

**Kuwait Insurance Company S.A.K.
Kuwait**

**Annual Financial Statements and Independent Auditors' Report
31 December 2009**

pwc

**AL-AHLI BUREAU
Certified Accountants**

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Kuwait Insurance Company S.A.K.
Kuwait**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the accompanying financial statements of Kuwait Insurance Company S.A.K. ("the Company"), which comprise the balance sheet as at 31 December 2009 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Kuwait Insurance Company S.A.K.
Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (CONTINUED)

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Board of Directors relating to these 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 financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and of Law No. 24 of 1961, as amended, concerning insurance companies and insurance agents and its related regulations and by the Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no material violation of Commercial Companies Law of 1960, as amended, or of Law No. 24 of 1961, as amended or of the Articles of Association have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the Company or on its financial position.

Bader A. Al-Wazzan
Licence No. 62A
PricewaterhouseCoopers

Nasser A. Al Muqait
Licence No. 9A
Al-Ahli Bureau
Certified Accountants

Kuwait
07 February 2010

**Kuwait Insurance Company S.A.K.
Kuwait**

Balance Sheet as at 31 December 2009

	Note	Kuwaiti Dinars	
		2009	2008
ASSETS			
Property and equipment	3	2,385,379	2,295,252
Investment properties		135,187	135,187
Loans secured by life insurance policies		364,130	401,823
Investments	4	49,256,123	61,434,098
Due from insurance and reinsurance companies		5,527,469	6,221,401
Reinsurance companies' share of reserve for outstanding claims		17,816,807	17,375,135
Trade and other receivables	5	11,462,663	10,362,971
Fixed deposits with banks	6	23,015,991	24,071,967
Cash and cash equivalents	7	2,748,652	2,920,308
Total assets		112,712,401	125,218,141
EQUITY AND LIABILITIES			
Shareholders' equity			
Issued and fully paid-up capital	8	19,404,000	19,404,000
Statutory reserve	8	9,702,000	9,702,000
Voluntary reserve	8	17,500,000	17,500,000
Retained earnings		4,021,513	16,078,200
Treasury shares	9	(301,863)	-
Investment fair valuation reserve		(11,756,257)	(15,731,177)
Total equity		38,569,393	46,953,023
Liabilities			
Technical reserves	10	56,629,854	61,728,123
Due to insurance and reinsurance companies		10,892,180	8,650,948
Trade and other payables	11	6,620,974	7,886,048
Total liabilities		74,143,008	78,265,119
Total equity and liabilities		112,712,401	125,218,141

The accompanying notes form an integral part of these financial statements.

Mohammed Saleh Behbehani
Chairman

Sulaiman Khaled Al
Vice-Chairman

Dr. Ali Hamad Al
General Manager

**Kuwait Insurance Company S.A.K.
Kuwait**

Statement of Income - Year ended 31 December 2009

	Not	Kuwaiti Dinars	
		2009	2008
Revenue			
Gross premium revenue		29,346,424	26,871,094
Premium ceded to reinsurers		(15,927,18)	(12,242,35)
Net premium revenue		13,419,243	14,628,735
Change in reserve for unexpired risks		582,754	80,490
Premiums earned		14,001,997	14,709,225
Commission earned		2,507,773	2,222,639
Net income from investments	12	3,412,227	3,287,974
Other income		631,615	665,800
Total		20,553,612	20,885,638
Expenses			
Net incurred claims		(3,087,517)	(9,630,129)
Change in reserve for life insurance fund		192,565	1,341,832
Life insurance - Expiry settlement		(840,772)	(1,950,670)
Life insurance - Policies liquidated		(235,726)	(257,161)
Commissions paid		(2,210,246)	(2,235,496)
General & administrative expenses		(4,246,913)	(4,007,823)
Total		(10,428,60)	(16,739,44)
Profit before provisions		10,125,003	4,146,191
Provision for impairment of investments		(16,360,49)	(1,075,122)
(Loss)/ profit before taxes & management remuneration		(6,235,487)	3,071,069
Board of Directors' remuneration		-	(56,000)
Contribution to Kuwait Foundation for Advancement of Science, Culture & Education (KFAS)		-	(30,711)
National Labour Support Tax		-	(27,166)
Zakat Tax		-	(10,866)
Total contribution to taxes & management remuneration		-	(124,743)
Net (loss)/ profit for the year		(6,235,487)	2,946,326
Loss/ earnings per share (fils)	13	(32.15)	15.18

The accompanying notes form an integral part of these financial statements.

Kuwait Insurance Company S.A.K.
Kuwait

Statement of Comprehensive Income - Year ended 31 December 2009

	Kuwaiti Dinars	
	<u>2009</u>	<u>2008</u>
Net (loss)/ profit for the year	(6,235,487)	2,946,326
<i>Other Comprehensive Income:</i>		
Changes in fair value of financial assets classified as Available for Sale, directly recognized in Equity	4,024,672	(30,801,423)
Net realized (gain)/ loss on disposal of Available for Sale financial assets	(49,752)	473,907
Other comprehensive income/ (loss) for the year	<u>3,974,920</u>	<u>(30,327,516)</u>
Total comprehensive loss for the year	<u>(2,260,567)</u>	<u>(27,381,190)</u>

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Shareholders 'Equity - Year ended 31 December 2009

