الخليج للتأمين
GULF INSURANCE

Growth

Annual Report 2009

H.H. Sheikh Sabah
Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

Company Brief

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

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

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

Gulf Insurance Company is part of the KIPCO Group - one of the biggest diversified holding companies in the Middle East and North Africa, with consolidated assets of US$ 18.6 billion. The Group has substantial ownership interests in a portfolio of over 60 companies operating across 26 countries. The company's main business sectors are financial services and media. Through the subsidiaries and affiliates of its core companies, KIPCO also has interests in the real estate, manufacturing, airline, education and management advisory sectors.

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Insurer of choice

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

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

Its subsidiaries include:

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

Technology edge

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

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

A story of success and promising growth

continued

The journey ahead
GIC intends to implement many ambitious and futuristic projects in order to meet the ever-changing customer needs and exceed their expectations. Its dynamic leadership continuously strives to train and support human resources in order to develop the technical and administrative capabilities within the its group of companies.

Apart from being committed to the advancement of insurance industry both in Kuwait and in the Middle East region, GIC plans to continue the regional expansion strategy towards establishing itself as a major player in the regional insurance markets and increasing its business portfolio. In this concern, GIC intends to strengthen its presence in the regional markets, emerge as a consolidator of businesses and develop a unified branding strategy.

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

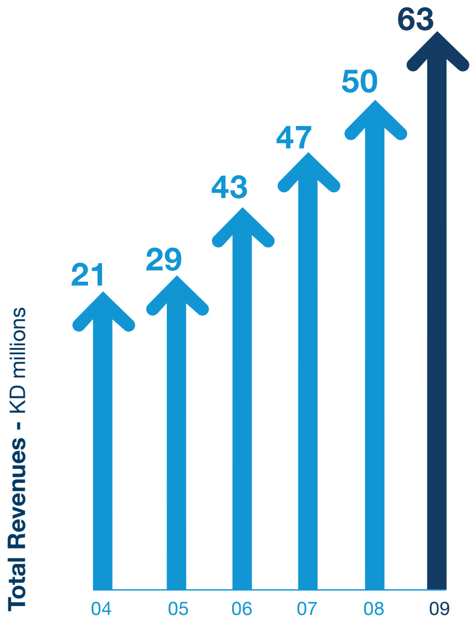
Vision – what do we wish to be known for?
We will be the insurer of choice and the leader in our chosen markets.

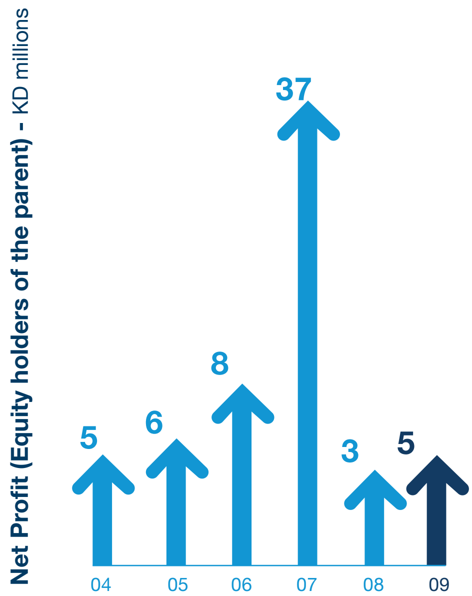
We will achieve this by:
Providing solutions that consistently meet or exceed the need and aspirations of our customers
Setting standards for service delivery and value creation amongst insurers in Kuwait and the MENA region
Being influential in enhancing the development of our industry.

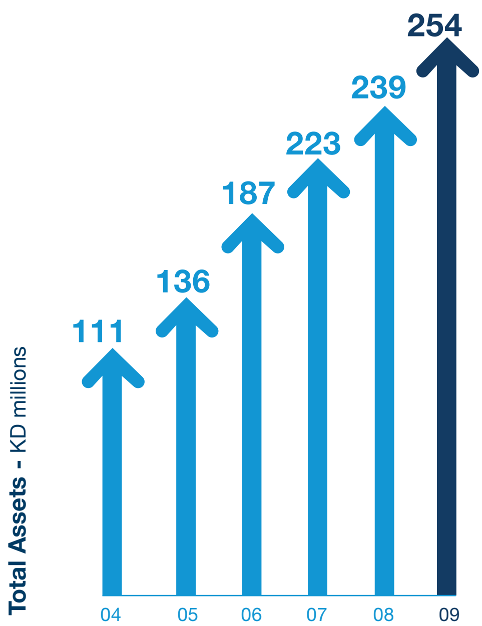
“We AIM to be valued by our Customers, our shareholders and our staff alike.”

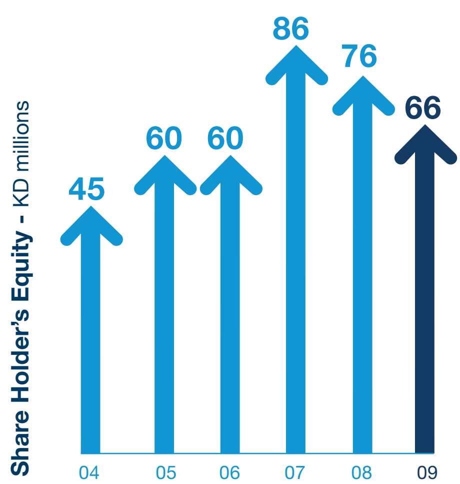
Financial Statements Highlights

2009









+26.2 %
Increase in total revenue

+6 %
Increase in consolidated assets

2009 was GIC's 46th consecutive year of profitability. Despite difficult conditions, GIC achieved a net profit in 2009 of KD 5,05 million (US$ 17.5 million). The company's total revenues for the year increased by 26.2% to KD 63.3 million (US$ 218.9 Million) compared to 2008 revenues of KD 50.1 million (US$ 173.4 Million). GIC's total consolidated assets also increased 6% in 2009 to KD 254.4 Million (US$ 880.2 Million) from KD 239 Million (US$ 830.3 Million) in 2008.

Financial Statements Highlights

2009

	2009	Growth Rate %
Net Profit	5,049,396	40%
Gross Written premiums	97,218,702	12%
Total Revenue	63,269,641	26.2%
Cash & Deposits	59,853,512	21.7%
Net Cash & Investment	137,888,471	-5.7%
Net Technical reserve	69,814,505	20.3%
Total Asset	254,390,688	6%
Total Shareholders Equity	66,711,248	-13%

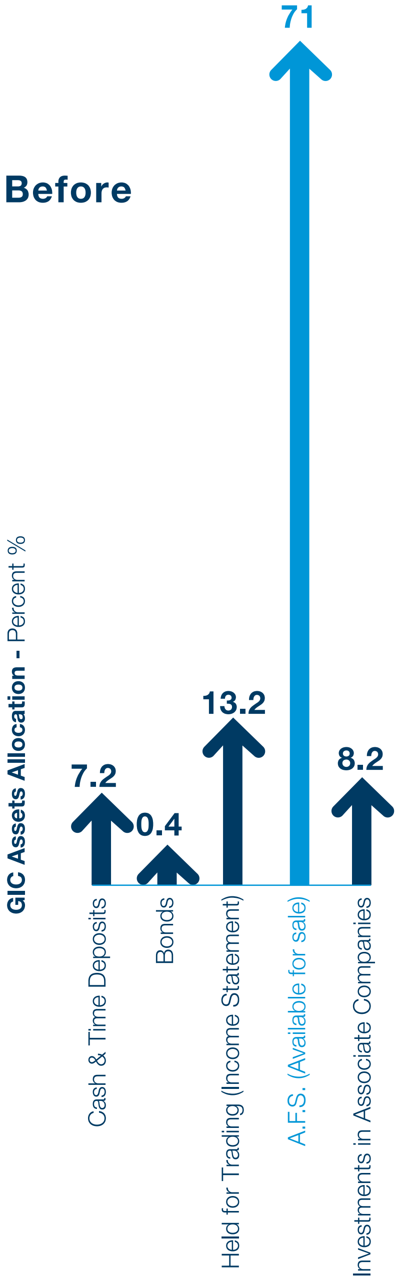
Gulf Insurance 2009 Ratings

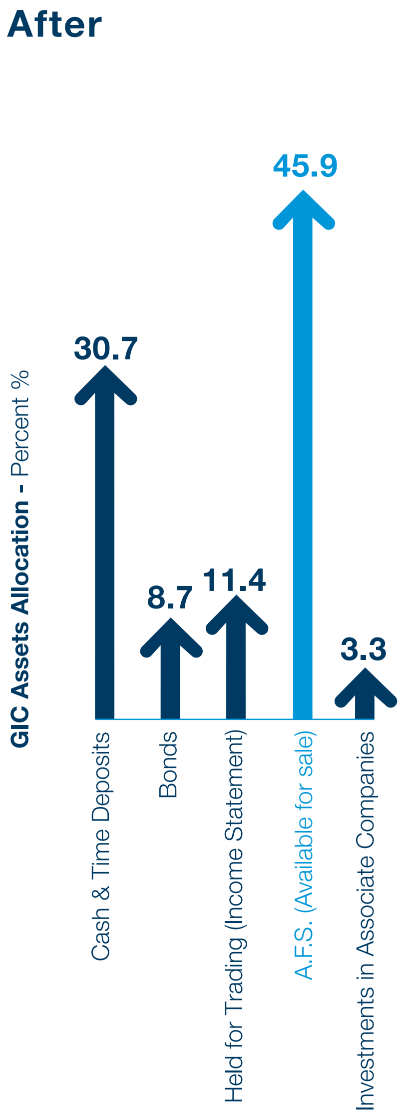
Rating Agency	Debt rating	Outlook
Standard & Poor's	BBB+	Stable

GIC Assets Allocation

2009

A review for the asset allocations of our investment was made and a new reallocation plan was formed. To reduce the concentration of investments of the group and to avoid the negative effects on a downturn on market values and to arrange enough liquidity. The new asset allocation for GIC is as follows:





	Before	After
Cash & Time Deposits	7.2%	30.7%
Bonds	0.4%	8.7%
Held For Trading (Income Statement)	13.2%	11.4%
A.F.S. (Available for sale)	71%	45.9%
Investments in Associate Companies	8.2%	3.3%
TOTAL	100%	100%

Key Achievements in 2009

On 29/4/2009, the acquisition of a 55% stake of AOIC –Jordon was completed and its total Capital was worth Jordan Dinars 12.85m, the total value of the acquisition was KD 8,790,711 and also covered an increase of investments, assets, premiums, and net profits which are relatively valued at KD 5,798,970 & KD 15,047,000 & KD 12,664,728 & KD 331,043.

On 30/9/2009, our stake of AMIG–Egypt, increased by 9.5% to the total of 94.84%. The total value of our investments in AMIG became KD 2,792,406 our share from the profit of AMIG for the year 2009 was KD 1,025,020 with a 36.71% return on our investments.

On October 2009, An IPO of our associated company Al Buroj was issued for 40% and then followed by the first general assembly and announcement of the issuance of the commercial license on February 15, 2010.

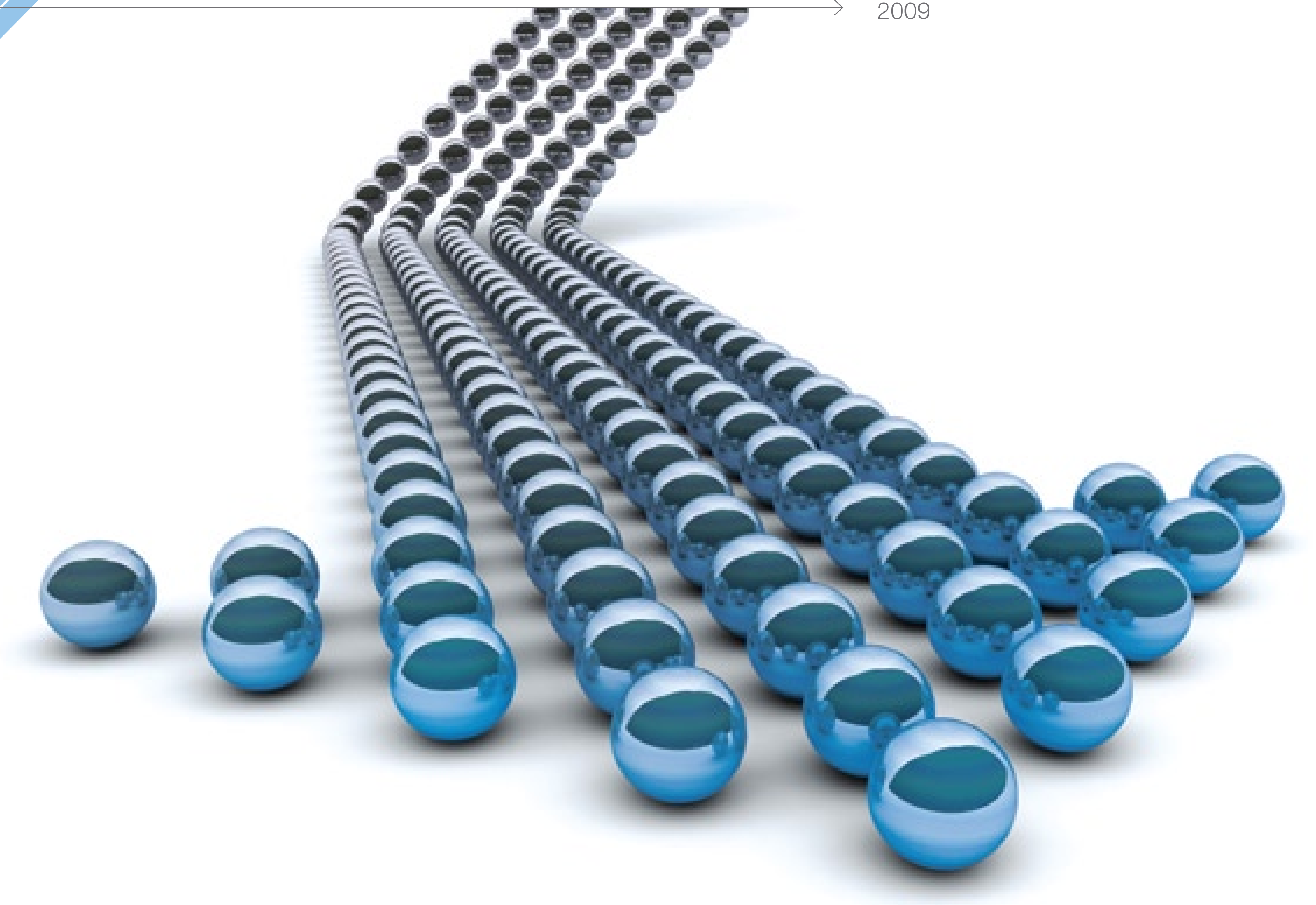
On November 2009, GIC modified its stake in FAG and increased it to 54.7%.

On 30/12/2009, GIC increased its stake of SKIC by 9.4% and is now totaled at 53.8%. The company structure was modified to turn it from a loss to a profit.

For the first time in MENA region: A new integrated Reinsurance Program was designed as we selected MUNICH RE, the global reinsurance giant, to lead it. GIC Group now has a combined Reinsurance Treaty Programme, a powerful tool in our hands, to achieve significant growth both in terms of premium and profitability affecting GIC-Kuwait and its Subsidiary Companies in the MENA region which took affect January 1st 2010.

