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**WARBA INSURANCE COMPANY - K.S.C.
AND ITS SUBSIDIARY
STATE OF KUWAIT**

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2012
(UNAUDITED)**

**WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

**WARBA INSURANCE COMPANY - K.S.C.
AND ITS SUBSIDIARY
STATE OF KUWAIT**

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Report on Review of Interim consolidated financial information

The Board of Directors
Warba Insurance Company – K.S.C.
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Warba Insurance Company - K.S.C. (the Parent Company) and its subsidiary (the Group) as of March 31, 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim consolidated financial information.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim financial information Performed by the Independent Auditor of the Entity." A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".


Report on other Legal and Regulatory Requirements

Based on our review, the interim consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law No. 15 of 1960 as amended or of the Articles of Association of the Parent Company have occurred during the three months period ended March 31, 2012 that might have had a material effect on the Group or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violation of the provisions of Law No. 24 of 1961, as amended, concerning Insurance Companies and Insurance Agents and its related regulations.



Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche
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WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF MARCH 31, 2012
 (All amounts are in Kuwaiti Dinars)

	Note	March 31, 2012	December 31, 2011 (Audited) (Restated)	March 31, 2011 (Restated)
<u>ASSETS</u>				
Cash and cash equivalents	3	2,728,699	2,774,937	2,696,526
Fixed deposits	4	3,044,000	3,244,000	3,044,000
Investments at fair value through income statement	5	3,490,882	3,343,929	3,415,311
Insurance and reinsurance receivable		20,031,806	18,991,454	18,080,435
Other receivables		5,551,492	5,033,477	5,421,726
Investments available for sale	6	19,006,402	18,685,378	20,431,080
Investment in associate		3,610,404	3,578,462	3,569,064
Investment properties		2,251,107	2,251,107	2,251,107
Reinsurance share in reserve for outstanding claims		17,778,505	18,641,313	21,200,307
Goodwill		62,240	62,240	62,240
Property and equipment	7	8,699,997	8,617,488	8,592,322
		86,255,534	85,223,785	88,764,118
<u>LIABILITIES AND EQUITY</u>				
Liabilities:				
Insurance contract liabilities	8	23,115,735	23,634,737	26,147,369
Accounts payable		6,779,696	3,503,225	3,310,489
Insurance and reinsurance payables		7,192,140	10,615,583	8,719,258
Other payables		4,093,407	3,283,896	4,435,867
Total liabilities		41,180,978	41,037,441	42,612,983
Equity:				
Share capital	9	17,278,874	17,278,874	17,278,874
Treasury shares	10	(40,586)	(40,586)	(40,586)
Treasury shares reserve		164,760	164,760	164,760
Statutory reserve		8,781,109	8,781,109	8,781,109
Voluntary reserve		8,823,550	8,823,550	8,713,489
General reserve		4,000,000	4,000,000	4,000,000
Cumulative changes in fair value		4,713,075	4,531,697	6,277,153
Share of other comprehensive income of associate		(189,735)	(195,171)	(147,993)
Retained earnings		1,365,821	668,639	951,639
Equity attributable to shareholders of the Parent Company		44,896,868	44,012,872	45,978,445
Non-controlling interest		177,688	173,472	172,690
Total equity		45,074,556	44,186,344	46,151,135
		86,255,534	85,223,785	88,764,118

The accompanying notes from (1) to (17) form an integral part of these interim consolidated financial information

