AL AHLEIA INSURANCE CO. S.A.K.

SEAL YOUR INSURANCE

ANNUAL REPORT 2008

H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT

H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
CROWN PRINCE

BOARD OF DIRECTORS

Mr. Sulaiman Hamad Mohammed Al-Dalali	CHAIRMAN & MANAGING DIRECTOR
Mr. Ayman Abdullatif Ali Al-Shayea	VICE CHAIRMAN
Mr. Abdullah Mohammed Abdullah Al-Saad	DIRECTOR
Mr. Abdul Aziz Abdul Razzaq Al-Jassar	DIRECTOR
Mr. Emad Mohammed Abdul Rahman Al-Bahar	DIRECTOR
Mr. Emad Jassem Hamad Al-Sager	DIRECTOR
Mr. Ahmad Yousef Ibrahim Al-Ghanem	DIRECTOR
Mr. Adel Mohammed Ahmed Al-Ghanam	DIRECTOR
Mr. Hussam Fawzi Mohammed Al-Kharafi	DIRECTOR

MANAGEMENT

Mr. Ibrahim K. Al-Duhaim	DEPUTY GENERAL MANAGER
Mr. Jamal Y. Al-Houlli	DEPUTY GENERAL MANAGER - MOTOR DEPT.
Mr. Jawad R. Saleh	DEPUTY GENERAL MANAGER - LIFE & HEALTH DEPT.
Mr. Mohammed A. Al-Sa'ad	DEPUTY GENERAL MANAGER - SUPPORTING DEPT.
Mr. Ghazi A. Al-Roumi	DEPUTY GENERAL MANAGER - PRODUCTION & BRANCHES DEPT.
Mr. Mohammed A. Samour	SENIOR DIRECTOR - MARINE & AVIATION DEPT.
Dr. Fayeq H. Tawdros	ACTUARY

SISTER COMPANIES

Industrial Electrical Projects Co. (K.S.C.) Closed

P.O.Box 295, Dasman 15453, Kuwait
Tel.: (965) 1822882 - Fax: (965) 24735014
www.iep-kw.com

Trade Union Insurance Co. E.C.

Head Office - Al Khobar
P.O.Box 1022, Al Khobar - 31952, Saudi Arabia
Tel.: (9663) 8572222 - Fax: (9663) 8580056
E-mail: info@tui-sa.com
www.tui-sa.com

Riyadh Branch
P.O.Box 25975, Riyadh - 11476, Saudi Arabia
Tel.: (9661) 4792715 / 4741093 / 2061217
Fax: (9661) 4793298
E-mail: tui-riy@tui-sa.com

Dammam Branch
P.O.Box 3532, Dammam - 31481, Saudi Arabia
Tel.: (9663) 8272902 / 8290320 / 8274338
Fax: (9663) 8291736
E-mail: tui-dam@tui-sa.com

Jeddah Branch
P.O.Box 10163, Jeddah - 21433, Saudi Arabia
Tel.: (9662) 6658654 / 6650637
Fax: (9662) 6651895
E-mail: tui-jed@tui-sa.com

Hofuf Branch
P.O.Box 2576, Al-Hasa, Saudi Arabia
Tel.: (9663) 5305545 - Fax: (9663) 5307628
E-mail: tui-huf@tui-sa.com

Bahrain Branch
P.O.Box 1125, Manama, Bahrain
Tel.: (9733) 243555 / 261497
Fax: (9733) 252354

Arab Life & Accident Insurance Co. P.S.C.

P.O.Box 925250, Amman 11190, Jordan
Tel.: (9626) 5693180/7 - Fax: (9626) 5693188
E-mail: ala@wanadoo.jo
www.arab-insurance.com.jo

Arab Life Insurance Company S.A.L

E-mail: arablife@arablife-ins.com

Beirut Branch
P.O.Box 11-7338 Riyad Al-Suluh,
Beirut 11072240, Lebanon
Tel.: (9611) 751851 - 742570/1
Fax: (9611) 742569

Bhamdoon Branch
Tel.: (9615) 260300
Fax: (9615) 260311

Al-Brajna Tower Branch
Tel.: (9611) 451365

Tripoli Branch
P.O.Box: 206, Lebanon
Tel.: (9616) 627641
Fax: (9616) 441251

Saydah Branch
P.O.Box 969, Lebanon
Tel.: (9617) 728453
Fax: (9617) 728454

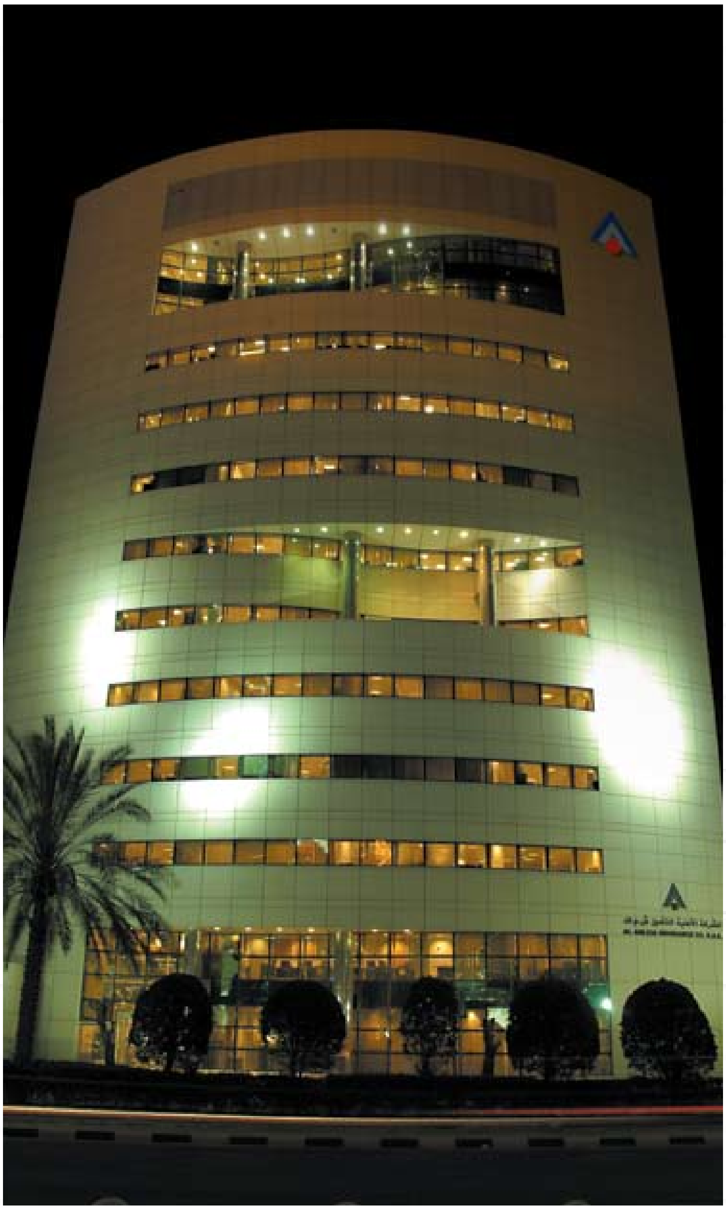
Al-Watania Insurance Y.S.C.

Head Office - Sana'a, Yemen
P.O.Box 15497
Tel.: (9671) 272713/874
Fax: (9671) 272924
www.alwataniains.com

Al-Iraq International Insurance Co.

Iraq - Baghdad, Al Karada Al Sharkya,
Babil Neighborhood,
District No. 925
Tel.: 7788956

HEAD OFFICE & BRANCHES



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Ahmad Al-Jaber Street, Al-Sharq, Kuwait
P.O.Box 1602 Safat, Postal Code 13017
Cable: Al-Ahleia
Tel.: (965) 22240033 - 1888444
Fax: (965) 22430308 - 22411330
E-mail: aic@alahleia.com
www.alahleia.com

Shuwaikh Branch
Banks Street, Shuwaikh
Tel./Fax: 24832183

Sabhan Branch
Near Banks Group, Sabhan
Tel./Fax : 24748239

Hawalli Branch
Tunis street, Al-Rehab Complex, Hawalli
Tel./Fax: 22642157

Plajat Branch
Plajat Street, front of Showbiz, Salmiya
Tel./Fax: 25729631

Al-Soor Branch
Al-Soor Street, Mounzer Tower, Al-Salheiah
Tel./Fax: 22440350

Technical Testing Branch
Kuwait Motoring Co.
Tel./Fax: 24834400

Fahaheel Branch
Al-Daboos Street, Naif Al-Daboos Complex
Tel./Fax: 23910393

Farwaniya Branch
Habib Manawer Street, Al-Hajraf Complex, Farwaniya
Tel./Fax: 24756471/2

Salmiya Branch
Salem Al-Mubarak Street, Salmiya
Tel.: 25733380 - Fax: 25747042

Al-Jewan Branch
Al-Jewan Area, Ministry of Defence Co-op
Tel./Fax: 24992481

BANKERS

IN KUWAIT

The National Bank of Kuwait S.A.K
The Commercial Bank of Kuwait S.A.K
The Gulf Bank K.S.C
Al-Ahli Bank of Kuwait S.A.K
The Bank of Kuwait and the Middle East S.A.K
Kuwait International Bank S.A.K
Burgan Bank S.A.K
Kuwait Finance House K.S.C
Bank of Bahrain and Kuwait S.A.B

ABROAD

Ahli United Bank (UK) PLC, London
Al-Ahli Bank of Kuwait, Dubai
Arab African International Bank, Cairo
Bank Audi, Beirut

AGENDA

FOR THE FORTY FIFTH MEETING OF THE ANNUAL ORDINARY GENERAL ASSEMBLY

1- Approving the Board of Directors ' Report for the Financial year ending 31 December 2008.

2- Listening to the Auditors' Report for the Financial year ending 31 December 2008.

3- Approving the General Balance Sheet and the Statement of Profit and Loss for the Financial year ending 31 December 2008.

4- Approving dealing with related parties.

5- Approving the proposal of the Board of Directors not to distribute dividends to the Shareholders.

6- Renewal of the authorization of the Board of Directors to purchase shares of the Company as per the provisions of the law, at a percentage not exceeding 10 % of the total number of the Company's shares within a period of eighteen months from the date of the Ordinary General Assembly meeting.

7- Releasing the members of the Board of Directors of all matters relevant to Their actions for the Financial year ending 31 December 2008.

8- Appointing or re-appointment of Auditors for the Financial year 2009, and authorizing the Board of Directors to determine their remuneration.

The social activities of the company's employees

REPORT OF THE BOARD OF DIRECTORS

Submitted to the Shareholders during the 45th meeting of the Ordinary General Assembly at the Company's Head Office on Tuesday 28/4/2009 at 11.30 a.m.