Business Strategy

2009



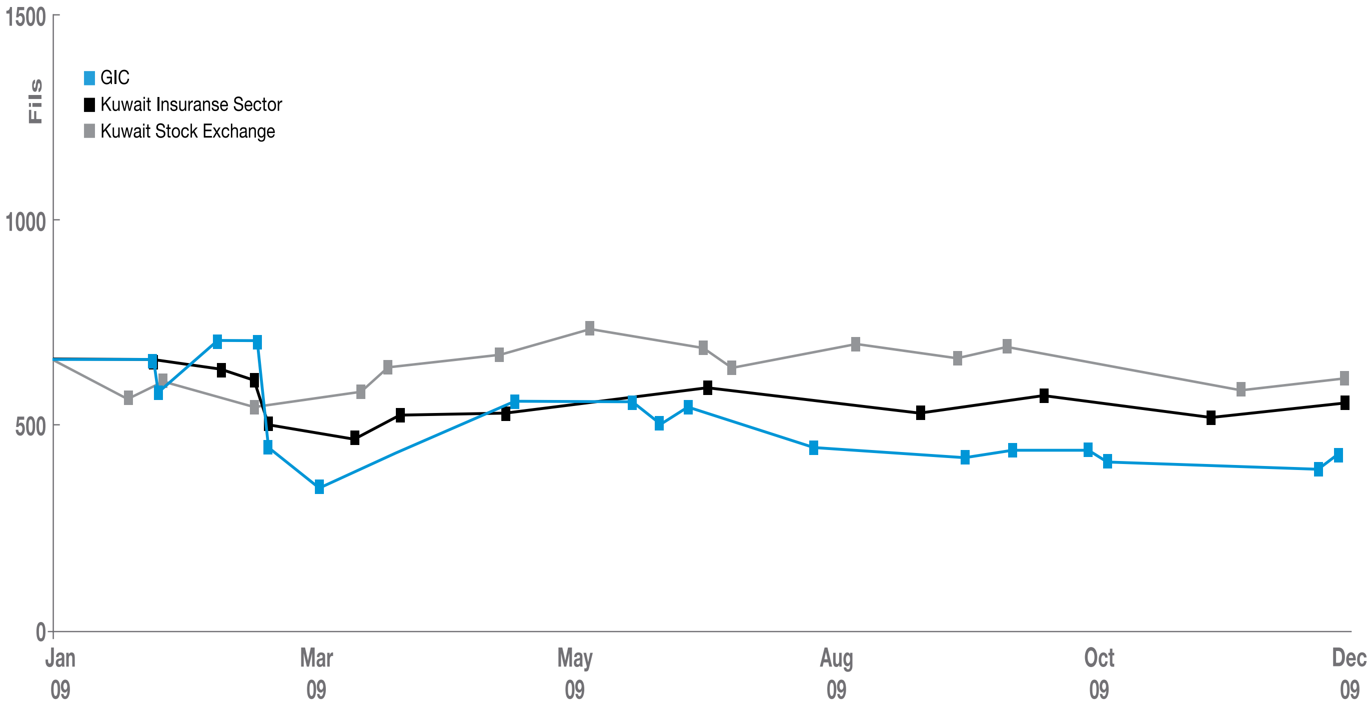
Business Strategy

an overview

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

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

GIC Share Price Performance, Sector & Market Index



Subsidiaries

2009

For more information about GIC Subsidiaries,
please visit their website or contact them directly.

Ebrahim Al-Rayes
Chief Operating Officer
BKIC

Bahrain Kuwait Insurance Company (BKIC) was established in 1975. By virtue of its shareholding structure, BKIC is allowed to operate as a national insurance company both in Bahrain and Kuwait, the only company to enjoy such a privilege. Its authorized capital is Bahraini Dinars Ten million only and issued capital and paid up is Bahraini Dinars Six million sixty-three thousand seven hundred fifty only.

GIC's stake in BKIC is 51.22%

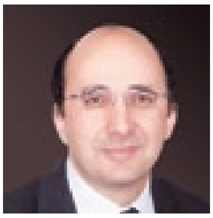
Tel: +973 17542222
Website: www.bkic.com

Alaa El Zoheiry
Managing Director
AMIG

Arab Misr Insurance Group (AMIG) is an Egyptian non-life insurance company established in 1993 where its issued capital is EGP 500 million and paid-up capital is EGP 75 million. The company practices all lines of non-life insurance business through 12 branches covering most of Egypt and employing around 200 personnel.
The company's market share is 5% of the total non-life market and 10% from private sector insurance companies.

GIC's stake in AMIG is 94.84%

Tel: +202 4517620
Website: www.amig.com.eg



Samer Kanj
General Manager
SPI

Saudi Pearl Insurance Company (SPI) is a Bahraini insurance company, it was established in 1979 in Bermuda and in 1987 the company was registered in the Kingdom of Bahrain as an offshore company under CR 18087 dated 12/3/1987. The company's authorized capital is US$ 3 million fully paid-up. It has strong presence in the Saudi insurance market. The company practices all classes of insurance through 3 branches in addition to a network of sales and claims points.
GIC's stake in SPI is 100%

Tel: +9661 2935264
Fax:+9661 2172350

Hazem Dwik
General Manager
SKIC

Syrian Kuwaiti Insurance Company (SKIC) is a Syrian joint stock company established in 2006; following the Ministerial decree number 13.

SKIC received its operating license number 44/100 from the Syrian Insurance Supervisory Commission On October 10, 2006, and it started officially its operations.

GIC's stake in SKIC is 53.79%

Tel: +963 11 9276
Website: www.skicins.com

Subsidiaries

2009

Ghassan El Hibri
Chairman & GM
FAJR ALGULF

FAJR AL GULF
شركة فجر الخليج للتأمين و إعادة التأمين
Fajr Al Gulf Insurance & Reinsurance Co.

Al Fajr Insurance & Reinsurance Company SAL (FAG) is a Lebanese shareholding company established in 1991 by a group of internationally known businessmen, and since then has enjoyed remarkable growth and success in specialist areas of Insurance & Reinsurance.
Due to the Merge Agreement of FAJR Al Gulf Co. and International Trust Insurance Company took place on 2003, which is owned by SPI. The Merge Agreement resulted on the establishment of FAJR Al-Gulf Insurance & Reinsurance Company. GIC has stake of % 51. which will be positioned among the top ten in the Lebanese market.
GIC's stake in FAG is 54.70%

Tel: +9611 817222
Website: www.fajralgulf.com

Tareq Al Sahhaf
Chairman
GLIC

الخليج لتأمينات الحياة
GULF LIFE INSURANCE

Gulf Life Insurance Company (GLIC) was established in 2008 as a subsidiary of Gulf Insurance Company (GIC) in line with the global practice of separating life insurance business from other general insurance businesses, with paid-up capital of KD 5 million, GLIC offers life and health insurance solutions to individual customers and corporate entities.

GIC's stake in GLIC is 98.60%

Tel: +965 22961777
Website: www.gulfins.com.kw

Isam Abdel Khaliq
Chief Executive Officer - Board Secretary
AOIC

شركة الشرق العربي للتأمين
Arab Orient Insurance Company

Arab Orient Insurance Company was established in 1996 and licensed to write general insurance business. Its earned reputation of speedy settlement of legitimate claims and its strong market positioning coupled with excellent reinsurance security placed the company in a unique that enabled it to earn a B+ (Secure) rating from A.M. Best, the oldest and most authoritative rating agency in the world.

GIC's stake in AOIC is 55%

Tel: +962 6 5654550
Website: www.araborient.com

الشركة البحرينية الكويتية للتأمين
Bahrain Kuwait Insurance Company

Bahrain Kuwait Insurance Company (BKIC) was established in 1975. By virtue of its shareholding structure, BKIC is allowed to operate as a national insurance company both in Bahrain and Kuwait, the only company to enjoy such a privilege. Its authorized capital is Bahraini Dinars Ten million only and issued capital and paid up is Bahraini Dinars Six million sixty-three thousand seven hundred fifty only.

BKIC has 3 branches in Bahrain and 1 branch in Kuwait. BKIC is involved in all classes of insurance. It has grown to occupy a leading position in the Bahrain insurance market.

BKIC has been a leader in community service and it prides itself on being in the forefront of training and manpower development activity. The company employs around 158 people in its various operations.

The company is currently listed on both Bahrain Stock Exchange and Kuwait Stock Exchange.

	2009	2008
GIC Shareholding	51.22%	51.22%
	KD	KD
Total Cash & Investment	29,551,551	27,921,321
Total Assets	51,209,134	57,264,628
Net Technical Reserves	9,668,921	9,278,078
Total Shareholders' Equity	18,659,920	17,556,981
Gross written premium	24,303,476	26,266,299
Underwriting Surplus / (Deficit)	3,080,078	2,348,142
Net Profits / (Losses)	3,070,064	2,716,032

18,659,920

Total Shareholders' Equity

شركة المجموعة العربية المصرية للتأمين
Arab Misr Insurance Group

Arab Misr Insurance Group (AMIG) is an Egyptian non-life insurance company established in 1993 where its issued capital is EGP 500 million and paid-up capital is EGP 75 million. The company practices all lines of non-life insurance business through 12 branches covering most of Egypt and employing around 200.

The company's market share is 5% of the total non-life market and 10% from private sector insurance companies.

	2009	2008
GIC Shareholding	94.84%	85.34%
	KD	KD
Total Cash & Investment	10,589,526	9,104,119
Total Assets	18,037,549	15,058,633
Net Technical Reserves	7,118,095	5,613,036
Total Shareholders' Equity	4,558,337	3,409,581
Gross written premium	11,939,907	9,644,807
Underwriting Surplus / (Deficit)	581,766	546,564
Net Profits / (Losses)	1,080,823	206,709

4,558,337
Total Shareholders' Equity

شركة اللؤلؤة السعودية للضمان المحدودة
Saudi Pearl Insurance Company Ltd.

Saudi Pearl Insurance Company (SPI) is a Bahraini insurance company, it was established in 1979 in Bermuda and in 1987 the company was registered in the Kingdom of Bahrain as an offshore company under CR 18087 dated 12/3/1987. The company's authorized capital is US$ 3 million fully paid-up. It has strong presence in the Saudi insurance market. The company practices all classes of insurance except medical insurance through 3 branches in addition to a network of sales and claims points.

SPI employees are approximately 84 personnel.

According to the laws and regulations governing the insurance sector in Saudi Arabia, Saudi Pearl Insurance Co. investment Portfolio shall go under liquidation after transferring net Assets to the newly established company ''Buruj Cooperative Company", which GIC has participated in the establishment with other Saudi partners with stake of %22.5.
The newly formed company has strong potential to grow in the Saudi insurance market due positive economic outlook, low current insurance penetration rates and a new insurance regulatory framework that was introduced on 2004.

	2009	2008
GIC Shareholding	100%	100%
	KD	KD
Total Cash & Investment	2,209,064	2,051,943
Total Assets	7,358,253	5,837,647
Net Technical Reserves	2,039,774	1,146,418
Total Shareholders' Equity	2,166,865	1,927,846
Gross written premium	5,537,619	2,997,911
Underwriting Surplus / (Deficit)	199,928	409,812
Net Profits / (Losses)	153,893	333,545

2,166,865
Total Shareholders' Equity

الشـركة السورية الكويتية للتأمين

Syrian Kuwaiti Insurance Company

Syrian Kuwaiti Insurance Company (SKIC) is a Syrian joint stock company established in 2006; following the Ministerial decree number 13.
SKIC received its operating license number 44/100 from the Syrian Insurance Supervisory Commission On October 10, 2006, and it started officially its operations.
The company's authorized and fully paid up capital amounts to SYP 850 Million.
SKIC rely on the deep-rooted experience of its main founder and shareholder, the Gulf Insurance Company (GIC) which current stake stands at 53.79% of total capital.
Human capital is no doubt one of the most important assets in any organization; cognizant of this fact, SKIC focuses primarily on the development of its staff's knowledge and skills in all competence areas. Currently the number of full time employees stands at 107.
With 3.44% market share, SKIC is considered as a major player in the Syrian market, the company is ranked 4th among the thirteen insurance companies operating in Syria.

	2009	2008
GIC Shareholding	53.79%	44.39%
	KD	KD
Total Cash & Investment	9,110,375	9,035,926
Total Assets	13,958,612	11,408,103
Net Technical Reserves	4,034,899	2,625,795
Total Shareholders' Equity	4,170,760	5,608,555
Gross written premium	3,628,316	5,270,308
Underwriting Surplus / (Deficit)	-1,871,875	130,882
Net Profits / (Losses)	-1,588,425	288,947

4,170,760

Total Shareholders' Equity

شركة فجر الخليج للتأمين و إعادة التأمين
Fajr Al Gulf Insurance & Reinsurance Co.

AL FAJR INSURANCE & REINSURANCE COMPANY SAL (FAG) is a Lebanese shareholding company established in 1991 by a group of internationally known businessmen, and since then has enjoyed remarkable growth and success in specialist areas of Insurance & Reinsurance.

On August 18th 2003 we officially merged efforts with International Trust Insurance Co SAL (member of GULF INSURANCE KSA / Kuwait), and are now operating under the new name of FAJR AL GULF ISNURANCE AND REINSURANCE CO SAL with an increased capital of USD.4,470,000.

The merger brought Gulf Insurance Co KSC-Kuwait as major partner to the new enlarged company (54.70%) share which will be positioned among the top ten in the Lebanese market.

The company practices all lines of business through 7 branches in Lebanon. The Company employs around 63 people in its various operations, and has an extensive network of consultants.

	2009	2008
GIC Shareholding	54.70%	51.00%
	KD	KD
Total Cash & Investment	1,385,880	1,173,065
Total Assets	4,127,104	5,080,928
Net Technical Reserves	2,475,454	1,936,771
Total Shareholders' Equity	530,685	310,805
Gross written premium	3,365,440	3,067,519
Underwriting Surplus / (Deficit)	-862,096	-465,240
Net Profits / (Losses)	-189,106	-527,413

530,685

Total Shareholders' Equity

الخليج لتأمينات الحياة
GULF LIFE INSURANCE

Gulf Life Insurance Company (GLIC) was established in 2008 as a subsidiary of Gulf Insurance Company (GIC) in line with the global practice of separating life insurance business from other general insurance businesses, with paid-up capital of KD 5 million, GLIC offers life and health insurance solutions to individual customers and corporate entities.

	2009	2008
GIC Shareholding	98.60%	98.60%
	KD	KD
Total Cash & Investment	34,577,236	32,307,320
Total Assets	43,054,094	42,235,502
Net Technical Reserves	25,479,973	24,284,697
Total Shareholders' Equity	8,791,811	7,460,197
Gross written premium	15,538,531	15,657,415
Underwriting Surplus / (Deficit)	1,358,264	2,509,415
Net Profits / (Losses)	1,331,614	2,460,197

8,791,811

Total Shareholders' Equity

Arab Orient Insurance Company was established in 1996 and licensed to write general insurance business. Its earned reputation of speedy settlement of legitimate claims and its strong market positioning coupled with excellent reinsurance security placed the company in a unique that enabled it to earn a B+ (Secure) rating from A.M. Best , the oldest and most authoritative rating agency in the world.

The paid up capital is JD 12,850,000 and the company's shareholders are both local and regional investors. AOIC employees are about 164.