	Kuwaiti Dinars						
	Capital	Statutory reserve	Voluntary Reserve	Treasury Shares	Retained Earnings	Investment fair valuation reserve	Total
Balance as at 1 January 2009	19,404,00	9,702,00	17,500,00	-	16,078,200	(15,731,17)	46,953,023
Total comprehensive loss for the year	-	-	-	-	(6,235,487)	3,974,920	(2,260,567)
Treasury shares purchased	-	-	-	(301,863)	-	-	(301,863)
Dividend paid for 2008 (30 fils per share)	-	-	-	-	(5,821,200)	-	(5,821,200)
At 31 December 2009	<u>19,404,00</u>	<u>9,702,00</u>	<u>17,500,00</u>	<u>(301,863)</u>	<u>4,021,513</u>	<u>(11,756,25)</u>	<u>38,569,393</u>
Balance as at 1 January 2008	19,404,00	9,702,00	17,500,00	-	26,714,674	14,596,339	87,917,013
Total comprehensive loss for the year	-	-	-	-	2,946,326	(30,327,51)	(27,381,19)
Dividend paid for 2007	-	-	-	-	(13,582,80)	-	(13,582,80)
At 31 December 2008	<u>19,404,00</u>	<u>9,702,00</u>	<u>17,500,00</u>	<u>-</u>	<u>16,078,200</u>	<u>(15,731,17)</u>	<u>46,953,023</u>

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows - Year ended 31 December 2009

	Note	Kuwaiti Dinars	
		2009	2008
Cash flows from operating activities			
Net (loss)/ profit for the year		(6,235,487)	2,946,326
Adjustments for:			
Net income from investments	12	(3,412,227)	(3,287,974)
Depreciation		159,607	152,289
Provision for impairment on investments		16,360,490	1,075,122
Staff terminal benefits		124,722	140,073
Finance expenses		23,422	54,979
Operating profit before working capital changes		7,020,527	1,080,815
Investments at fair value through profit or loss		-	1,062,440
Due from insurance & reinsurance companies		693,932	134,331
Trade and other receivables		(1,099,692)	(1,063,396)
Technical reserves		(5,539,941)	(141,141)
Due to insurance and reinsurance companies		2,241,232	108,876
Trade and other payables		(1,647,655)	661,903
Cash from operating activities		1,668,403	1,843,828
Payment of staff terminal benefits		-	(25,767)
Payment of KFAS		(30,711)	(137,958)
Payment of National Labour Support Tax		(27,166)	(301,784)
Payment of Zakat Tax		(10,866)	(7,276)
Payment of Board of Directors' remuneration		(56,000)	(56,000)
Net cash from operating activities		1,543,660	1,315,043
Cash flows from investing activities			
Purchase of property and equipment (net)		(249,734)	(9,854)
Repayments of loans secured by life insurance		37,693	145,617
Purchase of treasury shares		(301,863)	-
Purchase of available-for-sale investments		(3,022,236)	(2,995,230)
Proceeds from sale of available-for-sale		3,396,382	8,071,197
Fixed deposits with banks		1,055,976	3,499,309
Dividend received		2,036,598	3,371,399
Interest received		1,165,727	1,705,961
Net cash from investing activities		4,118,543	13,788,399
Cash flows from financing activities			
Payment of finance expenses		(23,422)	(54,979)
Repayment of bank borrowings		-	(2,447,197)
Dividend paid to shareholders		(5,810,437)	(13,534,17)
Net cash used in financing activities		(5,833,859)	(16,036,34)
Net decrease in cash and cash equivalents		(171,656)	(932,907)
Cash and cash equivalents at beginning of the year		2,920,308	3,853,215
Cash and cash equivalents at end of the year	7	2,748,652	2,920,308

The accompanying notes form an integral part of these financial statements.

1. Incorporation and objectives

Kuwait Insurance Company S.A.K., (the Company) is a Kuwaiti Public Shareholding Company established in Kuwait in 1960 by Amiri Decree No. 7 of 1960, and registered with the Ministry of Commerce in accordance with the Insurance Companies and Agent Law No. 24 of 1961 under insurance license No. 1.

The objects of the Company 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 Company also engages in underwriting all types of risks under the Takaful insurance law.

The registered office of the Company is located at Kuwait Insurance Building, Abdullah Al-Salem Street, Kuwait. P.O. Box 769 Safat 13008, Kuwait. The Company has 12 branches in the State of Kuwait.

These financial statements have been approved for issue by the Board of Directors on 07 February 2010 and are subject to shareholders' approval at the annual general meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB). These financial statements are prepared under the historical cost basis of measurement as modified by the revaluation of financial instruments classified as "at fair value through profit or loss" or "available for sale". The financial statements have been presented in Kuwaiti Dinars.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas where estimates and assumptions are significant to the financial statements, or areas involving a higher degree of judgment, are disclosed in Note 20.

The Company presents its balance sheet broadly in the reverse order of liquidity with the distinction based on expectation regarding recovery or settlement within twelve months after the balance sheet date (current) and more than twelve months after the balance sheet date (non-current).

Changes in accounting policies

The accounting policies are consistent with those used in the previous year, except for amendments to IAS 1, IFRS 7 and adoption of IFRS 8.

IAS 1 'Presentation of Financial Statements' (Revised):

The revised Standard separates owner and non-owner changes in shareholders' equity. The Statement of Changes in Shareholders' Equity includes only details of transactions with owners, with non-owner Changes in Shareholders' equity presented as a single line. In addition, the Standard introduces the Statement of Comprehensive Income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

Comparative information has been re-presented so that it also conforms to the revised Standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

Amendments to IFRS 7 'Improving Disclosures about Financial Instruments':

Amendments to IFRS 7, issued in March 2009, require enhanced disclosure about fair value measurements and liquidity risk of derivatives. In particular, the amendment requires disclosures of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendments results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Company.

IFRS 8 'Operating segments':

Adoption of this Standard requires disclosure of information about the Company's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company.

Adoption of this Standard did not have any effect on the financial position or performance of the Company.

The Company determined that the operating segments were the same as the business segments previously identified under IAS 14 'Segment reporting'

The following Standards issued by the International Accounting Standard Board (IASB) are not yet effective and have not been early adopted by the Company:

IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The revised Standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (Revised 2008) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, for future business combinations, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Revised 2008) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction.

