,578,571**	81,442,487
TOTAL LIABILITIES AND EQUITY		**260,366,712**	254,390,688

Farqad A. Al-Sane
Chairman

The attached notes 1 to 33 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2010

	Attributable to equity holders of the parent company													
	Share capital KD	*Share premium KD*	*Treasury share KD*	*Treasury share reserve KD*	*Employees share option reserve KD*	*Statutory reserve KD*	*Voluntary Reserve KD*	*Other reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation adjustments KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interest KD*	*Total equity KD*
Balance at 1 January 2010	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 year	-	-	-	-	-	-	-	-	-	-	7,692,395	7,692,395	1,825,459	9,517,854
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	4,005,704	(819,970)	-	3,185,734	-	3,185,734
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	4,005,704	(819,970)	7,692,395	10,878,129	1,825,459	12,703,588
Dividend for 2009 (Note 31)	-	-	-	-	-	-	-	-	-	-	(6,614,249)	(6,614,249)	-	(6,614,249)
Cost of share based payment	-	-	-	-	43,423	-	-	-	-	-	-	43,423	-	43,423
Purchase of treasury shares	-	-	(231,000)	-	-	-	-	-	-	-	-	(231,000)	-	(231,000)
Sale of treasury share (Note 18)	-	-	1,988,348	558,143	(43,423)	-	-	-	-	-	-	2,503,068	-	2,503,068
Change in ownership of subsidiaries (Note 28)	-	-	-	-	-	-	-	(3,010,734)	-	-	-	(3,010,734)	(3,653,365)	(6,664,099)
Transfer to reserves	-	-	-	-	-	814,565	814,565	-	-	-	(1,629,130)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(604,647)	(604,647)
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
Balance at 1 January 2009	16,965,000	3,600,000	(2,045,871)	1,578,309	-	11,689,049	15,642,462	-	8,169,978	(430,516)	21,808,153	76,976,564	12,439,546	89,416,110
Profit for the year	-	-	-	-	-	-	-	-	-	-	5,049,396	5,049,396	1,023,139	6,072,535
Other comprehensive (loss)/ income	-	-	-	-	-	-	-	-	(7,551,056)	285,182	-	(7,265,874)	-	(7,265,874)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	-	-	(7,551,056)	285,182	5,049,396	(2,216,478)	1,023,139	(1,193,339)
Dividend for 2008 (Note 31)	-	-	-	-	-	-	-	-	-	-	(8,252,124)	(8,252,124)	-	(8,252,124)
Cost of share based payment	-	-	-	-	43,053	-	-	-	-	-	-	43,053	-	43,053
Purchase of treasury shares	-	-	(53,700)	-	-	-	-	-	-	-	-	(53,700)	-	(53,700)
Sale of treasury share (Note 18)	-	-	342,223	(85,237)	(43,053)	-	-	-	-	-	-	213,933	-	213,933
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	1,268,554	1,268,554
Transfer to reserve	-	-	-	-	-	534,819	534,819	-	-	-	(1,069,638)	-	-	-
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

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
At 31 December 2010

	Notes	2010 KD	2009 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**9,971,108**	6,371,331
Adjustments for:			
Depreciation	5	**587,013**	723,970
Net investment income	3	**(6,047,301)**	(7,476,759)
Impairment of investment	3	**323,420**	2,118,527
Gain on sale of associates	3	**-**	(100,000)
		4,834,240	1,637,069
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		**(2,330,229)**	419,386
Premiums and insurance balances receivable		**(2,753,019)**	(9,399,742)
Reinsurance recoverable on outstanding claims		**(1,940,221)**	(821,720)
Property held for sale		**(46,840)**	52,961
Other assets		**902,178**	(1,426,851)
Liabilities arising from insurance contracts		**7,506,500**	12,609,431
Premiums received in advance		**(24,122)**	(5,054,288)
Insurance payable		**(2,937,942)**	5,308,150
Other liabilities		**2,352,766**	(705,384)
Cash from operations		**5,563,311**	2,619,012
Paid to KFAS		**(53,406)**	(37,413)
Paid to NLST		**(113,670)**	(46,926)
Paid to Zakat		**(51,720)**	(18,771)
Paid to directors		**(80,000)**	(80,000)
Net cash from operating activities		**5,264,515**	2,435,902
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(2,681,632)**	(680,171)
Proceeds from sale of property and equipment		**176,273**	1,045,393
Net movement on investments available for sale		**(4,666,547)**	22,160,784
Purchase of investment in an associate	6	**(924,521)**	(199,602)
Proceeds from sale of associate	6	**-**	3,398,155
Purchase of investment held to maturity		**(220,047)**	(2,752,008)
Increase in debt securities (loans)		**(2,192,850)**	(5,493,912)
Increase in loans secured by life insurance policies		**(49,591)**	(129,760)
Time deposits		**(33,609,525)**	-
Acquisition of additional interest in subsidiaries	28	**(6,664,099)**	(4,651,396)
Interest received		**1,733,158**	262,237
Dividends received		**1,374,411**	2,928,579
Other investment income received		**174,750**	50,090
Net cash (used in) from investing activities		**(47,550,220)**	15,938,389
FINANCING ACTIVITIES			
Dividends paid		**(6,164,249)**	(8,140,786)
Net movement of treasury shares		**2,272,068**	156,063
Dividends paid to non-controlling interest		**(604,647)**	-
Net cash used in financing activities		**(4,496,828)**	(7,984,723)
Foreign currency translation adjustments		**(819,970)**	285,182
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(47,602,503)**	10,674,750
Cash and cash equivalents at beginning of the year		**59,853,512**	49,178,762
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**12,251,009**	59,853,512

The attached notes 1 to 33 form part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2010

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Company – K.S.C (the "parent company") and Subsidiaries (the "Group") for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 14 February 2011. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

The parent company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. 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.

During the year, Kuwait Projects Company Holding K.S.C. (previously "ultimate parent company") sold 66,502,800 shares of the Parent Company to Fairfax Financial Holding Limited. Accordingly, the Parent Company is 43.87% (31 December 2009: 68.85%) owned by Kuwait Projects Company Holding K.S.C and 41.26% by Fairfax Financial Holding Limited as at 31 December 2010.

The address of the Company's registered office is at Ahmed Al Jaber Street, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 1,036 employees for the year ended 31 December 2010 (2009: 988 employees).

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost convention modified to include the measurement at fair value of investments carried at fair value through income statement and investments available for sale.

The consolidated financial statements have been presented in Kuwaiti Dinars.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Ministerial Order No. 18 of 1990.

BASIS OF CONSOLIDATION

Basis of consolidation from 1 January 2010:

The consolidated financial statements include the financial statements of the Parent Company for the year ended 31 December 2010 and its subsidiaries (Note 27). Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends, are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in foreign exchange translation reserve
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010:

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Basis of consolidation (continued)

2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective as of 1 January 2010:

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements. (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009

The principal effects of these changes are as follows:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively. Accordingly other reserve has been created to record the effect of changes in ownership interest in existing subsidiaries.

Adoption of the other revised standards and interpretations did not have any material effect on the financial performance or position of the Group.

Listed below are standards and interpretations that have been issued, but have no significant impact on the consolidated financial statements of the group.

IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised)
In July 2009, the IASB issued Additional Exemptions for First-time Adopters (Amendments to IFRS 1). The Group is not a first time IFRS adopter and therefore amendments to IFRS 1 have no impact on the consolidated financial statements.

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment has no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Standards Issued but not yet effective (continued)

for government-related entities. The Group does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
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. This amendment will have no impact on the Group after initial application.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in 2011. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. However, the Group determined that the effect shall be quantified in conjunction with the other phases when issued to present a comprehensive picture.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group however, expects no impact from the adoption of the amendments on its financial position or performance.

The significant accounting policies adopted are set out below:

Revenue recognition

Premiums earned
Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the consolidated income statement in order that revenue is recognised over the period of risk.

Commissions earned and paid
Commissions earned and paid are recognised at the time of recognition of the related premiums.

Interest income
Interest income is recognised using the effective interest rate method.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Rental income
Rental income is recognised on a straight line basis over the term of the lease.

Realised gains and losses
Realised gains and losses include gain and loss on financial assets and are calculated as the difference between net sales proceeds and the carrying value, and are recorded on occurrence of the sale transactions.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to consolidated income statement as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the reporting date.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account of that year.

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Standards Issued but not yet effective (continued)
Policy acquisition costs (continued)

incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs (DAC) are subsequently amortised over the term of the insurance contracts to which they relate as premiums are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the consolidated income statement. DAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are settled or disposed of.

Segment reporting
A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Liability adequacy test
At each reporting date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in the consolidated income statement and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Reinsurance contracts held
In order to minimise financial exposure from large claims the Group enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurers' share of outstanding claims" in the statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to "receivables arising from insurance and reinsurance contracts".

Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Business combination

Business combinations from 1 January 2010
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non- controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Business combination (continued)

to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained

Business combinations prior to 1 January 2010
In comparison to the above-mentioned requirements, the following differences applied:
Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Product classification
Insurance contracts
Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts
Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of property and equipment as follows:

Building	20–50 Years
Furniture and fixtures	1-2 Years
Motor vehicles	1-4 Years
Leasehold improvements	Up to 7 Years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Investments in an associate
The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition charges in the Group's share of net assets of the associate, less any

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Investments in an associate (continued)

impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated income statement reflects the share of the results of operations of the associate. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the income statement.

Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Investments and other financial assets
Financial assets within the scope of IAS 39 are classified as either investments carried at fair value through income statement, loans or receivables, investments available for sale and investments held to maturity, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

All regular way purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Investments carried at fair value through income statement
Financial assets at fair value through income statement, include financial assets held for trading and those designated at fair value through income statement at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through income statement, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a Group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated income statement.

Investments held to maturity
Investments held to maturity are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Debt securities (loan)
Debt securities (loan) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest rate method. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Investments available for sale
After initial recognition investments available for sale are measured at fair value with gains and losses being recognised as other comprehensive income within cumulative changes in fair value in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain and loss previously reported in

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Investments and other financial assets (continued)
Investments available for sale (Continued)

equity is recognised in the consolidated income statement. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

Receivables
Accounts receivable are stated at their face value less impairment losses or provision for doubtful accounts.

Cash and cash equivalents
Cash includes cash on hand and at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of placement and that are subject to an insignificant risk of change in value. Cash and cash equivalents in the consolidated statement of cash flows are presented net of bank overdrafts.

Impairment and uncollectability of financial assets
An assessment is made at each financial position date to determine whether there is objective evidence that a financial asset, or Group of financial assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognised as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value;
(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Reversal, of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased. The reversal of impairment losses are recognised in the consolidated statement of income except for available for sale equity investments which are recognised in the cumulative changes in fair value.

De-recognition of financial assets and liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

a) The rights to receive cash flows from the asset have expired;
b) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
c) The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
Financial liabilities, insurance, reinsurance payable and other payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

When the existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Outstanding claims reserve
Outstanding claims comprise the estimated cost of claims incurred and reported but not settled at the reporting date. Provisions for reported claims not paid as at the reporting date are made on the basis of individual case estimates.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

Unearned premium reserve
The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

Gulf Insurance Company - K.S.C. and Subsidiaries
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At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Life mathematical reserve
The reserve for the life business at the reporting date represents the mathematical liability of policies in force at that date as determined by the Group's actuaries.