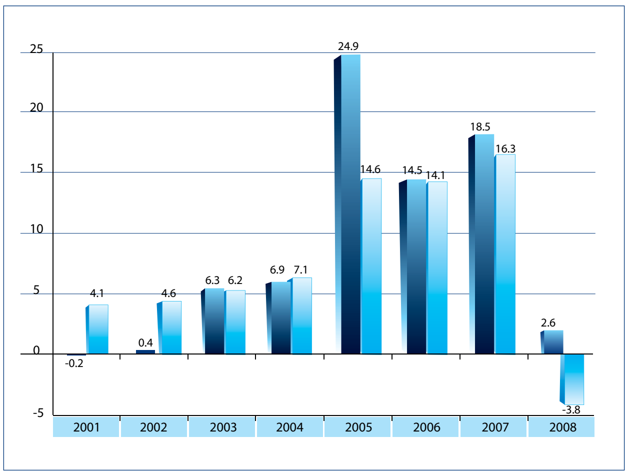
Dear Shareholders,

It gives me and my fellow members of your Company's Board of Directors the pleasure to welcome you again in our annual ordinary meeting and to present to you our brief report on the Company's activities during the year 2008.
The year 2008 was unfortunate, charged with volatility and unfavorable changes, the most important of which, was the Global Financial crisis which had an adverse effect on our company's balance sheet.
The company's total losses during the year 2008 amounted to K.D 3,816,468 after the amortization of unrealized losses of K.D 21,901,756 in the profit/loss account.
In doing so, the company relied on diversification of revenues and extending its wide network insurance coverage regionally, as well as offering new insurance products. This has resulted in achieving record results, and continued to strengthen the company's provision in order to reinforce its position both locally and regionally.

And to present to you our brief report on the Company's activities during the year 2008, touching on the events that affected the insurance market in general and the performance of our Company in particular.

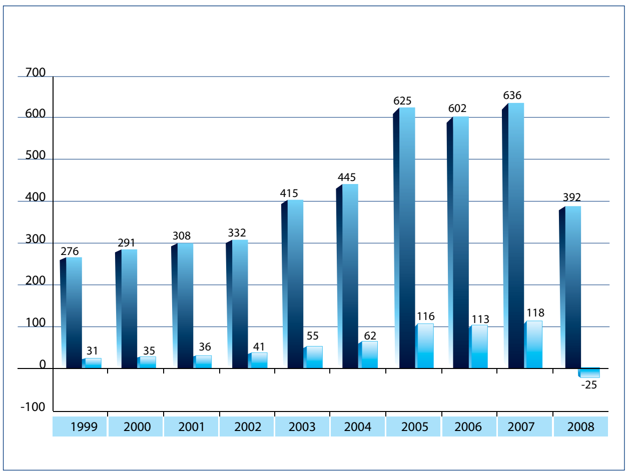
World Insurance market was severely hit by natural disasters in 2008 coupled with the ongoing world financial crisis. These adverse circumstances had a tremendous effect on the investments of insurance and reinsurance companies around the world, leading some of them to the brink of bankruptcy, a fact that prompted interferences from the government.

These circumstances lead the reinsurance market to adopt more strict procedures. Your Company have proved serious in their transactions through proper underwriting and increase participation in the result by raising the limits of their retention, such action being within your Company's strategies as shown in attached schedules and compared with result of previous years.



Growth of Recognized Net Profit & Unrecognized Profit in Shareholders' Equity
(in million KD)

Unrecognized Profit in Shareholders' Equity
Recognized Net Profit



Growth of Share Profitability & Share Book Value
(fils)

Share Book Value
Share Profitability

The social activities
of the
company's employees

It is technically and statistically known that in order to increase retention without subjecting the financial position of the Company to any fluctuations, a larger number homogeneous risks should be relied on, which is our objective for reliance on the theory of probabilities.

The policy of regional expansion also helped promote and improve our risk profile through continuous efforts to increase personal insurances in addition to obtaining huge commercial and industrial insurances, of which shares can be exchanged with sister and co-insurance companies. Consequently, this would lead to the increasing of retentions. Beside the present sister companies in Jordan, Lebanon, Saudi Arabia, Egypt, Yemen and Iraq whose particulars are included in this report. The Top Management is working on a feasibility study of other Arab markets in preparation for increasing its expansion to achieve this general strategic objective.

Your Company continued to pursue its policy of attracting young promising Kuwaiti Nationals and encourage them to study and train in insurance, locally and abroad and assign to responsibilities that fit with their level of education and practice. This would achieve job stability in the long run.

In addition to the Company's efforts in expanding through new fields of traditional insurance and its concern with strengthening the management of branches and the marketing department, the development of inward reinsurance falls within its strategies and goals.

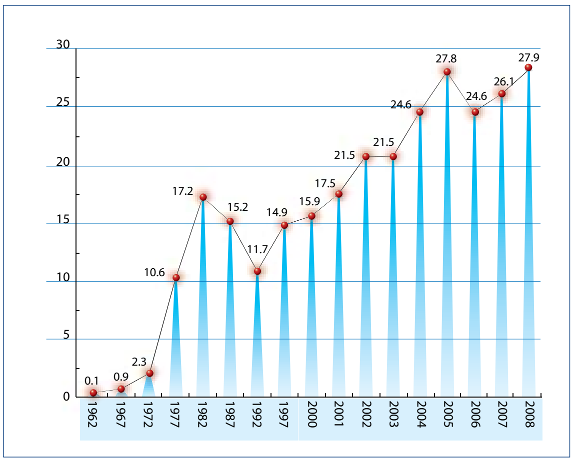
The figures below show that your Company has continued to reinforce capital and technical reserves to guarantee the success of its ambitions and achieve the other different objectives without being subject to any fluctuations in the future results and to fortify the foundations for growth and development.

The year 2008 was closed with the following information:

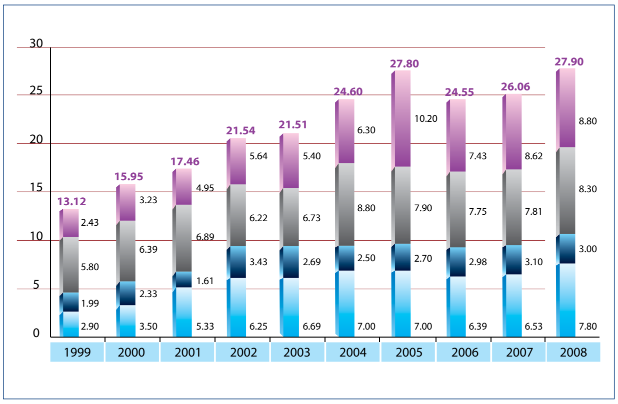
First: INSURANCE ACTIVITIES:

The gross annual production amounted to KD. 27.9 million against KD. 26.1 million in 2007 i.e. an increase at the rate of 6.9 %. The net technical return on insurance premiums totaled KD. 4 million (KD. 3.73 million in 2007) after increase of additional reserves by about KD. 36,607.

Hereinafter is a detailed summary of these aggregates:

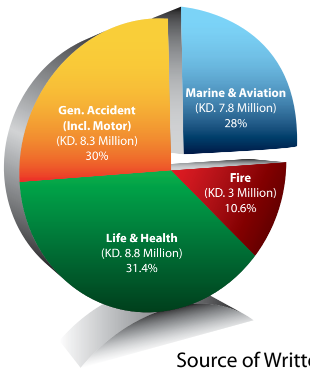


Insurance Activity
(in million KD)

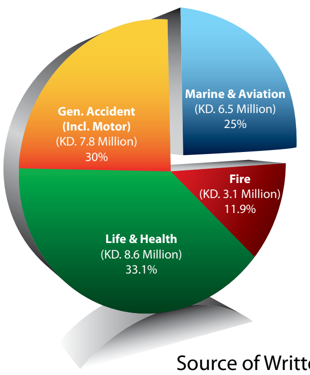


Gross Written Premiums
(in million KD)

Fire
Marine & Aviation
Life & Health
G.A (Incl. Motor)



Source of Written Premiums 2008



Source of Written Premiums 2007

General Accident (non- life business):

Gross written premiums amounted to KD. 19,105,631 against KD. 17,445,256 in 2007, i.e. an increase of KD. 1,660,375 at the rate of 9.5%.
The net profit of these departments totaled KD. 4,006,312 after increase of additional reserve for these departments by KD. 36,607 as against KD. 2,601,610 after increase of additional reserve by KD. 594,947 in 2007.

The Marine & Aviation business produced a net profit of KD.1,902,973 as against KD. 1,208,873 in 2007, the General Accident (which includes Motor) ended with a net profit of KD. 1,767,942 after increasing the additional reserves for these departments by KD. 36,607 as against net profit of KD. 1,079,532 in 2007 and the Fire produced a net profit of KD. 335,397 (KD. 313,205 in 2007).

Life & Health Insurances:

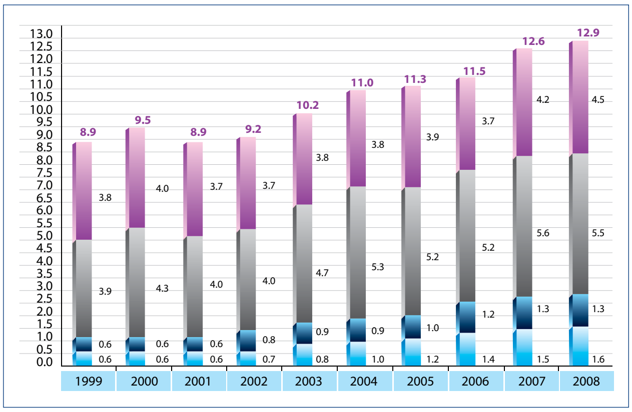
Total premium income amounted to KD. 8,758,115 against KD. 8,615,407 in 2007, an increase of KD. 142,708 at the rate of 1.7%. The net profit amounted to KD. 5,429 against KD. 1,133,649 in 2007, after reassessment of the Mathematical Reserve by the Company's Actuary and after increasing the same by KD. 312,000 to reach KD. 3,406,000 against KD. 3,094,000 in 2007.
Profits of Life and Health insurance were affected by the unrealized losses of K.D 683,843 recorded in profit / loss account.

Second: OVERSEAS BUSINESS RUN-OFF:

We continued following up the results of the Company's underwriting agreements under the overseas long-tail business and settling the parts maturing during the present financial year. The amounts paid under those agreements were charged to the additional reserves in the General Insurance Classes in a manner similar to what was followed in the previous years.

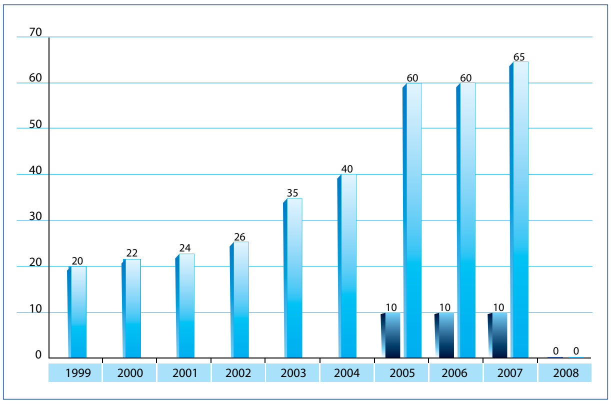
The amount of K.D 36,607 was settled this year against K.D 194,947 in 2007.