	2009	2008
GIC Shareholding	55.00%	0.00%
	KD	KD
Total Cash & Investment	9,291,725	7,940,127
Total Assets	18,839,755	14,334,587
Net Technical Reserves	5,495,889	4,213,153
Total Shareholders' Equity	6,895,918	5,633,557
Gross written premium	18,096,895	12,226,259
Underwriting Surplus / (Deficit)	1,475,839	1,312,753
Net Profits / (Losses)	919,047	757,074

6,895,918

Total Shareholders' Equity


50
40
30
20
10
0
50
40
30
20
10
0

Company’s Financials

Financials Year Ending on Dec 31, 2009

a Review

- An increase of gross premiums written from KD 86.6m (2008) to KD 97.2m (2009), which is up 12.2% from last year. The parent company's share was KD 35.8m, which is a decrease by 9.1% in comparison to last year.
  While the subsidiaries share was KD 61.4m, which is up 30% from last year mainly due to the participation of AOIC – Jordon (as of the second quarter of 2009, we own 55% of its total capital) with a value of KD 12.7m where in is the total from the second, third, and fourth quarters of 2009.

- A decrease of 35.9% in technical profits by KD 2.9m, from KD 8.1m (2008) to KD 5.2m (2009), and it also fell short from the expected budget by 38%. KD 3.1m of the technical profits came from the parent company which is a decrease by KD 1.9m (38.3%).
  There was also a decrease from the subsidiaries as they contributed KD 2.1m (a decrease in 31.8%). This is mainly due to the unexpected loses suffered by SKIC which amounted to KD 1,871,875 as opposed to a profit for the year of 2008 worth KD 130,882 (a KD 2m difference).
  FAG also had an increase of loses from KD 465,240 (2008) to KD 862,096 (2009).
  In addition, the Third Party Liability in the motor department (GIC) and Group Medical (GLIC) suffered loses totaling KD 1.38m.
  However, the new acquisition of AOIC–Jordon, added a profit of KD 898,564.

- In spite of a decrease on the investment evaluation in 2009 by KD -2,388,360. We still managed to make a profit. There was an increase of investment and miscellaneous profits by KD 3m, from KD-2, 267,423 (2008) to KD 732,406 (2009).

- The technical reserve was increased by 20.3% from KD 58,026,794 (2008) to KD 69,814,505 (2009), which is an increase of exactly KD 11,787,711.

- The Shareholders equity decreased by 13.3% from KD 77m (2008) to KD 66.7m, which is a decrease by KD 10.3m. The reason for this decrease was due to the cumulative changes in fair value from KD 7,551,056 to KD 618,922. Also the payment of dividends valuing at KD 8.5m played a part in the decrease.

- The balance sheet assets increased by 6% from KD 240m (31/12/2008) to KD 254.4m (31/12/2009). The acquisition of AOIC –Jordon also added a 6.3% value to that increase.

- The net profit increased from KD 3,607,381 (2008) by KD 1,442,015 to the amount of KD 5,049,396 by the end of the financial year.

- The book value of the GIC share decreased and is Fils 403.6 in comparison to last year which was Fils 465.8.

- Net cash and investments decreased by KD 8.4m from KD 146.3m (2008) to KD 137.9m (2009). The main cause for this is due to the reduction of the fair value of investments available for sale and the payment of dividends worth KD 8.5m.

Earnings per share increased from Fils 21.9 (2008) to Fils 30.6 (2009).

Chairman's Message

Dear shareholders,

It is my pleasure to welcome you on behalf of the Company's Board of Directors, and to present to you the forty sixth annual report of the company, showing the accomplishments that were realized and the major events that have affected the company's operations during 2009.

2009 was a year of numerous challenges both on economic and political levels. The government resigned and was reformed, and then the National Assembly was dissolved. Thereafter, the elections took place and many interpellations were submitted against the Prime Minister and other ministers. On the economic level, the year 2009 is deemed among the most challenging years. If we do not consider the Laws of Deposit Guarantee and Financial Stability , then the economic situation in Kuwait is viewed as being the worst among the Gulf Countries, in spite of the accumulated financial surplus ending with the financial surplus realized in the first eight months of the budget 2009 – 2010, estimated at about 6.4 billion dinars. The year 2009 ended without Kuwait Stock Exchange realizing any noticeable growth; it rather witnessed a recession while main stock markets in the region and the world realized an annual growth exceeding 20%. The price index of the market was closed with a recession of about 10% in comparison with that of 2008. As to the weighted index, it lost about 5.15%. Since the earlier stages of the emergence of the Global Financial Crisis, in addition to the declines in 2009 and what was lost in the market starting from the first of September 2008, it was the main indicator of the market's extensive loss rate of 50.71% for the price and 45.44% for the weight, while the market lost about 28 billion dinars of its capital value during that period… We can say that, in 2009, the Kuwait stock exchange witnessed the steepest correction operation during the last ten years and lost 22 billion dollars of its market value. This was reinforced by the abstention of the banks from financing the investment in shares and real estates, the shortage of cash flows and not activating the Financial Stability Law. The obvious paradox lies in that the markets of the States in which the spark of the crisis broke out have ended 2009 with significant gains, unlike the Kuwait stock exchange. The American Dow Jones index gained more than four thousand points between the bottom and the peak, with an increase of 63.5%, as to the Japanese Nikkei index, it gained about 3700 points from the lowest point that it has reached, i.e. with an increase of 53.3%. Concerning the British Financial Times index, it gained 57.3% in comparison with the lowest reached point (about two thousand points), as to German DAX index, it gained about 2500 points, i.e. 67.9%. Finally, French CAC (40) index gained about 1500 point's equivalent to 61.3%.

With regard to the performance of the Gulf stock markets in 2009, it was influenced by many factors, whether progressive or obstructive, of local, regional and worldwide nature. The performance of these markets varied between profits reaching 27.5% (highest) in Saudi Stock Exchange, and losses of 19.2% (lowest), in Bahrain Stock Exchange, while the performance of the five other Gulf markets witnessed fluctuation between them.

In order to improve the economic situation, and consequently the stock exchange, in 2010 in comparison to 2009, there are many economic files that should be accomplished, namely:

- The determination of the government in executing the development projects as soon as possible, according to a time schedule.
- The stimulation of the financial policies of the State and diversification of the investment channels.
- The accomplishment of the economic laws (Capital Market Authority Law, Privatization Law, approval of the amendments of the Commercial Companies Law).
- The introduction of strict supervisory laws, the separation of duality in some legislations along with developing these statutes.
- The compliance with corporate governance and strong emphasis on it.

Concerning the oil and mineral markets, the (Brent) oil prices increased from 39 dollars in the middle of February 2009 to more than 80 dollars per barrel last October, ending the year above 79 dollars per barrel and marking the biggest annual leap in ten years. Moreover, the ounce of gold increased about 420 dollars between January and December 2009.

In the foreign exchange markets the US dollar jumped to a new exchange rate against the Japanese currency, i.e. to 93.07, following reports which demonstrated a decrease in the number of applications for unemployment support in the United States of America to the lowest level in (17) months. The dollar registered (1.4323) against the euro, maintaining its high rate against the European unified currency.

Concerning the latest developments related to the company, 2009 was full of important events that will positively affect the company's activities and its future results, including:

- The Acquisition of 55% of the

capital of Arab Orient Insurance Company – Jordan.

- Increasing our share in Arab Misr Insurance Group (AMIG) to reach 94.84%.
- Increasing our share in the Syrian Kuwaiti Insurance Company to reach 53.8%.
- Increasing our share in Fajr Al Gulf Insurance and Reinsurance Company – Beirut, to reach 54.7%.
- GIC and it's partners in Saudi Arabia have offered 40% of Buruj cooperative insurance company in the IPO which has been covered successfully.
- Completion of the combined reinsurance program which is scheduled to be applied as of 01/01/2010. This program encompasses the parent company and our subsidiary companies in Bahrain, Egypt, Jordan, Lebanon and Syria. The program will result in increasing premium retention and increasing reinsurance commission income, in addition to acquiring larger underwriting capacity.
- Appointing an international auditing firm for reviewing the internal activities of the company.
- Restructuring the investments of the parent company, in order to reduce investments in companies having direct relations with the group, to avoid the negative effect of fluctuations in securities' prices and to provide liquidity enabling us to seize the opportunity that may arise.
- s part of company's strategy to expand its branches network, four new branches were opened this year in Khaitan, Al Salmiya, Hawally and Abu Ftaira. Indeed, these branches started receiving customers and thereby increasing the number of active branches to eighteen.

Moreover, we have reviewed this year the credit rating of the company given by Standard & Poor's. In spite of the global financial and economic crisis that overwhelmed the world, we managed to maintain our BBB+ rating. However, the future outlook decreased from Positive Outlook to Stable Outlook.

Dear shareholders,

The results achieved by the company during this year clearly demonstrate the above-mentioned as follows:

The increase of premiums written by 12.2%, to reach	KD 97,218,702.
The increase of the net technical reserves at 20.3%, to reach	KD 69,814,505.
The increase of the investment returns at KD 5,925,291, to reach	KD 5,357,232.
The increase of the net profit at 40%, to reach	KD 5,049,396.
The increase of the total budget at 6%, to reach	KD 254,390,688.
The decrease of the investments, cash and goodwill at 2%, to reach	KD 146,019,665.
The decrease of the shareholders' equity at 13.3%, to reach	KD 66,711,248.
The net underwriting result realized a profit of	KD 5,156,246.

Additional details regarding company's operation during 2009 are listed here-below:

General Insurance Business:

Marine and Aviation Insurance Department:
Although that branch witnessed a decrease in premiums of KD 1,318,458 in comparison with 2008, and the volume of its premiums was recorded at KD 9,127,731 due to the contraction of the import operations resulting from the global financial crisis; yet the turnovers of that branch were positive, since the profits of that Department climbed to KD 1,661,843, i.e. with an increase of 38.9% in comparison with 2008. This improved performance is due to the lower loss ratio and the reduced acquisition and administration costs.

Chairman's Message

Properties Department:
The Department achieved a significant and substantial growth in respect of premium production and profits. Written Premium increased from KD 15,617,701 in 2008 to KD 17,847,356 in 2009, i.e. with a raise of KD 2,229,655, at a rate of 14.3%. Moreover, the profitability of the Department grew from KD 457,384 to KD 618,689, with a raise of KD 161,305, at a rate of 35.3%. This is due to the improved loss ratio and the reduced acquisition cost.

Casualty and Motor Department:
In spite of the great increase in production of Casualty and Motor Department, which reached KD 3,214,765, at a rate of 7.9%; the written premiums therefore increased to KD 44,089,370 in comparison with KD 40,874,605, yet, the results of the Department witnessed a severe and major decrease reaching KD 3,041,058, at a rate of 81%, hence the profitability of that Department reached KD 713,295 in comparison with KD 3,754,353. This is due to the extraordinary losses under third party liability motor insurance in the Kuwaiti, Syrian and Jordanian markets, coupled with losses of the comprehensive motor insurance in the Saudi and Lebanese markets. The volume of those losses was unprecedented and we are currently studying its causes and laying the necessary solutions to prevent future occurrences.

Life and medical activities:
The written premiums for life and medical business increased to KD 26,154,245 in comparison with KD 19,670,883, i.e. 6,483,362, at a rate of 33%. In spite of the decrease of the turnovers at 8%; the realized profits of KD 2,162,419 are deemed acceptable given the level and nature of insured risks.

The financial position and investment activity of the company:
Despite the challenges of the global financial crisis and the continuation of its repercussions, we have sought to take the necessary allowances resulting from the decrease in value of the investment assets. The investments of the company registered positive returns of KD 5,357,232 at the end of 2009, after the realization of losses of KD 2,422,630 resulting from the decrease in values of our investments listed in the local, regional and international stock exchanges (KD 10,182,534 for the year 2008), in comparison to negative results of KD 568,059 in 2008. It is worth mentioning that due to the continuation of the decrease in values of the investment assets and the dissociation of the company from some of its investments; the cumulative change in the fair value of the investments available for sale and listed among the shareholders' equity decreased by KD 7,551,056. This negatively affected the total of the shareholders' equity which declined from KD 76,976,564 as on 31/12/2008 to KD 66,711,248 as at the end of 2009… In continuation to support of the financial position of the company, we have increased the capital reserves by KD 1,069,638, where the statutory reserve grew to reach KD 12,223,868 representing 72,1% of the company's capital . Voluntary reserve on the other hand reached KD 16,177,281, i.e. 95.4% of the capital… The total consolidated budget increased by KD 14,414,451, reaching 254,390,688, wherein the investment and cash represent 60.8% thereof.

Recommendations:
The Board of Directors have the pleasure to recommend upon your esteemed assembly the following apportionments of the distributable profits amounting to KD 18,605,425 of the year, as follows:
10% for the statutory reserve: KD 534,819
10% for the voluntary reserve: KD 534,819
40% cash dividends to the shareholders: KD 6,859,484.

The remaining amounts of KD 10,676,303, shall be carried forward to next year.

In conclusion, on my own personal behalf and on behalf of all members of the company's board of directors and its executive management, I would like to express praise to HH the Emir of the State of Kuwait, HH the Crown Prince and HH the Prime Minister for their wise leadership of the country toward more prosperity and stability. Moreover, I would like to take this opportunity to congratulate you and the Kuwaiti people on the occasion of the Independence Day and Liberation Day. Our gratitude and appreciation is also given to the Ministry of Commerce & Industry and the persons in charge thereof, as well as to the Department of Insurance Companies for understanding the situation of local market and caring for its interests.

We thank the Ministry of Interior, represented by the General Traffic Department, for its continued attempts to improve the sector of compulsory third party motor insurance. We also show gratitude and appreciation to the customers of the company and to the international and local insurance brokers, for their continuous trust, support and cooperation with us. We would like to thank as well the management and the employees of the company, for their efforts and distinct loyalty contributing to the realization of the targeted results, together with Kuwait Projects Holding Company, the largest shareholder in our company, for its continuous support and cooperation.

Regards,

Farqad Abdullah Al-Saneh
Chairman of the Board of Directors

Kuwait on February 17, 2010

Board of Directors

Farqad Al Sane
Chairman

Faisal Al Ayar
Vice Chairman

Khalid Al Hassan
Managing Director and CEO

Abdul Aziz Al Fulaij
Board Member

Khaled Al Wazzan
Board Member

Abdul Ilah Marafie
Board Member

Abdullah Al Mansour
Board Member

Mohmoud Al Sane
Board Member

Executive Management

Khalid Al Hassan
Managing Director and CEO

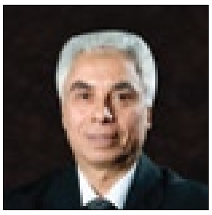
Mr. Al-Hassan joined GIC in November 1978. He was appointed as Managing Director & CEO in February 2002. He was Assistant Manager - Fire and General Accident Department in 1979, Manager - Fire and General Accident Department in 1981, Deputy General Manager - Fire and General Accident Department in 1983 and General Manager in1991. He holds Bachelor of Political Science. Faculty of Commerce, Economics & Political Science-Kuwait.

Tareq Abdulwahab Al Sahhaf
General Manager

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

Adnan Al Baghli
Deputy General Manager

Mr. Al-Baghli joined GIC in September 1978. He was appointed Deputy General Manager in 1998. He was Assistant Manager – Fire and General Accident in 1981, Manager – Fire and General Accident in 1987 and Assistant General Manager – Fire and General Accident Department in 1991. He has a Master of Business Administration (MBA) from Armstrong University, USA, concentration on Marketing.



Rafat Al Salamouny
Deputy General Manager

Mr. Al-Salamony joined GIC in September 1975. He was appointed Deputy General Manager in 1998. Prior to that he was Manager – Finance & Accounts in 1986. He holds Bachelor of Commerce. Alexandria University–Egypt.