Payables
Payable are stated at their cost. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the financial position date.

Treasury shares
Treasury shares consist of the parent company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (Treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Employees' share option reserve
Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

Equity-settled transactions
The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the parent company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the consolidated income statement.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

The dilutive effect of the outstanding options is reflected as additional share dilution in the computation of the earnings per share (see note 4).

Foreign currencies
Foreign currency transactions are recorded in Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to Kuwaiti Dinars at rates of exchange prevailing on that date. Exchange differences are reported as part of the results for the year. Assets and liabilities, both monetary and non-monetary including goodwill of foreign subsidiaries are translated at the exchange rates prevailing at the reporting date. Operating results of such subsidiaries are translated at average rates of exchange for the subsidiary's period of operations. The resulting exchange differences are accumulated in a foreign currency translation adjustments amount in equity until the disposal of the subsidiary. Any goodwill or fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign entity are recorded using the exchange rate at the effective date of the transaction.

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

Non-life insurance contract liabilities
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Life insurance contract liabilities (Life mathematical reserve)
The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Reinsurance
The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Judgement
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of investments
Management decides on acquisition of an investment whether it should be classified as available for sale or investments carried at fair value through statement of income or held to maturity investments. The Group classifies investments as carried at fair value through income statement if the fair value can be reliably determined. The Group classifies investment as "held to maturity" if they meet the relevant criteria for each classification. All other investments are classified as available for sale.

Impairment of investments
The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Goodwill impairment testing
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which goodwill is allocated.

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3 NET INVESTMENT INCOME

Net investment income for **life insurance** analysed by category for the year, is as follows:

	Investments held for trading KD	*Investments available for sale KD*	*Debt securities (loans) KD*	*Time and call deposits KD*	**2010 Total KD**	*2009 Total KD*
Realised gain	284,362	269,771	-	-	**554,133**	317,451
Unrealised gain (loss)	85,600	-	-	-	**85,600**	(25,826)
Dividends income	179,663	104,298	-	-	**283,961**	167,980
Interest income	-	-	415,814	360,693	**776,507**	1,132,109
Total investment income	549,625	374,069	415,814	360,693	**1,700,201**	1,591,714
Financial charges and other expenses	(3,172)	(5,991)	-	-	**(9,163)**	(6,146)
Total investment expense	(3,172)	(5,991)	-	-	**(9,163)**	(6,146)
Net investment income	546,453	368,078	415,814	360,693	**1,691,038**	1,585,568

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3 NET INVESTMENT INCOME (continued)

Net investment income for **non-life**, analysed by category for the year, is as follows:

	Investments held for trading KD	*Designated investments at fair value through income statement KD*	*Investments available for sale KD*	*Debt securities (loan) KD*	*Investment held to maturity KD*	*Property held for sale KD*	*Time and call deposits KD*	**2010 Total KD**	*2009 Total KD*
Realised gain	29,163	10,312	677,114	-	-	-	-	**716,589**	2,449,729
Unrealised gain (loss)	154,558	782,177	-	-	-	-	-	**936,735**	(278,277)
Dividends income	9,573	-	1,197,465	-	-	-	-	**1,207,038**	2,678,120
Interest income	-	-	7,082	133,455	767,952	-	1,781,197	**2,689,686**	2,303,142
Gain on financial assets	193,294	792,489	1,881,661	133,455	767,952	-	1,781,197	**5,550,048**	7,152,714
Gain on sale of associate	-	-	-	-	-	-	-	**-**	100,000
Rental income	-	-	-	-	-	92,534	-	**92,534**	34,768
Other investment income	89,759	-	77,204	17,744	-	-	-	**184,707**	97,683
Total Investment income	283,053	792,489	1,958,865	151,199	767,952	92,534	1,781,197	**5,827,289**	7,385,165
Financial charges	(4,194)	-	(605,611)	-	(9,459)	-	-	**(619,264)**	(1,276,604)
Impairment loss	-	-	(323,420)	-	-	-	-	**(323,420)**	(2,118,527)
Other investment expenses	(126,645)	-	(655,922)	-	(44,345)	-	(24,850)	**(851,762)**	(218,370)
Total Investment expense	(130,839)	-	(1,584,953)	-	(53,804)	-	(24,850)	**(1,794,446)**	(3,613,501)
Net investment income	152,214	792,489	373,912	151,199	714,148	92,534	1,756,347	**4,032,843**	3,771,664

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 year attributable to equity holders of the parent company by the weighted average number of shares less weighted average number of treasury shares outstanding during the year. Diluted earnings per share are calculated by dividing profit for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares, less weighted average number of treasury shares, outstanding during the year 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.

There are no dilutive potential ordinary shares. The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2010 KD	*2009 KD*
Profit for the year attributable to equity holders of the parent company	**7,692,395**	5,049,396
	Shares	Shares
Number of shares outstanding at the beginning of the year	**169,650,000**	169,650,000
Weighted average number of treasury shares	**(3,014,611)**	(4,903,349)
Weighted average number of shares outstanding during the year	**166,635,389**	164,746,651
Basic and diluted earnings per share	**46.2 Fils**	30.6 Fils

5 PROPERTY AND EQUIPMENT

	Land KD	*Buildings KD*	*Leasehold improvements KD*	*Computer KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Total KD*
Cost:							
At 1 January 2010	2,215,600	5,081,006	708,053	3,448,643	2,481,856	516,513	14,451,671
Additions	635,786	1,473,299	65,558	288,467	152,562	65,960	2,681,632
Disposals	-	(56,302)	(25,324)	(101,971)	(39,440)	(119,687)	(342,724)
Foreign currency translation differences	(4,649)	(89,546)	(8,295)	(49,469)	(36,667)	(13,797)	(202,423)
At 31 December 2010	**2,846,737**	**6,408,457**	**739,992**	**3,585,670**	**2,558,311**	**448,989**	**16,588,156**
Accumulated Depreciation:							
At 1 January 2010	-	3,079,091	512,835	3,023,807	2,038,725	268,784	8,923,242
Charge for the year	-	78,175	73,567	226,617	135,968	72,686	587,013
On disposals	-	(10,987)	(12,710)	(69,585)	(14,822)	(69,334)	(177,438)
Foreign currency translation differences	-	(19,251)	(5,707)	(38,746)	(28,352)	(5,862)	(97,918)
At 31 December 2010	**-**	**3,127,028**	**567,985**	**3,142,093**	**2,131,519**	**266,274**	**9,234,899**
Net carrying amount:							
At 31 December 2010	**2,846,737**	**3,281,429**	**172,007**	**443,577**	**426,792**	**182,715**	**7,353,257**
At 31 December 2009	2,215,600	2,001,915	195,218	424,836	443,131	247,729	5,528,429

5 PROPERTY AND EQUIPMENT (continued)

	Land KD	Buildings KD	Leasehold improvements KD	Computer KD	Furniture and fixtures KD	Motor vehicles KD	Total KD
Cost:							
At 1 January 2009	3,139,944	5,023,955	646,570	3,042,475	2,298,896	381,619	14,533,459
Arising on acquisition of a subsidiary	-	-	5,308	127,125	160,433	93,969	386,835
Additions	-	172,731	50,879	237,331	141,883	77,347	680,171
Disposals	(952,347)	(9,695)	(5,051)	(13,843)	(155,466)	(46,711)	(1,183,113)
Foreign currency translation differences	28,003	(105,985)	10,347	55,555	36,110	10,289	34,319
At 31 December 2009	2,215,600	5,081,006	708,053	3,448,643	2,481,856	516,513	14,451,671
Accumulated Depreciation:							
At 1 January 2009	-	2,853,215	428,249	2,669,513	1,899,082	224,881	8,074,940
Arising on acquisition of a subsidiary	-	-	984	54,532	57,850	19,008	132,374
Charge for the year	-	183,948	76,992	263,100	139,045	60,887	723,972
On disposals	-	(3,414)	(1,095)	(6,409)	(85,664)	(41,137)	(137,719)
Foreign currency translation differences	-	45,342	7,705	43,071	28,412	5,145	129,675
At 31 December 2009	-	3,079,091	512,835	3,023,807	2,038,725	268,784	8,923,242
Net carrying amount:							
At 31 December 2009	2,215,600	2,001,915	195,218	424,836	443,131	247,729	5,528,429
At 31 December 2008	3,139,944	2,170,740	218,321	372,962	399,814	156,738	6,458,519

The parent company's building with a carrying value of KD 1,260,000 is mortgaged in favour of the Minister of Commerce and Industry. Of this amount, KD 600,000 is in accordance with Article No. 7 of the Insurance Companies and Agents By-law No. 24 of 1961 (related to Life Insurance Business), and the balance, in compliance with Article 3 of the Ministerial Decree No. 30 of 1975 (2009: KD 1,260,000).

6 INVESTMENTS IN ASSOCIATED

The Group has the following investments in associates:

	Country of incorporation	Percentage of ownership 2010	2009	Principal Activity
Al-Brouj Co-Operative Insurance Co.	KSA	**27.3%**	24.5%	Insurance activities

Al-Brouj Co-Operative Insurance Co. is newly incorporated and it does not have any significant operations. Accordingly, no share of results has been recognised. During the year, the parent company acquired additional equity interest for total consideration of KD 924,521. Accordingly, the equity interest increased from 24.5% to 27.3% at 31 December 2010 and no material goodwill arises from the additional acquisition.

During 2009, the parent company sold all the shares in the associated company "United Real Estate Company (Jordan) J.S.C. to a related party for total amount of KD 3,398,155 resulting in a gain of KD 100,000.

Carrying amount of investment in associates

	2010 KD	*2009 KD*
At 1 January	**2,272,257**	5,370,810
Additions	**924,521**	199,602
Disposals	**-**	(3,298,155)
At 31 December	**3,196,778**	2,272,257

7 GOODWILL

Movement on goodwill during the year is as follows:	**2010 KD**	*2009 KD*
At the beginning of the year	**8,307,165**	2,934,275
Acquisition of a subsidiary	**-**	5,292,099
Arising from consolidation	**-**	80,791
Foreign currency translation adjustment	**(2,598)**	-
At the end of the year	**8,304,567**	8,307,165

8 INVESTMENTS AVAILABLE FOR SALE

	2010 KD	2009 KD
Quoted equity securities	16,352,165	15,285,067
Unquoted equity securities	23,180,573	19,154,998
Unquoted managed funds	10,524,210	6,459,145
	50,056,948	40,899,210

At 31 December 2010, unquoted equity securities amounting to KD 12,906,279 (2009: KD 19,154,998) are carried at acquisition cost out of which KD 5,498,002 (2009: 16,867,713) has been recently acquired, as the management believes that their acquisition price approximates the fair value. The remaining unquoted equity securities amounting to KD 7,408,277 (2009: KD 2,287,285) are carried at cost as the 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. Based on the latest financial information available in respect of these investments and their operations, management is of the view that the value of these investments is not impaired.

Impairment on investments available for sale

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

Based on these criteria, impairment loss of KD 323,420 (2009: 2,118,527) has been recorded against the quoted securities on which there has been a significant or prolonged decline in fair value.