Although the indication points to a reduction in new compensations. The remainder of the said obligations was identified and assessed in preparation for dealing



Technical Reserves
(Unearned Premiums+Additional & Mathematical Reserves)
(in million KD)

Fire
Marine & Aviation
Life & Health
G.A (Incl. Motor)



Cash Dividends & Bonus Share

Cash Dividends (Fils)
Bonus Shares (%)

therewith methodically, with the best means that would result in the company being freed from the consequences of the said remaining obligations with the least possible loss.

Third: INVESTMENTS ACTIVITIES:

Fluctuation was a prime characteristic of 2008. At the beginning of the year inflation recorded 9.5 – 11.3 % in addition to an increase in oil prices and a pick up in money markets and global economy in general.

However, in the second half year 2008 the global crisis plunged resulting in recession and exposures in the investment companies. Kuwait companies were no exception. Our company's investments incurred losses of K.D 7,852,970 in 2008 after the amortization of unrealized losses of the company's investments by K.D 21,217,913 recorded in profit / loss account, against profits of K.D 13,949,385 realized in 2007, in addition to unrealized profits of K.D 2,643,245 registered in equity.

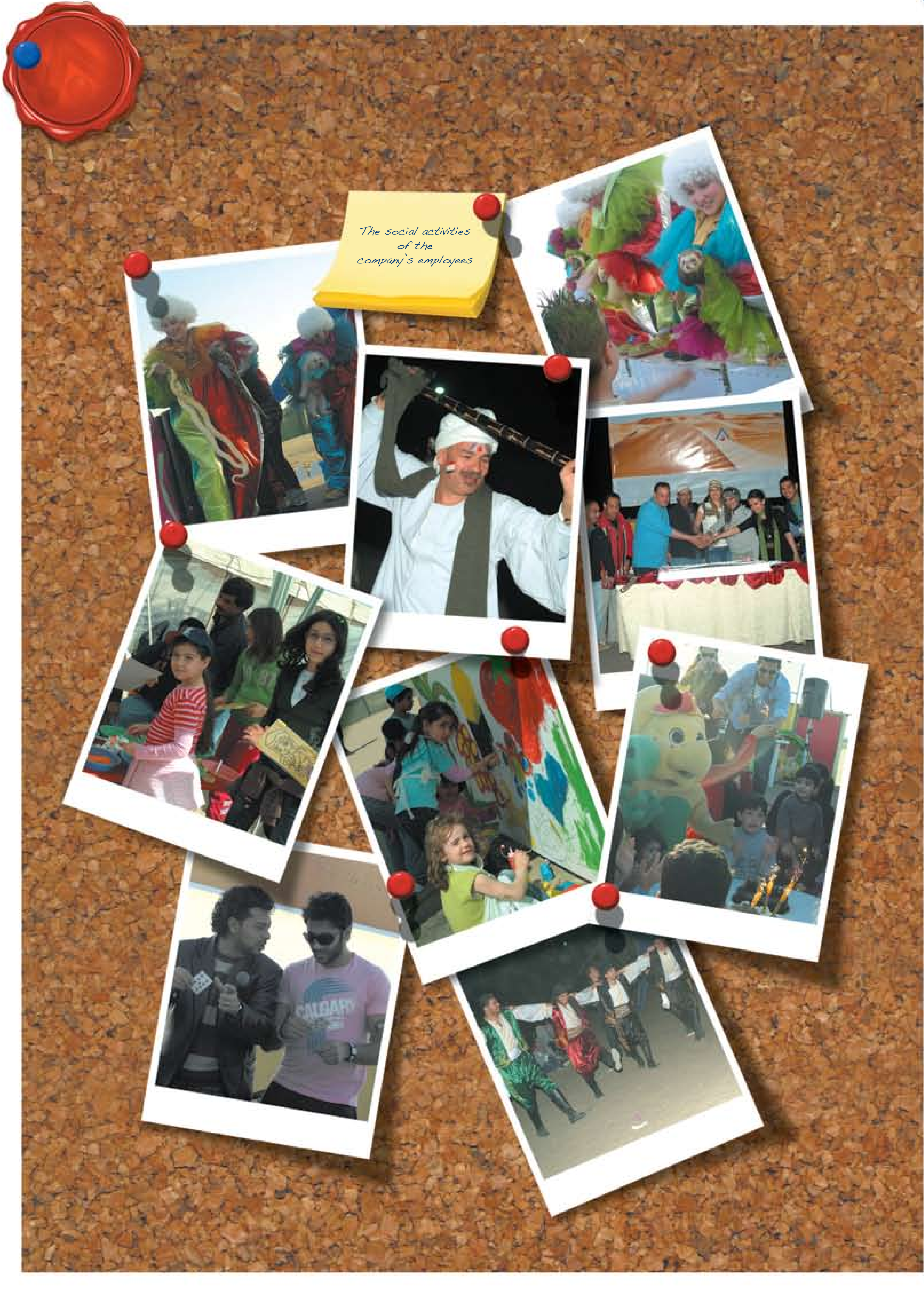
Fourth: PROFIT & LOSS ACCOUNT:

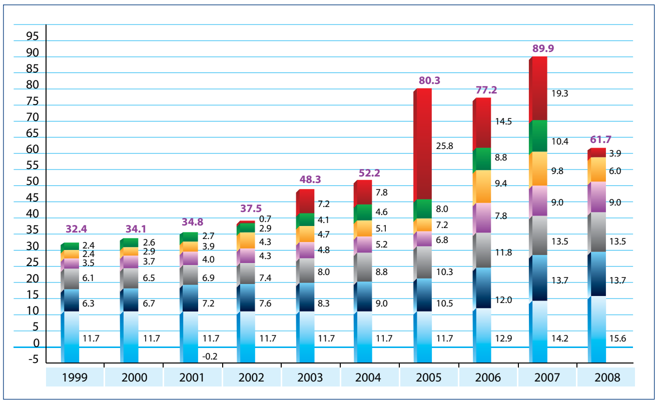
The result of the Company's operations from both insurance and investments activities, after deducting the reserves, provisions and various items usually charged to the profit and loss account, indicates that the activities for the year have yielded a net loss of KD. 3,816,468 against a net profit of KD. 16,321,686 in 2007.

By adding profit brought forward from the previous year of KD. 9,775,450 the gross profit allowable for distribution amounts to KD. 5,958,982 compared to KD. 24,834,312 for the year 2007.

Fifth: BOARD OF DIRECTORS' AUTHORIZATION TO PURCHASE THE COMPANY'S SHARES:

The Board of Directors recommends authorizing it to purchase part of the Company's shares, in accordance with the provisions of the law, such purchase to be limited to 10% of the number of shares, and such authorization to be for a period not exceeding eighteen months from the date of the General Assembly meeting.


The social activities
of the
company's employees



Shareholders Equity - the value of Bonus Shares is not deducted
(in million KD)

- The Fair Value & Treasury Profit
- Proposed Dividend
- Retained Earnings
- Voluntary Reserve
- General Reserve
- Statutory Reserve
- Capital

Sixth: GRATITUDE AND APPRECIATION:

In concluding our report we wish to express our appreciation and gratitude to H.H. the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah for his leadership and noble prudence, H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown prince, and appeal to Almighty God to support them in continuing their efforts for the advancement and prosperity of the State of Kuwait, reinforcing the Kuwaiti economy, supporting national companies and providing comprehensive patronage for the citizens of their Country and to their nation for a more constructive and prosperous future, and we pray to Almighty God to bless them with strength and good health.

We would like also to express our thanks to the Ministry of Commerce and Industry, represented by the Administration of Insurance Companies, for their attention and understanding of the local market circumstances. Our thanks is also extended to the Ministry of Interior represented by the Traffic Department for their continuous efforts to control the roads and develop the compulsory motor insurance.
As well, we extend a special gratitude to the company's valuable Shareholders and clients for their continuous trust and support. Our appreciation and gratitude also goes to our Reinsurer's for their support and prompt reaction to our legitimate needs.

On this occasion, the Board of Director's would like to place on record their appreciation for the great efforts and full devotion of the Company's management on all administrative and technical levels, as well as the employees, which leads towards Company progress and prosperity in a unique family environment and team work so as to offer the best.

We conclude this annual report by appealing to God Almighty to provide us the blessing of security and stability.

May His peace, mercy and blessings be with you always.

The Board of Directors

FINANCIAL STATEMENTS

Contents

ERNST & YOUNG
Ernst & Young
Al Aiban, Al Osaimi & Partners

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MAZARS
Allied Accountants
Abdullatif Al-Majid & Co.
Certified Public Accountants - Expert

P.O. Box 5506 safat- 13056 Kuwait
Tel: 22432082/3/4 - Fax: 22402640
E-mail: info@allied-accountants.com

AUDITORS' REPORT

Independent Auditors' Report To The Shareholders Of Al-Ahleia Insurance Company S.A.K.

We have audited the accompanying financial statements of Al-Ahleia Insurance Company S.A.K. (the company), which comprise the balance sheet as at 31 December 2008 and the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2008 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 company and the financial statements, together with the contents of the report of the board of directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the company or on its financial position.

Waleed A. Al Osaimi
Licence No. 68 A
of Ernst & Young

Abdullatif A. H. Al-Majid
Licence No. 70 A
of Allied Accountants Mazars

24 March 2009
Kuwait

INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
Revenue:			
Premiums written		27,863,746	26,060,663
Reinsurance premiums ceded		(16,954,129)	(15,544,368)
Net premiums written		10,909,617	10,516,295
Movement in unearned premiums		10,080	(220,587)
Net premiums earned		10,919,697	10,295,708
Commission received on ceded reinsurance		3,253,837	2,590,968
Policy issuance and transfer fees		566,395	557,082
Net investment income from life insurance	3	672,903	765,082
Impairment of available for sale investments from life insurance	3	(683,843)	-
Other income		157,061	199,087
		14,886,050	14,407,927
Expenses:			
Claims incurred	11	6,125,870	5,511,688
Commissions and discounts		1,341,018	1,350,883
Increase in additional reserve		36,607	694,947
Increase in life mathematical reserve		312,000	374,000
Maturity and cancellations of life insurance policies		350,437	164,424
General and administrative expenses		2,708,377	2,576,726
		10,874,309	10,672,668
NET UNDERWRITING INCOME		4,011,741	3,735,259
Net investment income	3	13,364,943	13,949,385
Impairment of available for sale investments	3	(21,217,913)	-
Sundry income		551,839	5,608
Unallocated general and administrative expenses		(527,078)	(686,189)
(LOSS) PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES		(3,816,468)	17,004,063
Contribution to KFAS		-	(170,041)
National labour support tax		-	(368,332)
Zakat Tax		-	(9,004)
Directors' fees		-	(135,000)
(LOSS) PROFIT FOR THE YEAR		(3,816,468)	16,321,686
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE	4	(25.15) fils	106.91 fils

The attached notes 1 to 29 form part of these financial statements.