Anwar Jawad Bu-Khamseen
Chairman

Sheikh Mohammed Jarah Sabah Al-Sabah
Vice Chairman

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31,	
		2012	2011 (Restated)
Revenue:			
Premiums written		7,793,588	6,804,049
Reinsurance share		(4,493,010)	(3,967,999)
Net premiums written		3,300,578	2,836,050
Reserve for unexpired risks		(93,981)	(252,455)
Net premiums earned		3,206,597	2,583,595
Reserve for life insurance fund		276,552	253,744
Net investment income (loss)	11	591,590	(217,314)
Group's share of results from associate		26,506	8,095
Net commission		(37,313)	273,086
Issue fees		43,810	38,410
Other income		185,788	199,429
		<u>4,293,530</u>	<u>3,139,045</u>
Expenses:			
Net incurred claims		(1,485,110)	(1,131,190)
General and administrative expenses		(1,185,550)	(1,168,568)
		<u>(2,670,660)</u>	<u>(2,299,758)</u>
Net profit for the period before Contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax and Zakat		1,622,870	839,287
Contribution to KFAS		(15,921)	(9,207)
National Labor Support Tax		(30,679)	(16,264)
Zakat		(12,006)	(6,312)
Net profit for the period		<u>1,564,264</u>	<u>807,504</u>
Attributable to:			
Shareholders of the parent company		1,560,048	796,417
Non-controlling interest		4,216	11,087
		<u>1,564,264</u>	<u>807,504</u>
Earnings per share (fils)	13	<u>9.04</u>	<u>4.61</u>

The accompanying notes from (1) to (17) form an integral part of these interim consolidated financial information

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2012
 (All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31,	
		2012	2011 (Restated)
Net profit for the period		1,564,264	807,504
Other comprehensive income:			
Change in fair value of investment available for sale	6	181,378	(921,496)
Share of other comprehensive income (loss) of associate		5,436	(29,949)
Other comprehensive income (loss) for the period		186,814	(951,445)
Total comprehensive income (loss) for the period		<u>1,751,078</u>	<u>(143,941)</u>
Attributable to:			
Shareholders of the Parent Company		1,746,862	(155,028)
Non-controlling interests		4,216	11,087
Total comprehensive income (loss) for the period		<u>1,751,078</u>	<u>(143,941)</u>

The accompanying notes from (1) to (17) form an integral part of these interim consolidated financial information

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2012
 (All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company											
	Share capital	Treasury shares	Treasury shares reserve	Treasury shares reserve	Statutory reserve	Voluntary reserve	General reserve	Cumulative changes in fair value	Share of other comprehensive (loss) income of associate	Retained earnings	Total	Non-controlling interest
Balance at December 31, 2011	17,278,874	(40,586)	164,760	8,781,109	8,823,550	4,000,000	(8,753,309)	(195,171)	13,953,645	44,012,872	173,472	44,186,344
Prior years adjustments (Note 17)	-	-	-	-	-	-	13,285,006	-	(13,285,006)	-	-	-
Balance at December 31, 2011 (Restated)	17,278,874	(40,586)	164,760	8,781,109	8,823,550	4,000,000	4,531,697	(195,171)	668,639	44,012,872	173,472	44,186,344
Total comprehensive income for the period	-	-	-	-	-	-	181,378	5,436	1,560,048	1,746,862	4,216	1,751,078
Cash dividend (Note 14)	-	-	-	-	-	-	-	-	(862,866)	(862,866)	-	(862,866)
Balance at March 31, 2012	17,278,874	(40,586)	164,760	8,781,109	8,823,550	4,000,000	4,713,075	(189,735)	1,365,821	44,896,868	177,688	45,074,556
Balance at December 31, 2010	17,278,874	(40,586)	164,760	8,781,109	8,713,489	4,000,000	(5,647,508)	(118,044)	14,727,111	47,859,205	161,603	48,020,808
Prior years adjustments (Note 17)	-	-	-	-	-	-	12,846,157	-	(12,846,157)	-	-	-
Balance at December 31, 2010 (Restated)	17,278,874	(40,586)	164,760	8,781,109	8,713,489	4,000,000	7,198,649	(118,044)	1,880,954	47,859,205	161,603	48,020,808
Total comprehensive (loss) income for the period (Restated)	-	-	-	-	-	-	(1,033,305)	(29,949)	(111,809)	908,226	11,087	(143,941)
Prior period adjustments (Note 17)	-	-	-	-	-	-	921,496	(29,949)	(111,809)	(111,809)	-	-
Total comprehensive (loss) income for the period (Restated)	-	-	-	-	-	-	(921,496)	(29,949)	796,417	(155,028)	11,087	(143,941)
Cash dividend (Note 14)	-	-	-	-	-	-	-	-	(1,725,732)	(1,725,732)	-	(1,725,732)
Balance at March 31, 2011 (Restated)	17,278,874	(40,586)	164,760	8,781,109	8,713,489	4,000,000	6,277,153	(147,993)	951,639	45,978,445	172,690	46,151,135