Anwar Al Rufidi
Deputy General Manager

Mr. Al-Rufaidi joined GIC in February 1989. He was appointed Deputy General Manager in 2001. Prior to that he was Section Head – Fire and General Accident Department, Assistant Manager – Fire and General Accident Department, Manager – Fire and General Accident Department and Assistant General Manager – Branches. He holds Bachelor of Arts-Administration (Finance) California State University – USA.

I.V.K. Chary
Assistant General Manager

Mr. Chary joined GIC in June 2000 as Manager – Reinsurance. Prior to joining GIC, he was with Bahrain National Insurance Co., Bahrain as Manager – Fire & Reinsurance; Oman National Insurance Co., Oman as Manager – Reinsurance; United India Insurance Co. and Madras Motor & General Insurance Co., India – in various senior positions over a period of 30 years. He is in his current position since January 2005. He holds Bachelor of Science. Sri Venkateshware University – India.

Hatem Selim
Regional Financial Controller

Mr. Selim joined GIC in July 2005 and is responsible for direct coordination with GIC's regional subsidiaries in connection to their financial and management affairs. Prior to joining GIC, Mr. Selim worked with Ace Insurance Company, Egypt as its Financial Controller. He holds Bachelor of Business Administration. High Institute of Cooperate & Managerial Studies-Egypt.

Auditors’ Report to the Shareholders

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74 Safat
13001 Safat, Kuwait
Baitak Tower, 18-21st Floor
Safat Square
Ahmed Al Jaber Street

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

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

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

We have audited the accompanying consolidated financial statements of Gulf Insurance Company – K.S.C. (the parent company) and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2009 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Auditors' Report to the Shareholders

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

Opinion

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2009 that might have had a material effect on the business of the parent company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

DR. SAUD AL-HUMAIDI
LICENSE NO. 51 A
DR. SAUD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

17 February 2010
Kuwait

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 KD	2008 KD
REVENUE:			
Premiums written		**97,218,702**	86,609,378
Reinsurance premiums ceded		**(44,958,411)**	(44,211,087)
Net premiums written		**52,260,291**	42,398,291
Movement in unearned premiums		**(754,857)**	(901,192)
Net premiums earned		**51,505,434**	41,497,099
Commission received on ceded reinsurance		**7,898,866**	6,723,192
Policy issuance fees		**2,279,773**	1,434,166
Net investment income from life insurance	3	**1,585,568**	479,854
Total Revenue		**63,269,641**	50,134,311
EXPENSES:			
Claims incurred		**35,917,626**	23,983,953
Commission and discounts		**7,089,369**	6,262,704
Increase in life mathematical reserve		**2,158,868**	693,239
Increase in additional reserve		**110,101**	192,297
Maturity and cancellations of life insurance policies		**702,340**	450,033
General and administrative expenses		**12,135,091**	10,505,983
Total Expenses		**58,113,395**	42,088,209
NET UNDERWRITING RESULT	20	**5,156,246**	8,046,102
Net investment income (losses)	3	**3,771,664**	(1,047,913)
Unallocated general and administrative expenses		**(2,679,371)**	(1,974,568)
Other income		**122,792**	58,700
		1,215,085	(2,963,781)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES		**6,371,331**	5,082,321
Contribution to KFAS		**(53,406)**	(37,413)
National Labour Support tax		**(113,670)**	(46,926)
Zakat tax		**(51,720)**	(18,771)
Directors' fees		**(80,000)**	(80,000)
PROFIT FOR THE YEAR		**6,072,535**	4,899,211
Attributable to:			
Equity holders of the parent company		**5,049,396**	3,607,381
Non- controlling interests		**1,023,139**	1,291,830
		6,072,535	4,899,211
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**30.6 fils**	21.9 fils

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	2009 KD	2008 KD
Profit for the year	**6,072,535**	4,899,211
Other comprehensive income		
Net unrealised loss on available for sale investments	**(3,529,203)**	2,867,456
Net realised loss transferred to income statement on disposal of investments available for sale	**(1,903, 326)**	(2,059,032)
Reversal due to impairment loss on available for sale investments	**(2,118,527)**	(4,722,918)
Exchange differences on translation of foreign operations	**285,182**	66,291
Other comprehensive loss for the year included directly in equity	**(7,265,874)**	(3,848,203)
Total comprehensive loss (income) for the year	**(1,193,339)**	1,051,008
ATTRIBUTABLE TO:		
Equity holders of the parent company	**(2,461,893)**	2,987,394
Non-controlling interests	**1,268,554**	(1,936,386)
	(1,193,339)	1,051,008

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	2009 KD	2008 KD
ASSETS			
Property and equipment	5	**5,528,429**	6,458,519
Investments in associated companies	6	**2,272,257**	5,370,810
Goodwill	7	**8,307,165**	2,934,275
Financial instruments:			
Investments held to maturity		**9,072,468**	6,320,460
Debt securities (loans)		**8,793,912**	3,300,000
Investments available for sale	8	**40,899,210**	64,820,838
Investments carried at fair value through income statement	9	**15,959,421**	16,378,807
Loans secured by life insurance policies		**861,720**	731,959
Premiums and insurance balances receivable	10	**37,241,776**	27,842,034
Reinsurance recoverable on outstanding claims	11	**38,052,922**	37,231,202
Property held for sale		**175,971**	228,932
Other assets	12	**10,352,937**	12,163,792
Cash and cash equivalents	13	**76,872,500**	56,194,609
TOTAL ASSETS		**254,390,688**	239,976,237
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities arising from insurance contracts:	11		
Outstanding claims reserve (gross)		**67,208,293**	61,502,416
Unearned premiums reserve (net)		**18,632,455**	14,188,193
Life mathematical reserve (net)		**18,469,033**	16,311,027
Additional reserve (net)		**3,557,646**	3,256,360
Total liabilities arising from insurance contracts		**107,867,427**	95,257,996
Bank overdraft	13	**17,018,988**	7,015,847
Premiums received in advance		**1,265,325**	6,319,613
Insurance payable	14	**36,078,666**	30,770,516
Other liabilities	15	**10,717,795**	11,196,155
TOTAL LIABILITIES		**172,948,201**	150,560,127
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT			
Share capital	16	**16,965,000**	16,965,000
Share premium		**3,600,000**	3,600,000
Treasury shares	17	**(1,757,348)**	(2,045,871)
Treasury shares reserve		**1,493,072**	1,578,309
Employees Share option reserve	18	**-**	-
Statutory reserve	19	**12,223,868**	11,689,049
Voluntary reserve		**16,177,281**	15,642,462
Cumulative changes in fair value		**618,922**	8,169,978
Foreign currency translation adjustments		**(145,334)**	(430,516)
Retained earnings		**17,535,787**	21,808,153
		66,711,248	76,976,564
Non-controlling interest		**14,731,239**	12,439,546
Total equity		**81,442,487**	89,416,110
TOTAL LIABILITIES AND EQUITY		**254,390,688**	239,976,237

Khaled Al-Hassan
Managing Director & CEO

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

Attributable to equity holders of the parent company

	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Treasury share reserve KD*	*Employees share option reserve KD*	*Statutory reserve KD*	*Voluntary Reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation adjustments KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interest KD*	*Total equity KD*
Balance at 1 January 2009	16,965,000	3,600,000	(2,045,871)	1,578,309	-	11,689,049	15,642,462	8,169,978	(430,516)	21,808,153	76,976,564	12,439,546	89,416,110
Profit for the year	-	-	-	-	-	-	-	-	-	5,049,396	5,049,396	1,023,139	6,072,535
Other comprehensive (loss)/income	-	-	-	-	-	-	-	(7,551,056)	285,182	-	(7,265,874)	-	(7,265,874)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(7,551,056)	285,182	5,049,396	(2,216,478)	1,023,139	(1,193,339)
Dividend for 2008 (Note 30)	-	-	-	-	-	-	-	-	-	(8,252,124)	(8,252,124)	-	(8,252,124)
Cost of share based payment			-	-	43,053	-	-	-	-	-	43,053	-	43,053
Purchase of treasury shares	-	-	(53,700)	-	-	-	-	-	-	-	(53,700)	-	(53,700)
Sale of treasury share (Note 17)	-	-	342,223	(85,237)	(43,053)	-	-	-	-	-	213,933	-	213,933
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,268,554	1,268,554
Transfer to reserve	-	-	-	-	-	534,819	534,819	-	-	(1,069,638)	-	-	-
Balance at 31 December 2009	**16,965,000**	**3,600,000**	**(1,757,348)**	**1,493,072**	**-**	**12,223,868**	**16,177,281**	**618,922**	**(145,334)**	**17,535,787**	**66,711,248**	**14,731,239**	**81,442,487**
Balance at 1 January 2008	11,310,000	3,600,000	(3,385,743)	1,011,297	318,508	11,310,000	15,263,413	12,084,472	(496,807)	35,555,940	86,571,080	13,084,102	99,655,182
Profit for the year	-	-	-	-	-	-	-	-	-	3,607,381	3,607,381	1,291,830	4,899,211
Other comprehensive (loss)/income	-	-	-	-	-	-	-	(3,914,494)	66,291	-	(3,848,203)	-	(3,848,203)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	-	(3,914,494)	66,291	3,607,381	(240,822)	1,291,830	1,051,008
Dividend for 2007(Note 30)				-	-	-	-	-	-	(10,942,070)	(10,942,070)	-	(10,942,070)
Cost of share based payment	-	-	-		383,560	-	-	-	-	-	383,560	-	383,560
Sale of treasury share (Note 17)	-	-	1,339,872	567,012	(702,068)	-	-	-	-	-	1,204,816	-	1,204,816
Net movement in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,936,386)	(1,936,386)
Issue of bonus share (Note 30)	5,655,000	-	-	-	-	-	-	-	-	(5,655,000)	-	-	-
Transfer to reserve	-	-	-	-	-	379,049	379,049	-	-	(758,098)	-	-	-
Balance at 31 December 2008	16,965,000	3,600,000	(2,045,871)	1,578,309	-	11,689,049	15,642,462	8,169,978	(430,516)	21,808,153	76,976,564	12,439,546	89,416,110

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

CONSOLIDATED STATEMENT OF CASH FLOWS
At 31 December 2009

	Notes	2009 KD	2008 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**6,371,331**	5,082,321
Adjustments for:			
Depreciation	5	**723,970**	510,038
Net investment income	3	**(5,357,232)**	(4,107,100)
Impairment of investment	3	**2,118,527**	4,722,918
Gain on sale of associates	3	**(100,000)**	(47,759)
		3,756,596	6,160,418
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		**419,386**	6,450,814
Premiums and insurance balances receivable		**(9,399,742)**	(4,880,946)
Reinsurance recoverable on outstanding claims		**(821,720)**	(15,006,298)
Property held for sale		**52,961**	62,317
Other assets		**(3,546,378)**	(14,415,827)
Liabilities arising from insurance contracts		**12,609,431**	19,025,874
Premiums received in advance		**(5,054,288)**	3,582,706
Insurance payable		**5,308,150**	5,263,127
Other liabilities		**(705,384)**	1,342,144
Cash generated (used in) from operations		**2,619,012**	7,584,329
Paid to KFAS		**(37,413)**	(391,555)
Paid to NLST		**(46,926)**	(967,336)
Paid to Zakat		**(18,771)**	(23,707)
Paid to directors		**(80,000)**	(120,000)
Net cash from operating activities		**2,435,902**	6,081,731
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(680,171)**	(772,944)
Proceeds from sale of property and equipment		**1,045,393**	2,930
Net movement on investments available for sale		**20,892,230**	(7,392,121)
Purchase of investments in associates		**(199,602)**	(2,072,655)
Proceeds from sale of associates		**3,398,155**	800,284
Purchase of investment held to maturity		**(2,752,008)**	(1,588,975)
Decrease in debt securities (loans)		**(5,493,912)**	1,000,000
Increase in loans secured by life insurance policies		**(129,760)**	(293,794)
Acquisition of subsidiary	7	**(4,651,396)**	(229,957)
Interest received		**262,237**	3,865,984
Dividends received		**2,928,579**	3,796,097
Other investment income received		**50,090**	386,769
Net cash from (used in) investing activities		**14,669,835**	(2,498,382)
FINANCING ACTIVITIES			
Dividends paid		**(8,140,786)**	(10,859,315)
Net movement of treasury shares		**156,063**	1,204,816
Minority interest movement		**1,268,554**	(1,936,386)
Net cash used in financing activities		**(6,716,169)**	(11,590,885)
Foreign currency translation adjustments		**285,182**	66,291
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**10,674,750**	(7,941,245)
Cash and cash equivalents at beginning of the year		**49,178,762**	57,120,007
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	**59,853,512**	49,178,762

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

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Company – K.S.C (the "parent company") and Subsidiaries (the "Group") for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 17 February 2010. The Shareholders' General Assembly has the power to amend these 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 is 68.85% (2008: 75.3%) owned by Kuwait Projects Company Holding K.S.C. (the "ultimate parent company"). 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 address of the Company's registered office is at Ahmed Al Jaber Street, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 988 employees for the year ended 31 December 2009 (2008: 570 employees).

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been presented in Kuwaiti Dinars.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the financial position date (current) and more than 12 months after the financial position date (non-current) is presented in the notes.

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

Statement of compliance

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

Changes in accounting policy and disclosures

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in previous year except as noted below.

The Group has adopted the following new and amended IFRS and IFRIC Interpretations:

IAS 1 'Presentation of Financial Statements' (Revised):
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 40 'Investment Property' (Revised):
The improvements to IFRS project revised the scope of IAS 40 'Investment property', such that property under construction or development for future use as an investment property is classified as investment property. Since the group follows 'fair value model', property under construction or development should be fair valued at each reporting date. If fair value cannot be reliably determined, property under construction or development will be measured at cost until such time as fair value can be determined or construction is complete whichever is earlier.

IFRS 7 Financial Instruments: Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in the notes of the consolidated financial statement. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in notes of the consolidated financial statements.

IFRS 8 'Operating Segments':
IFRS 8 replaced IAS 14 Segment

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 20, including the related revised comparative information.

Improvements to IFRSs
The International Accounting Standards Board (IASB) issued certain amendments to its standards primarily with a view to removing inconsistencies and clarifying wordings. The adoption of the following amendments resulted in changes to accounting policies of the Group, but did not have any material impact on the financial position or performance of the Group.

IAS 16:
Property, Plant and Equipment effective 1 January 2009
IAS 19:
Employee Benefits effective 1 January 2009
IAS 23:
Borrowing costs (Revised) effective 1 January 2009
IAS 28:
Investment in Associates effective 1 January 2009
IAS 31:
Interest in Joint Ventures effective 1 January 2009
IAS 32:
Financial instruments: Presentation effective 1 January 2009
IAS 36:
Impairment of Asset effective 1 January 2009
IAS 38:
Intangible assets effective 1 January 2009
IFRS 1:
First- time adoption of International Financial Reporting Standards effective 1 January 2009
IFRS 2:
Share based payment (Revised) effective 1 January 2009
IFRIC 13:
Customer Loyalty Programmes effective 1 July 2009
IFRIC 15:
Agreements for construction of real estate effective 1 January 2009
IAS 27:
(Amended) Consolidated and separate financial statements (Revised) effective 1 July 2009

IFRS 3:
Business Combinations (Revised) effective 1 July 2009
IFRS 5:
Non current assets held for sale and discontinued operations effective 1 July 2009
IFRS 9:
Financial instruments effective 1 January 2013
IFRIC 13:
Customer Loyalty Programmes effective 1 July 2009
IFRIC 16:
Hedges of a Net Investment in a Foreign Operation effective 1 October 2009
IFRIC 17:
Distribution of Non-Cash Assets to Owners effective 1 July 2009
IFRIC 18:
Transfer of Assets from Customers effective 1 July 2009

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009
IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IFRS 9: Financial instruments effective 1 January 2013
IFRS 9 will replace IAS 32 and IAS 39 upon its effective date. The application of IFRS 9 will result in amendments to the classification and measurement of financial assets and liabilities of the consolidated financial statements of the Group. The amendments will be made in the consolidated financial statements when the standard becomes effective.