BALANCE SHEET
At 31 December 2008

	Notes	2008 KD	2007 KD
ASSETS			
Property and equipment	5	3,382,012	3,396,491
Investment properties	6	-	1,290,766
Investment in associates	7	4,737,162	3,352,539
Investment in unconsolidated subsidiaries	8	100,000	100,001
Investment in equities and bonds	9	89,947,191	120,152,981
Loans to life policyholders		67,071	97,013
Premiums and insurance balances receivable	10	9,589,763	8,341,033
Reinsurance recoverable on outstanding claims	11	17,438,068	17,269,695
Other debit balances	12	1,845,964	2,106,275
Fixed and short notice bank deposits	13	10,627,187	11,821,564
Bank balances and cash	14	73,281	2,063,393
TOTAL ASSETS		137,807,699	169,991,751
EQUITY AND LIABILITIES			
Equity			
Share capital	15	15,628,323	14,207,566
Statutory reserve	16	13,712,799	13,712,799
General reserve	16	13,473,274	13,473,274
Special voluntary reserve	16	9,000,000	9,000,000
Treasury shares	18	(2,217,777)	(1,823,665)
Treasury shares reserve		1,335,437	1,106,482
Cumulative changes in fair value		2,643,245	18,480,843
Foreign currency translation reserve		(71,131)	(223,258)
Retained earnings		5,958,982	20,183,499
Total equity		59,463,152	88,117,540
Liabilities			
Liabilities arising from insurance contracts:	11		
Outstanding claims reserve		26,215,289	25,441,046
Unearned premiums reserve		2,769,183	2,779,264
Life mathematical reserve		3,406,000	3,094,000
Additional reserve		6,700,000	6,700,000
Total liabilities arising from insurance contracts		39,090,472	38,014,310
Insurance payables	19	4,843,317	5,801,010
Other credit balances	20	8,790,892	9,789,239
Term loan	21	22,500,000	27,330,402
Bank overdraft	14	3,119,866	939,250
Total liabilities		78,344,547	81,874,211
TOTAL EQUITY AND LIABILITIES		137,807,699	169,991,751

Sulaiman Hamad M. Al-Dalali
Chairman And Managing Director

Ayman Abdullatif A. Al-Shayea
Vice Chairman

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
Operating Activities			
(Loss) profit before contribution to KFAS, NLST, Zakat and directors' fees		(3,816,468)	17,004,063
Adjustments for:			
Provision for employees' end of service benefits		85,045	108,495
Depreciation of property and equipment		151,164	163,692
Depreciation of investment properties		9,974	106,877
Gain on sale of investment properties		(3,719,208)	-
Share of results of associates		(368,809)	11,547
Gain on sale of available for sale investments		(6,150,877)	(11,274,870)
Impairment of available for sale investments		21,901,756	-
Dividend income		(4,877,701)	(3,185,796)
Interest income		(1,041,985)	(933,952)
Finance charges		1,924,782	452,692
		4,097,673	2,452,748
Changes in operating assets and liabilities:			
Premiums and insurance balances receivable		(1,248,730)	362,769
Reinsurance receivable on outstanding claims		(168,373)	(3,804,470)
Other debit balances		641,684	2,877,135
Liabilities arising from insurance contracts		1,076,162	4,832,022
Insurance payable		(957,693)	436,085
Other credit balances		(2,497,818)	(120,778)
Cash from operations		942,905	7,035,511
Employees' end of service benefits paid		(35,575)	(33,228)
Paid to KFAS		(170,041)	(147,492)
National Labour Support Tax paid		(373,635)	(586,095)
Zakat		(9,049)	-
Paid to directors		(135,000)	(135,000)
Net cash from operating activities		219,605	6,133,696
INVESTING ACTIVITIES			
Purchase of property and equipment		(136,685)	(17,003)
Purchase of investment properties		-	(97,009)
Proceeds from sale of investment properties		5,000,000	-
Purchase of investment in associates		-	(921,371)
Purchase of investment in unconsolidated subsidiary		-	(100,000)
Redemption of bonds		500,000	125,000
Purchase of available for sale investments		(32,481,226)	(67,266,680)
Proceeds from sale of available for sale investments		29,498,539	40,560,075
Movement in loans to life policyholders		29,942	(3,460)
Movement in fixed and short notice bank deposits		1,194,377	(2,179,574)
Dividends received		4,874,206	3,138,113
Dividends received from associates		236,313	49,221
Interest income received		664,108	611,253
Net cash from (used in) investing activities		9,379,574	(26,101,435)
FINANCING ACTIVITIES			
Dividends paid		(8,774,348)	(7,366,890)
Purchase of treasury shares		(977,028)	(421,553)
Sale of treasury shares		811,871	352,035
Term loan obtained		(4,830,402)	27,330,402
Net cash (used in) from financing activities		(13,769,907)	19,893,994
DECREASE IN CASH AND CASH EQUIVALENTS		(4,170,728)	(73,745)
Cash and cash equivalents at the beginning of the year		1,124,143	1,197,888
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	(3,046,585)	1,124,143

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Notes	Share capital KD	Statutory reserve KD	General reserve KD	Special voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2007		12,915,969	12,012,393	11,772,868	7,750,000	(1,642,769)	995,104	14,468,320	(42,114)	17,348,473	75,578,244
Transferred to income statement on sale of available for sale investments	9	-	-	-	-	-	-	7,654,970	-	-	7,654,970
Net movement in fair value of available for sale investments	9	-	-	-	-	-	-	(3,642,447)	-	-	(3,642,447)
Foreign currency translation adjustment	7	-	-	-	-	-	-	-	(181,144)	-	(181,144)
Total income and expense for the year recognised directly in equity		-	-	-	-	-	-	4,012,523	(181,144)	-	3,831,379
Profit for the year		-	-	-	-	-	-	-	-	16,321,686	16,321,686
Total income and expense for the year		-	-	-	-	-	-	4,012,523	(181,144)	16,321,686	20,153,065
Issue of bonus shares	17	1,291,597	-	-	-	-	-	-	-	(1,291,597)	-
Dividends	17	-	-	-	-	-	-	-	-	(7,544,251)	(7,544,251)
Purchase of treasury shares		-	-	-	-	(421,553)	-	-	-	-	(421,553)
Sale of treasury shares		-	-	-	-	240,657	111,378	-	-	-	352,035
Transfer to reserves	16	-	1,700,406	1,700,406	1,250,000	-	-	-	-	(4,650,812)	-
Balance at 31 December 2007		14,207,566	13,712,799	13,473,274	9,000,000	(1,823,665)	1,106,482	18,480,843	(223,258)	20,183,499	88,117,540
Transferred to income statement on sale of available for sale investments	9	-	-	-	-	-	-	(5,102,905)	-	-	(5,102,905)
Net movement in fair value of available for sale investments	9	-	-	-	-	-	-	(32,636,449)	-	-	(32,636,449)
Impairment of investments available for sale charge to income statement		-	-	-	-	-	-	21,901,756	-	-	21,901,756
Foreign currency translation adjustment	7	-	-	-	-	-	-	-	152,127	-	152,127
Total income and expense for the year recognised in equity		-	-	-	-	-	-	(15,837,598)	152,127	-	(15,685,471)
Loss for the year		-	-	-	-	-	-	-	-	(3,816,468)	(3,816,468)
Total income and expense for the year		-	-	-	-	-	-	(15,837,598)	152,127	(3,816,468)	(19,501,939)
Issue of bonus shares	17	1,420,757	-	-	-	-	-	-	-	(1,420,757)	-
Dividends	17	-	-	-	-	-	-	-	-	(8,987,292)	(8,987,292)
Purchase of treasury shares		-	-	-	-	(977,028)	-	-	-	-	(977,028)
Sale of treasury shares		-	-	-	-	582,916	228,955	-	-	-	811,871
Transfer to reserves	16	-				-	-	-	-	-	-
Balance at 31 December 2008		15,628,323	13,712,799	13,473,274	9,000,000	(2,217,777)	1,335,437	2,643,245	(71,131)	5,958,982	59,463,152

The attached notes 1 to 29 form part of these financial statements.

1 CORPORATE INFORMATION

The financial statements of Al-Ahleia Insurance Company S.A.K. (the "company") for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 24 March 2009. The Shareholders' General Assembly has the power to amend these financial statements after issuance.

The company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. It is engaged in various insurance activities, including reinsurance. Its registered head office address is at P. O. Box 1602, Safat 13017, Kuwait.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost convention as modified to include the measurement at fair value of available for sale investments.

The financial statements have been presented in Kuwaiti Dinars (KD) which is the functional currency of the company.

Statement of compliance

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

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year.

Change in accounting policies

IASB Standards and Interpretations issued but not yet adopted:

IAS 1 Presentation of Financial Statements – Revised (effective 2009)

IAS 1: Presentation of Financial Statements – Revised has been revised to require that an entity must present all non-owner changes in equity either in one statement of comprehensive income or in two separate statements (i.e. a statement of income and a statement of comprehensive income). Components of comprehensive income such as changes in revaluation surplus, gains and losses on remeasuring available for sale investments and gains and losses arising from translating the financial statements of foreign operation may not be presented in the statement of changes in equity. The application of the revised standard is not expected to result in any prior period adjustments of cash flow, net income or balance sheet line items in the initial period of application.

IFRS 8: Operating Segments – Revised (effective 2009)

IFRS 8: Operating Segments – Revised (effective 2009) is a disclosure standard which may result in a redesignation of the company's reportable segments but is not expected to have any impact on the results or financial position of the company.

IAS 23: Borrowing Costs – Revised

IAS 23: Borrowing Costs – Revised has been amended resulting into elimination of the previously available option to expense all borrowing costs when incurred. Under the revised standard, all borrowing costs that are directly attributable to qualifying assets are to be recognised. The application of the revised standard is not expected to have a material impact on the financial statements in the period of initial application.

Summary of Significant Accounting Policies

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Finance costs
Finance costs are calculated and recognised on a time proportionate basis taking into account the outstanding balance payable and applicable interest rate.

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

Tax/statutory levy	Rate
Contribution to KFAS	1.0% of net profit less permitted deductions
NLST	2.5% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

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 as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the company and those not reported at the balance sheet date.

The company 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 company's prior experience is maintained for the cost of settling claims incurred but not reported at the balance sheet date. Any difference between the provisions at the balance sheet date and settlements and provisions for the following year is included in the underwriting account for 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 terms 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.

Liability adequacy test
At each balance sheet date the company 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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability adequacy test (continued)

costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created.

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

Reinsurance contracts held

The company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

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

Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

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

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

Product classification

Insurance contracts

Insurance contracts are those contracts when the company (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 company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

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. Freehold land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property and equipment as follows:

• Buildings on freehold land	25 years
• Leasehold property	20 to 25 years
• Furniture, fixtures, equipment and motor vehicles	3 to 5 years

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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.

Investment properties

Investment properties held for the generation of rental income are accounted for as property and equipment. The rate of depreciation is based on an estimated useful life of 25 years for buildings.

Investments in associates

The company's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the company 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 balance sheet at cost plus post acquisition changes in the company's share of net assets of the associate. Goodwill relating to the 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. Where there has been a change recognised directly in the equity of the associate, the company 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 company and the associate are eliminated to the extent of the interest in the associate.

