Gulf Insurance Group K.S.C.P. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Insurance Technical Reserves

Insurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred But Not Reported reserve ("IBNR"). As at 31 December 2016, the insurance technical reserves are significant to the Groups total liabilities. As disclosed in Notes 2.3 and 11 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities. The Group uses valuation models to support the calculations of the insurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models.

Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, morbidity and customer behavior, along with Group's historical claims data are key inputs used to estimate these long-term liabilities. Due to the significance of estimation uncertainty associated with the determination of the insurance technical reserves, this is considered a key audit matter.

The Group uses the work of a management's expert, an external independent actuary, for the determination of Life Mathematical Reserve. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's expert and evaluating their work, which involved analyzing the rationale for the economic and actuarial assumptions used by the management along with comparison to applicable industry benchmarks. We also used our internal actuarial expert to assist us in evaluating the reasonableness of these key inputs and assumptions.

For non-life insurance technical reserves, the management uses the work of their internal specialist to assess the reserves. We assessed the validity of management's liability adequacy testing. Our work on the liability adequacy tests included assessing the accuracy of the historical data used, and reasonableness of the projected cashflows and assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features. Further, we assessed the adequacy of the disclosures relating to these reserves given in Note 11 to the consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Impairment of Goodwill

The impairment testing of goodwill performed by the management is significant to our audit because assessment of the recoverable amount of cash generating unit (CGU) under the value-in-use basis is complex and requires considerable judgment on the part of management. As disclosed in Note 2.3 and 7 to the consolidated financial statements, management's impairment assessment process is highly judgmental and is carried out using various variables and assumptions, including estimated future cashflows, terminal growth rate and discount rates, which are affected by expected future market or economic conditions. Given the high level of management judgment in their impairment assessment we considered this area to be a key audit matter.

Our audit procedures included an assessment of the management's estimates, evaluation and testing the assumptions, methodologies, cash generating unit (CGU) determination, discount rates and data used by the Group. We evaluated the basis of preparing those forecasts taking into account the appropriateness of forecasts and the evidence supporting underlying assumptions. Future cashflows assumptions were evaluated through comparison of current performance, seeking corroborative evidence and enquiry with management in respect of key growth and performance assumptions. We further evaluated the reasonableness of other key assumptions such as the discount rate and long term growth rate in the value in use model. We also performed procedures in relation to the mathematical integrity of management's model and carried out audit procedures on management's sensitivity calculations which are disclosed in Note 7 of the consolidated financial statements.

c) Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts are significant to the Group's consolidated financial statements at 31 December 2016. The determination as to whether a receivable is collectable involves significant management judgment. Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

We determined this to be a key audit matter because it requires a high level of management judgment and due to the materiality of the amounts involved.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

d) *Recoverability of receivables arising from insurance and reinsurance contracts (continued)*

Our audit procedures included evaluating the ageing analyses of receivable balances where no provision was recognised, to check that there were no indicators of impairment. This included verifying if payments had been received subsequent to the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates.

We selected a sample of the larger receivable balances where a provision for impairment of receivables was recognised and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments, we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

In assessing the appropriateness of the overall provision for impairment, we also considered management's policy for recognising provisions on doubtful receivables.

Further, we assessed the adequacy of the disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 10 and 11 to the consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2016 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2016 Annual Report after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

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 Parent Company's 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 Companies Law No 1 of 2016, and its executive regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI	DR. SAUD HAMAD AL-HUMAIDI
LICENCE NO. 68 A	LICENSE NO. 51 A
EY	OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
AL AIBAN, AL OSAIMI & PARTNERS	MEMBER OF BAKER TILLY INTERNATIONAL

5 March 2017
Kuwait

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2016

	Notes	*2016* *KD*	*2015* *KD*
Revenue:			
Premiums written		**213,207,489**	185,916,313
Reinsurance premiums ceded		**(109,089,437)**	(87,647,992)
Net premiums written		**104,118,052**	98,268,321
Movement in unearned premiums reserve		**1,883,326**	1,513,191
Movement in life mathematical reserve		**(595,218)**	(237,067)
Net premiums earned		**105,406,160**	99,544,445
Commission received on ceded reinsurance		**15,142,356**	13,557,804
Policy issuance fees		**3,346,876**	3,446,475
Net investment income from designated life and medical insurance	3	**609,414**	288,946
		124,504,806	116,837,670
Expenses:			
Claims incurred	11	**76,286,158**	72,270,862
Commission and discounts		**12,746,770**	11,102,153
Increase in incurred but not reported reserve		**-**	4,633
Maturity and cancellations of life insurance policies		**2,204,969**	2,363,716
General and administrative expenses		**19,819,385**	18,783,735
		111,057,282	104,525,099
Net underwriting income		**13,447,524**	12,312,571
Net investment income	3	**8,045,086**	6,008,342
Finance costs		**(953,765)**	(657,401)
Share of results of associates	6	**2,341,013**	6,484,765
Net sundry income		**651,983**	464,763
		23,531,841	24,613,040
Other charges:			
Unallocated general and administrative expenses		**(8,476,456)**	(7,716,968)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES		**15,055,385**	16,896,072
Contribution to KFAS		**(191,797)**	(182,641)
NLST		**(182,644)**	(331,533)
Zakat tax		**(86,566)**	(163,253)
Directors' fees		**(185,000)**	(155,000)
PROFIT FOR THE YEAR		**14,409,378**	16,063,645
Attributable to:			
Equity holders of the Parent Company		**12,001,722**	14,089,207
Non-controlling interests		**2,407,656**	1,974,438
		14,409,378	16,063,645
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**67.02 fils**	78.60 fils

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	***2016*** ***KD***	*2015* *KD*
Profit for the year		**14,409,378**	16,063,645
Other comprehensive (loss) income			
Other comprehensive (loss) income that are or may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive (loss) income of associates	6	**(31,694)**	57,043
Net unrealised loss on investments available for sale		**(133,328)**	(3,317,701)
Net realised (gain) loss transferred to statement of income on disposal of investments available for sale	3	**(1,089,845)**	303,666
Transfer to statement of income on impairment of investments available for sale	3	**573,412**	495,162
Exchange differences on translation of foreign operations		**(11,365,396)**	(133,283)
Other comprehensive loss for the year		**(12,046,851)**	(2,595,113)
Total comprehensive income for the year		**2,362,527**	13,468,532
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**(45,129)**	11,494,094
Non-controlling interests		**2,407,656**	1,974,438
		2,362,527	13,468,532

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	*2016 KD*	*2015 KD*
ASSETS			
Property and equipment	5	**14,961,776**	16,730,834
Investment in associates	6	**39,958,891**	39,633,670
Goodwill	7	**14,093,553**	12,931,332
Financial instruments:			
Investments held to maturity		**19,654,769**	25,880,471
Debt securities (loans)		**14,489,750**	18,047,621
Investments available for sale	8	**17,027,588**	21,806,598
Investments carried at fair value through income statement	9	**24,088,901**	25,864,826
Loans secured by life insurance policies		**1,655,396**	1,347,099
Premiums and insurance balances receivable	10	**58,385,367**	62,205,924
Reinsurance recoverable on outstanding claims	11	**51,265,374**	42,838,901
Investment properties		**3,167,163**	3,532,554
Other assets	12	**18,442,312**	18,971,114
Time deposits	13	**25,618,550**	34,660,920
Cash and cash equivalents	14	**73,069,509**	43,972,593
TOTAL ASSETS		**375,878,899**	368,424,457
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities arising from insurance contracts:	11		
Outstanding claims reserve (gross)		**103,869,440**	97,460,110
Unearned premiums reserve (net)		**29,631,401**	34,462,862
Life mathematical reserve (net)		**22,534,676**	21,943,942
Incurred but not reported reserve (net)		**1,650,000**	1,650,000
Total liabilities arising from insurance contracts		**157,685,517**	155,516,914
Premiums received in advance		**9,761,288**	3,946,431
Insurance payable	15	**59,881,348**	49,180,466
Other liabilities	16	**22,024,301**	22,389,159
Bank overdrafts	14	**24,756,018**	26,381,565
TOTAL LIABILITIES		**274,108,472**	257,414,535
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	17	**18,703,913**	18,703,913
Share premium		**3,600,000**	3,600,000
Treasury shares	18	**(4,195,301)**	(4,136,617)
Treasury shares reserve		**2,051,215**	2,051,215
Statutory reserve	19	**18,703,913**	18,574,076
Voluntary reserve	20	**23,792,262**	22,527,489
Other reserve		**(3,062,725)**	(3,061,226)
Cumulative changes in fair values		**(1,074,550)**	(393,095)
Foreign currency translation adjustments		**(15,384,515)**	(4,019,119)
Revaluation reserve		**2,559,760**	2,559,760
Retained earnings		**36,619,761**	33,176,581
Equity attributable to equity holders of the Parent Company		**82,313,733**	89,582,977
Non-controlling interests		**19,456,694**	21,426,945
Total equity		**101,770,427**	111,009,922
TOTAL LIABILITIES AND EQUITY		**375,878,899**	368,424,457