The application of other standards and interpretations are not expected to have a material impact on the consolidated financial statements of the Group.

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 income statement in order that revenue is recognised over the period of risk.

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

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

Dividend income
Dividend income is recognised

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

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 income statement as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the financial position 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 financial position date. Any difference between the provisions at the financial position 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 income statement. DAC is also considered in the liability adequacy test for each reporting period.

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

Segment reporting

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

Liability adequacy test

At each financial position 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 income statement and an unexpired risk provision is created.

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

Reinsurance contracts held

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

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

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

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

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

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

Reinsurance assets or liabilities are derecognised when the contractual

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

rights are extinguished or expire or when the contract is transferred to another party.

Product classification

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

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

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

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

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

Building	20-50 Years
Furniture and fixtures	1–10 Years
Motor vehicles	1–4 Years
Leasehold improvements	7 Years

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

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

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

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

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

Intangible assets

Business combinations and goodwill
Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets and liabilities of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired

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, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or Groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or Group of cash-generating units), to which the goodwill relates. The recoverable

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Business combinations and goodwill (continued)

amount is the higher of its fair value less costs to sell and its value-in-use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or Groups of assets (or Groups of cash-generating units).

Previously recorded impairment losses for goodwill are not reversed in future periods.

When goodwill forms part of a cash-generating unit (Group of cash generating units) 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

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and related goodwill is recognised in the income statement.

Investments and other financial assets

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

The Group determines that classification of its investments after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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

Investments carried at fair value through income statement

Financial assets at fair value through income statement, has two sub categories namely financial assets held for trading and those designated at fair value through income statement at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, 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 income statement.

Investments available for sale

After initial recognition investments available for sale are measured at fair value with gains and losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in equity is recognised in the consolidated income statement. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Debt securities (loan)

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

Investments held to maturity

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)
Investments and other financial assets (continued)

rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

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

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

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

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

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

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

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

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

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

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

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

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

Any difference between the provisions at the financial position 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

Non-life insurance contract liabilities
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the financial position date, provision for outstanding claims (OCR) and for the expected ultimate cost of

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

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

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

Life insurance contract liabilities (Life mathematical reserve)

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

Reinsurance

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

Impairment of goodwill

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

Judgement

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

Classification of investments

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

Impairment of investments

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

Contingencies

Contingent liabilities are not recognised in the 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 financial statements but disclosed when an inflow of economic benefits is probable.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3 NET INVESTMENT INCOME

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

	Investments held for trading KD	*Designated investments at fair value through income statement KD*	*Debt securities (loan) KD*	*Time and call deposits KD*	**2009 Total KD**	*2008 Total KD*
Realised gains	186,302	131,149	-	-	**317,451**	92,162
Unrealised (losses) gains	(25,826)	-	-	-	**(25,826)**	(1,391,617)
Dividends income	167,980	-	-	-	**167,980**	225,779
Interest income	-	-	546,162	585,947	**1,132,109**	1,583,320
Gain on financial assets	328,456	131,149	546,162	585,947	**1,591,714**	509,644
Total investment income	328,456	131,149	546,162	585,947	**1,591,714**	509,644
Financial charges and other expenses	(6,146)	-	-	-	**(6,146)**	(29,790)
Total investment expense	(6,146)	-	-	-	**(6,146)**	(29,790)
Net investment income	322,310	131,149	546,162	585,947	**1,585,568**	479,854

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

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At 31 December 2009

3 NET INVESTMENT INCOME (continued)

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

	Investments in associated companies KD	*Investments held for trading KD*	*Designated investments at fair value through income statement KD*	*Investments available for sale KD*	*Debt securities (loan) KD*	*Investment held to maturity KD*	*Property held for sale KD*	*Time and call deposits KD*	**2009 Total KD**	*2008 Total KD*
Realised gains	-	283	-	1,668,747	-	-	780,699	-	**2,449,729**	3,078,642
Unrealised (loss) gain	-	(278,277)	-	-	-	-	-	-	**(278,277)**	(4,067,999)
Dividends income	-	21,467	-	2,656,653	-	-	-	-	**2,678,120**	3,570,318
Interest income	-	-	144,944	-	132,498	334,311	-	1,691,389	**2,303,142**	2,282,663
	-	(256,527)	144,944	4,325,400	132,498	334,311	780,699	1,691,389	**7,152,714**	4,863,624
Gain on sale of associates	100,000	-	-	-	-	-	-	-	**100,000**	47,759
Rental income	-	-	-	-	-	-	34,768	-	**34,768**	88,194
Other investment income	-	-	-	97,683	-	-	-	-	**97,683**	17,820
Total Investment income	100,000	(256,527)	144,944	4,423,083	132,498	334,311	815,467	1,691,389	**7,385,165**	5,017,397
Financial charges	-	(156,894)	-	(1,086,395)	-	(33,315)	-	-	**(1,276,604)**	(801,712)
Impairment loss	-	-	-	(2,118,527)	-	-	-	-	**(2,118,527)**	(4,722,918)
Other investment expenses	-	(67,132)	-	(36,730)	-	-	(62,159)	(52,349)	**(218,370)**	(540,680)
Total Investment expense	-	(224,026)	-	(3,241,652)	-	(33,315)	(62,159)	(52,349)	**(3,613,501)**	(6,065,310)
Net investment income (losses)	100,000	(480,553)	144,944	1,181,431	132,498	300,996	753,308	1,639,040	**3,771,664**	(1,047,913)

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

Basic earnings per share are calculated by dividing profit for the year attributable to equity holders of the parent company by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by dividing profit for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares, less treasury shares, outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employee share option scheme.

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

	2009 KD	2008 KD
Profit for the year attributable to equity holders of the parent company	5,049,396	3,607,381
	Shares	Shares
Number of shares outstanding at the beginning of the year	169,650,000	169,650,000
Weighted average number of treasury shares	(4,903,349)	(5,290,407)
Weighted average number of shares outstanding during the year	164,746,651	164,359,593
Basic and diluted earnings per share	30.6 Fils	21.9 Fils

5 PROPERTY AND EQUIPMENT

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

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5 PROPERTY AND EQUIPMENT (continued)

	Land KD	*Buildings KD*	*Leasehold improvements KD*	*Computer KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Total KD*
Cost:							
At 1 January 2008	3,074,573	4,868,974	608,379	2,827,960	2,077,434	341,007	13,798,327
Additions	65,365	154,909	38,191	224,538	221,223	68,718	772,944
Disposals	-	-	-	(10,023)	(3,506)	(32,223)	(45,752)
Foreign currency translation differences	6	72	-	-	3,745	4,117	7,940
At 31 December 2008	3,139,944	5,023,955	646,570	3,042,475	2,298,896	381,619	14,533,459
Accumulated Depreciation:							
At 1 January 2008	-	2,765,230	330,749	2,517,858	1,783,061	209,756	7,606,654
Charge for the year	-	87,929	97,500	160,022	120,827	43,760	510,038
On disposals	-	-	-	(8,367)	(5,600)	(28,855)	(42,822)
Foreign currency translation differences	-	56	-	-	794	220	1,070
At 31 December 2008	-	2,853,215	428,249	2,669,513	1,899,082	224,881	8,074,940
Net carrying amount:							
At 31 December 2008	3,139,944	2,170,740	218,321	372,962	399,814	156,738	6,458,519
At 31 December 2007	3,074,573	2,103,744	277,630	310,102	294,373	131,251	6,191,673

The parent company's building is mortgaged for a carrying value of KD 1,260,000 in favour of the Minister of Commerce and Industry. Of this amount, KD 600,000 is in accordance with Article No. 7 of the Insurance Companies and Agents By-law No. 24 of 1961 (related to Life Insurance Business), and the balance, in compliance with Article 3 of the Ministerial Decree No. 30 of 1975 (2008: KD 1,260,000).

6 INVESTMENTS IN ASSOCIATED COMPANIES

The Group has the following investments in associates:

	Country of incorporation	Percentage of ownership		Principal Activity
		2009	2008	
United Real Estate Company (Jordan) J.S.C.	Jordan	**-**	20%	Real estate activities
Al-Brouj Co-Operative Insurance Co.	KSA	**24.5%**	22.5%	Insurance activities

During 2009, the parent company sold all the shares in the associated company "United Real Estate Company (Jordan) J.S.C. to a related party for total amount of KD 3,398,155 resulting in a gain of KD 100,000 (Note 25).

Al-Brouj Co-Operative Insurance Co. is newly incorporated and doesn't carry out significant operations, accordingly no share of results has been recognised.

Carrying amount of investment in associates

	2009 KD	*2008 KD*
At 1 January	**5,370,810**	4,050,680
Additions	**199,602**	2,072,655
Disposals	**(3,298,155)**	(752,525)
At 31 December	**2,272,257**	5,370,810
Share of associates' financial position:		
Current assets	**2,436,525**	1,794,357
Non-current assets	**-**	5,413,242
Current liabilities	**(164,268)**	(64,918)
Non-current liabilities	**-**	(1,771,871)
Net assets	**2,272,257**	5,370,810

7 GOODWILL

Arab Orient Insurance Company J.S.C. (AOIC)
During the year, the parent company acquired 6,050,000 shares being 55% of "Arab Orient Insurance Company J.S.C" (AOIC), an existing Jordanian Insurance Company for an amount of KD 8,790,711, from a related party (Note 25). The parent company was able to exercise control over the company through board representations, accordingly it has been classified as a subsidiary company and has been consolidated from the date of acquisition. The purchase price allocation is based on fair value of the net assets which has been finalised in accordance with the requirements of IFRS 3.

The purchase consideration and the fair value of identifiable assets acquired and liabilities assumed were as follows:

	KD
Cash and cash equivalents	**4,139,315**
Investments available for sale	**427,346**
Cheques under collection	**560,801**
Premiums and insurance balances receivable	**3,116,550**
Other assets	**232,290**
Property and equipment	**110,398**
Technical reserves	**(2,957,879)**
Due to insurance and reinsurance companies	**(1,528,376)**
Accounts payable and other liabilities	**(601,833)**
Net assets acquired	**3,498,612**
Purchase consideration	**8,790,711**
Goodwill	**5,292,099**
Purchase consideration	**8,790,711**
Less: cash and cash equivalents acquired	**4,139,315**
Net cash outflow on acquisition	**4,651,396**

Arab Misr Insurance Group (E.S.C.)
During the year, the parent company acquired additional equity interest in Arab Misr Insurance Group E.S.C. for KD 331,715. Accordingly the equity interest increased from 85.5% to 94.84% as at 30 September 2009.

Syrian Kuwait Insurance Company (S.S.C.)
During the year, the parent company acquired additional equity interest in Syrian Kuwait Insurance Company (S.S.C.) for KD 491,045. Accordingly the equity interest increased from 44.39% to 53.79% at 31 December 2009.

Movement on goodwill during the year is as follows:	***2009 KD***	*2008 KD*
Opening balance at 1 January	**2,934,275**	2,725,104
Acquisition of subsidiary	**5,292,099**	209,166
Arising from consolidation	**80,791**	-
Closing balance at 31 December	**8,307,165**	2,934,275

8 INVESTMENTS AVAILABLE FOR SALE

	2009 KD	2008 KD
Quoted securities	15,285,067	44,035,229
Unquoted securities	19,154,998	15,127,125
Unquoted managed funds	6,459,145	4,004,097
	40,899,210	64,820,838

At 31 December 2009, unquoted equity securities amounting to KD 25,614,143 (2008: KD 17,026,930) are carried at acquisition cost out of which KD 16,867,713 (2008: Nil) has been recently acquired, as the management believes that acquisition price approximates the fair value. The remaining amounts of KD 8,746,430 are carried at cost because 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 specific information available in respect of these investments and their operations, management is of the view that these investments have not suffered any impairment.

Impairment loss of KD 2,118,527 (2008: 4,722,918) has been made against the quoted securities on which there has been a significant or prolonged decline in fair value.

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

	2009 KD	2008 KD
Net unrealised (loss) gain	(3,529,203)	2,867,456
Net realised gain reclassified to the income statement on disposal	(1,903,326)	(2,059,032)
Impairment	(2,118,527)	(4,722,918)
	(7,551,056)	(3,914,494)

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2009 KD	2008 KD
Held for Trading:		
Quoted securities	7,798,791	5,722,333
Designated upon initial recognition:		
Quoted managed funds	8,160,630	10,656,474
	15,959,421	16,378,807

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2009 KD	2008 KD
Policyholders accounts receivable		
Premiums receivable	32,417,407	25,891,997
Insured debts receivable	1,611,082	1,551,231
	34,028,489	27,443,228
Provision for doubtful debts	(4,703,480)	(3,051,970)
Net policyholders accounts receivable	29,325,009	24,391,258

	2009 KD	2008 KD
Insurance and reinsures accounts receivable		
Reinsures receivable	8,796,257	4,318,020
Provision for doubtful debts	(879,490)	(867,244)
Net insurance and reinsures accounts receivable	7,916,767	3,450,776
Total premiums and insurance balances receivable	37,241,776	27,842,034

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

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

	2009 KD	2008 KD
At 1 January	3,051,970	2,819,748
Charge for the year	1,688,543	237,812
Amounts written off	(37,033)	(5,590)
At 31 December	4,703,480	3,051,970

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

	2009 KD	2008 KD
At 1 January	867,244	761,591
Charge for the year	12,246	105,653
At 31 December	879,490	867,244

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2009	*Marine and aviation KD*	*Property KD*	*Casualty* KD*	*Life & Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:					
Gross balance at beginning of the year	5,187,236	12,867,749	30,584,873	12,862,558	61,502,416
Reinsurance recoverable on outstanding claims	(4,478,344)	(12,318,174)	(14,516,132)	(5,918,552)	(37,231,202)
Net balance at beginning of the year	708,892	549,575	16,068,741	6,944,006	24,271,214
Foreign currency translation difference	7,670	(28,113)	85,531	214,673	279,761
Arising on consolidation of new subsidiary	4,421	12,026	1,582,220	189,995	1,788,662
Incurred during the year – net	104,090	317,893	21,981,375	13,514,267	35,917,625
Paid during the year – net	(127,139)	(388,954)	(18,550,977)	(14,034,821)	(33,101,891)
NET BALANCE AT END OF THE YEAR	697,934	462,427	21,166,890	6,828,120	29,155,371
Represented in:					
Gross balance at end of the year	6,975,889	10,869,823	35,818,331	13,544,250	**67,208,293**
Reinsurance recoverable	(6,277,955)	(10,407,396)	(14,651,441)	(6,716,130)	**(38,052,922)**
NET BALANCE AT END OF THE YEAR	697,934	462,427	21,166,890	6,828,120	**29,155,371**
Unearned premiums reserve - net	516,581	592,064	14,790,087	2,733,723	**18,632,455**
Additional reserve - net	730,941	333,190	1,623,608	869,907	**3,557,646**
Life mathematical reserve – net	-	-	-	18,469,033	**18,469,033**

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

* Casualty includes motor business.