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

After application of the equity method, the company determines whether it is necessary to recognize an additional impairment loss of the company's investment in its associates. The company determines at each balance date whether there is any objective evidence that the investment in associate is impaired. If this is the case the company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in income statement.

Bonds

Bonds classified as "loans" are measured at amortised cost using the effective interest rate method.

Available for sale investments

Available for sale investments are recognised and derecognised, on a trade date basis, when the company becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available for sale investments are initially recorded at cost (including transactions costs that are directly attributable to the acquisition or issue) and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the income statement for the year.

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment may be impaired. If such evidence exists, any impairment loss (being the difference between cost and fair value, less any impairment loss previously recognised) is recognised in the income statement. In the case of equity and similar investments the investment is written down directly whereas in the case of bonds and similar securities a provision account is used.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

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

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, fixed and short notice bank deposits with an original maturity of three months or less and money market funds that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statement of cash flows are presented net of bank overdraft. Fixed and short notice bank deposits that have a maturity of more than three months from the date of placement are excluded from cash and cash equivalents.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset, or a 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 carrying value 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 income statement 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 company 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 company 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 company 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 company'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 company 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 income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Treasury shares consist of the company's own shares that have been issued, subsequently reacquired by the company 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 treasury shares reserve 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.

Outstanding claims reserve

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

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

Unearned premium reserve

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

Life mathematical reserve

The reserve for the life business at the balance sheet date represents the mathematical liability of policies in force at that date as determined by the company's actuaries.

Additional reserve

The additional reserve includes amounts reserved for claims incurred but not reported at the balance sheet date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the company's prior experience is maintained for the cost of settling claims incurred but not reported at the balance sheet date.

Payables

Accounts 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.

Provision for employees' end of service indemnity

Provision is made for employees' end of service indemnity in accordance with the Kuwait Labour Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment as of the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The company's investment in foreign associates is retranslated using the year end rates of exchange and the resulting exchange differences are accumulated in a separate component of equity. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 balance sheet date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet 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 company'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 maker 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 company base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the company'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 company is exposed to disputes with, and possibility of defaults by, its reinsurers. The company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgement

In the process of applying the company'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 financial statements:

Classification of investments

The company decides on acquisition of investments whether they should be classified as investments carried at fair value through income statement, held to maturity investments or available for sale investments.

The management classifies investments as carried at fair value through income statement if they are acquired primarily for the purpose of short term profit making and the fair value of those investments can be reliably determined.

Classification of investments as fair value through income statement depends on how management monitor the performance of these investments when they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

The management classifies investments as held to maturity if they are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the management has the positive intention and ability to hold to maturity.

All other investments are classified as available for sale.

Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading or investment property.

The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

The management classifies real estate as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Impairment of investments

The company 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 company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

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.

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.

3 NET INVESTMENT INCOME

	2008 KD	2007 KD
Gain on sale of investment properties	3,719,208	-
Share of results of associates	368,809	(11,547)
Gain on sale of available for sale investments	6,150,877	11,274,870
Impairment of available for sale investments	(21,901,756)	-
Interest on bonds	36,599	70,190
Interest on fixed and short notice bank deposits	1,005,386	863,762
Dividend income	4,877,701	3,185,796
Rental income	27,720	234,613
Other investment income	141,480	268,572
	(5,573,976)	15,886,256
General and administrative expenses	(191,134)	(201,483)
Depreciation of investment properties	(9,974)	(106,877)
Interest expense	(1,924,782)	(452,692)
Financial charges	(128,179)	(410,737)
Foreign exchange loss	(35,865)	-
	(2,289,934)	(1,171,789)
	(7,863,910)	14,714,467

Included in general and administrative expenses is an amount of KD 151,164 (31 December 2007: KD 163,692) which represents depreciation of property and equipment.

Net investment income reported in the income statement as follows:

	2008 KD	2007 KD
Net investment income	13,364,943	13,949,385
Impairment of available for sale investment	(21,217,913)	-
Net investment income from life insurance	672,903	765,082
Impairment of available for sale investment from life insurance	(683,843)	-
	(7,863,910)	14,714,467

4 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares), as follows:

	2008 KD	2007 KD
(Loss) profit for the year	(3,816,468)	16,321,686
	Shares	Shares
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	151,737,655	152,663,442
Basic and diluted (loss)/earnings per share	(25.15) fils	106.91 fils

The basic and diluted earnings per share for the previous year has been restated to reflect the bonus shares for 2007 that have been approved by the Annual General Assembly held on 9 April 2008 (Note 17).

There are no dilutive potential ordinary shares.

5 PROPERTY AND EQUIPMENT

	Freehold land KD	Building on freehold land KD	Leasehold property KD	Furniture, fixtures equipment and motor vehicles KD	Total KD
Cost:					
At 1 January 2007	1,725,500	2,910,884	161,041	1,679,630	6,477,055
Additions	-	-	-	17,003	17,003
At 31 December 2007	1,725,500	2,910,884	161,041	1,696,633	6,494,058
Additions	-	-	85,369	51,316	136,685
At 31 December 2008	**1,725,500**	**2,910,884**	**246,410**	**1,747,949**	**6,630,743**
Depreciation:					
At 1 January 2007	-	1,151,279	153,447	1,629,149	2,933,875
Charge for the year	-	116,435	402	46,855	163,692
At 31 December 2007	-	1,267,714	153,849	1,676,004	3,097,567
Charge for the year	-	116,435	3,798	30,931	151,164
At 31 December 2008	**-**	**1,384,149**	**157,647**	**1,706,935**	**3,248,731**
Net carrying amount:					
At 31 December 2008	**1,725,500**	**1,526,735**	**88,763**	**41,014**	**3,382,012**
At 31 December 2007	1,725,500	1,643,170	7,192	20,629	3,396,491

6 INVESTMENT PROPERTIES

	Buildings on freehold land 2008 KD	Buildings on freehold land 2007 KD
Cost:		
At 1 January	2,821,086	2,724,077
Additions	-	97,009
Disposals	(2,821,086)	-
At 31 December	-	2,821,086
Depreciation		
At 1 January	1,530,320	1,423,443
Charge for the year	9,974	106,877
Disposals	(1,540,294)	-
At 31 December	-	1,530,320
Net carrying amount:		
At 31 December	-	1,290,766

During the current year the above investment properties were sold to an unrelated party at a total price of KD 5,000,000.

7 INVESTMENT IN ASSOCIATES

The company has the following investment in associates:

	Ownership percentage 2008	Ownership percentage 2007	Country of incorporation	2008 KD	2007 KD
Arab Life Insurance Company S.A.L.	49.37%	49.37%	Lebanon	363,777	344,475
Trade Union Insurance Company E.C.	20.95%	20.00%	Bahrain	2,304,629	1,929,875
Arab Life and Accident Insurance Co. P.S.C.	27.20%	27.20%	Jordan	999,689	1,078,189
Industrial Electrical Projects Co. K.S.C. (Closed)	20.00%	0%	Kuwait	1,069,067	-
				4,737,162	3,352,539

7 INVESTMENT IN ASSOCIATES (continued)

	2008 KD	2007 KD
The movement of the investment in associates during the year is as follows:		
Carrying value at 1 January	3,352,539	2,673,080
Foreign currency translation adjustment	152,127	(181,144)
Additions	1,100,000	921,371
Share of results of associates	368,809	(11,547)
Dividends received	(236,313)	(49,221)
Carrying value at 31 December	4,737,162	3,352,539

Goodwill included in the carrying value of the investment in associates amounted to KD 384,853 (2007: KD 273,824).

	2008 KD	2007 KD
Share of associates' balance sheets:		
Assets	12,506,293	6,573,296
Liabilities	(7,769,131)	(3,220,757)
Net assets	4,737,162	3,352,539
Share of associates' revenues and results:		
Revenues	1,758,957	1,738,344
Net results	368,809	(11,547)

The company's share of results of associates was calculated based on accounts prepared by their respective management. In the opinion of the company's management, results reported in the management accounts will not be materially different if these management accounts had been audited by the auditors' of those companies.

Share of results of Trade Union Insurance Company E.C. and Industrial Electrical Projects Co. K.S.C (Closed) are included in the financial statements of the company three months in arrears.

8 INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES

The company has the following investment in unconsolidated subsidiaries:

	Ownership percentage 2008	Ownership percentage 2007	Country of incorporation	2008 KD	2007 KD
Al-Ahleia Al Motaheda Company	100%	100%	Kuwait	100,000	100,000
Hawk Insurance Company Ltd.	100%	100%	United Kingdom	-	1
				100,000	100,001

During the prior year, the company established a new subsidiary Al-Ahleia Al Motaheda Company for a total consideration of KD 100,000. The subsidiary did not start operations to date and management is of the opinion that the invested amount is not significant to the Company's financial statement. Accordingly, the subsidiary has not been consolidated and is carried at cost.

The company owns 100% of the share capital of Hawk Insurance Company Ltd., registered in the United Kingdom, amounting to KD 214,250 against which a provision of KD 214,249 has been taken to cover any impairment in the net worth of the shareholders' equity. The subsidiary ceased acceptance of new business in October 1976 and is inactive.

9 INVESTMENT IN EQUITIES AND BONDS

	2008 KD	2007 KD
Available for sale investments:		
Quoted equity securities	47,780,386	80,930,612
Unquoted equity securities	41,666,804	38,222,368
	89,447,190	119,152,980
Loans:		
Bonds	500,000	1,000,000
Bonds of corporation for settlement of forward share transactions:		
Nominal value	459,701	459,701
Provision for impairment	(459,700)	(459,700)
	1	1
	89,947,191	120,152,981

9 INVESTMENT IN EQUITIES AND BONDS (continued)

Included in available for sale investments are unquoted securities and managed funds with a value of KD 41,666,804 (31 December 2007: KD 38,222,368) which are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at a reliable measure of fair value. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of the investments due to the impact of the global financial crisis, based on information available in respect of these investments and their operations. Accordingly, an impairment loss of KD 1,500,000 (31 December 2007: Nil) has been recognised in this respect.

Impairment loss of KD 20,401,756 (31 December 2007: Nil) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.
Movements in cumulative changes in fair values arising from available for sale investments are as follows:

	2008 KD	2007 KD
Net unrealised loss	(5,102,905)	(3,642,447)
Net realised loss (gain) reclassified to the income statement on disposal	(32,636,449)	7,654,970
Impairment	21,901,756	-
	(15,837,598)	4,012,523

Uncalled commitments relating to unquoted equity securities at 31 December 2008 amounted to KD 10,195,851 (2007: KD 7,867,105).