IFRS 9 'Financial instruments':

The Standard was issued in November 2009 and becomes effective for financial years beginning on or after 1 January 2013. IFRS 9 establishes principles for the financial reporting of financial assets that will present relevant and useful information to users of the financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.

The application of IFRS 9 will result in amendments to the presentation of the financial statements of the Company. Additional disclosures will be made in the financial statements when these Standards become effective.

The application of other Standards is not expected to have a material impact on the financial statements of the Company.

2.2 Financial Instruments

Classification and measurement

The Company classifies financial assets as "at fair value through profit or loss", "loans and receivables" and "available for sale". Financial liabilities are classified as "other than at fair value through profit or loss".

Recognition and de-recognition

All financial assets and liabilities are initially recognized at its fair value plus, except for financial instruments classified as "at fair value through profit or loss", transaction costs that are directly attributable to the acquisition of the financial instrument.

A financial asset or a financial liability is recognised when the Company

becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Company has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all risks and rewards of ownership and it no longer has control over the asset or portion of the asset. If the Company has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset. A financial liability is derecognised when the obligation specified in the contract is discharged.

All 'regular way' purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in income in accordance with the policy applicable to the related instruments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

At fair value through profit or loss

Financial assets "at fair value through profit or loss" are further divided into two sub categories: "held for trading" and "designated at fair value through profit or loss at inception". A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy. Financial assets "at fair value through profit or loss" are subsequently re-measured at fair value and gains or losses arising from changes in fair value are included in the statement of income.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortized cost using the effective yield method, less any provision for impairment.

Available for sale

These are non derivative financial assets not included in any of the above classifications and are principally those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, changes in interest rates or prices. These are subsequently re-measured and carried at fair value. Any resultant unrealized gains and losses arising from changes in fair value are taken to investment fair valuation reserve in equity. When the available for sale asset is disposed off or is impaired, the related accumulated fair values earlier reported in equity are transferred to the statement of income.

Financial liabilities

Financial liabilities are carried at amortized cost using the effective yield method.

Fair values

Fair values are estimated based on quoted current bid prices or using the current market rate of interest for that instrument. The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of unquoted instruments are estimated using price multiples or discounted cash flow techniques, market price of similar instruments or broker's quotes.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specified asset, or a group of similar assets, may be impaired. In the case of financial assets classified as available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists

for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income, is removed from shareholder's equity and recognized in the statement of income. Impairment loss recognized in the statement of income on available for sale financial assets that are equity instruments are not reversed through the statement of income.

A credit risk provision for impairment of loans and receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective rate of interest and the current interest rate for fixed and floating rate loans respectively.

2.3 Offsetting financial instruments

Financial assets and liabilities are setoff and the net amount reported in the balance sheet when there is a legally enforceable right to setoff the recognized amounts and there is an intention to settle on a net basis, or realize the asset or settle the liability simultaneously.

2.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. These are depreciated on a straight line basis over their useful lives as follows:

Buildings	20 years
Equipment, Furniture and fixtures	up to 3 years

Land is not depreciated.

Property and equipment are reviewed periodically for any impairment. If there is an indication that the carrying value of the asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the statement of income.

2.5 Investment properties

Investment properties are stated at cost less any impairment in value.

2.6 Cash and cash equivalents

Cash in hand and time deposits with banks whose original maturities do not exceed a period of three months are classified as cash and cash equivalents.

2.7 Provisions for liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.8 Employees terminal benefits

Provision is made for amounts payable under Kuwaiti labour law. This liability, which is unfunded, represents the amount payable to each

employee as a result of involuntary termination on the balance sheet date, and approximates the present value of this obligation.

2.9 Treasury shares

The company's holding in its own shares is stated at the acquisition cost. These shares are not entitled to any cash dividend that the company may propose.

2.10 Revenue recognition

Premiums are recognized as revenue annually and over the period of the cover. The portion of premiums that relates to unexpired risks at the balance sheet date is reported as reserve for unexpired risks or as unearned premium. Dividend income is recognised when the right to receive payment is established and interest on fixed deposits and bonds are recognised on time proportion basis using effective yield method.

Commission earned is recognized at the time policies are ceded to other insurance companies.

Gains and losses on disposal of investments represent the difference between the selling price and the carrying value of the investment.

Insurance contract liabilities

Reserve for outstanding claims

Provisions are recognized for reported claims, which are not settled on the balance sheet date based on historical loss ratios, after deduction of expected salvage values and other recoveries.

Reserve for unexpired risks

General Insurance

This is computed at the rate of 40% of the net retained premiums for the Fire and General Accidents departments and 25% of the net retained premiums for the Marine and Aviation departments.

Life Insurance

Provisions for life insurance liabilities are recognised based on independent actuarial valuation.

Additional reserves

The Company estimates additional provisions for claims incurred but not reported at the balance sheet date based on historical loss ratios.

2.11 Foreign currencies

The Company's functional currency is the Kuwaiti Dinar. Transactions in foreign currencies are converted into Kuwaiti Dinars at the rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are converted into Kuwaiti Dinar at the rates prevailing at the balance sheet date. Resulting gains or losses are taken to the statement of income. Translation differences on non-monetary assets measured at fair value are considered as part of changes in their fair value.