The accompanying notes from (1) to (17) form an integral part of these interim consolidated financial information

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2012
(All amounts are in Kuwaiti Dinars)

	Three months ended March 31,	
	2012	2011 (Restated)
Cash flows from operating activities		
Net profit for the period before Contribution to KFAS, National Labor Support Tax and Zakat	1,622,870	839,287
Adjustments:		
Interest income	(21,972)	(19,573)
Net investment (income) loss	(591,590)	217,314
Group's share of results from associate	(26,506)	(8,095)
Depreciation	370,703	75,329
	<u>1,353,505</u>	<u>1,104,262</u>
Changes in operating assets and liabilities:		
Insurance and reinsurance receivable and other receivables	(1,590,290)	832,246
Net movement of insurance and reinsurance companies	(2,560,635)	(9,658,020)
Insurance contract liabilities	(519,002)	7,198,241
Accounts payable and Other payables	3,165,880	30,804
Net cash used in operating activities	<u>(150,542)</u>	<u>(492,467)</u>
Cash flows from investing activities		
Net movement of fixed deposits	200,000	300,000
Net movement of investments at fair value through income statement	30,210	357,109
Purchase of investments available for sale	(145,420)	(20,016)
Reversal from investment portfolio available for sale	-	64,574
Interest income received	53,895	15,743
Dividend income received	420,201	324,730
Purchase of property and equipment	(453,212)	(125,560)
Net cash generated from investing activities	<u>105,674</u>	<u>916,580</u>
Cash flows from financing activities		
Dividends paid to shareholders	(1,370)	(346,285)
Net cash used in financing activities	<u>(1,370)</u>	<u>(346,285)</u>
Net (decrease) increase in cash and cash equivalents	(46,238)	77,828
Cash and cash equivalents at beginning of the period	2,774,937	2,618,698
Cash and cash equivalents at end of the period (Note 3)	<u>2,728,699</u>	<u>2,696,526</u>

The accompanying notes from (1) to (17) form an integral part of these interim consolidated financial information

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2012

(All amounts are in Kuwaiti Dinars)

1. Incorporation and objectives of the Parent Company

Warba Insurance Company was incorporated as a Public Kuwaiti Shareholding Company in State of Kuwait in accordance with the Amiri Decree of October 24, 1976.

The interim consolidated financial information incorporate the interim financial information of Warba Insurance Company – K.S.C and its subsidiary WAPMED TPA Services Company – K.S.C (Closed) – State of Kuwait with and equity interest of 54.57% (December 31, 2011 – 54.57%, March 31, 2011 – 54.57%).

The objects of the Parent Company and its subsidiary (together, the Group) are to underwrite life and non-life insurance risks such as fire, general accidents, marine and aviation and others; lend funds against life insurance policies; and to invest in permitted securities.

The address of the Parent Company registered office is P.O. Box 24282 Safat, 13103 - State of Kuwait.

The interim consolidated financial information have been approved for issue by the Board of Directors on May 7, 2012.

2. Significant accounting policies

a) Basis of presentation:

The interim consolidated financial information has been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting." The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2011.

Standards and interpretations issued but not effective

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not been adopted by the Group:

- IFRS 9 Financial Instruments.
- IFRS 10 Consolidated Financial Statements (issued in May 2011).
- IFRS 13 Fair Value Measurement (issued in May 2011).

These amendments are not expected to have any impact on the interim consolidated financial information for the group.