Movements in cumulative changes in fair values arising from available for sale investments are as follows:

	2010 KD	2009 KD
Net unrealised gain (loss)	3,817,534	(7,766,257)
Net realised gain transferred to the income statement on disposal	(135,250)	(1,903,326)
Impairment	323,420	2,118,527
	4,005,704	(7,551,056)

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2010 KD	2009 KD
Held for Trading:		
Quoted securities	3,263,754	7,798,791
Designated upon initial recognition:		
Managed funds of quoted securities	16,517,052	8,160,630
	19,780,806	15,959,421

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2010 KD	2009 KD
Policyholders accounts receivable		
Premiums receivable	38,142,671	32,417,407
Insured debts receivable	621,097	1,611,082
	38,763,768	34,028,489
Provision for doubtful debts	(4,644,287)	(4,703,480)
Net policyholders accounts receivable	34,119,481	29,325,009

	2010 KD	2009 KD
Insurance and reinsurers accounts receivable		
Reinsurers receivable	6,789,927	8,796,257
Provision for doubtful debts	(914,613)	(879,490)
Net insurance and reinsurers accounts receivable	5,875,314	7,916,767
Total premiums and insurance balances receivable	39,994,795	37,241,776

The Group's terms of business require amounts to be paid within the underwriting year and as such these receivables are remeasured at cost. Arrangements with the reinsurance companies normally require settlement on a quarterly basis.

Movements in the allowance for impairment of policyholders' accounts receivables were as follows:

	2010 KD	2009 KD
At 1 January	4,703,480	3,051,970
Charge for the year	242,070	1,688,543
Amounts written off	(301,263)	(37,033)
At 31 December	4,644,287	4,703,480

Movements in the allowance for insurance and reinsurance accounts receivable were as follows:

	2010 KD	2009 KD
At 1 January	879,490	867,244
Charge for the year	35,123	12,246
At 31 December	914,613	879,490

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11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2010	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	6,975,889	21,387,507	10,869,823	5,586,109	8,844,715	10,439,264	3,104,986	67,208,293
Reinsurance recoverable on outstanding claims	(6,277,955)	(5,282,335)	(10,407,396)	(5,031,399)	(4,337,707)	(5,021,417)	(1,694,713)	(38,052,922)
Net balance at beginning of the year	697,934	16,105,172	462,427	554,710	4,507,008	5,417,847	1,410,273	29,155,371
Foreign currency translation difference	(160,102)	(917,896)	(60,688)	(26,596)	(284,471)	123,675	(11,375)	(1,337,453)
Incurred during the year – net	176,457	17,673,316	1,329,983	466,442	702,160	6,546,050	11,636,971	38,531,379
Paid during the year – net	(265,746)	(16,833,416)	(427,691)	(421,676)	(875,731)	(6,259,102)	(9,743,118)	(34,826,480)
NET BALANCE AT END OF THE YEAR	448,543	16,027,176	1,304,031	572,880	4,048,966	5,828,470	3,292,751	31,522,817
Represented in:								
Gross balance at end of the year	4,197,867	22,213,798	13,006,496	7,419,261	6,789,447	12,676,363	5,212,727	71,515,959
Reinsurance recoverable	(3,749,324)	(6,186,622)	(11,702,465)	(6,846,381)	(2,740,481)	(6,847,893)	(1,919,976)	(39,993,142)
NET BALANCE AT END OF THE YEAR	448,543	16,027,176	1,304,031	572,880	4,048,966	5,828,470	2,292,751	31,522,817
Unearned premiums reserve - net	450,554	12,300,202	1,038,824	536,653	1,931,311	451,953	5,988,817	22,698,314
Life mathematical reserve – net	-	-	-	-	-	15,439,928	1,840,805	17,280,733
Additional reserve – net	696,757	717,239	370,987	189,822	1,034,767	850,000	19,348	3,878,920

There are no material claims for which the amounts and timing of claims are not settled within one year of the financial position date.

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11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2009	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	5,187,236	18,262,315	12,867,749	4,550,670	7,771,890	9,913,849	2,948,709	61,502,416
Reinsurance recoverable on outstanding claims	(4,478,344)	(8,051,525)	(12,318,174)	(4,004,017)	(2,460,591)	(5,100,938)	(817,614)	(37,231,202)
Net balance at beginning of the year	708,892	10,210,790	549,575	546,653	5,311,299	4,812,911	2,131,095	24,271,214
Foreign currency translation difference	7,670	742,760	(28,113)	(21,663)	(635,566)	123,677	90,996	279,761
Arising on consolidation of new subsidiary	4,421	1,515,695	12,026	9,657	56,868	-	189,995	1,788,662
Incurred during the year – net	104,090	20,809,638	317,893	467,693	704,044	6,611,124	6,903,143	35,917,625
Paid during the year – net	(127,139)	(17,173,711)	(388,954)	(447,631)	(929,635)	(6,129,865)	(7,904,956)	(33,101,891)
NET BALANCE AT END OF THE YEAR	697,934	16,105,172	462,427	554,710	4,507,008	5,417,847	1,410,273	29,155,371
Represented in:								
Gross balance at end of the year	6,975,889	21,387,507	10,869,823	5,586,109	8,844,715	10,439,264	3,104,986	67,208,293
Reinsurance recoverable	(6,277,955)	(5,282,335)	(10,407,396)	(5,031,399)	(4,337,707)	(5,021,417)	(1,694,713)	(38,052,922)
NET BALANCE AT END OF THE YEAR	697,934	16,105,172	462,427	554,710	4,507,008	5,417,847	1,410,273	29,155,371
Unearned premiums reserve - net	516,581	12,867,910	592,064	768,871	1,153,306	536,965	2,196,758	18,632,455
Life mathematical reserve – net	-	-	-	-	-	16,406,284	2,062,749	18,469,033
Additional reserve - net	730,941	550,357	333,190	643,951	429,300	850,000	19,907	3,557,646

12 OTHER ASSETS

	2010 KD	2009 KD
Accrued interest income	986,564	917,141
Inward reinsurance retentions	50,040	42,566
Refundable claims	375,939	1,649,488
Prepaid expenses and others	6,322,894	3,883,932
Amount due from related parties, net (Note 26)	1,715,323	3,859,810
	9,450,760	10,352,937

13 TIME DEPOSITS

Time deposits of KD 33,609,525 (2009: KD Nil) represent term bank deposits placed with local and foreign banks yielding with an effective interest rate of 2.25% per annum.

14 CASH AND CASH EQUIVALENTS

	2010 KD	2009 KD
Cash on hand and at banks	5,535,475	5,690,854
Short term deposits and call accounts	21,677,260	71,181,646
Cash and cash equivalents in the statement of financial position	27,212,735	76,872,500
Bank overdrafts	(14,961,726)	(17,018,988)
Cash and cash equivalents in the consolidated statement of cash flows	12,251,009	59,853,512

15 INSURANCE PAYABLE

	2010 KD	2009 KD
Policyholders and agencies payables	9,902,385	15,685,345
Insurance and reinsurance payables	23,007,374	20,076,582
Amount due to policyholders of Takaful unit (Note 29)	230,965	316,739
	33,140,724	36,078,666

16 OTHER LIABILITIES

	2010 KD	2009 KD
Accrued expenses and deposits for others	7,052,569	4,692,563
Reserve for reinsurance premiums	1,334,144	1,932,748
Kuwait Foundation for the Advancement of Sciences	80,435	53,406
Provision for end of service indemnity	4,230,594	3,793,688
National Labour Support Tax	213,051	113,670
Proposed directors' fees	80,000	80,000
Zakat tax	79,768	51,720
	13,070,561	10,717,795

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17 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 169,650,000 shares of 100 fils each (2009: 169,650,000 shares).

18 TREASURY SHARES

	2010	2009
Number of shares (share)	-	4,735,699
Percentage of issued shares (%)	-	2.79
Market value (KD)	-	2,083,707

During the year, the employees exercised all the shares granted of 991,914 shares (31 December 2009: 608,010 shares) from the treasury shares realising net gain of KD 43,423 (31 December 2009: KD 43,053) which has been debited to treasury share reserve.

Also during the year, the parent company sold 4,293,785 shares of the treasury shares with a total price of KD 2,132,372 realising net gain of KD 514,720 which has been added to the treasury shares reserve.

19 STATUTORY RESERVE

As required by the commercial company's law and the parent company's articles of association, 10% of profit attributable to the equity holders of the parent company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support tax, Zakat tax and directors' fees has been transferred to the statutory reserve. The parent company may resolve to discontinue such annual transfers since the reserve exceeds 50% of the share capital.

There are no restrictions on distribution of amounts in excess of 50% of the share capital. Distribution of the remaining balance of the reserve is limited to the amount required to enable the payment of a dividend of 5% of the share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of this amount.

20 VOLUANTRY RESERVE

In accordance with the parent company's Articles of Association, 10% of the profit attributable to the equity holder of the parent company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support tax, Zakat tax and directors' fees has been transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of shareholders' General Assembly upon a recommendation by the board of directors.

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21 SEGMENT INFORMATION

a) Consolidated segment information-Income statement

The Group operates in two segments, general risk insurance, life and medical insurance; there are no inter-segment transactions. Following are the details of those two primary segments:

Year ended 31 December 2010:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	***Total KD***
Revenue:									
Premiums written	10,077,910	28,434,515	18,011,955	11,385,879	8,637,387	76,547,646	10,548,041	32,678,857	**119,774,544**
Reinsurance premiums ceded	(8,502,721)	(2,191,957)	(16,011,119)	(10,241,744)	(4,803,052)	(41,750,593)	(1,937,185)	(16,612,816)	**(60,300,594)**
Net premiums written	1,575,189	26,242,558	2,000,836	1,144,135	3,834,335	34,797,053	8,610,856	16,066,041	**59,473,950**
Movement in unearned premiums	(7,021)	(612,625)	(493,372)	(367,128)	(289,793)	(1,769,939)	55,314	(3,847,234)	**(5,561,859)**
Movement in life mathematical reserve	-	-	-	-	-	-	964,604	221,944	**1,186,548**
Net premiums earned	1,568,168	25,629,933	1,507,464	777,007	3,544,542	33,027,114	9,630,774	12,440,751	**55,098,639**
Commission received on ceded reinsurance	1,793,960	69,031	2,546,333	2,334,771	722,743	7,466,838	615,789	1,342,725	**9,425,352**
Policy issuance fees	150,269	1,650,199	62,642	30,017	82,350	1,975,477	37,964	713,288	**2,726,729**
Net investment income from life insurance	-	-	-	-	-	-	1,401,746	289,292	**1,691,038**
Total Revenue	3,512,397	27,349,163	4,116,439	3,141,795	4,349,635	42,469,429	11,686,273	14,786,056	**68,941,758**
Expenses:									
Claims incurred	176,457	17,673,316	1,329,983	466,442	702,160	20,348,358	6,546,050	11,636,971	**38,531,379**
Commission and discounts	801,805	3,474,620	1,119,166	940,061	702,161	7,037,813	333,729	610,449	**7,981,991**
Movement in additional reserve	(26,690)	156,007	41,365	55,988	134,296	360,966	-	-	**360,966**
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	1,139,305	-	**1,139,305**
Allocated general and administrative expenses	1,082,175	4,553,075	1,336,664	1,123,032	987,982	9,082,928	932,289	2,377,129	**12,392,346**
Total Expenses	2,033,747	25,857,018	3,827,178	2,585,523	2,526,599	36,830,065	8,951,373	14,624,549	**60,405,987**
Net underwriting result by segment	**1,478,650**	**1,492,145**	**289,261**	**556,272**	**1,823,036**	**5,639,364**	**2,734,900**	**161,507**	**8,535,771**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2010