Farqad A. Al-Sane
Chairman

The attached notes 1 to 30 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to equity holders of the Parent Company													
	Share capital *KD*	*Share premium* *KD*	*Treasury shares* *KD*	*Treasury share reserve* *KD*	*Statutory reserve* *KD*	*Voluntary reserve* *KD*	*Other reserve* *KD*	*Cumulative changes in fair values* *KD*	*Foreign currency translation adjustments* *KD*	*Revaluation reserve* *KD*	*Retained earning* *KD*	*Sub total* *KD*	*Non-controlling interests* *KD*	*Total equity* *KD*
Balance at 1 January 2016	18,703,913	3,600,000	(4,136,617)	2,051,215	18,574,076	22,527,489	(3,061,226)	(393,095)	(4,019,119)	2,559,760	33,176,581	89,582,977	21,426,945	111,009,922
Profit for the year	-	-	-	-	-	-	-	-	-	-	12,001,722	12,001,722	2,407,656	14,409,378
Other comprehensive loss	-	-	-	-	-	-	-	(681,455)	(11,365,396)	-		(12,046,851)	-	(12,046,851)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(681,455)	(11,365,396)	-	12,001,722	(45,129)	2,407,656	2,362,527
Dividend for 2015 (Note 17)	-	-	-	-	-	-	-	-	-	-	(7,163,932)	(7,163,932)	-	(7,163,932)
Purchase of treasury shares	-	-	(58,684)	-	-	-	-	-	-	-	-	(58,684)	-	(58,684)
Change in ownership of a subsidiary	-	-	-	-	-	-	(1,499)	-	-	-	-	(1,499)	-	(1,499)
Non-controlling interest arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	124,474	124,474
Transfer to reserves (Note 19)	-	-	-	-	129,837	1,264,773	-	-	-	-	(1,394,610)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,502,381)	(4,502,381)
Balance at 31 December 2016	**18,703,913**	**3,600,000**	**(4,195,301)**	**2,051,215**	**18,703,913**	**23,792,262**	**(3,062,725)**	**(1,074,550)**	**(15,384,515)**	**2,559,760**	**36,619,761**	**82,313,733**	**19,456,694**	**101,770,427**

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2016

	Attributable to equity holders of the Parent Company												*Non-controlling interests*	*Total equity*
	Share capital	*Share premium*	*Treasury shares*	*Treasury share reserve*	*Statutory reserve*	*Voluntary reserve*	*Other reserve*	*Cumulative changes in fair values*	*Foreign currency translation adjustments*	*Revaluation reserve*	*Retained earning*	*Sub total*		
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Balance at 1 January 2015	18,703,913	3,600,000	(3,967,705)	2,051,215	17,081,913	21,035,326	(3,054,726)	2,068,735	(3,885,836)	2,559,760	27,986,879	84,179,474	17,678,970	101,858,444
Profit for the year	-	-	-	-	-	-	-	-	-	-	14,089,207	14,089,207	1,974,438	16,063,645
Other comprehensive (loss) income	-	-	-	-	-	-	-	(2,461,830)	(133,283)	-	-	(2,595,113)	-	(2,595,113)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(2,461,830)	(133,283)	-	14,089,207	11,494,094	1,974,438	13,468,532
Dividend for 2014 (Note 17)	-	-	-	-	-	-	-	-	-	-	(5,915,179)	(5,915,179)	-	(5,915,179)
Purchase of treasury shares	-	-	(168,912)	-	-	-	-	-	-	-	-	(168,912)	-	(168,912)
Change in ownership of a subsidiary	-	-	-	-	-	-	(6,500)	-	-	-	-	(6,500)	-	(6,500)
Non-controlling interest arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,336,764	3,336,764
Transfer to reserves	-	-	-	-	1,492,163	1,492,163	-	-	-	-	(2,984,326)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,563,227)	(1,563,227)
Balance at 31 December 2015	18,703,913	3,600,000	(4,136,617)	2,051,215	18,574,076	22,527,489	(3,061,226)	(393,095)	(4,019,119)	2,559,760	33,176,581	89,582,977	21,426,945	111,009,922

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	*2016* *KD*	*2015* *KD*
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**15,055,385**	16,896,072
Adjustments for:			
Depreciation	5	**1,096,030**	1,134,764
Net investment income		**(8,274,147)**	(6,135,049)
Impairment losses	3	**573,412**	495,162
Share of results of associates	6	**(2,341,013)**	(6,484,765)
		6,109,667	5,906,184
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		**3,502,612**	(566,682)
Premiums and insurance balances receivable		**3,879,307**	(11,511,047)
Reinsurance recoverable on outstanding claims		**(8,394,850)**	8,021,787
Other assets		**563,234**	(5,829,792)
Liabilities arising from insurance contracts		**1,887,624**	(5,522,423)
Premiums received in advance		**5,814,857**	3,184,987
Insurance payable		**10,653,586**	3,489,041
Other liabilities		**(2,536,558)**	(1,247,162)
Cash from (used in) operations		**21,479,479**	(4,075,107)
Paid to KFAS		**(53,367)**	(88,519)
Paid to NLST		**(221,446)**	(174,881)
Zakat paid		**(67,508)**	-
Paid to directors		**(155,000)**	(155,000)
Net cash from (used in) operating activities		**20,982,158**	(4,493,507)
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(1,472,540)**	(1,304,027)
Proceeds from sale of property and equipment		**317,546**	107,122
Acquisition of a subsidiary, net of cash acquired	27	**(853,998)**	(5,794,481)
Purchase of investment in associates	6	**-**	(5,906,337)
Dividends received from associates	6	**1,034,200**	1,434,580
Movement in investment held to maturity		**6,225,702**	(3,321,674)
Movement in debt securities (loans)		**3,557,871**	(6,314,473)
Net movement on investments available for sale		**4,645,682**	3,729,996
Movement in loans secured by life insurance policies		**(308,297)**	(80,946)
Proceeds from sale of investment property		**-**	327,799
Time deposits		**9,042,370**	(11,095,382)
Interest received		**5,756,384**	4,950,771
Dividends received		**1,691,069**	1,918,974
Net cash from (used in) investing activities		**29,635,989**	(21,348,078)
FINANCING ACTIVITIES			
Dividends paid		**(7,163,932)**	(5,915,179)
Purchase of treasury shares		**(58,684)**	(168,912)
Dividends to non-controlling interests		**(4,502,381)**	(1,563,227)
Net cash used in financing activities		**(11,724,997)**	(7,647,318)
Foreign currency translation adjustments		**(8,170,687)**	(564,199)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**30,722,463**	(34,053,102)
Cash and cash equivalents at beginning of the year		**17,591,028**	51,644,130
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**48,313,491**	17,591,028

The attached notes 1 to 30 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 22 February 2017. 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.

The Parent Company is 44.04% (31 December 2015: 44.04%) owned by Kuwait Projects Company Holding K.S.C. and 41.42% (31 December 2015: 41.42%) by Fairfax Middle East Limited Company.

The address of the Parent Company's registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 42, Office No 1 & 2, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 1,995 employees as at 31 December 2016 (31 December 2015: 1,676 employees).

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016. It cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

2.1 BASIS OF PREPERATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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, investments available for sale, investment properties and land and buildings. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2016.

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. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2.2 BASIS OF CONSOLIDATION (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. 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 equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of combinations and goodwill
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 Group elects whether it 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 general and 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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 re-measured 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 to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized 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 will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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.

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 statement of income 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.

Policy issuance fees
Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 statement of income 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 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 statement of income. 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 statement of income 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 "reinsurance recoverable on outstanding claims" in the consolidated 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 "premiums and insurance balances receivables".

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.

Taxation

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent levies/taxes imposed on the entity at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax /levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Property and equipment

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Land is not depreciated. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Furniture and fixtures, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

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

Investments in associates
The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in associates 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. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The Group's share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associates and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the 'share of results of associates' in the consolidated statement of income.

Upon loss of significant influence over the associates, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, financial asset available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortised cost, using the effective interest rate, less impairment. The effective interest rate, amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and other receivables

Loans and receivables 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. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Investments available for sale

Investments available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as "loans and receivables". After initial measurement, investments available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income. Investments available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Investments carried at fair value through income statement

Investments carried 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 statement of income.

Receivables

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalent consist of cash on hand and at banks, net of bank overdrafts.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

De-recognition of 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 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.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Investments available for sale

For investments available for sale, 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. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of income - is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in their fair value after impairment are recognized directly in other comprehensive income.

Fair values of financial instruments and further details as to how they are measured are provided in Note 29.

Financial liabilities

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

Initial recognition and measurement

Financial liabilities are initially recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)
Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification, as follows:

Insurance payables
Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial 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 statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position and only if, there is a currently enforceable legal 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 liabilities simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Fair values
For those assets and liabilities carried at fair value, the Group measures fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments with no reliable measure of their fair value and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date that is determined based on valuation performed by an independent valuer using valuation methods consistent with the nature and usage of the investment properties. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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.

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.

Incurred but not reported reserve
The incurred but not reported reserve includes amounts reserved for claims incurred but not reported at the financial position date in addition to other contingencies and any differences that may arise. 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 consolidated statement of financial position date.

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 reporting 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

ii) Group companies
On consolidation, assets and liabilities of foreign operations are translated into Kuwaiti dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (Insurance technical reserves)
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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

Impairment of receivables
An estimate of the collectible amount of accounts receivable is made when collection of part of or the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Judgment
In the process of applying the Group's accounting policies, management has made the following judgments, 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 income statement 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 investments available for sale 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.

Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading or investment property. The Group classifies property as property held for sale if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended IFRS during the year:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

IFRS 7 Financial Instruments: Disclosures
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended accounting policies, standards and interpretations (continued)
Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the consolidated statements of income and OCI and the consolidated statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to the consolidated financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2016 did not have any material impact on the accounting policies, financial position or performance of the Group.