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11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2008	*Marine and aviation KD*	*Property KD*	*Casualty* KD*	*Life & Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:					
Gross balance at beginning of the year	3,433,830	5,603,010	21,931,110	13,295,321	44,263,271
Reinsurance recoverable on outstanding claims	(2,828,072)	(5,310,176)	(8,142,252)	(5,944,404)	(22,224,904)
Net balance at beginning of the year	605,758	292,834	13,788,858	7,350,917	22,038,367
Foreign currency translation difference	(100)	(402)	(704)	(329)	(1,535)
Incurred during the year – net	329,200	387,618	13,841,227	9,425,908	23,983,953
Paid during the year – net	(225,966)	(130,475)	(11,560,640)	(9,832,490)	(21,749,571)
NET BALANCE AT END OF THE YEAR	708,892	549,575	16,068,741	6,944,006	24,271,214
Represented in:					
Gross balance at end of the year	5,187,236	12,867,749	30,584,873	12,862,558	61,502,416
Reinsurance recoverable	(4,478,344)	(12,318,174)	(14,516,132)	(5,918,552)	(37,231,202)
NET BALANCE AT END OF THE YEAR	708,892	549,575	16,068,741	6,944,006	24,271,214
Unearned premiums reserve - net	549,620	689,965	11,925,742	1,022,866	14,188,193
Additional reserve - net	709,265	316,167	1,373,780	857,148	3,256,360
Life mathematical reserve – net	-	-	-	16,311,027	16,311,027

* Casualty includes motor business.

12 OTHER ASSETS

	2009 KD	2008 KD
Accrued interest income	**917,141**	1,156,645
Inward reinsurance retentions	**42,566**	68,610
Refundable claims	**1,649,488**	595,875
Prepaid expenses and others	**3,883,932**	4,371,851
Premium ceded in advance	**-**	4,975,779
Amount due from related parties, net (Note 25)	**3,859,810**	995,032
	10,352,937	12,163,792

13 CASH AND CASH EQUIVALENTS

	2009 KD	2008 KD
Cash on hand and at banks	**5,690,854**	6,329,136
Time and call deposits	**71,181,646**	49,865,473
Cash and cash equivalents in the financial position	**76,872,500**	56,194,609
Bank overdraft	**(17,018,988)**	(7,015,847)
Cash and cash equivalents in the consolidated statement of cash flows	**59,853,512**	49,178,762

14 INSURANCE PAYABLE

	2009 KD	2008 KD
Policyholders and agencies payables	**15,685,345**	13,955,996
Insurance and reinsurance payables	**20,076,582**	16,814,520
Amount due to policyholders of Takaful unit (Note 28)	**316,739**	-
	36,078,666	30,770,516

15 OTHER LIABILITIES

	2009 KD	2008 KD
Accrued expenses and deposits for others	**2,960,473**	6,250,865
Reserve for reinsurance premiums	**1,932,748**	1,126,871
Kuwait Foundation for the Advancement of Sciences	**53,406**	25,094
Provision for end of service indemnity	**5,525,778**	3,476,345
National Labour Support Tax	**113,670**	210,933
Proposed directors' fees	**80,000**	80,000
Zakat tax	**51,720**	26,047
	10,717,795	11,196,155

16 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 169,650,000 shares of 100 fils each (2008: 169,650,000 shares).

17 TREASURY SHARES

	2009	2008
Number of shares (share)	**4,735,699**	5,518,953
Percentage of issued shares (%)	**2.79**	3.25
Market value (KD)	**2,083,707**	4,139,215

During the year, the employees exercised all the shares granted of 608,010 (31 December 2008: 2,409,632 shares) from the treasury shares realising net gain (loss) of KD 43,053 (31 December 2008: KD (567,012) which has been debited to treasury share reserve.

18 PROFIT-SHARING SCHEMES

The parent company operates profit-sharing schemes to reward the performance of its employees. The scheme is in operation for a period of 3 years, with the first year being the fiscal year ended 31 December 2006. The scheme is implemented by means of treasury shares which should not exceed 5% of the parent company's share capital.

The scheme covers all employees who are entitled to receive a portion of their annual bonus in shares to be issued by the Parent Company. The scheme participants are granted an option to subscribe for shares allotted to the employees at the commencement of each year of a three-year period through three phases, at the end of each phase the employee may exercise the option.

There were no options on shares outstanding as at 31 December 2009 (31 December 2008: Nil shares).

The average fair value of share options granted during the year is 400 Fils (31 December 2008: 858 Fils) for which an income of KD 43,053 was recognised in the consolidated income statement (2008: expense of KD 383,560).

19 STATUTORY RESERVE

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

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

20 SEGMENT INFORMATION

a) Consolidated segment information-Income statement

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

Year ended 31 December 2009:	*Marine and aviation KD*	*Property KD*	*Casualty and motor KD*	*Total general risk insurance KD*	*Life and medical KD*	***Total KD***
Revenue:						
Premiums written	9,127,731	17,847,356	44,089,370	71,064,457	26,154,245	**97,218,702**
Reinsurance premiums ceded	(7,429,453)	(16,787,411)	(12,806,889)	(37,023,753)	(7,934,658)	**(44,958,411)**
Net premiums written	1,698,278	1,059,945	31,282,481	34,040,704	18,219,587	**52,260,291**
Movement in unearned premiums	47,751	(53,095)	(854,345)	(859,689)	104,832	**(754,857)**
Net premiums earned	1,746,029	1,006,850	30,428,136	33,181,015	18,324,419	**51,505,434**
Commission received on ceded reinsurance	1,764,309	2,222,817	2,299,287	6,286,413	1,612,453	**7,898,866**
Policy issuance fees	125,513	31,145	1,397,879	1,554,537	725,236	**2,279,773**
Net investment income from life insurance	-	-	-	-	1,585,568	**1,585,568**
Total Revenue	3,635,851	3,260,812	34,125,302	41,021,965	22,247,676	**63,269,641**
Expenses:						
Claims incurred	104,090	317,895	21,981,375	22,403,360	13,514,266	**35,917,626**
Commission and discounts	644,855	967,429	4,593,011	6,205,295	884,074	**7,089,369**
Increase in life mathematical reserve	-	-	-	-	2,158,868	**2,158,868**
Increase (decrease) in additional reserve	16,681	16,195	64,759	97,635	12,466	**110,101**
Maturity and cancellations of life insurance policies	-	-	-	-	702,340	**702,340**
General and administrative expenses	1,208,382	1,340,604	6,772,862	9,321,848	2,813,243	**12,135,091**
Total Expenses	1,974,008	2,642,123	33,412,007	38,028,138	20,085,257	**58,113,395**
Net under writing result by segment	1,661,843	618,689	713,295	2,993,827	2,162,419	**5,156,246**

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20 SEGMENT INFORMATION (continued)

a) Consolidated segment information -Income statement (continued)

Year ended 31 December 2008:	*Marine and aviation KD*	*Property KD*	*Casualty and motor KD*	*Total general risk insurance KD*	*Life and medical KD*	*Total KD*
Revenue:						
Premiums written	10,446,189	15,617,701	40,874,605	66,938,495	19,670,883	86,609,378
Reinsurance premiums ceded	(8,467,389)	(14,632,680)	(15,630,374)	(38,730,443)	(5,480,644)	(44,211,087)
Net premiums written	1,978,800	985,021	25,244,231	28,208,052	14,190,239	42,398,291
Movement in unearned premiums	(95,732)	(48,534)	(1,287,099)	(1,431,365)	530,173	(901,192)
Net premiums earned	1,883,068	936,487	23,957,132	26,776,687	14,720,412	41,497,099
Commission received on ceded reinsurance	1,610,108	1,819,838	2,417,012	5,846,958	876,234	6,723,192
Policy issuance fees	146,163	12,668	1,131,571	1,290,402	143,764	1,434,166
Net investment income from life insurance	-	-	-	-	479,854	479,854
Total Revenue	3,639,339	2,768,993	27,505,715	33,914,047	16,220,264	50,134,311
Expenses:						
Claims incurred	329,200	387,619	13,841,227	14,558,046	9,425,907	23,983,953
Commission and discounts	716,440	845,788	3,863,401	5,425,629	837,075	6,262,704
Increase in life mathematical reserve	-	-	-	-	693,239	693,239
Increase (decrease) in additional reserve	28,069	(4,520)	180,551	204,100	(11,803)	192,297
Maturity and cancellations of life insurance policies	-	-	-	-	450,033	450,033
General and administrative expenses	1,369,320	1,082,722	5,866,183	8,318,225	2,187,758	10,505,983
Total Expenses	2,443,029	2,311,609	23,751,362	28,506,000	13,582,209	42,088,209
Net under writing result by segment	1,196,310	457,384	3,754,353	5,408,047	2,638,055	8,046,102

20 SEGMENT INFORMATION (continued)

b) Consolidated segment information-Statement of financial position

31 December 2009	*Marine and aviation KD*	*Property KD*	*Motor KD*	*Casualty KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	***Total KD***
Assets								
Property and equipment	519,057	1,014,905	1,728,129	779,054	4,041,145	647,766	839,518	**5,528,429**
Investments in associated companies	213,339	417,141	710,283	320,201	1,660,964	266,240	345,053	**2,272,257**
Goodwill	779,948	1,525,025	2,596,732	1,170,626	6,072,331	973,350	1,261,484	**8,307,165**
Financial instruments:								
Investments held to maturity	851,802	1,665,519	2,835,957	1,278,471	6,631,749	1,063,020	1,377,699	**9,072,468**
Debt securities (loan)	825,648	1,614,382	2,748,883	1,239,218	6,428,131	1,030,382	1,335,399	**8,793,912**
Investments available for sale	3,839,971	7,508,254	12,784,660	5,763,422	29,896,307	4,792,157	6,210,746	**40,899,210**
Investments carried at fair value through income statement	1,498,408	2,929,822	4,988,746	2,248,965	11,665,941	1,869,964	2,423,516	**15,959,421**
Loans secured by insurance policies	-	-	-	-	-	861,720	-	**861,720**
Premium and insurance balance receivable	3,496,579	6,836,825	11,641,385	5,248,025	27,222,814	4,363,616	5,655,346	**37,241,776**
Reinsurers recoverable on outstanding claims	3,572,737	6,985,734	11,894,941	5,362,329	27,815,741	4,458,658	5,778,523	**38,052,922**
Property held for sale	16,522	32,305	55,007	24,797	128,631	20,618	26,722	**175,971**
Other assets	1,052,929	2,058,781	3,505,583	1,580,344	8,197,637	452,301	1,702,999	**10,352,937**
Cash and cash equivalents	7,217,454	14,112,211	24,029,530	10,832,694	56,191,889	9,007,145	11,673,466	**76,872,500**
Total assets	**23,884,394**	**46,700,904**	**79,519,836**	**35,848,146**	**185,953,280**	**29,806,937**	**38,630,471**	**254,390,688**
Liabilities								
Liabilities arising from insurance contracts:								
Outstanding claims reserve (Gross)	6,310,094	12,338,061	21,008,601	9,470,837	49,127,593	7,874,791	10,205,909	**67,208,293**
Unearned Premium reserve (Net)	1,749,376	3,420,536	5,824,308	2,625,642	13,619,862	2,183,163	2,829,430	**18,632,455**
Life Mathematical reserve (Net)	1,734,032	3,390,535	5,773,224	2,602,615	13,500,406	2,164,015	2,804,612	**18,469,033**
Additional reserve (Net)	334,022	653,111	1,112,082	501,336	2,600,551	416,849	540,246	**3,557,646**
Total liabilities arising from insurance contracts	10,127,524	19,802,243	33,718,215	15,200,430	78,848,412	12,638,818	16,380,197	**107,867,427**
Bank Overdraft	1,597,889	3,124,336	5,319,956	2,398,276	12,440,457	1,994,114	2,584,417	**17,018,988**
Premiums received in advance	118,800	232,288	395,526	178,307	924,921	148,258	192,146	**1,265,325**
Insurance payable	3,387,377	6,623,300	11,277,809	5,084,122	26,372,608	4,227,335	5,478,723	**36,078,666**
Other liabilities	1,006,279	1,967,567	3,350,269	1,510,326	7,834,441	1,255,803	1,627,551	**10,717,795**
Total liabilities	**16,237,869**	**31,749,734**	**54,061,775**	**24,371,461**	**126,420,839**	**20,264,328**	**26,263,034**	**172,948,201**

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20 SEGMENT INFORMATION (continued)

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

31 December 2008	Marine and aviation KD	Property KD	Motor KD	Casualty KD	Total general risk insurance KD	Life KD	Medical KD	Total KD
Assets								
Property and equipment	778,980	1,164,622	1,795,059	1,252,987	4,991,648	781,321	685,550	6,458,519
Investments in associated companies	647,788	968,483	1,492,745	1,041,966	4,150,982	649,735	570,093	5,370,810
Goodwill	353,910	529,119	815,543	569,265	2,267,837	354,975	311,463	2,934,275
Financial instruments:								
Investments held to maturity	762,329	1,139,727	1,756,687	1,226,203	4,884,946	764,619	670,895	6,320,460
Debt Securities	398,022	595,067	917,191	640,218	2,550,498	399,218	350,284	3,300,000
Investments available for sale	7,818,215	11,688,717	18,016,087	12,575,590	50,098,609	7,841,716	6,880,513	64,820,838
Investments carried at fair value through income statement	1,975,492	2,953,483	4,552,271	3,177,576	12,658,822	1,981,430	1,738,555	16,378,807
Loans Secured by insurance policies	-	-	-	-	-	731,959	-	731,959
Policyholders Accounts Receivable (net)	3,358,102	5,020,571	7,738,322	5,401,504	21,518,499	3,368,196	2,955,339	27,842,034
Reinsurers recoverable on outstanding claims	4,490,555	6,713,659	10,347,916	7,223,053	28,775,183	4,504,053	3,951,966	37,231,202
Property held for sale	27,612	41,282	63,629	44,414	176,937	27,695	24,300	228,932
Other assets	1,555,391	2,325,406	3,584,202	2,501,845	9,966,844	828,108	1,368,840	12,163,792
Cash and cash equivalents	6,777,784	10,133,205	15,618,542	10,902,055	43,431,586	6,798,156	5,964,867	56,194,609
Total assets	28,944,180	43,273,341	66,698,194	46,556,676	185,472,391	29,031,181	25,472,665	239,976,237
Liabilities								
Liabilities arising from insurance contracts:								
Outstanding claims reserve (Gross)	7,417,971	11,090,328	17,093,776	11,931,798	47,533,873	7,440,269	6,528,274	61,502,416
Unearned Premium reserve (Net)	1,711,277	2,558,464	3,943,419	2,752,586	10,965,746	1,716,420	1,506,027	14,188,193
Life Mathematical reserve (Net)	1,967,317	2,941,260	4,533,433	3,164,427	12,606,437	1,973,230	1,731,360	16,311,027
Additional reserve (Net)	392,758	587,198	905,062	631,751	2,516,769	393,939	345,652	3,256,360
Total liabilities arising from insurance contracts	11,489,323	17,177,250	26,475,690	18,480,562	73,622,825	11,523,858	10,111,313	95,257,996
Bank Overdraft	846,200	1,265,122	1,949,961	1,361,112	5,422,395	848,744	744,708	7,015,847
Premiums received in advance	762,226	1,139,574	1,756,452	1,226,038	4,884,290	764,517	670,806	6,319,613
Insurance payable	3,711,314	5,548,645	8,552,254	5,969,645	23,781,858	3,722,470	3,266,188	30,770,516
Other liabilities	1,350,398	2,018,929	3,111,822	2,172,114	8,653,263	1,354,457	1,188,435	11,196,155
Total liabilities	18,159,461	27,149,520	41,846,179	29,209,471	116,364,631	18,214,046	15,981,450	150,560,127

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20 SEGMENT INFORMATION (continued)

c) Geographic information:

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	31December 2009 KD	*31December 2008 KD*	***31December 2009 KD***	*31December 2008 KD*	***31December 2009 KD***	*31December 2008 KD*	***31December 2009 KD***	*31December 2008 KD*
Segment revenue	**28,872,693**	27,428,104	**14,329,618**	10,848,464	**20,067,330**	11,857,742	**63,269,641**	50,134,310
Segment results (net underwriting) income	**3,129,880**	5,075,936	**3,280,006**	2,757,959	**(1,253,640)**	212,207	**5,156,246**	8,046,102
Profit for the year attributable to equity holders of the parent company	**2,924,746**	1,846,948	**1,726,441**	1,724,751	**398,209**	35,682	**5,049,396**	3,607,381
Total asset	**163,234,612**	147,470,381	**46,842,538**	52,181,388	**44,313,538**	40,324,468	**254,390,688**	239,976,237
Total liabilities	**96,400,278**	76,935,379	**37,740,603**	43,617,447	**38,807,320**	30,007,301	**172,948,201**	150,560,127

21 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:

	2009 KD	*2008 KD*
Current accounts and deposits at banks	**18,841,583**	17,053,692
Loans secured by life insurance policies	**731,959**	215,047
	19,573,542	17,268,739

The foreign deposits held outside the State of Kuwait as security for the subsidiary companies' activities amounted to KD 22,105,270 (2008: KD 3,053,661).