21 SEGMENT INFORMATION (continued)

a) Consolidated segment information -Income statement (continued)

Year ended 31 December 2009:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total KD*
Revenue:									
Premiums written	9,127,731	30,389,536	17,847,356	4,792,014	8,907,820	71,064,457	11,391,108	14,763,137	97,218,702
Reinsurance premiums ceded	(7,429,453)	(3,175,396)	(16,787,411)	(4,359,567)	(5,271,926)	(37,023,753)	(2,157,810)	(5,776,848)	(44,958,411)
Net premiums written	1,698,278	27,214,140	1,059,945	432,447	3,635,894	34,040,704	9,233,298	8,986,289	52,260,291
Movement in unearned premiums	47,751	(1,122,800)	(53,095)	250,041	18,414	(859,689)	156,506	(51,674)	(754,857)
Movement in life mathematical reserve	-	-	-	-	-	-	(1,816,544)	(342,324)	(2,158,868)
Net premiums earned	1,746,029	26,091,340	1,006,850	682,488	3,654,308	33,181,015	7,573,260	8,592,291	49,346,566
Commission received on ceded reinsurance	1,764,309	111,102	2,222,817	1,505,013	683,172	6,286,413	582,015	1,030,438	7,898,866
Policy issuance fees	125,513	1,310,795	31,145	2,359	84,725	1,554,537	133,636	591,600	2,279,773
Net investment income from life insurance	-	-	-	-	-	-	1,864,272	(278,704)	1,585,568
Total Revenue	3,635,851	27,513,237	3,260,812	2,189,860	4,422,205	41,021,965	10,153,183	9,935,625	61,110,773
Expenses:									
Claims incurred	104,090	20,809,638	317,895	489,734	682,003	22,403,360	6,611,123	6,903,143	35,917,626
Commission and discounts	644,855	3,371,341	967,429	565,848	655,822	6,205,295	273,768	610,306	7,089,369
Movement in additional reserve	16,681	(59,737)	16,195	(43,551)	168,047	97,635	100,000	(87,534)	110,101
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	702,340	-	702,340
General and administrative expenses	1,208,382	5,136,494	1,340,604	621,658	1,014,710	9,321,848	1,105,588	1,707,653	12,135,091
Total Expenses	1,974,008	29,257,736	2,642,123	1,633,689	2,520,582	38,028,138	8,792,819	9,133,570	55,954,527
Net underwriting result by segment	1,661,843	(1,744,499)	618,689	556,171	1,901,623	2,993,827	1,360,364	802,055	5,156,246

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2010

21 SEGMENT INFORMATION (continued)

b) Consolidated segment information-Statement of financial position

31 December 2010	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	**Total** *KD*
Assets									
Property and equipment	273,847	4,848,566	282,851	145,261	690,281	6,240,806	64,666	1,047,785	7,353,257
Investment in an associate	143,497	2,377,721	150,038	66,942	458,580	3,196,778	-	-	3,196,778
Goodwill	375,722	6,188,104	387,075	172,585	1,179,906	8,303,392	1,175	-	8,304,567
Financial instruments:									
Investments held to maturity	598,982	8,293,125	509,480	480,898	1,382,833	11,265,318	-	-	11,265,318
Debt securities (loan)	2,244	37,189	2,347	1,047	7,173	50,000	5,074,886	3,889,073	9,013,959
Investments available for sale	2,221,441	35,824,501	2,304,159	1,010,316	6,670,010	48,030,427	704,800	1,321,722	50,056,948
Investments carried at fair value through income statement	246,127	3,938,443	243,143	134,770	742,829	5,305,312	8,193,755	6,281,738	19,780,806
Loans secured by insurance policies	-	-	-	-	-	-	911,311	-	911,311
Premium and insurance balance receivable	1,347,268	22,789,274	1,406,858	664,203	3,109,891	29,317,494	4,009,486	6,667,815	39,994,795
Reinsurers recoverable on outstanding claims	1,706,814	24,743,952	1,467,868	735,312	3,724,386	32,378,332	3,178,931	4,435,879	39,993,142
Property held for sale	9,844	149,168	10,100	5,378	22,671	197,161	3,963	21,687	222,811
Other assets	364,638	6,148,945	351,600	153,045	876,564	7,894,792	310,736	1,245,232	9,450,760
Time deposits	1,251,672	14,360,005	785,277	463,944	2,446,446	19,307,344	5,717,627	8,584,554	33,609,525
Cash and cash equivalents	833,219	14,464,268	743,654	252,611	792,475	17,086,226	3,821,205	6,305,304	27,212,735
Total assets	**9,375,315**	**144,163,261**	**8,644,450**	**4,286,312**	**22,104,044**	**188,573,382**	**31,992,541**	**39,800,789**	**260,366,712**
Liabilities									
Liabilities arising from insurance contracts:									
Outstanding claims reserve (Gross)	2,034,072	39,003,266	2,665,523	1,252,560	7,487,525	52,442,946	9,213,485	9,859,528	71,515,959
Unearned Premium reserve (Net)	450,319	12,305,068	1,038,757	535,961	1,926,320	16,256,425	452,507	5,989,382	22,698,314
Life Mathematical reserve (Net)	-	-	-	-	-	-	15,439,928	1,840,805	17,280,733
Additional reserve (Net)	696,757	717,239	370,987	189,822	1,034,768	3,009,573	850,000	19,347	3,878,920
Total liabilities arising from insurance contracts	**3,181,148**	**52,025,573**	**4,075,267**	**1,978,343**	**10,448,613**	**71,708,944**	**25,955,920**	**17,709,062**	**115,373,926**
Bank Overdrafts	666,894	11,119,739	703,492	306,973	2,127,759	14,924,857	3,186	33,683	14,961,726
Premiums received in advance	61,017	802,215	51,122	18,714	101,600	1,034,668	35,274	171,262	1,241,204
Insurance payable	1,121,414	16,993,792	1,021,136	516,682	2,436,574	22,089,598	4,564,404	6,486,722	33,140,724
Other liabilities	565,013	8,839,753	545,542	289,980	1,512,180	11,752,468	391,887	926,206	13,070,561
Total liabilities	**5,595,486**	**89,781,072**	**6,396,559**	**3,110,692**	**16,626,726**	**121,510,535**	**30,950,671**	**25,326,935**	**177,788,141**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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21 SEGMENT INFORMATION (continued)

b) Consolidated segment information-Statement of financial position (continued)

31 December 2009	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	**Total** *KD*
Assets									
Property and equipment	268,706	3,880,450	172,500	111,802	665,331	5,098,789	83,667	345,973	5,528,429
Investments in an associate	119,230	1,661,753	87,867	49,046	354,361	2,272,257	-	-	2,272,257
Goodwill	437,824	6,085,522	318,291	177,567	1,283,057	8,302,261	2,851	2,053	8,307,165
Financial instruments:									
Investments held to maturity	506,759	5,719,205	268,756	309,366	967,111	7,771,197	383,854	917,417	9,072,468
Debt securities (loan)	317,136	4,420,051	233,716	130,456	942,553	6,043,912	1,712,637	1,037,363	8,793,912
Investments available for sale	2,026,378	28,638,732	1,543,787	810,852	5,988,331	39,008,080	285,672	1,605,458	40,899,210
Investments carried at fair value through income statement	472,890	6,389,335	332,475	211,972	1,336,584	8,743,256	4,467,304	2,748,861	15,959,421
Loans secured by insurance policies	-	-	-	-	-	-	861,720	-	861,720
Premium and insurance balance receivable	1,588,901	25,159,916	1,055,894	608,816	3,785,078	32,198,605	1,510,211	3,532,960	37,241,776
Reinsurers recoverable on outstanding claims	1,771,874	24,626,444	1,112,062	624,431	4,086,881	32,221,692	2,479,114	3,352,116	38,052,922
Property held for sale	9,211	111,031	6,064	5,168	21,049	152,523	3,531	19,917	175,971
Other assets	454,689	7,192,475	270,089	150,273	1,021,481	9,089,007	284,973	978,957	10,352,937
Cash and cash equivalents	2,618,857	38,175,681	1,529,427	822,856	5,559,050	48,705,871	11,745,108	16,421,521	76,872,500
Total assets	10,592,455	152,060,595	6,930,928	4,012,605	26,010,867	199,607,450	23,820,642	30,962,596	254,390,688
Liabilities									
Liabilities arising from insurance contracts:									
Outstanding claims reserve (Gross)	2,365,391	39,332,304	1,508,171	1,130,209	8,157,248	52,493,323	8,073,353	6,641,617	67,208,293
Unearned Premium reserve (Net)	516,310	12,870,720	592,029	194,059	1,723,533	15,896,651	537,273	2,198,531	18,632,455
Life Mathematical reserve (Net)	-	-	-	-	-	-	16,406,284	2,062,749	18,469,033
Additional reserve (Net)	730,941	550,357	333,180	134,803	938,448	2,687,729	850,000	19,917	3,557,646
Total liabilities arising from insurance contracts	3,612,642	52,753,381	2,433,380	1,459,071	10,819,229	71,077,703	25,866,910	10,922,815	107,867,427
Bank Overdrafts	891,814	12,447,035	657,513	366,601	2,651,228	17,014,191	476	4,321	17,018,988
Premiums received in advance	57,523	858,822	37,059	13,809	124,695	1,091,908	34,650	138,767	1,265,325
Insurance payable	1,444,077	21,451,476	969,772	523,142	3,521,333	27,909,800	2,889,740	5,279,126	36,078,666
Other liabilities	532,011	7,372,213	324,355	222,275	1,239,898	9,690,752	309,288	717,755	10,717,795
Total liabilities	6,538,067	94,882,927	4,422,079	2,584,898	18,356,383	126,784,354	29,101,064	17,062,783	172,948,201

21 SEGMENT INFORMATION (continued)

c) Geographic information:

	Kuwait		GCC Countries		Other ME Countries		Total	
	31December 2010 KD	*31December 2009 KD*	**31December 2010 KD**	*31December 2009 KD*	**31December 2010 KD**	*31December 2009 KD*	**31December 2010 KD**	*31December 2009 KD*
Segment revenue	**36,790,881**	26,713,825	**7,140,548**	14,329,618	**25,010,329**	20,067,330	**68,941,758**	61,110,773
Segment results (net underwriting)	**4,735,402**	3,129,880	**2,043,932**	3,280,006	**1,756,437**	(1,253,640)	**8,535,771**	5,156,246
Profit for the year attributable to equity holders of the parent company	**4,641,191**	2,924,746	**1,146,663**	1,726,441	**1,904,541**	398,209	**7,692,395**	5,049,396
Total asset	**159,135,612**	163,234,612	**39,462,867**	46,842,538	**61,768,233**	44,313,538	**260,366,712**	254,390,688
Total liabilities	**114,766,837**	96,400,278	**19,043,337**	37,740,603	**43,977,967**	38,807,320	**177,788,141**	172,948,201

22 STATUTORY GUARANTEES

The following amounts are held in Kuwait as security for the order of the Minister of Commerce and Industry in accordance with the Ministerial Decree No. 27 of 1966 and its amendments:

	2010 KD	*2009 KD*
Current accounts and deposits at banks	**16,560,985**	18,841,583
Loans secured by life insurance policies	**425,459**	731,959
	16,986,444	19,573,542

The foreign deposits held outside the State of Kuwait as security for the subsidiary companies' activities amounted to KD 20,999,890 (2009: KD 22,105,270).