New and revised IASB Standards issued but not yet effective

IFRS 9 Financial Instruments:
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. Retrospective application is required, but comparative information is not compulsory. The Group is in the process of qualifying the impact of this standard on the Group's consolidated financial statements, when adopted.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

During 2016, the Group performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2015. The Group intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and revised IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)
The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

3 NET INVESTMENT INCOME

Net investment income for the year from life and medical insurance segments, analysed by category, is as follows:

	Debt securities (loans) KD	*Investments carried at fair value through income statement KD*	*Time and call deposits KD*	*2016 Total KD*	*2015 Total KD*
Realised (loss) gain	-	**(11,341)**	-	**(11,341)**	53,346
Unrealised gain (loss)	-	**184,742**	-	**184,742**	(183,288)
Dividend income	-	**34,821**	-	**34,821**	29,436
Interest income	**253,870**	-	**23,799**	**277,669**	343,240
Other investment income	-	**131,526**	-	**131,526**	49,567
Total investment income	**253,870**	**339,748**	**23,799**	**617,417**	292,301
Financial charges and other expenses	-	**(8,003)**	-	**(8,003)**	(3,355)
Total investment expense	-	**(8,003)**	-	**(8,003)**	(3,355)
Net investment income	**253,870**	**331,745**	**23,799**	**609,414**	288,946

3 NET INVESTMENT INCOME (continued)

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

	Investments held to maturity KD	*Investments available for sale KD*	*Investments carried at fair value through income statement KD*	*Investment properties KD*	*Time and call deposits KD*	*Other investment income KD*	*2016 Total KD*	*2015 Total KD*
Realised gain (loss)	-	1,089,845	436,892	-	-	-	1,526,737	(49,203)
Unrealised gain (loss)	-	-	1,116,394	-	-	-	1,116,394	(1,007,201)
Dividends income	-	1,062,495	593,753	-	-	-	1,656,248	1,889,538
Interest income	3,442,369	-	-	-	2,036,346	37,395	5,516,110	6,084,694
Rental income	-	-	-	32,743	-	-	32,743	22,161
Other investment income	-	-	-	-	-	2,421,451	2,421,451	345,504
Total investment income	3,442,369	2,152,340	2,147,039	32,743	2,036,346	2,458,846	12,269,683	7,285,493
Impairment loss (Note 8)	-	(573,412)	-	-	-	-	(573,412)	(495,162)
Other investment expenses	(1,573,464)	(614,004)	(182,137)	-	(917,923)	(363,657)	(3,651,185)	(781,989)
Total investment expense	(1,573,464)	(1,187,416)	(182,137)	-	(917,923)	(363,657)	(4,224,597)	(1,277,151)
Net investment income	1,868,905	964,924	1,964,902	32,743	1,118,423	2,095,189	8,045,086	6,008,342

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic earnings per share is 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 is 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 employees' 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:

	2016	*2015*
Profit for the year attributable to equity holders of the Parent Company (KD)	**12,001,722**	14,089,207
	Shares	*Shares*
Number of shares outstanding at the beginning of the year	**187,039,125**	187,039,125
Weighted average number of treasury shares	**(7,965,700)**	(7,795,201)
Weighted average number of shares outstanding during the year	**179,073,425**	179,243,924
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**67.02 fils**	78.60 fils

5 PROPERTY AND EQUIPMENT

	Land KD	*Buildings KD*	*Leasehold improvements KD*	*Computers KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Total KD*
Cost or revaluation:							
At 1 January 2016	7,816,200	10,517,738	1,826,383	5,879,448	3,865,333	654,773	30,559,875
Additions	225,537	291,657	42,203	463,106	366,855	83,182	1,472,540
Arising on acquisition of subsidiary	-	-	-	101,353	12,556	24,992	138,901
Disposals	-	(334,693)	(21,176)	(174,624)	(72,672)	(28,103)	(631,268)
Foreign currency translation adjustment	(850,762)	(2,760,249)	(314,615)	(557,824)	(235,664)	(116,922)	(4,836,036)
At 31 December 2016	7,190,975	7,714,453	1,532,795	5,711,459	3,936,408	617,922	26,704,012
Accumulated depreciation:							
At 1 January 2016	-	4,381,458	1,158,482	4,769,526	3,116,554	403,021	13,829,041
Charge for the year	-	221,195	118,191	439,495	236,688	80,461	1,096,030
Arising on acquisition of subsidiary	-	-	-	97,515	2,925	6,248	106,688
On disposals	-	(120,713)	-	(128,121)	(39,534)	(25,354)	(313,722)
Foreign currency translation adjustment	-	(2,186,812)	(171,103)	(375,315)	(180,012)	(62,559)	(2,975,801)
At 31 December 2016	-	2,295,128	1,105,570	4,803,100	3,136,621	401,817	11,742,236
Net carrying amount:							
At 31 December 2016	7,190,975	5,419,325	427,225	908,359	799,787	216,105	14,961,776

Part of the Parent Company's premises with net carrying amount of KD 1,260,000 (2015: KD 1,260,000) have been mortgaged with the Ministry of Commerce and Industry.

Fair value of the land and buildings was determined using the market comparable method. This means that valuations by the valuer are based on active market prices, which were adjusted for differences in the nature, location or condition of the land and buildings. The fair values of land and buildings were determined by accredited independent valuer who has experience of fair valuing properties. The fair value land and building is measured under the Level 2 fair value hierarchy

5 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Buildings* *KD*	*Leasehold improvements* *KD*	*Computers* *KD*	*Furniture and fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost or revaluation:							
At 1 January 2015	7,257,097	9,665,446	1,480,372	5,292,191	3,117,497	675,571	27,488,174
Additions	242,014	172,544	107,800	480,366	233,000	68,303	1,304,027
Arising on acquisition of subsidiary	355,462	614,661	343,538	121,756	515,307	-	1,950,724
Disposals	(22,426)	(5,800)	(67,875)	(7,840)	(9,261)	(85,678)	(198,880)
Foreign currency translation adjustment	(15,947)	70,887	(37,452)	(7,025)	8,790	(3,423)	15,830
At 31 December 2015	7,816,200	10,517,738	1,826,383	5,879,448	3,865,333	654,773	30,559,875
Accumulated depreciation:							
At 1 January 2015	-	3,888,738	739,737	4,302,891	2,515,365	359,233	11,805,964
Charge for the year	-	183,795	190,284	424,551	225,512	110,622	1,134,764
Arising on acquisition of subsidiary	-	273,341	244,336	32,961	366,505	-	917,143
On disposals	-	(5,800)	(10,182)	(6,553)	(2,469)	(63,164)	(88,168)
Foreign currency translation adjustment	-	41,384	(5,693)	15,676	11,641	(3,670)	59,338
At 31 December 2015	-	4,381,458	1,158,482	4,769,526	3,116,554	403,021	13,829,041
Net carrying amount:							
At 31 December 2015	7,816,200	6,136,280	667,901	1,109,922	748,779	251,752	16,730,834

6 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership* *2016*	*2015*	*Principal Activity*
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj)	Kingdom of Saudi Arabia	**27%**	27%	Insurance
Al-Argan International Real Estate Company K.S.C.P.	State of Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	State of Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC")	Algeria	**42.5%**	42.5%	Insurance
Takaful International Insurance Company	Bahrain	**41%**	41%	Takaful Insurance

Carrying amount of investment in associates

The movement of the investment in associates during the year is as follows:

	2016 *KD*	*2015* *KD*
Carrying value at 1 January	**39,633,670**	28,142,091
Additions	**-**	5,906,337
Dividends received	**(1,034,200)**	(1,434,580)
Share of results of associates	**2,341,013**	6,484,765
Share of other comprehensive (loss) income of associates	**(31,694)**	57,043
Foreign currency translation adjustment	**(949,898)**	478,014
Carrying value at 31 December	**39,958,891**	39,633,670

	2016 *KD*	*2015* *KD*
Share of associates' financial position:		
Assets	**69,245,121**	70,801,410
Liabilities	**(32,264,851)**	(33,767,446)
	36,980,270	37,033,964
Goodwill	**2,599,706**	2,599,706
Net assets	**39,579,976**	39,633,670
Share of associates' revenues and net profit:		
Revenues	**5,488,717**	10,518,836
Net profit	**2,341,013**	6,484,765

Investment in associates include quoted associate with a carrying value of KD 36,193,561 (2015: KD 25,054,771) having a market value of KD 30,340,285 (2015: KD 27,796,948).

7 GOODWILL

Goodwill has been allocated to individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is shown below:

	2016	2015
	KD	*KD*
Arab Misr Insurance Group Company S.A.E.	**308,340**	308,340
Bahrain Kuwaiti Insurance Company B.S.C.	**2,625,935**	2,625,935
Arab Orient Insurance Company J.S.C.	**5,292,099**	5,292,099
Dar Al-Salam Insurance Company	**604,073**	604,073
Egypt Life Takaful Insurance Company S.A.E.	**167,904**	167,904
L'Algerienne Des Assurance (2a)	**3,932,981**	3,932,981
Gulf Sigorta A.Ş.	**1,162,221**	-
	14,093,553	12,931,332

Movement on goodwill during the year is as follows:

	2016	2015
	KD	*KD*
At I January	**12,931,332**	8,998,351
Provisional goodwill on acquisition of a subsidiary (Note 27)	**1,162,221**	3,932,981
At 31 December	**14,093,553**	12,931,332

The recoverable amount of each segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The average discount rate used was 15% (2015: 15%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 3% (2015: 3%).

The calculation of value in use for each segment unit is sensitive to the following assumptions:
- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

Interest margins
Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on published industry research.