2.12 Segment reporting

A segment is a distinguishable component of the Company that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

Notes to the Financial Statements - 31 December 2009

3. Property and equipment

	Kuwaiti Dinars		
	Land & buildings	Furniture & office equipment	Total
Cost			
As at 1 January 2009	4,083,164	1,612,739	5,695,903
Additions	236,170	13,564	249,734
As at 31 December 2009	4,319,334	1,626,303	5,945,637
Accumulated depreciation			
As at 1 January 2009	1,787,913	1,612,738	3,400,651
Charge for the year	146,043	13,564	159,607
As at 31 December 2009	1,933,956	1,626,302	3,560,258
Net book value			
As at 31 December 2009	2,385,378	1	2,385,379
Cost			
As at 1 January 2008	4,083,164	1,626,845	5,710,009
Additions		16,921	16,921
Disposals		(31,027)	(31,027)
As at 31 December 2008	4,083,164	1,612,739	5,695,903
Accumulated depreciation			
As at 1 January 2008	1,651,878	1,626,844	3,278,722
Charge for the year	136,035	-	136,035
Disposal	-	(14,106)	(14,106)
As at 31 December 2008	1,787,913	1,612,738	3,400,651
Net book value			
As at 31 December 2008	2,295,251	1	2,295,252

4. Investments

	Kuwaiti Dinars	
	2009	2008
<i>Available for sale</i>		
Listed equities	37,425,46	44,166,83
Unlisted equities	6,966,980	9,925,405
Listed/ Unlisted funds	4,863,675	6,341,857
Unlisted bonds	-	1,000,000
Total investments	49,256,12	61,434,09

Due to the deterioration of the local and international capital markets that occurred during the previous year and as allowed by the amendment made to IAS 39 issued by the International Accounting Standard Board on 13 October 2008, the Company reclassified its investments from "Fair Value Through Profit or Loss held for trading" (FVTPL) category to "Available For Sale (AFS)" category with effect from 1 July 2008.

Movements in available for sale investments:-

	Kuwaiti Dinars	
	2009	2008
Opening balance	51,434,098	52,087,191
Additions	3,022,236	6,448,227
Reclassification from FVTPL	-	45,439,287
Disposals	(3,236,235)	(11,359,765)

Notes to the Financial Statements - 31 December 2009

Changes in fair value	4,024,672	(30,068,286)
Provision for impairment	(16,360,490)	(1,075,122)
Foreign currency difference	371,842	(37,434)
Closing balance	<u>49,256,123</u>	<u>51,434,098</u>

Notes to the Financial Statements - 31 December 2009

Available for Sale' investments include investments with a carrying value of KD 20,951,805 (31 December 2008: KD 25,453,040) that were reclassified from the 'fair value through profit or loss'(FVTPL) category to the 'Available for Sale' category on adoption in 2008, of the amendment to IAS 39 permitting such reclassification. Had these investments not been so reclassified, the loss for the year would have been higher by KD 2,134,222.

It was not possible to reliably measure the fair value of certain unquoted equity investments amounting to KD 1,042,618. (31 December 2008: KD 9,925,405). These are carried at cost on the basis that there are no indicators of a significant decline in their carrying values below cost, during the current period.

Investment certificates with carrying value of KD 165,000 (31 December 2008: KD 174,000) are deposited with the Ministry of Commerce, Kuwait to comply with local insurance regulations.

5. Trade and other receivables

	Kuwaiti Dinars	
	2009	2008
Trade receivables	1,503,368	9,975,892
Provision for doubtful debts	(1,007,360)	(857,360)
Net trade receivables	10,496,008	9,118,532
Accrued interest	-	12,700
Participation in Arab Syndicate Fund for War Risk	794,765	742,939
Other receivable	171,890	488,800
	<u>1,462,663</u>	<u>10,362,971</u>

6. Fixed deposits with banks

Fixed deposits amounting to KD 19,946,793 are under lien to the Ministry of Commerce, Kuwait to comply with local insurance regulations (31 December 2008: KD 19,747,599).

The average effective interest rate on fixed deposits was 2.16% as at 31 December 2009 (31 December 2008: 6.42%).

7. Cash and cash equivalents

	Kuwaiti Dinars	
	2009	2008
Cash on hand	5,752	16,151
Cash at banks	2,742,90	2,154,15
Fixed deposits	-	750,000
Cash and cash equivalents	<u>2,748,65</u>	<u>2,920,30</u>

8. Share capital and reserves

The authorised, issued and fully paid-up capital is KD 19,404,000 divided into 194,040,000 shares with a nominal value of Kuwaiti fils 100 each.

Statutory reserve

The statutory reserve has reached 50% of the share capital and as permitted by the Articles of Association, the Company has discontinued appropriations to statutory reserve. This reserve is not available for distribution except for distribution of a maximum dividend of 5% in years when the retained earnings are inadequate for this purpose.

Voluntary reserve

In accordance with the Company's Articles of Association, 10% of net profit is to be transferred annually to the voluntary reserve. This reserve has been discontinued since 1998 based on a recommendation of the Board of Directors and approval of the shareholders.

Proposed dividend

The Board of Directors has proposed a cash dividend, out of retained earnings, of 20 fils per share amounting to KD 3,863,600 for the year ended 31 December 2009 (2008: 30 fils per share amounting to KD 5,821,200) which is subject to the approval of the shareholders at the next annual general meeting. The shares holders of the Company approved the distribution of cash dividend of 30 fils per share (KD 5,821,200) for 2008, in the annual general meeting held on 25 March 2009.

9. Treasury shares

	Kuwaiti Dinars	
	2009	2008
No of treasury shares	860,000	-
% of treasury shares	0.44%	-
Cost of treasury shares	301,863	-
Fair value of treasury shares	318,200	-

The board of directors has been given the authority to purchase treasury shares up to a maximum of 10% of the share capital of the Company.