23 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 1,968,555 (2009: KD 1,253,042).

24 COMMITMENTS

At the reporting date, the Group had future commitments with respect to investments that amounted to approximately KD 6,686,048 (2009: KD 9,987,817).

25 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Risk management also protects policyholders fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognizes the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the parent company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers. Also, a Group policy framework including risk profiles for the Group, risk management, control and business conduct standards for the Group's operations is being established.

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962 and Decree No. 5 of 1989, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

The following are the key regulations governing the operation of the Group:

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as follows:

a) A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
b) A maximum of 25% may be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies)
c) A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
d) A maximum of 15% should be in a current account with a bank operating in Kuwait.

The residual value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.

The Group's internal audit and quality control department is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

(c) Capital management objectives, policies and approach

The group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

25 RISK MANAGEMENT (continued)
(c) Capital management objectives, policies and approach (continued)

- To maintain the required level of financial stability of the group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximize the shareholders returns through obtaining the best return on capital.

The operations of the group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The group and regulated entities within it have met all of these requirements throughout the financial year.

In reporting financial strength, capital and solvency is measured using the rules prescribed by the Ministry of Commerce (MOC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written.

The group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Approach to capital management
The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholders fund.

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The capital requirements are routinely forecasted on a periodic basis, and assessed against both the forecasted available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Group has had no significant changes in its policies and processes to its capital structure during the current year from previous years.

(d) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, underwriting discipline, prudent claims management practices as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a reinsurance program covering the Group, to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the financial position date.

(1) Life insurance contracts
Insurance risk is divided into risk of life insurance contracts and risk of non life insurance contracts as follows:

Life insurance contracts offered

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25 RISK MANAGEMENT (continued)
(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

by the Group include whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to 'paid up' on guaranteed terms. The majority of the mortgage endowment contracts offered by the Group have minimum maturity values subject to certain conditions being satisfied.

For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

The main risks that the Group is exposed to are as follows.

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts where death or disability are the insured risks the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimize the risk of default.

The insurance risks described above are also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

The table below sets out the concentration of life insurance and investment contracts by type of contract.

25 RISK MANAGEMENT (continued)
(d) Insurance risk (continued)
(1) Life insurance contracts (continued)

Type of contract	2010 Gross liabilities KD	2010 Reinsurers' share of liabilities KD	2010 Net liabilities KD	2009 Gross liabilities KD	2009 Reinsurers' share of liabilities KD	2009 Net liabilities KD
Whole life insurance	**4,000**		**4,000**	25,000	19,000	6,000
Term insurance	**15,021,875**	**14,902,654**	**119,221**	7,888,125	7,825,020	63,105
Pure endowment	**4,005,296**	**2,289,310**	**1,715,986**	4,338,627	2,477,356	1,861,271
Group life and disability	**668,961**	**424,864**	**244,097**	2,994,816	1,902,044	1,092,772
Group medical including TPA	**1,514,674**	**-**	**1,514,674**	1,092,772	-	1,092,772
Credit life (Banks)	**11,320,086**	**7,429,250**	**3,890,836**	12,923,255	7,841,271	5,081,984
Preferred global health	**66,452**	**-**	**66,452**	69,871	-	69,871
Balsam	**259,679**	**-**	**259,679**	218,277	-	218,277
Misk individual policies	**7,964,745**	**6,029,330**	**1,935,415**	15,302,329	11,583,863	3,718,466
Total life insurance contract	**40,825,768**	**31,075,408**	**9,750,360**	44,853,072	31,648,554	13,204,518
Unitised pensions (Misk individual policies)	**7,530,373**	**-**	**7,530,373**	5,264,515	-	5,264,515
Total investments contracts	**7,530,373**	**-**	**7,530,373**	5,264,515	-	5,264,515
Total life insurance and investment contracts	**48,356,141**	**31,075,408**	**17,280,733**	50,117,587	31,648,554	18,469,033
Other life insurance contract liabilities	**15,897,108**	**6,601,564**	**9,295,544**	11,591,398	4,519,550	7,071,848

The geographical concentration of the Group's life insurance and investment contracts with Discretionary Participation Feature (DPF) liabilities is noted below. The disclosure is based on the countries where the business is written.

25 RISK MANAGEMENT (continued)
(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2010 Gross liabilities KD	2010 Reinsurers' share of liabilities KD	2010 Net liabilities KD	2009 Gross liabilities KD	2009 Reinsurers' share of liabilities KD	2009 Net liabilities KD
Kuwait	**40,825,768**	**31,075,408**	**9,750,360**	44,853,072	31,648,554	13,204,518
Total	**40,825,768**	**31,075,408**	**9,750,360**	44,853,072	31,648,554	13,204,518

Investment contracts

	2010 Gross liabilities KD	2010 Reinsurers' share of liabilities KD	2010 Net liabilities KD	2009 Gross liabilities KD	2009 Reinsurers' share of liabilities KD	2009 Net liabilities KD
Kuwait	**360,909**	**-**	**360,909**	597,245	-	597,245
Europe	**7,169,464**	**-**	**7,169,464**	4,667,270	-	4667,270
Total	**7,530,373**	**-**	**7,530,373**	5,264,515	-	5,264,515

The assumptions that have been provided by an external independent actuarial are as follows:

Key assumptions
Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life insurance contract estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

• Mortality and morbidity rates
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides, reflecting recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

An increase in rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

• Longevity
Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

25 RISK MANAGEMENT (continued)
(d) Insurance risk (continued)
(1) Life insurance contracts (continued)

• Investment return
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

• Expenses
Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

• Lapse and surrender rates
Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

• Discount rate
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on Central Bank of Kuwait rate, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)
(1) Life insurance contracts (continued)

The assumptions that have the greatest effect on the consolidated financial position and consolidated income statement of the Group are listed below.

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse and surrender rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**4%**	4.5%	**N/A**	N/A	**4%**	4%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Non guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**4%**	4%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Life term assurance:												
Males	**49**	49	**4%**	5%	**N/A**	N/A	**4%**	4%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Females	**52**	52	**4%**	5%	**N/A**	N/A	**4%**	4%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%

25 RISK MANAGEMENT (continued)
(d) Insurance risk (continued)
(1) Life insurance contracts (continued)

Sensitivities
The analysis below is performed, by an independent third party actuarial with experience and qualifications, for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit if significant. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist they are the main reason for the asymmetry of sensitivities.

Life insurance contracts

31 December 2010

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**N/A**	**N/A**	**N/A**	**N/A**
Investment return	**-1%**	**Covered by contingency reserve of KD 867,517**		
Expenses	**+10%**			
Discount rate	**-1%**			
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2009

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 867,517		N/A
Expenses	+10%			N/A
Discount rate	-1%			N/A
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

Investment contracts

31 December 2010

	Change in assumptions	***Increase/(decrease) on gross liabilities***	***Increase/(decrease) on net liabilities***	***Increase/(decrease) on profit***
Mortality/morbidity	**N/A**	**N/A**	**N/A**	**N/A**
Investment return	**-1%**	**Covered by contingency reserve of KD 867,517**		**N/A**
Expenses	**+10%**			**N/A**
Discount rate	**-1%**			**N/A**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2009

	Change in assumptions	*Increase/(decrease) on gross liabilities*	*Increase/(decrease) on net liabilities*	*Increase/(decrease) on profit*
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 867,517		N/A
Expenses	+10%			N/A
Discount rate	-1%			N/A
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

25 RISK MANAGEMENT (continued)
(d) Insurance risk (continued)

(2) Non-life insurance contracts

Group principally issues the following types of general insurance contracts: marine and aviation, property, motor, and general accidents. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities which are only covered in fire line of business.

Insurance contracts at times also cover risk for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risk that may involve significant litigation.

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The below risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management.

In additions; the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss, also the Group is under final negotiation to obtain a stop loss cover for the group.

25 RISK MANAGEMENT (continued)
(d) Insurance risk (continued)
(2) Non-ife insurance contracts (continued)

The table below sets out the concentration of non-life insurance contract liabilities by type of contract.

Concentration of insurance contract liabilities by type of contract:	2010 Gross liabilities KD	2010 Reinsurers' share of liabilities KD	2010 Net liabilities KD	2009 Gross liabilities KD	2009 Reinsurers' share of liabilities KD	2009 Net liabilities KD
Marine and Aviation	**6,142,267**	**4,546,413**	**1,595,854**	9,800,377	7,854,487	1,945,890
Property	**15,605,792**	**12,891,950**	**2,713,842**	15,164,481	13,776,315	1,388,166
Motor	**35,120,208**	**6,075,591**	**29,044,617**	35,088,284	5,508,413	29,579,871
General Accidents	**19,726,106**	**11,411,706**	**8,314,400**	19,739,587	11,867,006	7,872,581
Total	**76,594,373**	**34,925,660**	**41,668,713**	79,792,729	39,006,221	40,786,508

The geographical concentration of the Group's non-life insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written.

Geographical concentration of insurance contract liabilities:	2010 Gross liabilities KD	2010 Reinsurers' share of liabilities KD	2010 Net liabilities KD	2009 Gross liabilities KD	2009 Reinsurers' share of liabilities KD	2009 Net liabilities KD
Kuwait	37,875,089	19,993,248	17,881,841	49,720,383	28,058,212	21,662,171
GCC and Middle East countries	38,719,284	14,932,412	23,786,872	30,072,346	10,948,009	19,124,337
Total	76,594,373	34,925,660	41,668,713	79,792,729	39,006,221	40,786,508

25 RISK MANAGEMENT (continued)
(d) Insurance risk (continued)
(2) Non-life insurance contracts (continued)

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process which is indicated in the table below:

31 December 2010	***Change in assumptions***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	±15%	**3,844,874**	**2,537,616**	**2,537,616**
Average number of claim	±15%	**2,786**	**1,838**	**1,838**
Average claim settlement paid	Reduce from18 months to 12 months	**2,384,050**	**1,573,474**	**N/A**

31 December 2009	*Change in assumptions*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	±15%	4,171,557	2,920,090	2,920,090
Average number of claim	±15%	1,555	1,519	1,519
Average claim settlement paid	Reduce from18 months to 12 months	2,586,614	1,810,630	N/A

(e) Financial risks

(1) Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is developing its policies and procedures to enhance the Group's mitigation of credit risk exposures.

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(1) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of consolidated statement of the financial position.