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2008 KD	2007 KD
Policyholder's accounts receivable		
Premiums receivable	8,091,272	7,296,694
Provision for doubtful debts	(1,005,261)	(669,644)
Net policyholder's accounts receivable	7,086,011	6,627,050
Insurance and reinsures accounts receivable		
Reinsures receivable	2,642,868	1,905,780
Provision for doubtful debts	(139,116)	(191,797)
Net insurance and reinsures accounts receivable	2,503,752	1,713,983
Total premium and insurances receivables	9,589,763	8,341,033

The company'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 policyholder's accounts receivables were as follows:

	2008 KD	2007 KD
At 1 January	669,644	702,035
Amounts written off	-	(32,391)
Amounts charge for the year	335,617	-
At 31 December	1,005,261	669,644

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

	2008 KD	2007 KD
At 1 January	191,797	204,006
Amounts written off	(91,970)	(12,209)
Amounts charge for the year	39,289	-
At 31 December	139,116	191,797

11 LIABILITIES ARISING FROM INSURANCE CONTRACTS

31 DECEMBER 2008	Marine and aviation KD	Accident KD	Fire KD	Life and health KD	Total KD
OUTSTANDING CLAIMS RESERVE:					
Gross balance at the beginning of the year	3,025,094	10,765,265	1,915,196	9,735,491	25,441,046
Reinsurance recoverables	(2,636,771)	(5,790,425)	(1,630,618)	(7,211,881)	(17,269,695)
Net balance at the beginning of the year	388,323	4,974,840	284,578	2,523,610	8,171,351
Gross claims incurred during the year	1,335,894	6,286,313	2,149,592	6,443,112	16,214,911
Reinsurance recoverable	(1,035,780)	(3,540,656)	(1,872,976)	(3,639,629)	(10,089,041)
Claims incurred	**300,114**	**2,745,657**	**276,616**	**2,803,483**	**6,125,870**
Gross claims paid during the year	(1,696,992)	(7,627,133)	(848,373)	(5,268,170)	(15,440,668)
Reinsurance recoverables	1,308,146	4,923,470	590,548	3,098,504	9,920,668
Paid during the year	**(388,846)**	**(2,703,663)**	**(257,825)**	**(2,169,666)**	**(5,520,000)**
NET BALANCE AT THE END OF THE YEAR	**299,591**	**5,016,834**	**303,369**	**3,157,427**	**8,777,221**
Represented in:					
Gross balance at the end of the year	2,663,996	9,424,445	3,216,415	10,910,433	26,215,289
Reinsurance recoverable on outstanding claims	(2,364,405)	(4,407,611)	(2,913,046)	(7,753,006)	(17,438,068)
NET BALANCE AT THE END OF THE YEAR	**299,591**	**5,016,834**	**303,369**	**3,157,427**	**8,777,221**
Unearned premiums reserve	**343,162**	**2,134,785**	**291,236**	**-**	**2,769,183**
Life mathematical reserve	**-**	**-**	**-**	**3,406,000**	**3,406,000**
Additional reserve	**1,250,000**	**3,350,000**	**1,000,000**	**1,100,000**	**6,700,000**

11 LIABILITIES ARISING FROM INSURANCE CONTRACTS (continued)

31 DECEMBER 2007	Marine and aviation KD	Accident KD	Fire KD	Life and health KD	Total KD
OUTSTANDING CLAIMS RESERVE:					
Gross balance at the beginning of the year	3,327,464	8,477,657	1,700,580	8,197,911	21,703,612
Reinsurance recoverables	(3,053,527)	(3,460,292)	(1,402,720)	(5,548,686)	(13,465,225)
Net balance at the beginning of the year	273,937	5,017,365	297,860	2,649,225	8,238,387
Gross claims incurred during the year	1,768,715	6,112,276	691,880	6,830,703	15,403,574
Reinsurance recoverable	(1,400,900)	(3,330,730)	(595,960)	(4,564,296)	(9,891,886)
Claims incurred	**367,815**	**2,781,546**	**95,920**	**2,266,407**	**5,511,688**
Gross claims paid during the year	(2,071,085)	(3,824,668)	(477,264)	(5,293,123)	(11,666,140)
Reinsurance recoverables	1,817,656	1,000,597	368,062	2,901,101	6,087,416
Paid during the year	**(253,429)**	**(2,824,071)**	**(109,202)**	**(2,392,022)**	**(5,578,724)**
NET BALANCE AT THE END OF THE YEAR	**388,323**	**4,974,840**	**284,578**	**2,523,610**	**8,171,351**
Represented in:					
Gross balance at the end of the year	3,025,094	10,765,265	1,915,196	9,735,491	25,441,046
Reinsurance recoverable on outstanding claims	(2,636,771)	(5,790,425)	(1,630,618)	(7,211,881)	(17,269,695)
NET BALANCE AT THE END OF THE YEAR	**388,323**	**4,974,840**	**284,578**	**2,523,610**	**8,171,351**
Unearned premiums reserve	**295,448**	**2,210,288**	**273,528**	-	**2,779,264**
Life mathematical reserve	-	-	-	**3,094,000**	**3,094,000**
Additional reserve	**1,250,000**	**3,350,000**	**1,000,000**	**1,100,000**	**6,700,000**

12 OTHER DEBIT BALANCES

	2008 KD	2007 KD
Accrued income	414,656	393,922
Reserve retained by reinsurers	180,879	119,745
Reserve for Arab war risk insurance syndicate fund (Note 23)	978,874	953,086
Other debit balances	271,555	237,133
Payment on account of investment	-	155,954
Amounts due from Kuwait Clearing Company	-	246,435
	1,845,964	2,106,275

13 FIXED AND SHORT NOTICE BANK DEPOSITS

Those represent short notice bank deposits with local financial institutions. These are denominated in Kuwaiti Dinar and carry an average effective interest rate of 6.6% (2007: 6.9%) per annum.

14 CASH AND CASH EQUIVALENTS

	2008 KD	2007 KD
Bank balances and cash	73,281	133,368
Fixed and short notice bank deposits	-	1,930,025
Bank balances and cash	73,281	2,063,393
Bank overdraft	(3,119,866)	(939,250)
Cash and cash equivalent	(3,046,585)	1,124,143

Bank overdrafts are denominated in Kuwaiti dinars and carry an average effective interest rate of approximately 2.5% per annum over Central Bank of Kuwait discount rate (2007: 2% over Central Bank of Kuwait discount rate).

Fixed deposits are placed with local banks in Kuwait. These are denominated in Kuwaiti Dinars, are short term in nature, with an average effective interest rate of 5.5 % (2007: 5.6%).

15 SHARE CAPITAL

Authorised, issued and fully paid up share capital consists of 156,283,229 shares of 100 fils each (31 December 2007: 142,075,663).

16 RESERVES

Statutory reserve

As required by the Law of Commercial Companies and the company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees is to be transferred to statutory reserve. The company may resolve to discontinue such annual transfers since the reserve exceeds 50% of paid up share capital. Such annual transfers have been discontinued as a result of the loss recognised during the period.

Only the part of the reserve in excess of 50% of paid up capital is freely distributable. Distribution of the balance is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

16 RESERVES (continued)

General reserve
In accordance with the company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees is to be transferred to general reserve. Such annual transfers have been discontinued as a result of the loss recognised during the period.

Special voluntary reserve
In accordance with the company's articles of association, the board of directors can resolve to transfer certain amount of the profit for the year to the special voluntary reserve. This transfer can be suspended at the discretion of the general assembly.

17 DIVIDENDS PAID AND PROPOSED

The board of directors of the company has not proposed any cash dividends or bonus shares for the year ended 31 December 2008. However, in prior year, the board of directors of the company have proposed a cash dividend of 65 fils per share and bonus shares of 10% of paid up share capital related to the year ended 31 December 2007.

However, on 9 April 2008, the Annual General Assembly of the company's shareholders approved the following:

- Increase of share capital from KD 14,207,566 to KD 15,628,323 through issuance of 14,207,566 bonus shares of 100 fils each for the year ended 31 December 2007 equivalent to 10% of paid up share capital.

- Payment of cash dividends related to the year ended 31 December 2007 of 65% of paid up share capital.

18 TREASURY SHARES

	2008 KD	2007 KD
Number of shares	4,545,571	3,914,610
Percentage of issued shares (%)	2.90	2.76
Market value (KD)	2,500,064	2,935,958

19 INSURANCE PAYABLES

	2008 KD	2007 KD
Policyholder's and agencies payables	534,167	673,308
Insurance and reinsurance payables	4,309,150	5,127,702
	4,843,317	5,801,010

20 OTHER CREDIT BALANCES

	2008 KD	2007 KD
Premiums received in advance	1,847,768	2,179,164
Claims payable	1,504,762	1,195,677
Dividends payable	632,675	419,731
Accrued supervision fees	130,146	128,120
Other accrued expenses and credit balances	1,058,497	1,536,276
Reserve retained on reinsurance business	1,098,490	875,387
Reserve for Arab war risk insurance syndicate fund (Note 23)	978,874	953,086
Provision for staff leave pay	258,093	233,417
Provision for employees' end of service benefits	627,717	578,248
Provision for national labour support tax	-	375,552
Provision for KFAS	-	170,041
Zakat payable	-	9,004
Directors' fees	-	135,000
Employees bonus	653,870	1,000,536
	8,790,892	9,789,239

21 TERM LOAN

This represents one loan of KD 25,000,000 obtained from a local bank to finance the acquisition of an available for sale investment. On 9 November 2008, management agreed of negotiating the terms of settlement of some of the long term loan of KD 25,000,000 to short term loan with the bank whereby a minimum of KD 2,000,000 will be paid on quarterly basis. The outstanding balance as of 31 December 2008 is KD 22,500,000 and carries interest at an effective rate of 0.75% per annum above the Central Bank of Kuwait discount rate (31 December 2007: 0.75% per annum).

22 SEGMENT INFORMATION

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

	Marine and aviation KD	Accident KD	Fire KD	Total general risk insurance KD	Life and health KD	Total KD
Year ended 31 December 2008:						
Revenue:						
Premiums written	7,796,986	8,344,488	2,964,157	19,105,631	8,758,115	27,863,746
Reinsurance premiums ceded	(5,994,035)	(3,317,487)	(2,362,511)	(11,674,033)	(5,280,096)	(16,954,129)
Net premiums written	1,802,951	5,027,001	601,646	7,431,598	3,478,019	10,909,617
Movement in unearned premiums	(47,715)	75,503	(17,708)	10,080	-	10,080
Net premiums earned	1,755,236	5,102,504	583,938	7,441,678	3,478,019	10,919,697
Commission received on ceded reinsurance	1,443,492	662,392	419,261	2,525,145	728,692	3,253,837
Policy issuance and transfer fees	-	566,395	-	566,395	-	566,395
Other income	10,987	98,579	9,451	119,017	38,044	157,061
	3,209,715	6,429,870	1,012,650	10,652,235	4,244,755	14,896,990
Expenses:						
Claims incurred	300,114	2,745,657	276,616	3,322,387	2,803,483	6,125,870
Commissions and discounts	204,024	828,059	145,873	1,177,956	163,062	1,341,018
Movement in additional reserve	-	36,607	-	36,607	-	36,607
Increase in life mathematical reserve	-	-	-	-	312,000	312,000
Maturity and cancellations of life insurance policies	-	-	-	-	350,437	350,437
General and administrative expenses	802,604	1,051,605	254,764	2,108,973	599,404	2,708,377
	1,306,742	4,661,928	677,253	6,645,923	4,228,386	10,874,309
Segment result	1,902,973	1,767,942	335,397	4,006,312	16,369	4,022,681
Net investment income (loss)				(7,852,970)	(10,940)	(7,863,910)
Sundry income						551,839
Unallocated general and administrative expenses						(527,078)
Loss before contribution to KFAS, NLST, Zakat and directors' fees						(3,816,468)
Other Information						
Segment assets				22,065,370	10,190,437	32,255,807
Cash and investments				96,095,123	9,456,769	105,551,892
Total assets				118,160,493	19,647,206	137,807,699
Segment liabilities				58,096,395	19, 594,282	77,690,677
Unallocated liabilities				600,946	52,924	653,870
Total liabilities				58,697,341	19,647,206	78,344,547
Depreciation				148,064	3,100	151,164