Notes to the Financial Statements - 31 December 2009

10. Technical reserves

Technical reserves movements by segment are as follows:

Year ended 31 December 2009	Kuwaiti Dinars					Total
	Marine and aviation	Fire	General accident	Takaful	Life	
Gross balance at beginning of the year	5,927,921	3,907,191	31,441,333	-	20,451,678	61,728,123
Less: Reinsurance recoverables	(3,995,580)	(2,229,526)	(10,598,777)	-	(551,259)	(17,375,135)
Net balance at beginning of the year	1,932,341	1,677,665	20,842,563	-	19,900,419	44,352,988
Net charge for the year	(970,126)	(394,024)	1,636,718	386,316	1,653,313	2,312,197
Paid during the year	(23,616)	(98,897)	(5,969,426)	(2,479)	(1,757,720)	(7,852,138)
Net balance at end of the year	938,599	1,184,744	16,509,855	383,837	19,796,012	38,813,047
Add: Reinsurance recoverables	3,823,198	4,127,771	9,004,439	-	861,399	17,816,807
Gross balance at end of the year	4,761,797	5,312,515	25,514,294	383,837	20,657,411	56,629,854

Year ended 31 December 2008	Kuwaiti Dinars					Total
	Marine and aviation	Fire	General accident	Life	Total	
Gross balance at beginning of the year	5,832,845	4,784,802	30,498,696	21,215,927	62,332,270	
Less: Reinsurance recoverables	(3,806,833)	(2,849,346)	(10,745,022)	(436,938)	(17,838,139)	
Net balance at beginning of the year	2,026,012	1,935,456	19,753,674	20,778,989	44,494,131	
Net charge for the year	(41,806)	(103,822)	8,097,445	255,990	8,207,807	
Paid during the year	(51,865)	(153,969)	(7,008,556)	(1,134,567)	(8,348,950)	
Net balance at end of the year	1,932,341	1,677,665	20,842,563	19,900,419	44,352,988	
Add: Reinsurance recoverables	3,995,580	2,229,526	10,598,770	551,259	17,375,135	
Gross balance at end of the year	5,927,921	3,907,191	31,441,333	20,451,678	61,728,123	

In July 2007, Kuwait's Ministry of Health suspended the operation of State administered scheme for medical insurance business through private medical insurance companies. The Ministry of Health is currently determining the amount of claim to be recovered from private medical insurance companies for treatment provided under the scheme. The Company believes that any such claim will not have a material effect on the Company's financial position.

Notes to the Financial Statements - 31 December 2009

11. Trade and other payables

	Kuwaiti Dinars	
	2009	2008
Trade payables	1,852,22	3,171,19
Unearned premiums	331,889	386,830
Reserve for reinsurance premium ceded	549,154	583,757
Dividends payable	149,278	138,515
Staff payables and others	1,463,89	1,364,92
Staff terminal benefits	1,479,76	1,373,14
Reserve for Arab Syndicate Fund for War Risk Insurance	794,765	742,939
Board of Directors remuneration	-	56,000
Kuwait Foundation for Advancement of Sciences (KFAS)	-	30,711
National labour support tax	-	27,166
Zakat Tax	-	10,866
	<u>6,620,97</u>	<u>7,886,04</u>

12. Net income from investments

	Kuwaiti Dinars	
	2009	2008
Realised gain from sale of investments	209,902	21,444
Unrealized loss gain on investments	-	(1,810,83)
Cash dividends	2,036,59	3,371,399
Interest and other income	1,165,72	1,705,961
	<u>3,412,22</u>	<u>3,287,974</u>

13. Earnings per share

Earning per share is calculated based on the (loss)/ net profit for the year and the weighted average number of ordinary shares, as follows:

	Kuwaiti Dinars	
	2009	2008
Net (loss)/ profit for the year	(6,235,487)	2,946,326
Weighted average number of issued shares (share)	193,968,33	194,040,0
Loss/ (earnings) per share (fils)	<u>(32.15)</u>	<u>15.18</u>

14. Staff Costs

General and administrative expenses include staff costs of KD 2,946,301 (31 December 2008 - KD 2,904,219).

15. Segmental analysis

The Company has five principal operating segments:

➤ Marine and aviation

Insurance against risks related to goods transportation and different types of marine and aviation vessels.

➤ Fire

Insurance against fire for different types of buildings, stores, industrial

risks and gas and oil industry.

➤ General accident

Insurance against risks of contractors, machinery and computer damages and cessation of work; insurance cover for cash, bonds, fidelity, professional risks, work accidents, civil responsibility and motor vehicles

➤ Life insurance

Life insurance cover for individuals and groups and medical insurance cover.

➤ Takaful

Insurance against all type of risk under Islamic insurance law.

Investment activities are not considered as a segment by itself. Assets and liabilities are not allocated to the Company's segments except for those related to the life insurance and takaful insurance segments.

Notes to the Financial Statements - 31 December 2009

Information on the Company's principal operating segments are as follows:

Income statement

	Kuwaiti Dinars						Total
	Marine & aviation	Fire	General accident	Life	Takaful	Unallocated items	
Year ended 31 December 2009							
Revenue							
Gross premium revenue	3,830,935	3,814,440	16,841,78	4,339,018	520,246	-	29,346,42
Premium ceded to reinsurers	(3,385,17)	(3,387,36)	(7,922,37)	(1,164,90)	(67,370)	-	(15,927,1
Net premiums revenue	445,762	427,076	8,919,413	3,174,116	452,876	-	13,419,24
Changes in reserve for unexpired risks	(4,717)	(6,004)	762,977	3029	(172,531)	-	582,754
Premiums earned	441,045	421,072	9,682,390	3,177,145	280,345	-	14,001,99
Commissions earned	796,080	412,401	1,249,777	32,809	16,706	-	2,507,773
Net investments income	-	-	-	266,087	-	3,146,140	3,412,227
Other income	7,834	148	588,409	22,771	12,428	25	631,615
	<u>1,244,959</u>	<u>833,621</u>	<u>11,520,57</u>	<u>3,498,812</u>	<u>309,479</u>	<u>3,146,165</u>	<u>20,553,61</u>
Expenses							
Net incurred claims	974,843	400,028	(2,399,69	(1,848,90	(213,785	-	((3,087,5
Changes in reserve for life insurance fund	-	-	-	192,565	-	-	192,565
Life insurance - Expiry settlement	-	-	-	(840,772)	-	-	(840,772)
Life insurance - Policies liquidated	-	-	-	(235,726)	-	-	(235,726)
Commissions paid	(110,558)	(227,715)	(1,734,82	(118,303)	(18,843)	-	(2,210,24
General & administrative expenses	(605,632)	(432,594)	(1,268,94	(497,669)	(76,851)	(1,365,223	
Provision for impairment	-	-	-	-	-	(16,360,49	(16,360,4
Contribution to Kuwait foundation for advancement of Science share (KFAS)	-	-	-	-	-	-	-
Board of Directors' remuneration	-	-	-	-	-	-	-
National Labour Support tax	-	-	-	-	-	-	-
Zakat Law Tax	-	-	-	-	-	-	-
	<u>258,653</u>	<u>(260,281)</u>	<u>(5,403,46</u>	<u>(3,348,81</u>	<u>(309,479)</u>	<u>(17,725,,7</u>	<u>(26,789,0</u>
Net (loss)/ profit for the year	<u>1,503,612</u>	<u>573,340</u>	<u>6,117,109</u>	<u>150,000</u>	<u>-</u>	<u>(14,579,54</u>	<u>(6,235,48</u>

Notes to the Financial Statements - 31 December 2009

	Kuwaiti Dinars					Total
	Marine & aviation	Fire	General accident	Life	Unallocated items	
Year ended 31 December 2008						
Revenue						
Gross premium revenue	3,180,142	3,714,033	15,350,23	4,626,686	-	26,871,094
Premium ceded to reinsurers	(2,753,24)	(3,301,96)	(4,523,37)	(1,663,77)	-	(12,242,35)
Net premiums revenue	426,896	412,066	10,826,85	2,962,916	-	14,628,735
Changes in reserve for unexpired risks	1,283	(42,988)	46,638	75,557	-	80,490
Premiums earned	428,179	369,078	10,873,49	3,038,473	-	14,709,225
Commissions earned	742,652	445,168	991,305	43,514	-	2,222,639
Net investments income	-	-	-	615,777	2,672,197	3,287,974
Other income	7,294	600	600,565	46,500	-	665,800
	<u>1,178,125</u>	<u>814,846</u>	<u>12,465,36</u>	<u>3,744,264</u>	<u>2,683,038</u>	<u>20,885,638</u>
Expenses						
Net incurred claims	40,523	146,810	(8,144,08)	(1,673,37)	-	(9,630,129)
Changes in reserve for life insurance fund	-	-	-	1,341,832	-	1,341,832
Life insurance - Expiry settlement	-	-	-	(1,950,67)	-	(1,950,670)
Life insurance - Policies liquidated	-	-	-	(257,161)	-	(257,161)
Commissions paid	(110,897)	(237,797)	(1,731,81)	(154,984)	-	(2,235,496)
General & administrative expenses	(602,189)	(430,135)	(1,261,72)	(524,902)	(1,188,86)	(4,007,823)
Provision for impairment	-	-	-	-	(1,075,12)	(1,075,122)
Contribution to Kuwait foundation for advancement of	-	-	-	-	(30,711)	(30,711)
Board of Directors' remuneration	-	-	-	-	(56,000)	(56,000)
National Labour Support tax	-	-	-	-	(27,166)	(27,166)
Zakat Law Tax	-	-	-	-	(10,866)	(10,866)
	<u>(672,563)</u>	<u>293,724</u>	<u>(11,137,6</u>	<u>(3,219,26</u>	<u>(2,388,73</u>	<u>(17,939,31</u>
Net profit for the year	<u>505,562</u>	<u>293,724</u>	<u>1,327,735</u>	<u>525,000</u>	<u>294,305</u>	<u>2,946,326</u>

Notes to the Financial Statements - 31 December 2009

Segment assets and liabilities

Balance sheet as 31 December 2009	Kuwaiti Dinars			Total
	Life	Takafu	Unallocat	
Assets				
Property and equipment	-	-	2,385,379	2,385,379
Investment properties	-	-	135,187	135,187
Loans secured by life insurance	364,130	-	-	364,130
Investments	3,300,00	-	45,956,12	49,256,123
Due from insurance & reinsurance	82,896	-	5,444,573	5,527,469
Reinsurance share of outstanding	861,399	1,275	16,954,13	17,816,807
Trade and other receivables	266,754	375,74	10,820,16	11,462,663
Fixed deposits with banks	12,700,0	-	10,315,99	23,015,991
Cash and cash equivalents	319,062	64,964	2,364,626	2,748,652
Total assets	17,894,2	441,98	94,376,18	112,712,40
Equity and Liabilities				
Technical reserve	20,657,4	385,11	35,587,33	56,629,854
Due to Insurance & reinsurance	15,912	14,865	10,861,40	10,892,180
Trade and other payables	1,168,20	41,737	5,411,028	6,620,974
Share holders ' equity	-	-	38,569,39	38,569,393
Total equity and liabilities	21,841,5	441,71		112,712,40

Balance sheet as 31 December 2008	Kuwaiti Dinars			Total
	Life	Unallocat		
Assets				
Property and equipment	-	2,295,252		2,295,252
Investment properties	-	135,187		135,187
Loans secured by life insurance policies	401,823	-		401,823
Investments	3,300,000	58,134,09		61,434,098
Due from insurance & reinsurance companies	304,666	5,916,735		6,221,401
Reinsurance share of outstanding claims	551,259	16,823,87		17,375,135
Trade and other receivables	357,339	10,005,63		10,362,971
Fixed deposits with banks	12,700,00	11,371,96		24,071,967
Cash and cash equivalents	251,327	2,668,981		2,920,308
Total assets	17,866,41	107,351,7		125,218,14
Equity and Liabilities				
Technical reserve	20,451,67	41,276,44		61,728,12
Due to Insurance & reinsurance companies	515	8,650,433		8,650,948
Trade and other payables	2,152,866	5,733,182		7,886,048
Share holders ' equity	-	46,953,02		46,953,02
Total equity and liabilities	22,605,06	102,613,0		125,218,1

16. Insurance Risk Management

The Company issues contracts that assumes insurance risk. This section summarizes these risks and the way the Company manages them.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year.