Inflation rates
Estimates are obtained from published indices for countries where the Group operates.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

8 INVESTMENTS AVAILABLE FOR SALE

	2016 *KD*	*2015* *KD*
Quoted equity securities	**12,238,195**	17,525,235
Unquoted equity securities	**4,501,640**	4,116,897
Unquoted managed funds	**287,753**	164,466
	17,027,588	21,806,598

Included in investments available for sale are unquoted equity securities with a value of KD 98,298 (2015: KD 97,710) which 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 loss of KD 573,412 (2015: KD 495,162) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2016 *KD*	*2015* *KD*
Held for trading:		
Quoted securities	**10,645,056**	11,538,502
Designated upon initial recognition:		
Managed funds of quoted securities	**13,443,845**	14,326,324
	24,088,901	25,864,826

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2016 *KD*	*2015* *KD*
Policyholders' accounts receivable		
Premiums receivable	**60,141,869**	59,331,047
Insured debts receivable	**296,015**	318,402
	60,437,884	59,649,449
Provision for doubtful debts	**(7,587,153)**	(6,592,181)
Net policyholders' accounts receivable	**52,850,731**	53,057,268

	2016 *KD*	*2015* *KD*
Insurance and reinsurers' accounts receivable		
Reinsures receivable	**6,406,527**	9,919,077
Provision for doubtful debts	**(871,891)**	(770,421)
Net insurance and reinsurers' accounts receivable	**5,534,636**	9,148,656
Total premiums and insurance balances receivable	**58,385,367**	62,205,924

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 receivable were as follows:

	2016 *KD*	*2015* *KD*
At 1 January	**6,592,181**	5,417,592
Charge for the year	**1,395,436**	1,186,147
Amounts written off	**(400,464)**	(11,558)
At 31 December	**7,587,153**	6,592,181

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

	2016 *KD*	*2015* *KD*
At 1 January	**770,421**	649,782
Charge for the year	**101,470**	120,639
At 31 December	**871,891**	770,421

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2016	*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	3,575,053	26,946,615	10,982,453	15,987,864	6,823,676	19,258,042	13,886,407	97,460,110
Reinsurance recoverable on outstanding claims	(2,805,197)	(5,042,551)	(9,024,290)	(13,917,200)	(2,109,695)	(3,398,338)	(6,541,630)	(42,838,901)
Net balance at beginning of the year	769,856	21,904,064	1,958,163	2,070,664	4,713,981	15,859,704	7,344,777	54,621,209
Foreign currency translation difference	(60,846)	(4,197,420)	(12,436)	84,304	(863,611)	(2,336)	(61,235)	(5,113,580)
Arising on acquisition of subsidiary	43	24,485	2,212	371	169,422	-	(376)	196,157
Incurred during the year (net)	305,414	31,322,770	403,248	104,441	952,106	12,162,230	31,035,949	76,286,158
Paid during the year (net)	(368,717)	(31,088,764)	(581,495)	(658,205)	(1,128,937)	(11,810,402)	(27,749,358)	(73,385,878)
NET BALANCE AT END OF THE YEAR	645,750	17,965,135	1,769,692	1,601,575	3,842,961	16,209,196	10,569,757	52,604,066
Represented in:								
Gross balance at end of the year	3,398,194	26,038,208	13,866,153	8,367,772	5,472,339	19,413,666	27,313,108	103,869,440
Reinsurance recoverable	(2,752,444)	(8,073,073)	(12,096,461)	(6,766,197)	(1,629,378)	(3,204,470)	(16,743,351)	(51,265,374)
NET BALANCE AT END OF THE YEAR	645,750	17,965,135	1,769,692	1,601,575	3,842,961	16,209,196	10,569,757	52,604,066
Unearned premiums reserve (net)	479,798	16,142,815	1,277,776	1,172,720	2,190,045	100,824	8,267,423	29,631,401
Life mathematical reserve (net)	-	-	-	-	-	20,013,216	2,521,460	22,534,676
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

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

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2015	*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	3,229,442	23,558,629	18,984,155	15,945,136	7,749,533	18,114,103	10,863,925	98,444,923
Reinsurance recoverable on outstanding claims	(2,634,926)	(4,715,919)	(17,362,174)	(14,543,440)	(3,440,981)	(2,975,734)	(4,467,136)	(50,140,310)
Net balance at beginning of the year	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	48,304,613
Foreign currency translation difference	162,885	322,404	105,596	151,087	482,352	(13,487)	56,046	1,266,883
Arising on acquisition of subsidiary	10,801	1,582,137	317,256	62,348	3,185	2,781	-	1,978,508
Incurred during the year (net)	434,540	29,496,822	1,389,538	1,071,979	1,100,042	13,218,333	25,559,608	72,270,862
Paid during the year (net)	(432,886)	(28,340,009)	(1,476,208)	(616,446)	(1,180,150)	(12,486,292)	(24,667,666)	(69,199,657)
NET BALANCE AT END OF THE YEAR	769,856	21,904,064	1,958,163	2,070,664	4,713,981	15,859,704	7,344,777	54,621,209
Represented in:								
Gross balance at end of the year	3,575,053	26,946,615	10,982,453	15,987,864	6,823,676	19,258,042	13,886,407	97,460,110
Reinsurance recoverable	(2,805,197)	(5,042,551)	(9,024,290)	(13,917,200)	(2,109,695)	(3,398,338)	(6,541,630)	(42,838,901)
NET BALANCE AT END OF THE YEAR	769,856	21,904,064	1,958,163	2,070,664	4,713,981	15,859,704	7,344,777	54,621,209
Unearned premiums reserve (net)	487,409	18,392,033	1,527,886	973,837	2,524,789	88,995	10,467,913	34,462,862
Life mathematical reserve (net)	-	-	-	-	-	19,789,672	2,154,270	21,943,942
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

12 OTHER ASSETS

	2016 KD	2015 KD
Accrued interest income	**1,249,322**	760,631
Inward reinsurance retentions	**56,614**	152,464
Refundable claims	**557,085**	250,459
Amounts due from related parties (Note 26)	**1,402,689**	1,402,689
Prepaid expenses and others	**15,176,602**	16,404,871
	18,442,312	18,971,114

13 TIME DEPOSITS

Time deposits of KD 25,618,550 (2015: KD 34,660,920) are placed with local and foreign banks and carry an average effective interest rate of 4.5% (2015: 4%) per annum. Time deposits mature within one year.

14 CASH AND CASH EQUIVALENTS

	2016 KD	2015 KD
Cash on hand and at banks	**27,881,801**	10,025,885
Short term deposits and call accounts	**45,187,708**	33,946,708
Cash and cash equivalents in the consolidated statement of financial position	**73,069,509**	43,972,593
Bank overdrafts	**(24,756,018)**	(26,381,565)
Cash and cash equivalents in the consolidated statement of cash flows	**48,313,491**	17,591,028

15 INSURANCE PAYABLE

	2016 KD	2015 KD
Policyholders and agencies payables	**16,039,602**	16,405,832
Insurance and reinsurance payables	**44,663,341**	31,574,223
Amount due to (From) policyholders of Takaful unit (Note 28)	**(821,595)**	1,200,411
	59,881,348	49,180,466

16 OTHER LIABILITIES

	2016 KD	2015 KD
Accrued expenses and others	**13,776,121**	14,720,190
Reserve for reinsurance premiums	**1,313,703**	977,650
KFAS, NLST and Zakat payables	**461,007**	677,427
Provision for end of service indemnity	**6,288,470**	5,858,892
Proposed directors' fees	**185,000**	155,000
	22,024,301	22,389,159

17 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 187,039,125 shares of 100 fils each (2015: 187,039,125 shares) which was fully paid in cash.

Cash dividends, bonus shares and directors' fees

The Ordinary Annual General Assembly of the Parent Company's shareholders held on 31 March 2016 approved the payment of cash dividends amounting to KD 7,163,932 for the year ended 31 December 2015 (2014: KD 5,915,179), which represents 40% of paid up share capital (2014: 33%).

The Board of Directors of the Parent Company have proposed cash dividend of __ fils per share for 2016 (2015: 40 fils). This proposal is subject to the approval by Annual General Meeting of the shareholders of the Parent Company.

Directors' fees of KD 185,000 for the year ended 31 December 2016 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' fees of KD 155,000 for the year ended 31 December 2015 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 31 March 2016.

18 TREASURY SHARES

	2016	*2015*
Number of shares (share)	**8,027,645**	7,940,828
Percentage of issued shares (%)	**4.29%**	4.245%
Market value (KD)	**5,378,522**	5,955,621

19 STATUTORY RESERVE

As required by the Companies' Law and the Parent Company's Articles of Association, 10% of profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat tax and directors' fees is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the share capital. During the current year the Parent Company has resolved to transfer KD 129,837 and discontinue the annual transfer since the reserve has reached 100% 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 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, 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. Voluntary reserve is available for distribution.

21 SEGMENT INFORMATION

a) Segmental consolidated statement of income

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

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offers savings, protection products and other long-term contracts. It comprises a wide range of 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 products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

Unallocated category comprises of assets and liabilities' relating to the Group's investing activities which do not fall under the Group's primary segments.

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result and is measured consistently with the results in the consolidated financial statements.