22 SEGMENT INFORMATION (continued)

	Marine and aviation KD	Accident KD	Fire KD	Total general risk insurance KD	Life and health KD	Total KD
Year ended 31 December 2007:						
Revenue:						
Premiums written	6,532,327	7,812,017	3,100,912	17,445,256	8,615,407	26,060,663
Reinsurance premiums ceded	(5,195,194)	(2,585,358)	(2,557,357)	(10,337,909)	(5,206,459)	(15,544,368)
Net premiums written	1,337,133	5,226,659	543,555	7,107,347	3,408,948	10,516,295
Movement in unearned premiums	18,283	(176,679)	(62,191)	(220,587)	-	(220,587)
Net premiums earned	1,355,416	5,049,980	481,364	6,886,760	3,408,948	10,295,708
Commission received on ceded reinsurance	1,225,960	320,792	397,009	1,943,761	647,207	2,590,968
Policy issuance and transfer fees	-	557,082	-	557,082	-	557,082
Other income	24,470	58,443	3,625	86,538	112,549	199,087
	2,605,846	5,986,297	881,998	9,474,141	4,168,704	13,642,845
Expenses:						
Claims incurred	367,815	2,781,546	95,920	3,245,281	2,266,407	5,511,688
Commissions and discounts	204,012	793,205	154,843	1,152,060	198,823	1,350,883
Movement in additional reserve	150,000	394,947	50,000	594,947	100,000	694,947
Increase in life mathematical reserve	-	-	-	-	374,000	374,000
Maturity and cancellations of life insurance policies	-	-	-	-	164,424	164,424
General and administrative expenses	675,146	937,067	268,030	1,880,243	696,483	2,576,726
	1,396,973	4,906,765	568,793	6,872,531	3,800,137	10,672,668
Segment result	1,208,873	1,079,532	313,205	2,601,610	368,567	2,970,177
Net investment income				13,949,385	765,082	14,714,467
Sundry income						5,608
Unallocated general and administrative expenses						(686,189)
Profit before contribution to KFAS, NLST, Zakat and directors' fees						17,004,063
Other Information						
Segment assets				12,995,142	9,199,737	22,194,879
Cash and investments				138,878,257	8,918,615	147,796,872
Total assets				151,873,399	18,118,352	169,991,751
Segment liabilities				62,639,908	18,118,352	80,758,260
Unallocated liabilities				1,115,951	-	1,115,951
Total liabilities				63,755,859	18,118,352	81,874,211
Depreciation				161,063	2,629	163,692

22 SEGMENT INFORMATION (continued)

Balance sheet for Life and Health Insurance Department

	2008 KD	2007 KD
Assets		
Property and equipment	4,940	2,901
Investment in equities and bonds	1,630,704	419,932
Loans to life policyholders	67,071	97,013
Premiums and insurance balances receivable	2,179,736	1,789,388
Reinsurance recoverable on outstanding claims	7,753,006	7,211,881
Other debit balances	100,187	195,567
Fixed and short notice bank deposits	7,911,562	8,396,869
Bank balances and cash	-	4,801
Total Assets	19,647,206	18,118,352
Liabilities		
Liabilities arising from insurance contracts:		
Outstanding claims reserve	10,910,433	9,735,491
Life mathematical reserve	3,406,000	3,094,000
Additional reserve	1,100,000	1,100,000
Total liabilities arising from insurance contracts	15,416,433	13,929,491
Insurance payables	1,497,373	1,200,676
Other credit balances	2,580,830	2,988,185
Bank overdraft	152,570	-
Total Liabilities	19,647,206	18,118,352

23 PARTICIPATION IN ARAB WAR RISK INSURANCE SYNDICATE FUND

This item represents the company's share of accumulated fund and emergency reserves at 31 December 2007 in accordance with the fund's advice no. 641/2008 dated 12 May 2008 and is equivalent to US $ 3,540,872 (2006: US $ 3,484,776).

24 RELATED PARTY TRANSACTIONS

These represent unconsolidated subsidiaries, associated companies, major shareholders, directors and key management personnel of the company and entities controlled, jointly controlled or significantly influenced by such party. Pricing policies and terms of these transactions are approved by the company's management.

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

	Associates KD	Major shareholders KD	31 December 2008 KD	31 December 2007 KD
Premiums written	322,111	2,097,918	2,420,029	1,942,800
Claims incurred	110,461	1,073,315	1,183,776	476,701
Share of results of associates	368,809	-	368,809	(11,547)

Balances with related parties included in the balance sheet are as follows:

	Unconsolidated subsidiaries KD	Associates KD	Major shareholders KD	31 December 2008 KD	31 December 2007 KD
Unconsolidated subsidiaries	100,001	-	-	100,000	100,001
Investment in associates	-	4,737,162	-	4,737,162	3,352,539
Premiums and insurance balances receivable	-	267,630	1,392,102	1,659,732	1,650,697
Other credit balances	-	-	162,808	162,808	80,574

Compensation of key management personnel

	2008 KD	2007 KD
Salaries and other short term benefits	390,812	324,547
Employees' end of service benefits	76,106	66,106

25 CONTINGENCIES

At 31 December 2008, the company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it has anticipated that no material liabilities will arise amounting to KD 500,000 (2007: KD 500,000).

The above contingencies are due within 90 days from the balance sheet date.

26 STATUTORY GUARANTEES

In accordance with Kuwaiti Law:

(a) Investments of KD 110,000 (2007: KD 110,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;

(b) Investments of KD 45,000 (2007: KD 45,000) have been deposited with a Kuwaiti bank in respect of the company's right to transact life assurance business;

(c) Other investments, in the form of deposits and bonds amounting to KD 4,937,188 (2007: KD 4,432,188) are held in Kuwait.

(d) The company's premises with net carrying amount of KD 1,526,735 (2007: KD 1,643,170) have been mortgaged with the Ministry of Commerce and Industry.

27 RISK MANAGEMENT

(a) Governance framework

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

The company is establishing a risk management function with clear terms of reference from the 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 company policy framework including risk profiles for the company, risk management, control and business conduct standards for the company's operations.

(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 company:

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 company'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.

27 RISK MANAGEMENT (continued)

(c) Capital management objectives, policies and approach

The company 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 company thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders, and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the company 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 company has 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 company'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 company seeks to optimize the structure and sources of capital to ensure that is consistently maximises returns to the shareholders and policyholders.

The company's approach to managing capital involves managing assets, liabilities and risks in 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

27 RISK MANAGEMENT (continued)

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

position of the company in the light of changes in economic conditions and risk characteristics. An important aspect of the company'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 company is focused on the creation of value for shareholders.

The primary source of capital used by the company is equity shareholder's funds and borrowings. The company also utilises, where efficient to do so, sources of capital such as reinsurance and securitization in addition to more traditional sources of funding.

The capital requirements are routinely forecasted on a periodic basis, and assessed against both the forecast 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 company has had no significant changes in its policies and processes to its capital structure during the pas year from previous years.

(d) Insurance risk

The principal risk the company 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 company 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 company 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 company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the company substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the balance sheet date.

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

(1) Life insurance contracts

Life insurance contracts offered by the company include term insurance, group life and disability, group medical including third party

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

administration (TPA), endowment individual policies and pensions individual policies.

Term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.
Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the 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. 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 company 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 company is exposed to are as follows.

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

- 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 company as life business mainly written in Gulf countries.

The company'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 company 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 company to pursue third parties for payment of some or all costs. The company 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 company.

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 company 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.

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

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

	2008			2007		
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
Term insurance	15,350	14,583	767	22,067	20,964	1,103
Group life and disability	1,852,531	1,537,887	314,644	1,678,971	1,502,679	176,292
Group medical including TPA (through external institution)	500,418	215,680	284,738	450,942	194,482	256,460
Endowment individual policies	703,105	688,062	15,043	720,245	704,835	15,410
Pensions (individual policies)	275,529	-	275,529	290,903	-	290,903
Total life insurance contract	3,346,933	2,456,212	890,721	3,163,128	2,422,960	740,168
Total investment contracts and participation feature	2,486,575	-	2,486,575	2,312,432	-	2,312,432
Other life insurance contract liabilities	27,835	-	27,835	41,400	-	41,400

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

a. Insurance contracts

	2008			2007		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	3,346,933	2,456,212	890,721	3,204,528	2,422,960	781,568

b. Investment contracts

	2008			2007		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	2,486,575	-	2,486,575	2,312,432	-	2,312,432

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

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 company'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 company'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 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.

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

• 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 company'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 company'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.

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

The assumptions that have the greatest effect on the balance sheet and income statement of the company 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Investment contracts:												
With fixed and guaranteed terms	A49/52 Ult.	A49/52 Ult.	Quarterly market interest rate	Quarterly market interest rate	N/A	N/A	4%	4%	4% of AP+3% of SA	4% of AP+3% of SA	3%	3%
Non guaranteed terms	A49/52 Ult.	A49/52 Ult.	N/A	N/A	N/A	N/A	4%	4%	4% of AP+3% of SA	4% of AP+3% of SA	3%	3%
Life term assurance:												
Males	A49/52 Ult.	A49/52 Ult.	4%	4%	N/A	N/A	4%	4%	4% of AP+3% of SA	4% of AP+3% of SA	3%	3%
Females	A49/52 Ult.	A49/52 Ult.	4%	4%	N/A	N/A	4%	4%	4% of AP+3% of SA	4% of AP+3% of SA	3%	3%

27 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 2008	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit
				N/A
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 36,238		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	
31 December 2007				
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 41,400		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 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 36,238		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 2007				
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 41,400		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

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

The company principally issues the following types of general insurance contracts: marine and aviation, accident and fire. 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 company to multiple insurance risks. The company 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 company, 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 company. The company 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 company.

The company 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 company's risk appetite as decided by management.

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

	2008			2007		
Concentration of insurance contract liabilities by type of contract:	Gross liabilities KD	Reinsurer's share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurer's share of liabilities KD	Net liabilities KD
Marine and Aviation	2,663,996	2,364,405	299,591	3,025,094	2,636,771	388,323
Accident	9,424,445	4,407,611	5,016,834	10,765,265	5,790,425	4,974,840
Fire	3,216,415	2,913,046	303,369	1,915,196	1,630,618	284,578
Total	15,304,856	9,685,062	5,619,794	15,705,555	10,057,814	5,647,741

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

	2008			2007		
Geographical concentration of insurance contract liabilities:	Gross liabilities KD	Reinsurer's share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurer's share of liabilities KD	Net liabilities KD
Kuwait	15,304,856	9,685,062	5,619,794	15,705,555	10,057,814	5,647,741

Key assumptions

The principal assumption underlying the estimates is the company'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.