Exposure to credit risk by classifying financial assets according to type of insurance	***31 December 2010***			
	General KD	***Life KD***	***Unit linked KD***	***Total KD***
Investments held to maturity	**11,265,318**	**-**	**-**	**11,265,318**
Debt securities (loans)	**50,000**	**8,963,959**	**-**	**9,013,959**
Loans secured by life insurance policies	**-**	**911,311**	**-**	**911,311**
Policyholders account receivables (gross)	**28,793,962**	**9,969,806**	**-**	**38,763,768**
Reinsurance account receivable (gross)	**5,435,724**	**672,606**	**681,597**	**6,789,927**
Reinsurance recoverable on outstanding claims	**32,378,332**	**7,614,810**	**-**	**39,993,142**
Time deposits	**19,307,344**	**8,623,552**	**5,678,629**	**33,609,525**
Cash and cash equivalents	**17,086,226**	**5,528,675**	**4,597,834**	**27,212,735**
Total credit risk exposure	**114,316,906**	**42,284,719**	**10,958,060**	**167,559,685**

Exposure to credit risk by classifying financial assets according to type of insurance	*31 December 2009*			
	General KD	*Life KD*	*Unit linked KD*	*Total KD*
Debt securities (loans)	6,043,912	2,750,000	-	**8,793,912**
Investments held to maturity	7,771,197	-	1,301,271	**9,072,468**
Loans secured by life insurance policies	-	861,720	-	**861,720**
Policyholders account receivables (gross)	29,508,075	4,187,559	332,855	**34,028,489**
Reinsurance account receivable (gross)	7,130,771	697,346	968,140	**8,796,257**
Reinsurance recoverable on outstanding claims	32,221,693	5,831,229	-	**38,052,922**
Cash and cash equivalents	48,705,871	15,050,737	13,115,892	**76,872,500**
Total credit risk exposure	131,381,519	29,378,591	15,718,158	**176,478,268**

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2010 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	***AAA KD***	***AA KD***	***A KD***	***BBB KD***	***Not rated KD***	***Total KD***
31 December 2010						
Investments held to maturity	-	1,289,309	1,860,110	8,115,899	-	**11,265,318**
Debt securities (loans)	-	-	-	9,013,959	-	**9,013,959**
Loans secured by life insurance policies	-	-	-	-	911,311	**911,311**
Policyholders accounts receivable (gross)	-	6,111,829	345,210	3,688,494	28,618,235	**38,763,768**
Reinsurance account receivable (gross)	-	239,489	531,132	2,619,288	3,400,018	**6,789,927**
Reinsurance recoverable on outstanding claims	259,304	8,765,431	11,460,830	9,969,262	9,538,315	**39,993,142**
Time Deposits	1,237,624	597,345	14,796,520	16,978,036	-	**33,609,525**
Cash and cash equivalents	-	-	-	27,212,735	-	**27,212,735**
Total credit risk exposure	**1,496,928**	**17,003,403**	**28,993,802**	**77,597,673**	**42,467,879**	**167,559,685**

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired		***Past due or impaired***	***Total***
	High grade 2010 KD	***Standard grade 2010 KD***	***2010 KD***	***2010 KD***
31 December 2010				
Loan secured by life insurance policy	-	911,311	-	**911,311**
Policyholders accounts receivable (gross)	19,498,414	4,475,534	4,644,287	**28,618,235**
Reinsurance accounts receivable (gross)	2,484,855	550	914,613	**3,400,018**
Reinsurance recoverable on outstanding claims	9,424,886	113,429	-	**9,538,315**
	31,408,155	**5,500,824**	**5,558,900**	**42,467,879**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA* *KD*	*AA* *KD*	*A* *KD*	*BBB* *KD*	*Not rated* *KD*	*Total* *KD*
31 December 2009						
Investments held to maturity	-	144,585	335,835	6,219,484	2,372,564	9,072,468
Debt securities (loans)	-	-	-	8,793,912	-	8,793,912
Loans secured by life insurance policies	-	-	-	-	861,720	861,720
Policyholders accounts receivable (gross)	-	-	95,864	2,553,563	31,379,062	34,028,489
Reinsurance account receivable (gross)	-	565,378	625,018	2,351,996	5,253,865	8,796,257
Reinsurance recoverable on outstanding claims	260,592	7,300,267	9,984,409	4,028,026	16,479,628	38,052,922
Cash and cash equivalents	24,843	531,941	16,457,059	47,535,748	12,322,909	76,872,500
Total credit risk exposure	285,435	8,542,171	27,498,185	71,482,729	68,669,748	176,478,268

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2009	*High grade* *2009* *KD*	*Standard grade* *2009* *KD*	*Past due or impaired* *2009* *KD*	*Total* *2009* *KD*
Investment held to maturity	1,852,855	519,709	-	2,372,564
Loan secured by life insurance policy	861,720	-	-	861,720
Policyholders accounts receivable (gross)	21,266,201	5,409,382	4,703,480	31,379,063
Reinsurance accounts receivable (gross)	4,341,259	33,116	879,490	5,253,865
Reinsurance recoverable on outstanding claims	16,291,757	187,872	-	16,479,629
Cash and cash equivalents	10,624,592	1,698,315	-	12,322,907
	55,238,384	7,848,394	5,582,970	68,669,748

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

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25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(1) Credit risk (continued)

The following table represents the aging analysis of financial assets that are not past due nor impaired:

31 December 2010:	*Up to 1 month* *KD*	*Within 1-3 months* *KD*	*Within 3-12 months* *KD*	*More than one year* *KD*	*Total* *KD*
Policyholders accounts receivable (net)	5,087,895	8,680,366	17,886,455	2,464,765	**34,119,481**
Reinsurance receivables (net)	1,308,399	1,340,274	2,227,393	999,248	**5,875,314**
Total	**6,396,294**	**10,020,640**	**20,113,848**	**3,464,013**	**39,994,795**

31 December 2009:	*Up to 1 month* *KD*	*Within 1-3 months* *KD*	*Within 3-12 months* *KD*	*More than one year* *KD*	*Total* *KD*
Policyholders accounts receivable (net)	3,150,103	8,469,764	14,965,359	2,739,783	29,325,009
Reinsurance receivables (net)	3,516,765	1,016,348	1,895,868	1,487,786	7,916,767
Total	6,666,868	9,486,112	16,861,227	4,227,569	37,241,776

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25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The Group is developing its policies and procedures to enhance the Group's mitigation of liquidity risk.

The table below summarises the maturity of the liabilities of the Group based on remaining undiscounted contractual obligations for 31 December 2010. As the Group does not have any interest bearing liabilities (except bank overdrafts), the figures below agree directly to the financial position amounts.

Liabilities	*Up to 1 month KD*	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
Outstanding claims reserve (gross)	1,098,809	10,495,624	41,308,555	18,612,971	-	**71,515,959**
Unearned premium reserve (net)	980,289	4,662,523	15,487,102	1,568,400	-	**22,698,314**
Life mathematical reserve	4,883	7,325	18,313	30,521	17,219,691	**17,280,733**
Additional reserve	-	1,234,265	144,655	-	2,500,000	**3,878,920**
Bank overdrafts	-	-	14,961,726	-	-	**14,961,726**
Premiums received in advance	959,965	15,288	45,863	220,088	-	**1,241,204**
Insurance and reinsurance payable	13,567,043	3,059,692	10,408,745	6,089,366	15,878	**33,140,724**
Other liabilities	723,557	1,635,907	5,756,564	4,394,365	560,168	**13,070,561**
	17,334,546	**21,110,624**	**88,131,523**	**30,915,711**	**20,295,737**	**177,788,141**

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25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(2) Liquidity risk (continued)

The table below summarises the maturity of the liabilities of the Group based on remaining undiscounted contractual obligations for 31 December 2009. As the Group does not have any interest bearing liabilities (except bank overdrafts), the figures below agree directly to the statement of financial position amounts.

Liabilities	*Up to 1 month KD*	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
Outstanding claims reserve (gross)	3,336,891	12,610,372	43,030,451	8,230,579	-	67,208,293
Unearned premium reserve (net)	410,832	3,292,955	13,433,403	1,495,265	-	18,632,455
Life mathematical reserve	10,963	24,364	25,581	-	18,408,125	18,469,033
Additional reserve	-	-	146,792	910,854	2,500,000	3,557,646
Bank overdrafts	34,759	-	16,984,229	-	-	17,018,988
Premiums received in advance	722,076	64,301	391,617	87,331	-	1,265,325
Insurance and reinsurance payable	9,973,755	8,027,103	11,868,412	5,909,423	299,973	36,078,666
Other liabilities	1,089,838	2,158,415	3,547,808	2,421,734	1,500,000	10,717,795
	15,579,114	26,177,510	89,428,293	19,055,186	22,708,098	172,948,201

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)

(3) Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: currency risk, interest rate risk and commodity and equity rate price risk.

The Group is developing its policies and procedures to enhance the Group's mitigation of market risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US dollar, Euro, Pound sterling, Bahraini dinar and Egyptian pound.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange rate risk. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through financial instruments.

The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising assets and liabilities by major currencies.

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2010: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	***Total KD***
Property and equipment	3,027,982	453,297	447,507	1,163,541	2,021,940	-	-	238,990	**7,353,257**
Investments in an associate	-	-	-	-	-	-	-	3,196,778	**3,196,778**
Intangible assets	-	-	2,625,935	308,340	5,292,099	-	-	78,193	**8,304,567**
Investments held to maturity	-	2,444,922	1,074,240	7,241,966	504,190	-	-	-	**11,265,318**
Debt securities (loans)	2,800,000	6,213,959	-	-	-	-	-	-	**9,013,959**
Investments available for sale	31,759,019	11,129,943	2,634,753	2,629,257	616,038	600,653	102,167	585,118	**50,056,948**
Investments carried at fair value thorough income statement	10,281,255	836,098	-	884,420	-	263,240	-	7,515,793	**19,780,806**
Loans secured by insurance policies	911,311	-	-	-	-	-	-	-	**911,311**
Premium and insurance balance receivable	17,052,610	5,113,407	6,380,791	2,054,319	8,530,660	182,061	47,125	633,822	**39,994,795**
Reinsurers recoverable on outstanding claims	18,522,286	8,403,660	5,347,549	2,622,413	2,273,681	172,308	20,087	2,631,158	**39,993,142**
Property held for sale	-	56,302	96,616	69,893	-	-	-	-	**222,811**
Other assets	2,964,392	544,860	526,308	593,382	1,899,563	24,757	-	2,897,498	**9,450,760**
Cash and cash equivalents and time deposits	32,064,315	3,434,349	4,595,859	3,777,948	6,888,818	140,607	33,484	9,886,880	**60,822,260**
Total Assets	119,383,170	38,630,797	23,729,558	21,345,479	28,026,989	1,383,626	202,863	27,664,230	**260,366,712**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2010

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2010 LIABILITIES	*Local currency KD*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	43,215,027	3,513,585	8,430,333	4,695,521	5,141,953	276,207	30,999	6,212,334	**71,515,959**
Unearned premium reserve (net)	9,495,947	1,509,182	2,319,275	3,054,902	5,026,768	179,700	-	1,112,540	**22,698,314**
Life mathematical reserve (net)	9,751,332	977	-	-	-	10	-	7,528,414	**17,280,733**
Additional reserve (net)	2,500,000	123,427	-	1,049,125	-	61,713	-	144,655	**3,878,920**
Total liabilities arising from insurance Contracts	64,962,306	5,147,171	10,749,608	8,799,548	10,168,721	517,630	30,999	14,997,943	**115,373,926**
Bank overdraft	14,659,257	93,435	-	-	-	-	-	209,034	**14,961,726**
Premiums received in advance	843,197	129,753	112,181	-	-	-	-	156,073	**1,241,204**
Insurance and reinsurance payable	15,233,062	3,432,522	7,211,470	2,085,078	3,916,008	30,592	2,684	1,229,308	**33,140,724**
Other liabilities	8,999,860	174,317	970,080	1,781,489	722,376	-	-	422,439	**13,070,561**
Total liabilities	**104,697,682**	**8,977,198**	**19,043,339**	**12,666,115**	**14,807,105**	548,222	**33,683**	**17,014,797**	**177,788,141**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2010