22 CONTINGENT LIABILITIES

At the financial position date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 1,253,042 (2008: KD 711,403).

23 COMMITMENTS

At the financial position date, the Group had future commitments with respect to investments that amounted to approximately KD 9,987,817 (2008: KD 117,000).

24 RISK MANAGEMENT

(a) Governance framework

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

The Group is establishing 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. This will be supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Also, a Group policy framework including risk profiles for the Group, risk management, control and business conduct standards for the Group's operations is being established.

(b) Regulatory framework

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

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

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

The capital management objectives are:

- To maintain the required level of stability of the group thereby

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

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.

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

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

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

The group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator.

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

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

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

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

(d) Insurance risk

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

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

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

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

(1) Life 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.

24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

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 value of the fund accumulated or premiums. 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.

These risks do not vary significantly in relation to the location of the risk insured by the Group as life business is mainly written in Gulf countries.

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.

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. The Group reinsures its annuity contracts on a quota share basis to mitigate its risk.

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.

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

	2009			2008		
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	**25,000**	**19,000**	**6,000**	25,000	19,000	6,000
Term insurance	**7,888,125**	**7,825,020**	**63,105**	4,792,414	4,749,667	42,747
Pure endowment	**4,338,627**	**2,477,356**	**1,861,271**	4,209,241	2,401,058	1,808,183
Group life and disability	**2,994,816**	**1,902,044**	**1,092,772**	2,431,379	2,004,125	427,254
Group medical including TPA	**1,092,772**	**-**	**1,092,772**	1,533,039	-	1,533,039
Credit life (Banks)	**12,923,255**	**7,841,271**	**5,081,984**	17,866,665	12,110,001	5,756,664
Preferred global health	**69,871**	**-**	**69,871**	55,611	-	55,611
Balsam	**218,277**	**-**	**218,277**	163,077	-	163,077
Misk individual policies	**15,302,329**	**11,583,863**	**3,718,466**	8,398,687	6,357,806	2,040,881
Total life insurance contract	**44,853,072**	**31,648,554**	**13,204,518**	39,475,113	27,641,657	11,833,456
Unitised pensions (Misk individual policies)	**5,264,515**	**-**	**5,264,515**	4,477,571	-	4,477,571
Total investments contracts	**5,264,515**	**-**	**5,264,515**	4,477,571	-	4,477,571
Total life insurance and investment contracts	**50,117,587**	**31,648,554**	**18,469,033**	43,952,684	27,641,657	16,311,027
Other life insurance contract liabilities	**11,591,398**	**4,519,550**	**7,071,848**	12,831,120	4,820,423	8,010,697

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.

24 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2009			2008		
	Gross liabilities KD	**Reinsurers' share of liabilities KD**	**Net liabilities KD**	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	**44,853,072**	**31,648,554**	**13,204,518**	39,438,086	27,641,657	11,796,429
Other Middle East Countries	-	-	-	37,027	-	37,027
Total	**44,853,072**	**31,648,554**	**13,204,518**	39,475,113	27,641,657	11,833,456

Investment contracts

	2009			2008		
	Gross liabilities KD	**Reinsurers' share of liabilities KD**	**Net liabilities KD**	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	**5,264,515**	**-**	**5,264,515**	4,477,571	-	4,477,571
Total	**5,264,515**	**-**	**5,264,515**	4,477,571	-	4,477,571

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 sex, underwriting class and contract type.

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

• ***Longevity***

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

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

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.

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24 RISK MANAGEMENT (continued)

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

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

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse and surrender rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**4.5%**	4.5%	**N/A**	N/A	**4%**	5%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Non guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**4%**	5%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Life term assurance:												
Males	**49**	49	**5%**	5%	**N/A**	N/A	**4%**	5%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Females	**52**	52	**5%**	5%	**N/A**	N/A	**4%**	5%	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%

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

Sensitivities

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

Life insurance contracts

31 December 2009

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

31 December 2008

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 867,583		N/A
Expenses	+10%			N/A
Discount rate	-1%			N/A
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

Investment contracts

31 December 2009

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

31 December 2008

	Change in assumptions	*Increase/(decrease) on gross liabilities*	*Increase/(decrease) on net liabilities*	*Increase/(decrease) on profit*
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 867,583		N/A
Expenses	+10%			N/A
Discount rate	-1%			N/A
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

24 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 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.

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

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

	2009			2008		
Concentration of insurance contract liabilities by 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*
Marine and Aviation	**9,800,377**	**7,854,487**	**1,945,890**	8,146,061	5,985,869	2,160,192
Property	**15,164,481**	**13,776,315**	**1,388,166**	16,307,389	14,782,439	1,524,950
Motor	**35,088,284**	**5,508,413**	**29,579,871**	19,463,659	2,073,987	17,389,672
General Accidents	**19,739,587**	**11,867,006**	**7,872,581**	29,523,909	16,893,654	12,630,257
Total	**79,792,729**	**39,006,221**	**40,786,508**	73,441,018	39,735,947	33,705,071

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.

	2009			2008		
Geographical concentration of insurance contract liabilities:	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	49,720,383	28,058,212	21,662,171	46,995,345	29,613,744	17,381,601
GCC and Middle East countries	30,072,346	10,948,009	19,124,337	26,445,673	10,122,203	16,323,470
Total	**79,792,729**	**39,006,221**	**40,786,508**	73,441,018	39,735,947	33,705,071

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

Key assumptions

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

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

Sensitivities

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

31 December 2009

	Change in assumptions	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	±15%	**4,171,557**	**2,920,090**	**2,251,407**
Average number of claim	±15%	**1,555**	**1,519**	**(775,984)**
Average claim settlement paid	Reduce from18 months to 12 months	**2,586,614**	**1,810,630**	**N/A**

31 December 2008

	Change in assumptions	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	±15%	**6,150,241**	**2,427,121**	**(2,398,395)**
Average number of claim	±15%	**1,722**	**1,378**	**(612,883)**
Average claim settlement paid	Reduce from18 months to 12 months	**3,723,473**	**2,234,084**	**N/A**

(e) Financial risks

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

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

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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

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

Exposure to credit risk by classifying financial assets according to type of insurance	***31 December 2009***			
	General KD	***Life KD***	***Unit linked KD***	***General KD***
Debt securities (loans)	**6,043,912**	**2,750,000**	**-**	**8,793,912**
Investments held to maturity	**7,771,197**	**-**	**1,301,271**	**9,072,468**
Loans secured by life insurance policies	**-**	**861,720**	**-**	**861,720**
Reinsurance recoverable on outstanding claims	**32,221,693**	**5,831,229**	**-**	**38,052,922**
Policyholders account receivables (gross)	**29,508,075**	**4,187,559**	**332,855**	**34,028,489**
Reinsurance account receivable (gross)	**7,130,771**	**697,346**	**968,140**	**8,796,257**
Cash and cash equivalents	**31,686,883**	**15,050,737**	**13,115,892**	**59,853,512**
Total credit risk exposure	**114,362,531**	**29,378,591**	**15,718,158**	**159,459,280**

Exposure to credit risk by classifying financial assets according to type of insurance	*31 December 2008*			
	General KD	*Life KD*	*Unit linked KD*	*General KD*
Debt securities (loans)	300,000	3,000,000	-	**3,300,000**
Investments held to maturity	5,566,409	-	754,051	**6,320,460**
Loans secured by life insurance policies	-	731,959	-	**731,959**
Reinsurance recoverable on outstanding claims	30,968,445	6,262,757	-	**37,231,202**
Policyholders account receivables (gross)	24,146,240	3,296,988	-	**27,443,228**
Reinsurance account receivable (gross)	2,750,238	833,559	734,223	**4,318,020**
Cash and cash equivalents	24,972,605	19,360,048	4,846,109	**49,178,762**
Total credit risk exposure	88,703,937	33,485,311	6,334,383	**128,523,631**

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24 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 2009 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*Not rated KD*	*Total KD*
31 December 2009						
Debt securities (loans)	-	-	-	8,793,912	-	**8,793,912**
Investments held to maturity	-	144,585	335,835	6,219,484	2,372,564	**9,072,468**
Loans secured by life insurance policies	-	-	-	-	861,720	**861,720**
Policyholders accounts receivable	-	-	95,864	2,553,563	31,379,062	**34,028,489**
Reinsurance account receivable	-	565,378	625,018	2,351,996	5,253,865	**8,796,257**
Reinsurance recoverable on outstanding claims	260,592	7,300,267	9,984,409	4,028,026	16,479,628	**38,052,922**
Cash and cash equivalents	24,843	531,941	16,457,059	30,516,760	12,322,909	**59,853,512**
Total credit risk exposure	**285,435**	**8,542,171**	**27,498,185**	**54,463,741**	**68,669,748**	**159,459,280**

Not rated are classified as follows using internal credit ratings.

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

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

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA* *KD*	*AA* *KD*	*A* *KD*	*BBB* *KD*	*Not rated* *KD*	*Total* *KD*
31 December 2008						
Debt securities (loans)	-	-	-	1,550,000	1,750,000	3,300,000
Investments held to maturity	-	275,940	164,615	5,421,033	458,872	6,320,460
Loans secured by life insurance policies	-	-	-	-	731,959	731,959
Policyholders accounts receivable	-	-	103,891	1,679,908	25,659,429	27,443,228
Reinsurance account receivable	-	575,647	313,106	478,183	2,951,084	4,318,020
Reinsurance recoverable on outstanding claims	171,043	6,265,190	7,884,946	4,163,765	18,746,258	37,231,202
Cash and cash equivalents	113,450	191,260	29,761,034	16,825,379	2,287,639	49,178,762
Total credit risk exposure	284,493	7,308,037	38,227,592	30,118,268	52,585,241	128,523,631

The table below provides information regarding the credit risk exposure at the financial as per at 31 December 2008 by classifying assets: Not rated are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2008	*High grade* *2008* *KD*	*Standard grade* *2008* *KD*	*Past due or impaired* *2008* *KD*	*Total* *2008* *KD*
Debt security loan	1,750,000	-	-	1,750,000
Investment held to maturity	458,872	-	-	458,872
Loan secured by life insurance policy	731,959	-	-	731,959
Policyholders accounts receivable (gross)	17,052,463	5,554,996	3,051,970	25,659,429
Reinsurance accounts receivable (gross)	2,026,679	57,161	867,244	2,951,084
Reinsurance recoverable on outstanding claims	18,124,887	621,371	-	18,746,258
Cash and cash equivalents	1,862,024	425,615	-	2,287,639
	42,006,884	6,659,143	3,919,214	52,585,241

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

The following table represents the aging analysis of financial assets:

31 December 2009:	*Up to 1 month KD*	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than one year KD*	*Total KD*
Policyholders accounts receivable	3,112,020	9,757,513	18,118,082	3,040,874	**34,028,489**
Reinsurance receivables	1,584,998	2,029,938	4,268,797	912,524	**8,796,257**
Total	**4,661,018**	**11,787,451**	**22,386,879**	**3,953,398**	**42,824,746**

31 December 2009:	*Up to 1 month KD*	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than one year KD*	*Total KD*
Policyholders accounts receivable	4,333,860	5,327,508	15,550,417	2,231,443	27,443,228
Reinsurance receivables	1,053,158	1,141,347	403,841	1,719,674	4,318,020
Total	5,387,018	6,468,855	15,954,258	3,951,117	31,761,248

24 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

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

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

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

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

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

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

The table below summarises the maturity of the liabilities of the Group based on remaining undiscounted contractual obligations for 31 December 2008. As the Group does not have any interest bearing liabilities (except bank overdraft), the figures below agree directly to the financial position amounts.

Liabilities	*Up to 1 month KD*	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
Outstanding claims reserve (gross)	634,168	10,759,878	38,839,210	9,317,239	1,951,921	61,502,416
Unearned premium reserve (net)	1,329,546	3,285,304	8,719,000	854,343	-	14,188,193
Life mathematical reserve	-	-	-	37,027	16,274,000	16,311,027
Additional reserve	-	660,985	95,375	-	2,500,000	3,256,360
Bank overdraft	-	-	7,015,847	-	-	7,015,847
Premiums received in advance	5,684,210	-	426,618	208,785	-	6,319,613
Insurance and reinsurance payable	4,828,407	9,902,373	9,069,751	6,589,979	380,006	30,770,516
Other liabilities	1,092,393	1,984,519	5,295,880	1,323,363	1,500,000	11,196,155
	13,568,724	26,593,059	69,461,681	18,330,736	22,605,927	150,560,127

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

(3) Market
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: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

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

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

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

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

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

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

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

(i) Currency risk (continued)

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

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

(i) Currency risk (continued)

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

The Group has no significant concentration of currency risk.