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						Life and medical insurance			
Year ended 31 December 2016:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	8,331,351	45,874,326	25,606,471	17,668,217	12,030,631	109,510,996	20,146,475	83,550,018	103,696,493	213,207,489
Reinsurance premiums ceded	(6,524,711)	(2,974,408)	(23,204,442)	(15,389,608)	(8,103,500)	(56,196,669)	(3,461,692)	(49,431,076)	(52,892,768)	(109,089,437)
Net premiums written	1,806,640	42,899,918	2,402,029	2,278,609	3,927,131	53,314,327	16,684,783	34,118,942	50,803,725	104,118,052
Movement in unearned premiums	7,767	(124,040)	98,000	(149,055)	(8,432)	(175,760)	(11,148)	2,070,234	2,059,086	1,883,326
Movement in life mathematical reserve	-	-	-	-	-	-	(228,028)	(367,190)	(595,218)	(595,218)
Net premiums earned	1,814,407	42,775,878	2,500,029	2,129,554	3,918,699	53,138,567	16,445,607	35,821,986	52,267,593	105,406,160
Commission received on ceded reinsurance	1,943,090	401,185	3,678,705	1,986,871	2,052,022	10,061,873	1,291,314	3,789,169	5,080,483	15,142,356
Policy issuance fees	241,187	1,575,044	133,667	45,490	164,549	2,159,937	13,292	1,173,647	1,186,939	3,346,876
Net investment income from designated life and medical insurance	-	-	-	-	-	-	594,619	14,795	609,414	609,414
Total revenue	3,998,684	44,752,107	6,312,401	4,161,915	6,135,270	65,360,377	18,344,832	40,799,597	59,144,429	124,504,806
Expenses:										
Claims incurred	305,414	31,322,770	403,248	104,441	952,106	33,087,979	12,162,230	31,035,949	43,198,179	76,286,158
Commission and discounts	884,772	6,277,059	1,944,670	984,600	1,212,094	11,303,195	409,276	1,034,299	1,443,575	12,746,770
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	2,204,969	-	2,204,969	2,204,969
General and administrative expenses	1,069,978	6,562,624	1,952,815	1,549,241	1,262,782	12,397,440	1,578,874	5,843,071	7,421,945	19,819,385
Total expenses	2,260,164	44,162,453	4,300,733	2,638,282	3,426,982	56,788,614	16,355,349	37,913,319	54,268,668	111,057,282
Net underwriting income	1,738,520	589,654	2,011,668	1,523,633	2,708,288	8,571,763	1,989,483	2,886,278	4,875,761	13,447,524
Net investment income						8,045,086			-	8,045,086
Finance cost						(953,765)			-	(953,765)
Share of results from associates						2,341,013			-	2,341,013
Net sundry income						139,918			512,065	651,983
Unallocated general and administrative expenses						(4,488,986)			(3,987,470)	(8,476,456)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' fees						13,655,029			1,400,356	15,055,385

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
Year ended 31 December 2015:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	8,787,667	42,624,770	24,779,026	13,818,369	12,809,921	102,819,753	19,786,622	63,309,938	83,096,560	185,916,313
Reinsurance premiums ceded	(6,891,008)	(3,267,990)	(22,093,108)	(11,797,614)	(8,286,040)	(52,335,760)	(3,386,343)	(31,925,889)	(35,312,232)	(87,647,992)
Net premiums written	1,896,659	39,356,780	2,685,918	2,020,755	4,523,881	50,483,993	16,400,279	31,384,049	47,784,328	98,268,321
Movement in unearned premiums	51,979	1,224,432	192,792	(61,487)	32,506	1,440,222	3,949	69,020	72,969	1,513,191
Movement in life mathematical reserve	-	-	-	-	-	-	41,103	(278,170)	(237,067)	(237,067)
Net premiums earned	1,948,638	40,581,212	2,878,710	1,959,268	4,556,387	51,924,215	16,445,331	31,174,899	47,620,230	99,544,445
Commission received on ceded reinsurance	1,991,022	473,298	3,348,703	2,086,259	1,679,901	9,579,183	1,104,882	2,873,739	3,978,621	13,557,804
Policy issuance fees	226,612	1,899,356	108,894	49,057	168,413	2,452,332	12,706	981,437	994,143	3,446,475
Net investment income from designated life and medical insurance	-	-	-	-	-	-	275,533	13,413	288,946	288,946
Total revenue	4,166,272	42,953,866	6,336,307	4,094,584	6,404,701	63,955,730	17,838,452	35,043,488	52,881,940	116,837,670
Expenses:										
Claims incurred	434,540	29,496,822	1,389,538	1,071,979	1,100,042	33,492,921	13,218,333	25,559,608	38,777,941	72,270,862
Commission and discounts	826,615	5,151,513	1,769,713	900,541	1,140,808	9,789,190	412,467	900,496	1,312,963	11,102,153
Movement in incurred but not reported reserve	39	6,371	514	(178)	497	7,243	-	(2,610)	(2,610)	4,633
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	2,363,716	-	2,363,716	2,363,716
General and administrative expenses	1,083,955	6,394,358	2,260,346	1,382,019	1,223,772	12,344,450	1,015,233	5,424,052	6,439,285	18,783,735
Total expenses	2,345,149	41,049,064	5,420,111	3,354,361	3,465,119	55,633,804	17,009,749	31,881,546	48,891,295	104,525,099
Net underwriting income	1,821,123	1,904,802	916,196	740,223	2,939,582	8,321,926	828,703	3,161,942	3,990,645	12,312,571
Net investment income						6,008,342			-	6,008,342
Finance cost						(657,401)				(657,401)
Share of results from associates						6,484,765			-	6,484,765
Net sundry income						101,900			362,863	464,763
Unallocated general and administrative expenses						(5,458,922)			(2,258,046)	(7,716,968)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' fees						14,800,610			2,095,462	16,896,072

21 SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2016	***General risk insurance KD***	***Life and medical insurance KD***	***Un-allocated KD***	***Total KD***
Total assets	**202,431,736**	**92,171,719**	**81,275,444**	**375,878,899**
Total liabilities	**146,931,219**	**94,184,743**	**32,992,510**	**274,108,472**

31 December 2015	*General risk insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	221,349,921	85,780,172	61,294,364	368,424,457
Total liabilities	158,288,901	68,629,421	30,496,213	257,414,535

Balances relating to investments activities are reported within unallocated category since these activities does not relate to any of the primary two segments.

21 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2016 KD	*2015 KD*	***2016 KD***	*2015 KD*	***2016 KD***	*2015 KD*	***2016 KD***	*2015 KD*
Segment revenue	**70,768,547**	64,275,468	**7,665,714**	7,547,150	**46,070,545**	45,015,052	**124,504,806**	116,837,670
Segment results (net underwriting income)	**5,344,925**	4,838,703	**1,390,974**	1,340,471	**6,711,625**	6,133,397	**13,447,524**	12,312,571
Profit for the year attributable to equity holders of the Parent Company	**5,481,068**	9,593,814	**1,100,857**	561,416	**5,419,797**	3,933,977	**12,001,722**	14,089,207
Total assets	**240,664,575**	222,168,713	**34,142,076**	32,135,145	**101,072,248**	114,120,599	**375,878,899**	368,424,457
Total liabilities	**191,020,588**	169,309,164	**19,758,706**	18,330,903	**63,329,178**	69,774,468	**274,108,472**	257,414,535

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:

	2016	*2015*
	KD	*KD*
Current accounts and deposits at banks	**20,475,701**	19,826,002
Loans secured by life insurance policies	**1,341,161**	1,263,444
	21,816,862	21,089,446

Statutory guarantees of KD 24,841,373 (2015: KD 25,359,723) are held outside the State of Kuwait as security for the subsidiary companies' activities.

23 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 17,042,587 (2015: KD 9,556,897).

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

24 COMMITMENTS

The Group does not have future commitments with respect to purchase of financial instruments (2015: Nil).

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 recognises 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.

25 RISK MANAGEMENT (continued)

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 579 of 2013, 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 minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
  - A maximum of 25% may be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies)
  - A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
  - 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.

Capital management objectives

The capital management objectives are:

- 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.

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.

25 RISK MANAGEMENT (continued)

(c) Capital management objectives, policies and approach (continued)

Capital management policies
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.

Capital management approach
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 through the Group's internal Capital Model. 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 using the Group's internal Capital Model, 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.

(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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Insurance risk is divided into risk of life insurance contracts and risk of non-life insurance contracts as follows:

(1) Life and medical insurance contracts

Life insurance contracts offered 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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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 minimise 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 and medical insurance contracts (continued)

	2016			*2015*		
Type of contract	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Whole life insurance	**4,406**	**-**	**4,406**	79,227	60,148	19,079
Term insurance	**303,990**	**53,922**	**250,068**	32,334	2,604	29,730
Pure endowment	**1,310,725**	**-**	**1,310,725**	1,495,387	-	1,495,387
Group life and disability	**734,527**	**353,189**	**381,338**	774,227	291,733	482,494
Group medical including TPA	**2,428,579**	**-**	**2,428,579**	2,072,894	-	2,072,894
Credit life (Banks)	**2,560,821**	**1,798,832**	**761,989**	3,233,029	2,221,512	1,011,517
Preferred global health	**51,097**	**-**	**51,097**	54,019	-	54,019
Balsam	**139,278**	**97,494**	**41,784**	91,188	63,832	27,356
Misk individual policies	**110,000**	**-**	**110,000**	110,000	-	110,000
Total life insurance contract	**7,643,423**	**2,303,437**	**5,339,986**	7,942,305	2,639,829	5,302,476
Unitised pensions (Misk individual policies)	**17,194,690**	**-**	**17,194,690**	16,641,466	-	16,641,466
Total investments contracts	**17,194,690**	**-**	**17,194,690**	16,641,466	-	16,641,466
Total life insurance and investment contracts	**24,838,113**	**2,303,437**	**22,534,676**	24,583,771	2,639,829	21,943,942
Other life insurance contract liabilities	**77,308,434**	**42,161,233**	**35,147,201**	43,084,415	9,939,968	33,144,447

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 and medical insurance contracts (continued)

	2016			2015		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	7,643,423	2,303,437	5,339,986	7,942,305	2,639,829	5,302,476

Investment contracts

	2016			2015		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	5,987,373	-	5,987,373	5,615,844	-	5,615,844
Europe	11,207,317	-	11,207,317	11,025,622	-	11,025,622
Total	17,194,690	-	17,194,690	16,641,466	-	16,641,466

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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Key assumptions (continued)

• ***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.