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2009: ASSETS	*Local currency KD*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Property and equipment	3,035,257	609,059	408,106	823,888	254,458	-	-	397,661	**5,528,429**
Investment in associated companies	-	-	-	-	-	-	-	2,272,257	**2,272,257**
Intangible assets	-	-	-	-	-	-	-	8,307,165	**8,307,165**
Investments held to maturity	-	2,332,753	298,350	5,406,036	515,620	-	-	519,709	**9,072,468**
Debt securities (loans)	2,800,000	5,993,912	-	-	-	-	-	-	**8,793,912**
Investments available for sale	30,660,237	5,558,340	2,847,539	-	711,892	789,705	186,037	145,460	**40,899,210**
Investments carried at fair value thorough income statement	9,281,535	897,384	-	838,661	-	274,570	-	4,667,271	**15,959,421**
Loans secured by insurance policies	861,720	-	-	-	-	-	-	-	**861,720**
Premium and insurance balance receivable	8,528,043	11,434,909	7,198,649	3,003,498	5,882,225	163,972	8,594	1,021,886	**37,241,776**
Reinsurers recoverable on outstanding claims	17,875,265	9,439,945	4,500,768	1,823,934	1,962,188	50,276	56,247	2,344,299	**38,052,922**
Property held for sale	-	-	99,077	76,894	-	-	-	-	**175,971**
Other assets	5,653,923	2,110,149	380,845	433,283	1,449,159	-	-	325,578	**10,352,937**
Cash and cash equivalents	45,563,344	4,688,288	5,202,910	2,965,647	8,064,212	770,164	37,095	9,580,840	**76,872,500**
Total Assets	124,259,324	43,064,739	20,936,244	15,371,841	18,839,754	2,048,687	287,973	29,582,126	**254,390,688**

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2009	Local currency KD	USD KD equivalent	BD KD equivalent	EGP KD equivalent	JD KD equivalent	Euro KD equivalent	GBP KD equivalent	Other KD equivalent	Total KD
LIABILITIES									
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	36,439,657	8,926,327	8,468,735	3,533,676	4,231,838	95,505	-	5,512,555	**67,208,293**
Unearned premium reserve (net)	5,853,023	2,325,588	2,684,209	3,747,605	3,226,239	15,342	-	780,449	**18,632,455**
Life mathematical reserve (net)	18,361,868	46,258	-	-	-	-	-	60,907	**18,469,033**
Additional reserve (net)	2,500,000	146,792	-	910,854	-	-	-	-	**3,557,646**
Total liabilities arising from insurance Contracts	63,154,548	11,444,965	11,152,944	8,192,135	7,458,077	110,847	-	6,353,911	**107,867,427**
Bank overdrafts	16,984,229	34,759	-	-	-	-	-	-	**17,018,988**
Premiums received in advance	779,994	188,988	74,615	-	-	-	-	221,728	**1,265,325**
Policyholders' and agencies payable	9,403,017	3,516,157	2,154,706	-	790,399	-	-	137,804	**16,002,083**
Insurance and reinsurance payable	4,647,456	3,346,285	5,873,121	1,774,390	3,045,172	68,108	19,480	1,302,571	**20,076,583**
Other liabilities	6,638,752	1,094,346	452,704	1,562,361	650,188	-	-	319,444	**10,717,795**
Total liabilities	101,607,996	19,625,500	19,708,090	11,528,886	11,943,836	178,955	19,480	8,335,458	**172,948,201**

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(3) Market risk (continued)
(i) Currency risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit (due to changes in fair value of currency sensitive monetary assets and liabilities).

	Change in variables	***2010*** ***Impact on profit KD***	*2009* *Impact on profit KD*
USD	± 5%	**1,482,679**	1,171,961
BD	± 5%	**234,310**	61,407
EGP	± 5%	**433,968**	192,148
JD	± 5%	**660,995**	344,796

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value risk.

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Group has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	2010		*2009*	
Currency	***Change in variables***	***Impact on profit before tax KD***	*Change in variables*	*Impact on profit before tax KD*
KD	±50 basis	35,270	+50 basis	64,658
USD	±50 basis	3,434	+50 basis	5,140
BD	±50 basis	6,434	+50 basis	7,225
OTHERS	±50 basis	57,812	+50 basis	56,745

The method used for deriving sensitivity information and significant variables did not change from the previous year.

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(3) Market risk (continued)

(iii) Equity price risk
The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through statement of income (including trading securities) or available for sale investments.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management.

The equity price risk sensitivity is determined on the following assumptions:

	2010	*2009*
	%	%
Kuwait market	**4%**	10%
Rest of GCC market	**5%**	15%
MENA market	**9%**	8%
Other international markets	**21%**	74%

The above percentages have been determined based on basis of the average market movements over a 90 days period from October to December 2009 and 2010. The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2010	*2009*	***2010***	*2009*
	KD	*KD*	***KD***	*KD*
Investment carried at fair value through income statement	**2,263,369**	4,269,145	**-**	-
Investments available-for-sale	**-**	-	**4,258,646**	10,940,538

25 RISK MANAGEMENT (continued)
(e) Financial risks (continued)
(3) Market risk (continued)
(iii) Equity price risk (continued)

The table below indicates that the geographical concentration of investments and time deposits which are as follows:

31 December 2010	*GCC KD*	*Middle East & North Africa KD*	*Europe KD*	*America KD*	*Others KD*	*Total KD*
Investments carried at fair value through income statements	11,117,353	931,854	7,731,599	-	-	19,780,806
Investments available for sale	35,298,811	5,045,843	1,187,084	8,461,270	63,940	50,056,948
Debt securities (loans)	2,800,000	-	6,213,959	-	-	9,013,959
Investments held to maturity	3,317,642	7,947,676	-	-	-	11,265,318
	52,533,806	13,925,373	15,132,642	8,461,270	63,940	90,117,031

31 December 2009	*GCC KD*	*Middle East & North Africa KD*	*Europe KD*	*America KD*	*Others KD*	*Total KD*
Investments carried at fair value through income statements	9,754,103	838,662	4,941,840	424,816	-	15,959,421
Investments available for sale	35,954,230	2,662,628	1,122,065	136,399	1,023,888	40,899,210
Debt securities (loans)	8,793,912	-	-	-	-	8,793,912
Investments held to maturity	2,425,655	6,646,813	-	-	-	9,072,468
	56,927,900	10,148,103	6,063,905	561,215	1,023,888	74,725,011

26 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.

	2010		*2009*	
	Premiums KD	***Claims KD***	*Premiums KD*	*Claims KD*
Ultimate parent company	**-**	**-**	73,741	8,379
Directors and key management personnel	**714,408**	**285,887**	735,493	30,592
Other related parties	**3,865,353**	**609,705**	3,076,722	820,942
	4,579,762	**895,592**	3,885,956	859,913

26 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the consolidated statement of financial position are as follows:

	2010		2009	
	Amounts owed by related parties KD	Amounts owed to related parties KD	Amounts owed by related parties KD	Amounts owed to related parties KD
Ultimate parent company	-	-	1,335,400	-
Directors and key management personnel	360,257	89,003	377,475	65,941
Other related parties (Note 12)	1,715,323	84,999	2,524,410	36,712
	2,075,580	174,002	4,899,548	102,653

In addition to the above balances, the Group has also engaged with related parties in its investment activities as follows:

a) Most of the Group's investment transactions are made through portfolios managed by a related party. The results of these transactions amounted to KD 2,351,433 (2009: KD 3,555,653) and the portfolios include shares in Kuwait Projects Company Holding (previously "the ultimate parent company") and other related parties.

b) The Group holds certain deposits and call accounts with related parties amounting to KD 5,107,419. The Group also holds bonds issued by a related party (previously "the ultimate parent company") and other related entity amounting to KD 7,942,466 (2009: KD 7,293,912).

c) Loan granted to a related party amounting to KD 1,402,689 (31 December 2009: KD 1,402,689). This loan is repayable on demand. The interest rate is applicable based on prevailing discount rate of the Central Bank of Kuwait.

d) During the year, the parent company acquired additional interest in Arab Orient Insurance Company J.S.C. (AOIC) from a related party for an amount of KD 4,887,964 (31 December 2009: KD 8,790,711 (Note 28).

Key management personnel compensation

	2010 KD	2009 KD
Salaries and other short term benefits	857,890	763,300
Employees' end of service benefits	2,244,435	1,865,140
	3,102,325	2,628,440

27 SUBSIDIARY COMPANIES

The consolidated financial statements include the following subsidiaries:

Company	Country of incorporation	% ownership 2010	% ownership 2009	Nature of operation
Gulf Life Insurance Company K.S.C.	Kuwait	99.8%	98.6%	Life & Medical insurance
Fajr Al Gulf Insurance and Reinsurance Company SAL	Lebanon	54.7%	51%	General risk and life insurance and reinsurance
Arab Misr Insurance Group Company (S.A.E.)	Egypt	94.8%	94.8%	General risk insurance
Syrian Kuwait Insurance Company (S.S.C.)	Syria	53.8%	53.8%	General risk and life insurance
Bahrain Kuwaiti Insurance Company (B.S.C.)	Bahrain	56.1%	51.2%	General risk insurance
Arab Orient Insurance Company J.S.C. (AOIC)	Jordan	88.7%	55%	General risk and life insurance

28 ACQUISITION OF NON-CONTROLLING INTERESTS

Arab Orient Insurance Company J.S.C. (AOIC)
On 9 Dec 2010, the parent company acquired additional equity interest in "Arab Orient Insurance Company J.S.C" for KD 4,887,964. Accordingly, the equity interest increased from 55% to 88.7% as at 31 December 2010 from a related party (Note 26). The excess of the consideration transferred over the fair value of net identifiable assets acquired of KD 2,273,065 has been recognized under other reserve.

Bahrain Kuwait Insurance Company B.S.C (BKIC)
On 10 February 2010, the parent company acquired additional equity interest in "Bahrain Kuwait Insurance Company B.S.C" for KD 1,658,047. Accordingly, the equity interest increased from 55% to 56.122% as at 31 December 2010. The excess of the consideration transferred over the fair value of net identifiable assets acquired of KD 737,669 has been recognized under other reserve.

Gulf life Insurance Company K.S.C (GLIC)
The parent company acquired additional equity interest in "Gulf Life Insurance Company K.S.C" for KD 76,500 Accordingly the equity interest increased from 98.6% to 99.8% as at 31 December 2010. The consideration paid is approximately the fair value of net identifiable assets acquired.

Fajr Al Gulf Insurance and Reinsurance Company SAL
The parent company acquired additional equity interest in "Fajr Al Gulf Insurance and Reinsurance S.A.L" for KD 41,588. Accordingly the equity interest increased from 51% to 54.7% as at 31 December 2010. The consideration paid is approximately the fair value of net identifiable assets acquired.