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

(i) Currency risk (continued)

31 December 2008: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Property and equipment	3,111,684	1,678,286	466,347	804,456	-	-	397,746	**6,458,519**
Investments in associated companies	-	19,390	-	-	-	-	5,351,420	**5,370,810**
Intangible assets	-	-	-	-	-	-	2,934,275	**2,934,275**
Investments carried at fair value thorough income statement	10,462,164	785,354	-	874,649	277,343	-	3,979,297	**16,378,807**
Investments available for sale	56,457,989	3,240,268	3,527,794	-	1,138,454	114,729	341,604	**64,820,838**
Debt securities (loans)	3,300,000	-	-	-	-	-	-	**3,300,000**
Investments held to maturity	-	1,987,425	102,200	4,230,835	-	-	-	**6,320,460**
Loans secured by insurance policies	731,959	-	-	-	-	-	-	**731,959**
Premium and insurance balance receivable	14,120,666	3,559,115	4,748,403	2,712,685	149,705	10,667	2,540,793	**27,842,034**
Reinsurers recoverable on outstanding claims	16,802,175	12,625,261	4,183,871	1,540,013	105,061	17,582	1,957,239	**37,231,202**
Property held for sale	-	-	153,821	75,111	-	-	-	**228,932**
Other assets	10,261,802	229,001	358,822	299,035	-	-	1,015,132	**12,163,792**
Cash and cash equivalents	31,324,770	9,552,644	3,064,512	2,523,139	763,323	37,448	8,928,773	**56,194,609**
Total Assets	146,573,209	33,676,744	16,605,770	13,059,923	2,433,886	180,426	27,446,279	**239,976,237**

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

(i) Currency risk (continued)

31 December 2008 LIABILITIES	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance contracts								
Outstanding claims reserve (gross)	36,774,422	11,549,644	5,818,120	3,451,678	125,711	-	3,782,841	**61,502,416**
Unearned premium reserve (net)	6,307,479	1,334,467	2,265,075	2,343,868	29,669	-	1,907,635	**14,188,193**
Life mathematical reserve	16,215,211	58,789	-	-	-	-	37,027	**16,311,027**
Additional reserve	2,500,000	95,375	-	660,985	-	-	-	**3,256,360**
Total liabilities arising from insurance contracts	61,797,112	13,038,275	8,083,195	6,456,531	155,380	-	5,727,503	**95,257,996**
Bank overdraft	6,534,304	481,543	-	-	-	-	-	**7,015,847**
Premiums received in advance	5,850,771	300,609	85,457	-	-	-	82,776	**6,319,613**
Policyholders' and agencies payable	10,508,017	592,898	2,602,211	-	-	-	252,870	**13,955,996**
Insurance and reinsurance payable	6,919,627	4,351,436	2,253,129	1,385,038	59,050	1,468	1,844,772	**16,814,520**
Other liabilities	6,357,442	1,449,728	337,719	1,817,464	11,124	878	1,221,800	**11,196,155**
Total liabilities	97,967,273	20,214,489	13,361,711	9,659,033	225,554	2,346	9,129,721	**150,560,127**

24 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).

The correlation of variables will have a significant effect in determining the ultimate impact on market 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 nonlinear.

	Change in variables	***2009*** ***Impact on profit KD***	*2008* *Impact on profit KD*
USD	± 5%	**(129,543)**	(420,642)
GBP	± 5%	**(2,591)**	(209,759)
EURO	± 5%	**37,155**	(280,093)
Others	± 5%	**(16,660)**	(162,262)

(ii) Interest rate risk

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

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

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

The Group has no significant concentration of interest rate risk.

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

	2009		*2008*	
Currency	***Change in variables***	***Impact on profit before tax KD***	*Change in variables*	*Impact on profit before tax KD*
USD	±50 basis	64,658	±50 basis	667,848
EURO	±50 basis	5,225	±50 basis	1,778,874
OTHERS	±50 basis	316,281	±50 basis	322,047

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

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

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

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

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

	2009	2008
	%	%
Kuwait market	**10%**	38%
Rest of GCC market	**15%**	38%
MENA market	**8%**	32%
Other international markets	**74%**	28%

The above percentages have been determined based on basis of the average market movements over a 90 days period from October to December 2008 and 2009. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2009	*2008*	***2009***	*2008*
	KD	*KD*	***KD***	*KD*
Investment carried at fair value through income statement	**4,269,145**	5,826,440	**-**	-
Investments available-for-sale	**-**	-	**10,940,538**	17,691,843

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

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

31 December 2009	*GCC KD*	*Middle East & North Africa KD*	*Europe KD*	*America KD*	*Others KD*	*Total KD*
Investments in associated companies	2,272,257	-	-	-	-	2,272,257
Investments carried at fair value through income statements	9,754,103	838,662	4,941,840	424,816	-	15,959,421
Investments available for sale	35,954,230	2,662,628	1,122,065	136,399	1,023,888	40,899,210
Debt securities (loans)	8,793,912	-	-	-	-	8,793,912
Investments held to maturity	2,425,655	6,646,813	-	-	-	9,072,468
Time and call deposits	49,852,348	21,057,467	113,068	158,763	-	71,181,646
	109,052,505	31,205,570	6,176,973	719,978	1,023,888	148,178,914
31 December 2008						
Investments in associated companies	2,092,045	3,278,765	-	-	-	5,370,810
Investments carried at fair value through income statements	11,247,517	874,649	4,256,641	-	-	16,378,807
Investments available for sale	58,893,335	3,716,594	1,138,454	124,895	947,560	64,820,838
Debt securities (loans)	3,300,000	-	-	-	-	3,300,000
Investments held to maturity	1,959,000	4,361,460	-	-	-	6,320,460
Time and call deposits	36,387,710	12,661,577	166,991	649,195	-	49,865,473
	113,879,607	24,893,045	5,562,086	774,090	947,560	146,056,388

25 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

	2009		*2008*	
	Premiums KD	***Claims KD***	*Premiums KD*	*Claims KD*
Ultimate parent company	**73,741**	**8,379**	75,579	6,124
Directors and key management personnel	**735,493**	**30,592**	715,459	241,212
Other related parties	**3,076,722**	**820,942**	2,182,014	712,199
	3,885,956	**859,913**	2,973,052	959,535

25 RELATED PARTY TRANSACTIONS (continued)

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

	2009		*2008*	
	Amounts owed by related parties KD	***Amounts owed to related parties KD***	*Amounts owed by related parties KD*	*Amounts owed to related parties KD*
Ultimate parent company	**1,997,663**	**-**	14,740	-
Directors and key management personnel	**377,475**	**65,941**	260,718	9,502
Other related parties (See f below)	**2,524,410**	**36,712**	2,700,493	19,735
	4,899,548	**102,653**	2,975,951	29,237

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

a) Most of the Group's investment transactions are made through portfolios managed by a related company. The results of these transactions amounted to KD 3,555,653 (2008: KD 5,483,986) and the portfolios include shares in Kuwait Projects Company Holding and other related companies.

b) The Group holds certain deposits and call accounts with related parties amounting to KD 19,004,646. The Group also holds bonds issued by the ultimate parent company and other related entity amounting to KD 7,293,912 (2008: KD 1,300,000). Deposits balances of KD 15,731,000 were collected in cash subsequent to the financial position date.

c) Loan granted to a related party amounted to KD 1,402,689. This loan is repayable on demand. The interest rate is calculated based on prevailing discount rate of the Central Bank of Kuwait.

d) During the year, the parent company acquired a new subsidiary Arab Orient Insurance Company J.S.C. (AOIC) from a related party bank for an amount of KD 8,790,711 (Note 7).

e) The Group sold all of its shareholding in the associated company "United Real Estate Company (Jordan) J.S.C. resulting in a gain of KD 100,000.

f) Subsequent to the year end, KD 1,889,000 of the "Other related parties" balances were collected in cash.

Key management personnel compensation	***2009 KD***	*2008 KD*
Salaries and other short term benefits	**763,300**	760,964
Employees' end of service benefits	**1,865,140**	1,702,638
	2,628,440	2,463,602

26 SUBSIDIARY COMPANIES

The consolidated financial statements include the following subsidiaries:

Company	Country of incorporation	% ownership		Nature of operation
		2009	2008	
Saudi Pearl Insurance Co. Limited (SPI)	Bahrain	100%	100%	General risk and life Insurance
Gulf Life Insurance Co. GLIC	Kuwait	98.60%	98.60%	Life & Medical Insurance
Fajr Al Gulf Insurance and Reinsurance Co. SAL	Lebanon	51%	51%	General risk and life insurance and reinsurance
Arab Misr Insurance Group Company (S.A.E.)	Egypt	94.84%	85.37%	General risk insurance
Syrian Kuwait Insurance Company (S.S.C.)	Syria	53.79%	44.39%	General risk and life insurance
Bahrain Kuwaiti Insurance Company (B.S.C.)	Bahrain	51.22%	51.22%	General risk insurance
Arab Orient Insurance Company J.S.C. (AOIC)	Jordan	55%	55%	General risk and life insurance

27 ACQUISITION AND FORMATION OF SUBSIDIARIES AND ASSOCIATES

Saudi Pearl Insurance Company Limited E.C. (S.A.)
The company is under a transitory period where by a new company is established named Al-Buruj Cooperative Insurance and all the insurance business will be shifted to this new company. The parent owns 24.5% equity interest in the new company (Note 6).

Arab Misr Insurance Group Company (S.A.E.)
The parent company acquired additional equity interest in Arab Misr Insurance Group E.S.C. for KD 331,715. Accordingly the equity interest increased from 85.5% to 94.84% as at 30 September 2009 (Note 7).

Arab Orient Insurance Company J.S.C. (AOIC)
During the year, the parent company acquired 6,050,000 shares being 55% of "Arab Orient Insurance Company J.S.C" (AOIC), an existing Jordanian Insurance Company for an amount of KD 8,790,711, from a related party (Note 25 and 7). The parent company was able to exercise control over the company through board representations. Accordingly it has been classified as a subsidiary company and has been consolidated from the date of acquisition.

Syrian Kuwait Insurance Company (S.S.C.)
The parent company acquired additional equity interest in Syrian Kuwait Insurance Company (S.S.C.) for KD 491,045. Accordingly the equity interest increased from 44.39% to 53.79% as at 31 December 2009 (Note 7).

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

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

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

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

Policyholders' result by line of business:

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

For the year ended 31 December 2009

	Marine and aviation KD	*Property KD*	*Motor KD*	*General Accidents KD*	*Life & Medical KD*	*Total KD*
Revenue:						
Premium written	452,101	188,944	132,188	185,199	1,177,457	2,135,889
Reinsurance premiums ceded	(125,918)	(103,587)	-	(47,330)	(321,483)	(598,318)
Net premiums written	326,183	85,357	132,188	137,869	855,974	1,537,571
Movement in unearned premiums	(49,810)	(19,800)	(35,700)	(38,430)	(165,000)	(308,740)
Net premiums earned	276,373	65,557	96,488	99,439	690,974	1,228,831
Policy issuance fees	1,854	532	7,088	149	5,050	14,673
	278,227	**66,089**	**103,576**	**99,588**	**696,024**	**1,243,504**
Expenses:						
Claims incurred	12,124	3,066	49,062	69,932	651,705	785,889
Other insurance expenses	1,725	780	1,976	757	3,457	8,695
Commission and discounts	67,505	17,581	19,841	14,837	67,973	187,737
	81,354	**21,427**	**70,879**	**85,526**	**723,135**	**982,321**
Surplus (deficit) from insurance operations	196,873	44,662	32,697	14,062	(27,111)	261,183
Allocation of general and administrative expenses	(30,515)	(14,260)	(25,669)	(27,851)	(81,298)	(179,593)
Net surplus (deficit) from insurance operations	166,358	30,402	7,028	(13,789)	(108,409)	81,590
Net investment loss	(20,745)	(4,921)	(7,243)	(7,464)	(51,867)	(92,240)
Net surplus (deficit) of takaful unit	**145,613**	**25,481**	**(215)**	**(21,253)**	**(160,276)**	**(10,650)**

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

Policyholders' assets, liabilities and fund:

	31 December 2009 Marine and aviation, general accident, motor vehicles, property, medical and life KD
ASSETS	
Bank balances and cash	77,972
Premiums and insurance balance receivable	328,657
Investment carried at fair value through income statement	41,285
Available for sale investments	119,000
Property and equipment	4,060
Re-insurance recoverable on outstanding claims	151,518
Amount due from Takaful fund manager	316,739
Other Assets	9,158
TOTAL ASSETS	1,048,389
LIABILITIES	
Unearned premiums(net)	308,740
Outstanding claims reserve (gross)	339,565
Reinsurers payable	203,650
Insurance payables	204,402
Other liabilities	88,433
TOTAL LIABILITIES	1,144,790
POLICYHOLDERS' FUND	
Cumulative changes in fair values	(85,800)
Net deficits from takaful unit	(10,601)
TOTAL LIABILITIES AND POLICYHOLDERS' FUND	1,048,389

Movement in policyholders' fund:

	31 December 2009 KD
At 1 January	-
Net deficit from insurance operations	(10,601)
	(10,601)

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

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

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

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

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

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

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

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

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

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

31 December 2009	*Level: 1 KD*	*Level: 2 KD*	*Level: 3 KD*	*Total fair value KD*
Financial instruments:				
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	7,798,791	-	-	**7,798,791**
Designated upon initial recognition:				
Quoted managed funds	8,160,630	-	-	**8,160,630**
Investments available for sale:				
Quoted securities	15,285,067	-	-	**15,285,067**
Unquoted securities	-	11,860,202	7,294,796	**19,154,998**
Unquoted managed funds	-	6,459,144	-	**6,459,144**
Total	**31,244,488**	**18,319,346**	**7,294,796**	**56,858,630**

31 December 2008	*Level: 1 KD*	*Level: 2 KD*	*Level: 3 KD*	*Total fair value KD*
Financial instruments:				
Investments carried at fair value through income statements:				
Held for Trading:				
Quoted securities	5,722,333	-	-	5,722,333
Designated upon initial recognition:				
Quoted managed funds	10,656,474	-	-	10,656,474
Investments available for sale:				
Quoted securities	44,035,229	-	-	44,035,229
Unquoted securities	-	4,502,376	12,279,136	16,781,512
Unquoted managed funds	-	4,004,097	-	4,004,097
	60,414,036	8,506,473	12,279,136	81,199,645

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Financial instruments at fair value (continued)

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

	Investments carried at fair value through income statements KD	*Investments available for sale KD*	*Total KD*
At 1 January 2009	16,378,807	64,820,838	81,199,645
Purchases	14,061,672	28,272,404	42,334,076
Disposals	(14,072,973)	(44,749,066)	(58,822,039)
Fair value gain (loss) recorded in the income statement	(471,032)	(49,534)	(520,566)
Fair value recorded in the other comprehensive income	-	(5,801,914)	(5,801,914)
Impairments	-	(2,118,373)	(2,118,373)
Foreign exchange adjustments	62,947	524,855	587,802
At December 2009	15,959,421	40,899,210	56,858,631
At 1 January2008	22,829,621	60,913,490	83,743,111
Purchases	26,305,803	16,109,474	42,415,277
Disposals	(28,752,347)	(6,367,375)	(35,119,722)
Fair value gain(loss) recorded in the income statement	(3,955,549)	(343,878)	(4,299,427)
Fair value recorded in the other comprehensive income	-	(1,390,586)	(1,390,586)
Impairments	-	(4,600,721)	(4,600,721)
Foreign exchange adjustments	(48,721)	500,434	451,713
At December 2008	16,378,807	64,820,838	81,199,645

During the year ended 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

30 PROPOSED CASH DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

The board of directors of the parent company have proposed cash dividends for the year ended 31 December 2009, representing 40 fils per share of outstanding shares excluding treasury shares to the parent company's shareholders on records as of the date of the general assembly. This proposal is subject to the approval of the general assembly meeting of the shareholders of the parent company.

On 1 April 2009, the general assembly approved the distribution of cash dividend of 50% representing 50 fils per share proposed by the Board of Directors for the year ended 31 December 2008 (2007: 100% cash dividends representing 100 fils per share and bonus shares of 50%). and directors" remuneration of KD 80,000 for the year 2008 and paid subsequent to that.