The interim consolidated financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2011.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2012

(All amounts are in Kuwaiti Dinars)

3. Cash and cash equivalents

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Cash on hand and at banks	2,670,301	2,742,304	2,565,191
Cash in portfolio	58,398	32,633	131,335
	<u>2,728,699</u>	<u>2,774,937</u>	<u>2,696,526</u>

4. Fixed deposits

Fixed deposits represent deposits with banks whose maturity period exceeds three months from date of deposit.

Fixed deposits include an amount of KD 2,919,000 held in State of Kuwait under lien to the Ministry of Commerce and Industry in accordance with insurance regulations of State of Kuwait (December 31, 2011 – KD 2,919,000, March 31, 2011 - KD 2,919,000)

The average interest rate on fixed deposits was 2.3% per annum (December 31, 2011 – 2.3%, March 31, 2011 – 2.25%)

5. Investments at fair value through income statement

The movement during the period / year is as follows:

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Balance at the beginning of the period / year	3,343,929	4,202,655	4,202,655
Additions	-	2,431,948	1,610,521
Disposals	(34,100)	(2,746,850)	(1,979,117)
Unrealized gain (loss) on change in fair value (Note 11)	181,053	(543,824)	(418,748)
Balance at the end of the period / year	<u>3,490,882</u>	<u>3,343,929</u>	<u>3,415,311</u>

Quoted shares with a carrying value of KD 2,129,345 (December 31, 2011 – KD 2,209,698, March 31, 2011 – KD 2,290,050) are under lien to the Ministry of Commerce and Industry.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2012

(All amounts are in Kuwaiti Dinars)

6. Investments available for sale

The movement during the period / year is as follows:

	March 31, 2012	December 31, 2011 (Audited) (Restated)	March 31, 2011 (Restated)
Balance at the beginning of the period / year	18,685,378	21,508,943	21,508,943
Additions	145,420	346,811	20,016
Reversal from investment portfolio	-	(64,575)	(64,574)
Impairment loss (Note 11)	(5,774)	(438,849)	(111,809)
Changes in fair value	181,378	(2,666,952)	(921,496)
Balance at the end of the period / year	<u>19,006,402</u>	<u>18,685,378</u>	<u>20,431,080</u>

It was not possible to reliably measure the fair value of unquoted securities amounting to KD 4,833,338 (December 31, 2011 – KD 4,842,157, March 31, 2011 – KD 4,401,750) due to non-availability of a reliable method that could be used to determine the fair value of such investments. Accordingly, they were stated at their cost less impairment losses.

7. Property and equipment

Land and buildings with a carrying value of KD 2,955,780 (December 31, 2011 – KD 2,955,780, March 31, 2011 – KD 2,955,780) are under lien to the Ministry of Commerce and Industry in accordance with insurance regulations in Kuwait.

8. Insurance contract liabilities

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Reserve for outstanding claims	19,716,539	20,052,970	23,233,283
Reserve for unexpired risks (unearned premiums)	2,952,132	2,858,151	2,507,364
Reserve for life insurance fund	447,064	723,616	406,722
	<u>23,115,735</u>	<u>23,634,737</u>	<u>26,147,369</u>

9. Share capital

The authorized, issued and paid-up capital is 172,788,740 shares (December 31, 2011 – 172,788,740 shares, March 31, 2011 – 172,788,740 shares) of 100 fils each and all shares are in cash.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2012

(All amounts are in Kuwaiti Dinars)

10. Treasury shares

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Number of treasury shares	215,470	215,470	215,470
Percentage to issued shares (%)	0.12%	0.12%	0.12%
Market value (KD)	31,890	24,995	31,459
Cost	40,586	40,586	40,586

11. Net investment income (loss)

	Three months ended March 31,	
	2012	2011 (Restated)
Changes in fair value of investments at fair value through income statement (Note 5)	181,053	(418,748)
Loss on sale of investments at fair value through income statement	(3,890)	(11,487)
Impairment loss of investments available for sale (Note 6)	(5,774)	(111,809)
Dividend income	420,201	324,730
	<u>591,590</u>	<u>(217,314)</u>