• ***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 and medical insurance contracts (continued)

The assumptions that have the maximum effect on the consolidated financial position and consolidated statement of income 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*	
	2016	*2015*	***2016***	*2015*	***2016***	*2015*	***2016***	*2015*	***2016***	*2015*	***2016***	*2015*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA"**	5% of AP+1% of SA	**2%**	2%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Life term assurance:												
Males	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Females	**A49/52 3yr**	A49/52 3yr	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical 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 2016

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	-	-	**(20,000)**
Expenses	**10%**	**270,000**	**270,000**	**(270,000)**
Discount rate	**-1%**	**80,000**	**80,000**	**(80,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2015

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(15,000)
Expenses	10%	230,000	230,000	(230,000)
Discount rate	-1%	90,000	90,000	(90,000)
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 2016

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	-	-	**(46,000)**
Expenses	**10%**	**55,000**	**55,000**	**(55,000)**
Discount rate	**-1%**	**95,000**	**95,000**	**(95,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2015

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(49,000)
Expenses	10%	50,000	50,000	(50,000)
Discount rate	-1%	105,000	105,000	(105,000)
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

The 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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

	2016			*2015*		
Concentration of insurance contract liabilities by type of contract:	***Gross liabilities KD***	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**5,010,919**	**3,785,371**	**1,225,548**	5,407,415	4,050,150	1,357,265
Motor vehicles	**44,042,641**	**8,834,692**	**35,207,949**	47,207,310	5,811,139	41,396,171
Property	**23,915,078**	**20,717,610**	**3,197,468**	21,717,392	18,081,342	3,636,050
Engineering	**18,895,537**	**15,921,242**	**2,974,295**	22,892,905	19,648,404	3,244,501
General Accidents	**10,123,334**	**3,990,329**	**6,133,005**	12,425,867	5,087,097	7,338,770
Total	**101,987,509**	**53,249,244**	**48,738,265**	109,650,889	52,678,132	56,972,757

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.

	2016			*2015*		
Geographical concentration of insurance contract liabilities:	***Gross liabilities KD***	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Kuwait	**40,186,610**	**18,079,221**	**22,107,389**	51,816,887	22,816,295	29,000,592
GCC and Middle East countries	**61,800,899**	**35,170,023**	**26,630,876**	57,834,002	29,861,837	27,972,165
Total	**101,987,509**	**53,249,244**	**48,738,267**	109,650,889	52,678,132	56,972,757

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. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before contribution to KFAS, NLST, Zakat tax and directors' fees.

31 December 2016	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	±15%	**7,014,248**	**3,854,750**	**3,854,750**
Average number of claim	±15%	**37,373**	**31,618**	**590,205**
Average claim settlement paid	Reduce from 18 months to 12 months	**4,676,165**	**2,521,040**	**205,552**

31 December 2015	*Change in assumption*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	±15%	7,866,626	4,090,646	4,090,646
Average number of claim	±15%	29,874	25,274	471,779
Average claim settlement paid	Reduce from 18 months to 12 months	5,244,417	2,827,400	230,530

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims for both Non-life and Life and Medical segments, including claims notified for each successive accident year at each statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at the spot rates of the current financial year.

31 December 2016

	2008 *KD*	*2009* *KD*	*2010* *KD*	*2011* *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	*2015* *KD*	*2016* *KD*	***Total*** ***KD***
At end of accident year	561,769,662	51,524,295	56,453,283	78,679,477	94,021,887	94,021,887	89,026,900	90,713,406	119,129,160	
One year later	224,476,240	62,274,940	62,537,820	88,608,977	105,195,239	124,327,941	115,875,081	105,183,743	-	
Two years later	220,327,993	60,629,928	61,694,751	89,267,969	107,201,035	123,428,641	110,479,639	-	-	
Three years later	217,466,846	59,255,519	59,771,804	88,721,791	106,953,782	115,378,170		-	-	
Four years later	212,341,014	58,005,287	60,129,601	89,266,285	103,153,760	-	-	-	-	
Five years later	207,908,081	57,879,038	60,839,502	86,344,899	-	-	-	-	-	
Six years later	208,440,025	58,450,899	57,974,858	-	-	-	-	-	-	
Seven years later	208,621,687	55,757,898	-	-	-	-	-	-	-	
Eight years later	201,476,478	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	201,476,478	55,757,898	57,974,858	86,344,899	103,153,760	115,378,170	110,479,639	105,183,743	119,129,160	954,878,605

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2008 *KD*	*2009* *KD*	*2010* *KD*	*2011* *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	*2015* *KD*	*2016* *KD*	***Total*** ***KD***
At end of accident year	(377,450,902)	(28,437,389)	(31,673,465)	(47,023,925)	(53,687,293)	(56,598,561)	(56,835,392)	(56,656,953)	(66,991,620)	
One year later	(182,937,187)	(48,591,990)	(52,137,003)	(76,915,167)	(88,634,425)	(99,173,397)	(102,836,758)	(92,873,464)	-	
Two years later	(189,831,977)	(51,712,332)	(55,660,155)	(81,932,884)	(95,011,089)	(108,521,013)	(103,826,845)	-	-	
Three years later	(196,103,588)	(53,057,120)	(55,776,822)	(84,675,656)	(100,895,578)	(110,847,294)	-	-	-	
Four years later	(198,047,148)	(52,706,483)	(57,350,073)	(86,187,060)	(99,327,214)	-	-	-	-	
Five years later	(196,626,375)	(53,657,889)	(58,547,030)	(83,941,492)	-	-	-	-	-	
Six years later	(199,210,062)	(54,417,744)	(56,722,204)	-	-	-	-	-	-	
Seven years later	(201,789,752)	(52,185,341)	-	-	-	-	-	-	-	
Eight years later	(195,880,388)	-	-	-	-	-	-	-	-	
Cumulative payment to date	(195,880,388)	(52,185,341)	(56,722,204)	(83,941,492)	(99,327,214)	(110,847,294)	(103,826,845)	(92,873,464)	(66,991,620)	(862,595,862)
Gross insurance contract outstanding claims at 31 December 2016	5,596,090	3,572,557	1,252,654	2,403,407	3,826,546	4,530,876	6,652,7954	12,310,279	52,137,540	92,282,743
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2016									11,586,697	11,586,697
Total gross insurance outstanding claims provision per consolidated statement of financial position at 31 December 2016	5,596,090	3,572,557	1,252,654	2,403,407	3,826,546	4,530,876	6,652,7954	12,310,279	63,724,237	103,869,440

25 RISK MANAGEMENT (continued)

(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 c

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliar 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 are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs a 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 s the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from the

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

	31 December 2016			
Exposure to credit risk by classifying financial assets according to type of insurance	***General*** ***KD***	***Life*** ***KD***	***Unit linked*** ***KD***	***Total*** ***KD***
Investments held to maturity	19,654,769	-	-	19,654,769
Debt securities (loans)	2,027,750	7,162,000	5,300,000	14,489,750
Loans secured by life insurance policies	-	8,191	1,647,205	1,655,396
Policyholders' accounts receivable (gross)	49,079,250	11,358,634	-	60,437,884
Reinsurers' accounts receivable (gross)	6,256,737	149,790	-	6,406,527
Reinsurance recoverable on outstanding claims	36,588,720	14,676,654	-	51,265,374
Other assets	1,663,134	-	-	1,663,134
Time deposits	25,518,202	100,348	-	25,618,550
Cash and cash equivalents	50,672,474	22,397,035	-	73,069,509
Total credit risk exposure	191,461,036	55,852,652	6,947,205	254,260,893

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

	31 December 2015			
Exposure to credit risk by classifying financial assets according to type of insurance	*General* *KD*	*Life* *KD*	*Unit linked* *KD*	*Total* *KD*
Investments held to maturity	25,880,471	-	-	25,880,471
Debt securities (loans)	-	13,047,621	5,000,000	18,047,621
Loans secured by life insurance policies	-	5,938	1,341,161	1,347,099
Policyholders' accounts receivable (gross)	47,205,529	12,443,920	-	59,649,449
Reinsurers' accounts receivable (gross)	9,563,700	355,377	-	9,919,077
Reinsurance recoverable on outstanding claims	36,983,840	5,855,061	-	42,838,901
Other assets	1,717,234	-	-	1,717,234
Time deposits	26,671,750	7,989,170	-	34,660,920
Cash and cash equivalents	36,037,147	7,935,446	-	43,972,593
Total credit risk exposure	184,059,671	47,632,533	6,341,161	238,033,365

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 2016 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	BB and below KD	Not rated KD	Total KD
31 December 2016							
Investments held to maturity	-	247,567	2,908,445	10,720,097	5,778,229	431	19,654,769
Debt securities (loans)	-	-	-	14,489,750	-	-	14,489,750
Loans secured by life insurance policies	-	-	-	-	-	1,655,396	1,655,396
Policyholders' accounts receivable (gross)	-	679,564	9,006,515	24,930,205	464	25,821,136	60,437,884
Reinsurers accounts receivable (gross)	93,715	120,145	994,177	1,413,072	1,345,265	2,440,153	6,406,527
Reinsurance recoverable on outstanding claims	240,328	14,653,745	22,176,989	5,183,771	3,615,208	5,395,333	51,265,374
Other assets	-	-	-	-	-	1,663,134	1,663,134
Time Deposits	-	-	14,853,029	7,589,287	852,368	2,323,866	25,618,550
Cash and cash equivalents	-	4,452,635	46,809,940	18,294,903	2,302,316	1,209,715	73,069,509
Total credit risk exposure	334,043	20,153,656	96,749,095	82,621,085	13,893,850	40,509,164	254,260,893

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
	High grade KD	Standard grade KD	Past due or impaired KD	Total KD
31 December 2016				
Investments held to maturity	431	-	-	431
Loan secured by life insurance policy	8,191	1,647,205	-	1,655,396
Policyholders' accounts receivable (gross)	14,051,586	8,713,562	3,055,988	25,821,136
Reinsurance accounts receivable (gross)	907,212	1,161,583	371,358	2,440,153
Reinsurance recoverable on outstanding claims	5,356,452	38,881	-	5,395,333
Other assets	1,663,134	-	-	1,663,134
Time deposits	680,323	1,643,543	-	2,323,866
Cash and cash equivalents	952,961	215,182	41,572	1,209,715
	23,620,290	13,419,956	3,468,918	40,509,164