The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

Sources of uncertainty in the estimation of future claim payments

Non Life

Claims are payable on a claims-occurrence basis. The Company is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the balance sheet date.

In estimating the liability for the cost of reported claims not yet paid the Company considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately.

Life

Uncertainty in the estimation of future benefit payments and premium receipts for life insurance contracts arises from the unpredictability of overall levels of mortality, health and the variability in contract holder behaviour.

The Company uses an actuarial valuation for life insurance contracts. For health and disability insurance covers there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration and the claims are payable on a claims-occurrence basis. These insurance contracts are exposed to similar risks of uncertainty in the estimation of future claim payments as non life insurance contracts and are

managed in a similar manner.

17. Fair value of financial assets and liabilities

Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value and this applies to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

The methodologies and assumptions used to determine fair values of financial instruments is described in fair value section of Note 2: Significant Accounting Policies.

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: Quoted prices in active market for the same instrument.

Level 2: Valuation techniques for which any significant input is 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 2009	Kuwaiti Dinars		
	Level: 1	Level: 2	Total fair
Financial assets - investment securities	42,289,14	6,966,98	49,256,123
	<u>42,289,14</u>	<u>6,966,98</u>	<u>49,256,123</u>
Investments available for sale			
Quoted equities	37,425,46		37,425,468
Unquoted equities	-	6,966,98	6,966,980
Investment in funds	4,863,675	-	4,863,675
	<u>42,289,14</u>	<u>6,966,98</u>	<u>49,256,123</u>

18. Financial Risk Management

The Company is exposed to a variety of financial risks, through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are credit risk, market risk and liquidity risk. In particular, the key financial risk is that the Company's investment proceeds may not be sufficient to fund the obligation arising from its underwritings. The Company's risk management is conducted by its senior management in accordance with policies approved by the Board of Directors. The various risks that the Company is exposed to and the processes in place to manage those risks are described below.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The financial assets, other than investments in equities are exposed to credit risk. The assets value presented in the balance sheet represent the maximum level exposed to those risks. The Company seeks to mitigate this risk by dealing with credit worthy parties including banks, financial institutions, insurance and reinsurance companies and non-concentration of its assets with one counter party.

The maximum exposure to credit risk as of the balance sheet date, is given below.

Notes to the Financial Statements - 31 December 2009

Asset Description	Kuwaiti Dinars	
	2009	2008
Loans secured by life insurance policies	364,130	401,823
Investments	-	1,000,000
Due from insurance and reinsurance companies	5,527,469	6,221,401
Trade and other receivables	12,298,133	10,731,531
Fixed deposits with banks	23,015,991	24,071,967
Cash and cash equivalents	2,742,900	2,904,157
	<u>43,948,623</u>	<u>45,330,879</u>

The Company's credit risk exposure is primarily with entities in Kuwait.

Due from insurance and reinsurance companies represent amounts receivable from reinsurance claims net of premium on policies ceded. These are due from local and international companies of repute which have a track record of settling debts. Trade and other receivables primarily represent amounts due against premiums for policies underwritten by the Company. These are generally due for payment within a period of one month from the date of issue of the policy. The Company is selective in extending credit facilities to its customers and has a good track record of collecting its debts. Furthermore, credit risk with respect to receivables is limited due to dispersion across large number of customers.

Deposits with banks are placed with banks which are A rated by reputed international rating agencies. These deposits mature within a maximum period of 6 months from the date of this financial statements.

At 31 December 2009, trade receivables of KD 2,410,159 (31 December 2008 - KD 2,453,662) are neither past due nor impaired and KD 7,867,657 (31 December 2008 - KD 5,668,104) are past due but not impaired. Out of the past due Receivables, KD 5,254,552 (31 December 2008 - KD 3,973,694) is due for a period of two to six months and KD 2,613,105 (31 December 2008 - KD 1,694,410) for six to twelve months.

Trade receivables of KD 2,020,316 (31 December 2008 - KD 2,609,765) are impaired against which the Company carries a provision of KD 1,007,360 (31 December 2008 - KD 857,360). The Company believes that the balance amount of impaired trade receivables can be recovered. The other classes of financial assets are not impaired.

Market Risk

Market risk is the risk that an enterprise may incur financial losses due to adverse movements in market price of investments or interest and foreign currency rates.

(a) Foreign Currency Risk

Foreign currency risk is represented in the exposure to changing currency exchange rates that may adversely affect the Company's cash flows or the value of assets and liabilities in foreign currencies. The Company is exposed to foreign currency risk primarily from its foreign currency denominated investments and its dues from/to re insurance counterparties. The Company seeks to mitigate this risk by dealing in stable currencies such as US Dollars, Euro and Sterling Pounds and monitoring its currency position on a regular basis.

The following are the Company's significant net exposures denominated in foreign currency represented in equivalent Kuwaiti Dinar.