12. Segment results

A. Three months ended March 31, 2012:

	Marine & aviation	Fire	General accidents	Life	Total
Revenue	134,706	127,284	2,712,722	694,778	3,669,490
Net results	(237,020)	(29,833)	817,938	474,565	1,025,650
Unallocated item					597,220
Profit from operations					<u>1,622,870</u>

B. Three months ended March 31, 2011 (Restated):

	Marine & aviation	Fire	General accidents	Life	Total
Revenue	155,590	118,086	2,388,577	491,716	3,153,969
Net results	44,019	(33,489)	701,393	347,595	1,059,518
Unallocated item					(220,231)
Profit from operations					<u>839,287</u>

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2012

(All amounts are in Kuwaiti Dinars)

13. Earnings per share

The information necessary to calculate the earnings per share based on the weighted average number of shares outstanding during the period is as follows:

	Three months ended March 31,	
	2012	2011 (Restated)
Net profit for the period attributable to the Parent Company's shareholders	1,560,048	796,417
Weighted average number of outstanding shares	172,573,270	172,573,270
Earnings per share (Fils)	<u>9.04</u>	<u>4.61</u>

14. Dividends

The General Assembly meeting held on March 26, 2012, approved cash dividend of 5 fils per share for the year ended December 31, 2011. to all the registered shareholders as of the date of the meeting

The General Assembly meeting held on March 23, 2011, approved cash dividend of 10 fils per share for the year ended December 31, 2010. to all the registered shareholders as of the date of the meeting

15. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Interim condensed consolidated statement of financial position

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
<u>Insurance activities</u>			
Insurance services receivable	832,169	609,752	514,957
Insurance services payable	69,643	66,963	61,171
<u>Other activities</u>			
Current account	4,151,534	4,151,534	4,767,170
<u>Investment activities</u>			
Deposits and bank balances	4,845,750	3,985,174	4,046,580
Investments at fair value through income statement	195,375	229,850	185,450
Investments available for sale	9,217,975	9,010,607	10,726,594

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2012
 (All amounts are in Kuwaiti Dinars)

Interim condensed consolidated statement of income

A. Transactions:

	Three months ended March 31,	
	2012	2011
Premiums written	<u>258,426</u>	<u>110,269</u>

B. Compensation to key management personnel

	Three months ended March 31,	
	2012	2011
Short term employee benefits	<u>33,745</u>	<u>35,774</u>

16. Capital commitments and contingent liabilities

	March 31, 2012	December 31, 2011 (Audited)	March 31, 2011
Letter of guarantee for others	4,378	4,378	118,980
Uncalled capital for investment available for sale	237,503	237,503	237,503
Capital commitments	217,950	298,942	298,942

17. Prior year adjustments

During the previous years and up to December 31, 2011, the Group had recognized impairment losses of investments available for sale below its initial cost amounted to KD 13,285,006 in cumulative change in fair value under "consolidated statement of comprehensive income" rather than in the consolidated statement of income. As of March 31, 2012 the Group had restated the consolidated financial statements and interim consolidated financial information for the comparative year and period in the accompanying interim consolidated financial information. The details of this restatement are as follows:

- Decrease retained earnings balance as of December 31, 2010 with amount of KD 12,846,157.
- Cumulative change in fair value balance as of December 31, 2010 has credited with amount of KD 12,846,157.
- Decrease the net profit for the year ended December 31, 2011 with amount of KD 438,849.
- Cumulative change in fair value balance for the year ended December 31, 2011 has credited with amount of KD 438,849.

Accordingly, the retained earnings balance as of December 31, 2011 had been decreased with total amount of KD 13,285,006 with corresponding change in cumulative change in fair value balance as of December 31, 2011.

Also, this restatement had effect comparative period's figures as follow:

- Decrease the net profit for the period ended March 31, 2011 with amount of KD 111,809.
- Cumulative change in fair value balance for the year ended December 31, 2011 has credited with amount of KD 111,809.