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 2015 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*	*BB and below KD*	*Not rated KD*	*Total KD*
31 December 2015							
Investments held to maturity	-	94,717	651,636	1,667,353	23,272,562	194,203	25,880,471
Debt securities (loans)	-	-	-	11,979,621	6,068,000	-	18,047,621
Loans secured by life insurance policies	-	-	-	-	-	1,347,099	1,347,099
Policyholders' accounts receivable (gross)	-	1,091,476	836,731	19,684,597	807,467	37,229,178	59,649,449
Reinsurers accounts receivable (gross)	-	488,890	4,043,093	1,648,797	1,108,714	2,629,583	9,919,077
Reinsurance recoverable on outstanding claims	486,876	5,591,735	20,436,186	6,091,053	4,911,865	5,321,186	42,838,901
Other assets	-	-	-	-	-	1,717,234	1,717,234
Time Deposits	-	-	17,121,802	15,162,600	1,653,350	723,168	34,660,920
Cash and cash equivalents	147,691	498,422	21,942,884	11,179,577	9,159,940	1,044,079	43,972,593
Total credit risk exposure	634,567	7,765,240	65,032,332	67,413,598	46,981,898	50,205,730	238,033,365

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2015	*High grade KD*	*Standard grade KD*	*Past due or impaired KD*	*Total KD*
Investments held to maturity	428	193,775	-	194,203
Loan secured by life insurance policy	1,347,099	-	-	1,347,099
Policyholders' accounts receivable (gross)	22,680,006	11,165,886	3,383,286	37,229,178
Reinsurance accounts receivable (gross)	945,246	1,295,883	388,454	2,629,583
Reinsurance recoverable on outstanding claims	5,321,186	-	-	5,321,186
Other assets	1,662,234	55,000	-	1,717,234
Term deposits	723,168	-	-	723,168
Cash and cash equivalents	1,044,079	-	-	1,044,079
	33,723,446	12,710,544	3,771,740	50,205,730

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The following table represents the aging analysis of premiums and insurance balance receivable that are not past due nor impaired:

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2016:					
Policyholders' accounts receivable (net)	**15,228,983**	**20,856,952**	**16,208,711**	**556,085**	**52,850,731**
Reinsurance receivables (net)	**111,009**	**2,593,723**	**1,538,923**	**1,290,981**	**5,534,636**
Total	**15,339,992**	**23,450,675**	**17,747,634**	**1,847,066**	**58,385,367**

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2015:					
Policyholders' accounts receivable (net)	17,092,763	12,762,305	22,869,905	332,295	53,057,268
Reinsurance receivables (net)	2,821,007	2,712,543	2,956,441	658,665	9,148,656
Total	19,913,770	15,474,848	25,826,346	990,960	62,205,924

(2) Liquidity risk

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

	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*
31 December 2016						
Premiums received in advance	**-**	**5,753,656**	**2,763,813**	**1,243,819**	**-**	**9,761,288**
Insurance payable	**16,991,207**	**19,298,997**	**14,875,271**	**6,475,007**	**2,240,866**	**59,881,348**
Other liabilities	**4,220,948**	**2,568,050**	**7,942,766**	**7,020,795**	**271,742**	**22,024,301**
Bank overdrafts	**16,296,885**	**-**	**8,459,133**	**-**	**-**	**24,756,018**
	37,509,040	**27,620,703**	**34,040,983**	**14,739,621**	**2,512,608**	**116,422,955**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2015	*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*
Premiums received in advance	-	438,790	2,069,528	1,438,113	-	3,946,431
Insurance payable	10,731,840	8,134,506	21,058,936	7,018,825	2,236,359	49,180,466
Other liabilities	3,936,758	1,747,663	9,278,706	7,426,032	-	22,389,159
Bank overdrafts	-	-	26,381,565	-	-	26,381,565
	14,668,598	10,320,959	58,788,735	15,882,970	2,236,359	101,897,621

(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 has developed 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, Bahraini dinar, Egyptian pound, Jordanian dinar, Euro, and Pound sterling.

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 as well as the Group's Asset Liability Management model.

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 2016: 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	6,092,616	-	2,585,822	1,727,145	2,413,329	-	-	2,142,864	14,961,776
Investments in associates	19,039,624	-	1,936,832	1,004,753	-	-	-	17,977,682	39,958,891
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	5,699,275	14,093,553
Investments held to maturity	499,999	1,217,569	2,085,710	11,775,737	432,004	-	-	3,643,750	19,654,769
Debt securities (loans)	6,850,000	7,639,750	-	-	-	-	-	-	14,489,750
Investments available for sale	5,461,469	2,190,728	3,616,952	211,648	4,605,145	-	-	941,646	17,027,588
Investments carried at fair value thorough income statement	9,105,506	3,694,319	-	906,577	2,834,991	-	-	7,547,508	24,088,901
Loans secured by life insurance policies	1,647,205	-	-	-	-	-	-	8,191	1,655,396
Premium and insurance balances receivable	23,943,057	4,178,057	5,330,009	1,651,890	19,688,405	235,623	17,467	3,340,859	58,385,367
Reinsurance recoverable on outstanding claims	24,454,652	8,497,394	3,785,180	1,858,532	9,481,572	-	70,907	3,117,137	51,265,374
Investment properties	-	60,313	-	21,196	-	-	-	3,085,654	3,167,163
Other assets	7,869,698	1,760,044	669,524	2,140,662	4,463,558	11	4	1,538,811	18,442,312
Cash and cash equivalents and time deposits	59,744,017	8,075,286	9,244,373	1,505,544	15,609,588	712,601	41,785	3,754,865	98,688,059
Total assets	164,707,843	37,313,460	31,880,337	23,279,928	64,820,691	948,235	130,163	52,798,242	375,878,899

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2016 LIABILITIES	*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*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	66,910,071	1,741,095	7,819,799	4,507,147	17,923,473	26,769	10,657	4,930,429	103,869,440
Unearned premiums reserve (net)	14,226,152	-	2,499,596	2,486,704	7,439,873	-	-	2,979,076	29,631,401
Life mathematical reserve (net)	11,610,301	3,332,087	-	-	-	-	-	7,592,288	22,534,676
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	-	1,650,000
Total liabilities arising from insurance contracts	94,396,524	5,073,182	10,319,395	6,993,851	25,363,346	26,769	10,657	15,501,793	157,685,517
Premiums received in advance	9,394,480	-	335,962	-	-	-	-	30,846	9,761,288
Insurance payable	31,992,740	9,080,837	2,779,689	1,308,054	12,796,891	25,469	(11,829)	1,909,497	59,881,348
Other liabilities	14,935,736	269,546	1,619,063	2,372,780	1,177,351	47,077	1,730	1,601,018	22,024,301
Bank overdrafts	22,311,218	2,444,800	-	-	-	-	-	-	24,756,018
Total liabilities	173,030,698	16,868,365	15,054,109	10,674,685	39,337,588	99,315	558	19,043,154	274,108,472

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2015: 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	5,794,266	-	2,705,920	2,772,438	2,516,091	-	-	2,942,119	16,730,834
Investments in associates	20,201,136	-	1,775,878	1,835,639	-	-	-	15,821,017	39,633,670
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	4,537,054	12,931,332
Investments held to maturity	500,520	1,209,041	1,346,877	19,775,539	428	-	-	3,048,066	25,880,471
Debt securities (loans)	5,800,000	12,247,621	-	-	-	-	-	-	18,047,621
Investments available for sale	5,833,738	2,260,497	5,089,578	-	4,355,190	-	-	4,267,595	21,806,598
Investments carried at fair value thorough income statement	9,489,896	2,046,360	-	2,203,909	2,785,810	-	-	9,338,851	25,864,826
Loans secured by life insurance policies	1,341,161	-	-	-	-	-	-	5,938	1,347,099
Premium and insurance balances receivable	25,306,963	4,530,351	6,468,156	3,180,224	18,453,249	128,499	9,831	4,128,651	62,205,924
Reinsurance recoverable on outstanding claims	21,549,489	8,321,036	3,191,841	3,603,757	5,402,530	210,378	71,203	488,667	42,838,901
Investment properties	-	-	-	49,927	-	-	-	3,482,627	3,532,554
Other assets	10,526,915	277,833	754,250	2,896,002	3,799,926	-	-	716,188	18,971,114
Cash and cash equivalents and time deposits	39,545,260	7,261,662	4,662,640	5,662,958	16,603,533	751,801	12,820	4,132,839	78,633,513
Total assets	145,889,344	38,154,401	28,621,075	42,456,637	59,208,856	1,090,678	93,854	52,909,612	368,424,457

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2015 LIABILITIES	*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*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	60,653,144	2,786,177	7,439,497	9,189,144	13,448,633	238,275	31,247	3,673,993	97,460,110
Unearned premiums reserve (net)	16,058,963	529,558	2,315,053	4,938,534	8,047,010	56,297	-	2,517,447	34,462,862
Life mathematical reserve (net)	12,554,489	12,903	-	-	-	-	-	9,376,550	21,943,942
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	-	1,650,000
Total liabilities arising from insurance contracts	90,916,596	3,328,638	9,754,550	14,127,678	21,495,643	294,572	31,247	15,567,990	155,516,914
Premiums received in advance	3,761,694	45,122	139,615	-	-	-	-	-	3,946,431
Insurance payable	19,864,969	9,055,239	4,395,492	2,278,248	12,104,908	1,052	(41,858)	1,522,416	49,180,466
Other liabilities	15,200,697	227,842	1,445,099	2,465,217	1,307,768	-	2,701	1,739,835	22,389,159
Bank overdrafts	16,423,959	9,957,606	-	-	-	-	-	-	26,381,565
Total liabilities	146,167,915	22,614,447	15,734,756	18,871,143	34,908,319	295,624	(7,910)	18,830,241	257,414,535

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).