29 TAKAFUL INSURANCE UNIT - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

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

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

29 TAKAFUL INSURANCE UNIT - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND (continued)

Policyholders' result by line of business:

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

For the year ended 31 December 2010

	Marine and aviation KD	*Property KD*	*Motor KD*	*General Accidents KD*	*Life & Medical KD*	*Total KD*
Revenue:						
Premium written	331,031	380,131	195,557	139,029	528,626	**1,574,374**
Reinsurance premiums ceded	(115,625)	(168,550)	-	(33,089)	(63,128)	**(380,392)**
Net premiums written	215,406	211,581	195,557	105,940	465,498	**1,193,982**
Movement in unearned premiums	(4,210)	(65,200)	(43,000)	(4,140)	(21,500)	**(138,050)**
Net premiums earned	211,196	146,381	152,557	101,800	443,998	**1,055,932**
Policy issuance fees	2,186	311	8,499	193	1,706	**12,895**
	213,382	**146,692**	**161,056**	**101,993**	**445,704**	**1,068,827**
Expenses:						
Claims incurred	22,257	9,796	65,448	110,307	296,837	**504,645**
Other insurance expenses						
Commission and discounts	51,047	46,682	23,077	12,249	58,310	**191,365**
	73,304	**56,478**	**88,525**	**122,556**	**355,147**	**696,010**
Surplus (deficit) from insurance operations	140,078	90,214	72,531	(20,563)	90,557	**372,817**
Allocation of general and administrative expenses	(14,225)	(12,806)	(17,683)	(9,695)	(54,220)	**(108,629)**
Net surplus (deficit) from insurance operations	125,853	77,408	54,848	(30,258)	36,337	**264,188**
Net investment loss	(33,829)	(23,447)	(24,437)	(16,306)	(71,119)	**(169,139)**
Management fees	(8,445)	(5,853)	(6,100)	(4,071)	(17,754)	**(42,224)**
Net surplus (deficit) of takaful unit	83,579	48,108	24,311	(50,635)	(52,536)	**52,825**

29 TAKAFUL INSURANCE UNIT - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND (continued)

Policyholders' result by line of business:

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

For the year ended 31 December 2009

	Marine and aviation KD	*Property KD*	*Motor KD*	*General Accidents KD*	*Life & Medical KD*	*Total KD*
Revenue:						
Premium written	452,101	188,944	132,188	185,199	1,177,457	2,135,889
Reinsurance premiums ceded	(125,918)	(103,587)	-	(47,330)	(321,483)	(598,318)
Net premiums written	326,183	85,357	132,188	137,869	855,974	1,537,571
Movement in unearned premiums	(49,810)	(19,800)	(35,700)	(38,430)	(165,000)	(308,740)
Net premiums earned	276,373	65,557	96,488	99,439	690,974	1,228,831
Policy issuance fees	1,854	532	7,088	149	5,050	14,673
	278,227	66,089	103,576	99,588	696,024	1,243,504
Expenses:						
Claims incurred	12,124	3,066	49,062	69,932	651,705	785,889
Commission and discounts	70,955	18,361	21,817	15,594	71,430	196,432
	81,354	21,427	70,879	85,526	723,135	982,321
Surplus (deficit) from insurance operations	196,873	44,662	32,697	14,062	(27,111)	261,183
Allocation of general and administrative expenses	(30,515)	(14,260)	(25,669)	(27,851)	(81,298)	(179,593)
Net surplus (deficit) from insurance operations	166,358	30,402	7,028	(13,789)	(108,409)	81,590
Net investment loss	(20,745)	(4,921)	(7,243)	(7,415)	(51,867)	(92,191)
Net surplus (deficit) of takaful unit	145,613	25,481	(215)	(21,204)	(160,276)	(10,601)

29 TAKAFUL INSURANCE UNIT - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND (continued)

Policyholders' assets, liabilities and fund:

	31 December 2010 Marine and aviation, general accident, motor vehicles, property, medical and life	
	2010 KD	*2009 KD*
ASSETS		
Bank balances and cash	**141,425**	77,972
Premiums and insurance balance receivable	**747,360**	328,657
Investment carried at fair value through income statement	**22,991**	41,285
Available for sale investments	**71,200**	119,000
Property and equipment	**3,224**	4,060
Re-insurance recoverable on outstanding claims	**213,784**	151,518
Amount due from Takaful fund manager	**230,965**	316,739
Other Assets	**15,311**	9,158
TOTAL ASSETS	**1,446,260**	1,048,389
LIABILITIES		
Unearned premiums (net)	**446,790**	308,740
Outstanding claims reserve (gross)	**474,680**	339,565
Reinsurers payable	**189,860**	203,650
Insurance payables	**192,948**	204,402
Other liabilities	**99,758**	88,433
TOTAL LIABILITIES	**1,404,036**	1,144,790
POLICYHOLDERS' FUND		
Cumulative changes in fair values	**-**	(85,800)
Net surplus (deficit) from Takaful unit	**42,224**	(10,601)
TOTAL LIABILITIES AND POLICYHOLDERS' FUND	**1,446,260**	1,048,389

Movement in policyholders' fund:

	2010 KD	*2009 KD*
At 1 January	**(10,601)**	-
Net surplus (deficit) from insurance operations	**52,825**	(10,601)
At 31 December	**42,224**	(10,601)

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

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

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalent, investments carried at fair value through income statement, investments available for sale, investments held to maturity and debt securities (Loan). Financial liabilities consist of bank overdrafts, insurance payable and other liabilities.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost (note 8), are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities; and

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2010	*Level: 1 KD*	*Level: 2 KD*	*Level: 3 KD*	*Total fair value KD*
Financial instruments:				
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	3,263,754	-	-	**3,263,754**
Designated upon initial recognition:				
Managed funds of quoted securities	16,571,052	-	-	**16,571,052**
Investments available for sale:				
Quoted equity securities	16,352,165	-	-	**16,352,165**
Unquoted equity securities	-	10,274,294	5,498,002	**15,772,296**
Unquoted managed funds	-	10,524,210	-	**10,524,210**
Total	36,186,971	20,798,504	5,498,002	**62,483,477**

31 December 2009	*Level: 1 KD*	*Level: 2 KD*	*Level: 3 KD*	*Total fair value KD*
Financial instruments:				
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	7,798,791	-	-	7,798,791
Designated upon initial recognition:				
Managed funds of quoted securities	8,160,630	-	-	8,160,630
Investments available for sale:				
Quoted equity securities	15,285,067	-	-	15,285,067
Unquoted equity securities	-	-	16,867,713	16,867,713
Unquoted managed funds	-	6,459,145	-	6,459,145
Total	31,244,488	6,459,145	16,867,713	54,571,346

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)
Financial instruments at fair value (continued)

The following table shows a reconciliation of the opening and closing amount of financial assets.

	Investments carried at fair value through income statements KD	*Investments available for sale KD*	*Total KD*
At 1 January 2010	15,959,421	40,899,210	56,858,631
Purchases	20,712,944	8,012,938	28,725,882
Disposals	(17,810,339)	(2,381,327)	(20,191,666)
Fair value gain recorded in the consolidated income statement	1,022,335	-	1,022,335
Fair value gain recorded as other comprehensive income	-	4,005,704	4,005,704
Impairment loss	-	(323,420)	(323,420)
Foreign exchange adjustments	(103,555)	(156,157)	(259,712)
At December 2009	**19,780,806**	**50,056,948**	**69,837,754**
At 1 January 2009			
Purchases	16,378,807	64,820,838	81,199,645
Disposals	14,061,672	28,272,404	42,334,076
Fair value loss recorded in the income statement	(14,072,973)	(44,798,600)	(58,871,573)
Fair value recorded in the other comprehensive income	(471,032)	-	(471,032)
Impairments	-	(5,801,914)	(5,801,914)
Foreign exchange adjustments	-	(2,118,373)	(2,118,373)
	62,947	524,855	587,802
At December 2009	15,959,421	40,899,210	56,858,631

During the year ended 31 December 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The calculation of fair value of level 3 financial instruments is not materially sensitive to changes in assumptions.

31 PROPOSED CASH DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

The board of directors of the parent company have proposed cash dividends for the year ended 31 December 2010 of 25 fils per share of outstanding shares excluding treasury shares to the parent company's shareholders and 5% bonus shares on records as of the date of the general assembly and directors' remuneration of KD 80,000. This proposal is subject to the approval of the general assembly meeting of the shareholders of the parent company.

On 1 April 2010, general assembly approved the distribution of cash dividend of 40% representing 40 fils per share proposed by the Board of Directors for the year ended 31 December 2009 and directors' remuneration of KD 80,000 that have been paid subsequently.

32 INCOME STATEMENT OF THE PARNET COMPANY

	2010 KD	*2009 KD*
Revenue:		
Premiums written	**24,023,345**	20,240,684
Reinsurance premiums ceded	**(12,618,457)**	(10,256,799)
Net premiums written	**11,404,888**	9,983,885
Movement in unearned premiums	**(547,000)**	219,000
Net premiums earned	**10,857,888**	10,202,885
Commission received on ceded reinsurance	**2,484,527**	1,919,051
Policy issuance fees	**931,262**	815,899
Total Revenue	**14,273,677**	12,937,835
Expenses:		
Claims incurred	**5,948,033**	5,916,982
Commission and discounts	**2,285,697**	1,700,914
General and administrative expenses	**3,951,869**	3,548,323
Total Expenses	**12,185,599**	11,166,219
NET UNDERWRITING RESULT	**2,088,078**	1,771,616
Net investment income	**1,355,401**	729,799
Share of results from subsidiaries	**5,097,736**	3,437,621
Unallocated general and administrative expenses	**(629,972)**	(620,100)
Other income	**124,289**	2,606
	5,947,454	3,549,926
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES	**8,035,532**	5,321,542
Contribution to KFAS	**(40,582)**	(39,823)
National Labour Support tax	**(181,544)**	(113,670)
Zakat tax	**(41,011)**	(38,653)
Directors' fees	**(80,000)**	(80,000)
PROFIT FOR THE YEAR	**7,692,395**	5,049,396

33 STATEMENT OF FINANCIAL POSITION OF THE PARNET COMPANY

	2010 *KD*	*2009* *KD*
ASSETS		
Investments in subsidiaries	**36,313,293**	31,043,056
Property and equipment	**2,871,696**	2,960,067
Investments in an associate	**3,196,778**	2,272,257
Goodwill	**8,226,374**	8,226,374
Financial instruments:		
Debt securities (loans)	**50,000**	6,043,912
Investments available for sale	**40,448,366**	32,129,820
Investments carried at fair value through income statement	**4,780,406**	7,947,562
Premiums and insurance balances receivable	**7,100,991**	8,723,027
Reinsurance recoverable on outstanding claims	**13,254,000**	14,430,800
Property held for sale		
Other assets	**4,805,282**	5,273,817
Time deposits	**3,227,480**	
Cash and cash equivalents	**3,077,817**	21,467,118
TOTAL ASSETS	**127,352,483**	140,517,810
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities arising from insurance contracts:		
Outstanding claims reserve (gross)	**21,027,000**	21,860,300
Unearned premiums reserve (net)	**4,969,000**	4,422,000
Additional reserve (net)	**1,650,000**	1,650,000
Total liabilities arising from insurance contracts	**27,646,000**	27,932,300
Bank overdrafts	**14,659,257**	16,984,229
Premiums received in advance	**-**	174,662
Insurance payable	**7,446,062**	11,340,742
Other liabilities	**7,321,279**	17,374,629
TOTAL LIABILITIES	**57,072,598**	73,806,562
EQUITY		
Share capital	**16,965,000**	16,965,000
Share premium	**3,600,000**	3,600,000
Treasury shares	**-**	(1,757,348)
Treasury shares reserve	**2,051,215**	1,493,072
Statutory reserve	**13,038,433**	12,223,868
Voluntary reserve	**16,991,846**	16,177,281
Other reserves	**(3,010,734)**	-
Cumulative changes in fair value	**4,624,626**	618,922
Foreign currency translation adjustments	**(965,304)**	(145,334)
Retained earnings	**16,984,803**	17,535,787
Total equity	**70,279,885**	66,711,248
TOTAL LIABILITIES AND EQUITY	**127,352,483**	140,517,810