Notes to the Financial Statements - 31 December 2009

	Kuwaiti Dinars	
	Surplus/ (deficit)	
	2009	2008
US Dollar	4,302,37	5,330,518
Sterling Pound	(236,085)	(223,066)
Euro	286,031	740,576
Saudi Riyal	465,776	452,069
UAE Dirham	264,217	272,684
Australian Dollar	(13,082)	(4,922)
Other Currencies	989,963	938,586

The net impact on loss for the year and equity as of 31 December 2009, if, Kuwait Dinars had strengthened against major currencies by 5%, is shown below:

	Kuwaiti Dinars	
	Impact on profit	Impact on Equity
As at 31 December 2009		
US Dollar	121,121	(336,240)
Euro	(14,302)	-
Saudi Riyal	(23,289)	-

A 5% weakening of the Kuwaiti Dinars against the above currencies would have had the equal but the opposite effect on profit and equity.

The above analysis performed on the currency positions as of 31 December 2008 is shown below:

	Kuwaiti Dinars	
	Impact on profit	Impact on Equity
As at 31 December 2008		
US Dollar	139,789	(406,315)
Euro	(37,028)	-
Saudi Riyal	(22,603)	-

(b) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have significant exposures to interest rate risks as its interest earning assets are on fixed rates of interest and its exposure to interest bearing liabilities are not significant.

(c) Equity Price risk

This is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, caused by factors specific to the instrument or its issuer or factors affecting all instruments traded in the market. The Company is exposed to equity price risk from investments held by the Company and classified as "available for sale". The Company's investments are primarily exposed to the Kuwait Stock Exchange index.

To manage its price risk arising from investments in equity securities, the Company invests in a diversified portfolio of securities. Diversification of the portfolio is done in accordance with the limits set by the Company. The Board of directors constantly monitors the exposures and provides directions to manage risks and maximize profits.

At 31 December 2009, if the Kuwait Stock Exchange index had increased by 5%,

the equity of the Company would have increased by KD 1,871,273 (31 December 2008 - KD 2,525,434). Had the Kuwait Stock Exchange index decreased by 5%, it would have had the equal but the opposite effect on equity.

Liquidity Risk

It is the risk that the Company may not be able to meet its financial obligations as they fall due. The policy of the Company is to ensure that sufficient liquidity is available at all times to meet contractual obligations, including loss claims. Liquidity risk management of the Company includes maintaining sufficient cash and marketable securities, having adequate amount of credit facilities and investing in securities which can be easily closed out. The Company also has the option to raise additional capital to meet funding requirements.

The Company's contractual liabilities as of 31 December 2009 mature over a period of one year. The undiscounted value of its cash flows is KD16, 632,111 (31 December 2008 - KD 15,566,409). As of 31 December 2009, the Company does not hold any open derivative positions.

19. Capital Risk Management

The Company's objectives when managing capital are

- To ensure adequate funds are available to underwrite risks and maintain investor, creditor and market conditions;
- To make available funds for future development of the business;
- To safeguard the Company's ability to continue as a going concern so that it can continue to operate;
- To provide adequate return to shareholders and benefits to its other shareholders

The Board of Directors constantly monitors the capital structure of the Company with a view to ensuring that a balance is maintained between returns and risk. The management ensures that the Company is not geared beyond acceptable limits. For this purpose, the Company may adjust the amount of dividend payable to its shareholders, issue new shares or sell assets to reduce debt.

Furthermore in order to protect against the impact of large claims and catastrophes, the Company is required under law to maintain technical reserves depending on the exposure to various types of underwriting exposures. The details of this reserve are given in Note No. 9.

Under local regulations, the Company places some of its investments securities and bank deposits under lien to the regulator. The amount of securities and deposits to be placed under lien is determined as a % of direct premium, received during the year for all the segments other than life insurance segment. Regarding life insurance segment, the amount to be placed under lien is determined at 100% of the liability, as ascertained by an actuarial valuation at the end of the year. The extent of lien on securities and deposits is given in Note Nos. 4 and 6.

Under the laws of Kuwait, the company is also required to appropriate 10% of its net profit to a statutory reserve, with restrictions on its distribution. In accordance with the Articles of Company, the Company has appropriated 10% of its net profits as a voluntary reserve. For more information on these reserve, refer to Note No. 8.

20. Critical accounting estimates and judgments

The Company makes estimates and assumptions that may affect amounts reported in these financial statements. Estimates are revised if changes occur in the circumstances on which the estimate was based. The areas where estimates and assumptions are significant to the financial statements, or areas involving a higher degree of judgement, are:

Classification of financial instruments

On acquisition of a financial instrument, the Company's management decides its classification. In making that judgement the Company considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgement determines whether it is subsequently measured at fair value or at amortised cost.

Financial instruments carried at amortized cost

The effective yield method of calculating the amortized cost of a financial instrument involves the estimation of future cash flows through the expected life of the instrument.

Impairment of financial assets

The Company reviews financial assets at each balance sheet date to assess whether a provision for impairment loss should be recognized in the Statement of Income. The process for estimating the amount of an impairment loss involves considerable judgement by the management with respect to the estimation of future cash flows. Such estimates and assumptions are also based on several other factors involving varying degrees of judgement and uncertainty.

Provision for outstanding claims

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Further information on the basis of estimation and significant assumptions, made by the Company are given in Note No. 15 of these financial statements.

21. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in

Notes to the Financial Statements - 31 December 2009

making financial or operational decisions. The Company carried out transaction with related parties on term approved by management. The transactions and balances with related parties are as follows:

	Kuwaiti Dinars	
	<u>2009</u>	<u>2008</u>
Gross premiums written	2,668,69	2,000,03
Due from related parties	487,306	738,846

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22. Capital Commitments and contingent liabilities

	Kuwaiti Dinars	
	<u>2009</u>	<u>2008</u>
Commitment for building renovation and construction	5,600	5,600
Uncalled capital - investment	500,00	513,770

23. Comparatives

Certain comparative figures have been regrouped to conform to the current year presentation but with no effect on the financial results of the previous year.