		2016		*2015*	
	Change in variables	***Impact on profit KD***	***Impact on equity KD***	*Impact on profit KD*	*Impact on equity KD*
USD	±5%	**912,718**	**109,536**	663,973	113,025
BD	±5%	**563,622**	**277,689**	301,043	343,273
EGP	±5%	**569,442**	**50,238**	1,087,493	91,782
JD	±5%	**1,043,898**	**230,257**	997,267	217,760

(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.

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 is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

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.

	2016		*2015*	
Currency	***Change in variables***	***Impact on profit before tax KD***	*Change in variables*	*Impact on profit before tax KD*
KD	**±50 bps**	**81,245**	±50 bps	104,194
USD	**±50 bps**	**107,807**	±50 bps	73,168
BD	**±50 bps**	**30,168**	±50 bps	23,903
Others	**±50 bps**	**147,010**	±50 bps	139,812

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 income statement (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 and the Investment Strategy and Policy.

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

	2016	*2015*
	%	*%*
Kuwait market	**(6%)**	(14%)
Rest of GCC market	**(1%)**	(31%)
MENA	**53%**	(6%)
Other international markets	**5%**	4%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2016 and 2015. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2016	*2015*	***2016***	*2015*
	KD	*KD*	***KD***	*KD*
Investment carried at fair value through income statement	**4,598,593**	(1,984,987)	-	-
Investments available for sale	-	-	**3,086,986**	(4,434,708)

The table below presents the geographical concentration of financial instruments exposed to equity price risk:

31 December 2016	***GCC***	***MENA***	***Europe***	***Total***
	KD	***KD***	***KD***	***KD***
Investments available for sale	**10,579,980**	**6,447,608**	**-**	**17,027,588**
Investments carried at fair value through income statement	**7,401,669**	**8,436,660**	**8,250,572**	**24,088,901**
	17,981,649	**14,884,268**	**8,250,572**	**41,116,489**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2015	*GCC* *KD*	*MENA* *KD*	*Europe* *KD*	*Total* *KD*
Investments available for sale	15,787,232	6,019,366	-	21,806,598
Investments carried at fair value through income statement	6,740,143	9,413,441	9,711,242	25,864,826
	22,527,375	15,432,807	9,711,242	47,671,424

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 Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2016		*2015*	
	Premiums ***KD***	***Claims*** ***KD***	*Premiums* *KD*	*Claims* *KD*
Directors and key management personnel	**149,357**	**25,510**	255,440	100,643
Other related parties	**3,874,502**	**593,989**	3,875,121	444,054
	4,023,859	**619,499**	4,130,561	544,697

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

	2016		*2015*	
	Amounts owed by related parties KD	***Amounts owed to related parties KD***	*Amounts owed by related Parties KD*	*Amounts owed to related parties KD*
Directors and key management personnel	**84,986**	**13,920**	129,831	24,719
Other related parties	**827,143**	**212,114**	691,672	1,656,731
	912,129	**226,034**	821,503	1,681,450

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

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 14,913,756 (2015: KD 7,619,836). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 6,577,750 (2015: KD 10,979,621).

b) Included under other assets an amount of KD 1,402,689 (2015: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

26 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2016 ***KD***	*2015* *KD*
Salaries and other short term benefits	**927,603**	824,527
Employees' end of service benefits	**130,881**	120,007
	1,058,484	944,534

27 SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

		% ownership 2016			*% ownership 2015*			
Entity	***Country of incorporation***	***Direct***	***In-direct***	***Total %***	*Direct*	*In-direct*	*Total %*	***Nature of operation***
Gulf Insurance and Reinsurance Company K.S.C.(closed)	Kuwait	**99.80%**	-	**99.80%**	99.80%	-	99.80%	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	Lebanon	**92.51%**	**0.18%**	**92.69%**	92.51%	0.18%	92.69%	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	Egypt	**94.85%**	-	**94.85%**	94.85%	-	94.85%	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	Syria	**38.96%**	**15.39%**	**54.35%**	38.96%	15.39%	54.35%	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C.	Bahrain	**56.12%**	-	**56.12%**	56.12%	-	56.12%	General risk insurance
Arab Orient Insurance Company J.S.C.	Jordan	**90.44%**	-	**90.44%**	90.37%	-	90.37%	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	Egypt	**8.75%**	**50.75%**	**59.50%**	8.75%	50.75%	59.50%	Life Takaful insurance
Dar Al-Salam Insurance Company	Iraq	**51.00%**	-	**51.00%**	51.00%	-	51.00%	General risk & life insurance
L'Algerienne Des Assurance (2a)	Algeria	**49.00%**	**2.00%**	**51.00%**	49.00%	2.00%	51.00%	General risk insurance
Gulf Sigorta A.Ş. *	Turkey	**90.00%**	-	**90.00%**	-	-	-	General risk insurance

* During the year, the Group acquired equity interest of 90% in Turins Sigorta ("Turins"), a company incorporated in Turkey and engaged in non-life insurance, for a consideration of KD 2,331,685. Having obtained control, the legal name of Turins was changed to be "Gulf Sigorta A.S.". The Group consolidated Gulf Sigorta from the acquisition date based on the provisional values assigned to the identifiable assets and liabilities as on the acquisition date. The management is in the process of determining the fair values of assets acquired and liabilities assumed. Provisional goodwill recorded amounts to KD 1,162,221 (Note 7).

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

The Group (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 below.

Takaful business in the Group consists of the Takaful Insurance Unit established by the Parent Company and the Takaful fund of its subsidiary Egypt Life Takaful Insurance Company (S.A.E).

Policyholders' result by line of business:

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

For the year ended 31 December 2016:

	Marine and aviation KD	***Property KD***	***Motor KD***	***Engineering KD***	***General accidents KD***	***Life and medical KD***	***Total KD***
Premium written	**101,947**	**250,758**	**335,992**	**19,192**	**79,434**	**12,432,641**	**13,219,964**
Surplus (deficit) from insurance operations	**55,523**	**50,201**	**(25,574)**	**3,786**	**43,247**	**(1,778,927)**	**(1,651,744)**

For the year ended 31 December 2015:

	Marine and aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General accidents KD*	*Life and medical KD*	*Total KD*
Premium written	121,099	245,850	197,934	31,371	98,269	16,728,034	17,422,557
(Deficit) surplus from insurance operations	(4,648)	26,610	(4,957)	(5,844)	29,889	(464,517)	(423,467)

	2016 KD	*2015 KD*
Amounts due (from) to policyholders (Note 15)	**(821,595)**	1,200,411

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2016:

			Fair value measurement using		
	Date of valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		KD	*KD*	*KD*	*KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2016	**12,238,195**	**12,238,195**	-	-
Unquoted equity securities	31 December 2016	**4,403,342**	-	-	**4,403,342**
Unquoted managed funds	31 December 2016	**287,753**	-	**249,847**	**37,906**
Investments carried at fair value through income statements:					
Held for trading:					
Quoted securities	31 December 2016	**10,645,056**	**10,645,056**	-	-
Designated upon initial recognition:					
Managed funds of quoted securities	31 December 2016	**13,443,845**	**13,443,845**	-	
		41,018,191	**36,327,096**	**249,847**	**4,441,248**

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2015:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		KD	*KD*	*KD*	*KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2015	17,525,235	17,525,235	-	-
Unquoted equity securities	31 December 2015	4,019,187	-	-	4,019,187
Unquoted managed funds	31 December 2015	164,466	-	37,932	126,534
Investments carried at fair value through income statements:					
Held for trading:					
Quoted securities	31 December 2015	11,538,502	11,538,502	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2015	14,326,324	14,326,324	-	-
		47,573,714	43,390,061	37,932	4,145,721

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	At 1 January 2016 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2016 KD*
Financial assets available for sale:						
Unquoted equity securities	**4,019,187**	-	-	**384,155**	-	**4,403,342**
Unquoted managed funds	**126,534**	-	**(37,820)**	**(50,808)**	-	**37,906**
	4,145,721	-	**(37,820)**	**333,347**	-	**4,441,248**

	At 1 January 2015 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2015 KD*
Financial assets available for sale:						
Unquoted equity Securities	4,364,196	-	(189,722)	155,490	(310,777)	4,019,187
Unquoted managed funds	163,377	(37,932)	-	1,089	-	126,534
	4,527,573	(37,932)	(189,722)	156,579	(310,777)	4,145,721

Description of significant unobservable inputs to valuation of financial assets:
Local unquoted securities represent delisted securities on local stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted equity investment is valued based on net book value method using latest available financial statements of the investee entity, wherein the underlying assets are fair valued.

30 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains strong capital base and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issues new shares or purchase/sale of treasury shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. The Group monitors its capital at the Group level and at each of its subsidiaries.

The Group monitors capital using a gearing ratio "Financial Leverage Ratio", which is net debt divided by total capital plus net debt. The Group includes within net debt, credit facilities granted from banks (such as loans and bank overdrafts) and debt securities issued (if exist). Capital represents equity attributable to the equity holders of the Parent Company.

The Group's strategy is to keep its gearing ratio within the range of 20% to 30%. The Group's gearing ratio as at 31 December was as follows:

	2016	*2015*
	KD	*KD*
Credit facilities:		
Bank overdrafts	**24,756,018**	26,381,565
Net debt	**24,756,018**	26,381,565
Equity attributable to the equity holders of the Parent Company	**82,313,733**	89,582,977
Total capital and net debt	**107,069,751**	115,964,542
Gearing ratio	**23.1%**	22.7%

Liabilities arising from insurance contracts are usually checked against designated funds to policyholders as per the regulators of each country of the Group's operations, and is monitored on periodic basis through an adequate Asset Liability Model developed at Parent Company level as well as subsidiaries level.

Insurance and reinsurance payables are also monitored against insurance and reinsurance receivables.

All the above ratios are monitored on periodic basis and any breach (if exists) is directly reported to the key management for their information and immediate actions.