27 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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 2008	Change in assumptions	Impact on gross liabilities KD	Impact on net liabilities KD	Impact on profit KD
Average claim cost	+10%	316,244	158,122	289,363
Average number of claim	+10%	1,206	976	47,812
Average claim settlement paid	Reduce from 18 months to 12 months	632,480	316,244	N/A

31 December 2007	Change in assumptions	Impact on gross liabilities KD	Impact on net liabilities KD	Impact on profit KD
Average claim cost	+10%	324,528	146,037	297,017
Average number of claim	+10%	1,209	985	48,152
Average claim settlement paid	Reduce from 18 months to 12 months	641,056	290,074	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 company is developing its policies and procedures to enhance the company's mitigation of credit risk exposures.

- A company credit risk policy setting out the assessment and determination of what constitutes credit risk for the company. 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.

27 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

- 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.

The table below shows the maximum exposure to credit risk for the components of the balance sheet:

	31 December 2008		
Exposure credit risk by classifying financial assets according to type of insurance	General KD	Life KD	Total KD
Loans (bonds)	500,001	-	500,001
Loans to life policyholders	-	67,071	67,071
Policyholders accounts receivables (gross)	6,166,070	1,925,202	8,091,272
Insurance and reinsurance account receivable (gross)	2,359,795	283,073	2,642,868
Reinsurance recoverable on outstanding claims	9,685,062	7,753,006	17,438,068
Other debit balances	1,845,964	-	1,845,964
Fixed and short notice bank deposits	3,241,117	7,386,070	10,627,187
Bank balances and cash	66,838	6,443	73,281
Total credit risk exposure	23,864,847	17,420,865	41,285,712

	31 December 2007		
Exposure credit risk by classifying financial assets according to type of insurance	General KD	Life KD	Total KD
Loans (bonds)	1,000,001	-	1,000,001
Loans to life policyholders	-	97,013	97,013
Policyholders accounts receivables (gross)	5,677,735	1,618,959	7,296,694
Insurance and reinsurance account receivable (gross)	1,735,351	170,429	1,905,780
Reinsurance recoverable on outstanding claims	10,057,814	7,211,881	17,269,695
Other debit balances	1,910,708	195,567	2,106,275
Fixed and short notice bank deposits	3,424,695	8,396,869	11,821,564
Bank balances and cash	2,058,592	4,801	2,063,393
Total credit risk exposure	25,864,896	17,695,519	43,560,415

27 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 2008 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 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						
Loans (bonds)	-	-	500,001	-		500,001
Loans to life policyholders	-	-	-	-	67,071	67,071
Policyholders accounts receivables (gross)	-	-	84,364	76,891	7,930,017	8,091,272
Insurance and reinsurance account receivable (gross)	147,109	299,678	302,341	756,123	1,137,617	2,642,868
Reinsurance recoverable on outstanding claims	1,248,442	2,006,132	2,748,001	8,897,322	2,538,171	17,438,068
Other debit balances	-	-	-	-	1,845,964	1,845,964
Fixed and short notice bank deposits	-	-	10,627,187	-	-	10,627,187
Bank balances and cash	-	-	73,281	-	-	73,281
Total credit risk exposure	1,395,551	2,305,810	14,335,175	9,730,336	13,518,840	41,285,712

Not rated are classified as follows using internal credit rating.

	Neither past due nor impaired			
	High grade KD	Standard grade KD	Past due or Impaired KD	Total KD
31 December 2008				
Loans to life policyholders	-	67,071	-	67,071
Policyholders accounts receivable (gross)	-	6,719,517	1,210,500	7,930,017
Reinsurance accounts receivable (gross)	-	1,137,617	-	1,137,617
Reinsurance recoverable on outstanding claims	2,538,171	-	-	2,538,171
Other debit balances	1,845,964	-	-	1,845,964
Total	4,384,135	7,924,205	1,210,500	13,518,840

27 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 2007 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 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 2007						
Loans (bonds)	-	-	1,000,001	-	-	1,000,001
Loans to life policyholders	-	-	-	-	97,013	97,013
Policyholders accounts receivables (gross)	-	-	87,561	65,670	7,143,463	7,296,694
Insurance and reinsurance account receivable (gross)	89,572	198,203	179,143	615,566	823,296	1,905,780
Reinsurance recoverable on outstanding claims	898,024	2,012,786	2,751,231	8,965,391	2,642,263	17,269,695
Other debit balances	-	-	-	-	2,106,275	2,106,275
Fixed and short notice bank deposits	-	-	-	11,821,564	-	11,821,564
Bank balances and cash	-	1,999,619	63,774	-	-	2,063,393
Total credit risk exposure	987,596	4,210,608	4,081,710	21,468,191	12,812,310	43,560,415

Not rated are classified as follows using internal credit rating.

	Neither past due nor impaired			
	High grade KD	Standard grade KD	Past due or Impaired KD	Total KD
31 December 2007				
Loans to life policyholders	-	97,013	-	97,013
Policyholders accounts receivable (gross)	-	6,622,477	520,986	7,143,463
Reinsurance accounts receivable (gross)	-	698,296	125,000	823,296
Reinsurance recoverable on outstanding claims	2,642,263	-	-	2,642,263
Other debit balances	-	2,106,275	-	2,106,275
Total	2,642,263	9,524,061	645,986	12,812,310

27 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The following table represents the aging analysis of financial assets:

	< 30 days KD	30 - 60 days KD	60 - 90 days KD	90 - 120 days KD	> 120 days KD	Total KD
31 December 2008						
Loans (bonds)	-	-	-	-	500,001	500,001
Loans to life policyholders	-	-	-	-	67,071	67,071
Policyholders accounts receivables (gross)	2,035,905	1,000,912	1,785,116	1,118,905	2,150,434	8,091,272
Insurance and reinsurance account receivable (gross)	476,869	212,005	601,829	590,111	762,054	2,642,868
Reinsurance recoverable on outstanding claims	-	645,594	1,205,633	2,998,654	12,588,187	17,438,068
Other debit balances	-	-	-	58,462	1,787,502	1,845,964
Fixed and short notice bank deposits	-	3,855,000	-	-	6,772,187	10,627,187
Bank balances and cash	-	73,281	-	-	-	73,281
Total	2,512,774	5,786,792	3,592,578	4,766,132	24,627,436	41,285,712

	< 30 days KD	30 - 60 days KD	60 - 90 days KD	90 - 120 days KD	> 120 days KD	Total KD
31 December 2007						
Loans (bonds)	-	-	-	-	1,000,001	1,000,001
Loans to life policyholders	-	-	-	6,612	90,401	97,013
Policyholders accounts receivables	3,058,889	1,044,058	215,483	514,274	2,463,990	7,296,694
Insurance and reinsurance account receivable	413,785	-	451,839	582,840	457,316	1,905,780
Reinsurance recoverable on outstanding claims	-	229,903	1,189,560	3,100,120	12,750,112	17,269,695
Other debit balances	-	-	-	545,290	1,560,985	2,106,275
Fixed and short notice bank deposits	-	2,000,000	-	9,821,564	-	11,821,564
Bank balances and cash	-	2,063,393	-	-	-	2,063,393
Total	3,472,674	5,337,354	1,856,882	14,570,700	18,322,805	43,560,415

27 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 company has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

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

The table below summarises the maturity of the liabilities of the company based on remaining undiscounted contractual obligations as at 31 December 2008:

	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	5-10 years KD	Total KD
Liabilities						
Outstanding claims reserve	452,001	768,520	6,985,000	16,689,068	1,320,700	26,215,289
Unearned premiums reserve	80,975	476,001	1,785,690	426,517	-	2,769,183
Life mathematical reserve	-	-	-	6,000	3,400,000	3,406,000
Additional reserve	-	-	-	-	6,700,000	6,700,000
Insurance payables	-	-	-	843,317	4,000,000	4,843,317
Other credit balances	520,982	2,101,805	3,613,560	1,664,334	890,211	8,790,892
Term loans	-	-	-	22,500,000	-	22,500,000
Bank overdraft	-	-	3,119,866	-	-	3,119,866
Total	1,053,958	3,346,326	15,504,116	42,129,236	16,310,911	78,344,547

The table below summarises the maturity of the liabilities of the company based on remaining undiscounted contractual obligations as at 31 December 2007.

	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 years KD	5-10 years KD	Total KD
Liabilities						
Outstanding claims reserve	1,448,471	4,579,388	9,693,038	8,508,282	1,211,867	25,441,046
Unearned premiums reserve	80,598	528,060	1,610,401	560,205	-	2,779,264
Life mathematical reserve	-	-	-	4,000	3,090,000	3,094,000
Additional reserve	-	-	-	700,000	6,000,000	6,700,000
Insurance payables	251,000	1,190,010	3,850,000	510,000	-	5,801,010
Other credit balances	733,808	1,985,312	4,512,618	1,681,000	876,501	9,789,239
Term loans	-	-	2,494,424	24,835,978	-	27,330,402
Bank overdraft	939,250	-	-	-	-	939,250
Total	3,453,127	8,282,770	22,160,481	36,799,465	11,178,368	81,874,211

27 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk

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

Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price 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 company's principal transactions are carried out in KD and its exposure to foreign exchange risk arise primarily with respect to US dollar (USD), Jordanian dinar (JD), Egyptian pound (EGP), Euro, Pound sterling (GBP) and others.

The company'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 company through financial instruments.

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

27 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2008: Assets	Kuwaiti Dinar	USD (KD equivalent)	JD (KD equivalent)	EGP (KD equivalent)	Euro (KD equivalent)	GBP (KD equivalent)	Others (KD equivalent)	Total KD
Property and equipment	3,382,012	-	-	-	-	-	-	3,382,012
Investments properties	-	-	-	-	-	-	-	-
Investments in associates	1,069,067	2,668,406	999,689	-	-	-	-	4,737,162
Investment in unconsolidated subsidiaries	100,000	-	-	-	-	-	-	100,000
Investment in equities and bonds	54,127,634	24,775,736	1,032,488	1,924,697	1,929,558	909,463	5,247,615	89,947,191
Loans to life policyholders	67,071	-	-	-	-	-	-	67,071
Premiums and insurance balances receivable	6,168,871	2,981,542	36,102	42,821	26,801	123,972	209,654	9,589,763
Reinsurance recoverable on outstanding claims	12,203,105	5,091,872	22,001	-	23,105	97,985	-	17,438,068
Other debit balances	1,845,964	-	-	-	-	-	-	1,845,964
Fixed and short notice bank deposits	10,627,187	-	-	-	-	-	-	10,627,187
Bank balances and cash	(90,248)	158,583	-	-	2,036	1,968	942	73,281
Total assets	89,500,663	35,676,139	2,090,280	1,967,518	1,981,500	1,133,388	5,458,211	137,807,699

31 December 2008: Liabilities	Kuwaiti Dinar	USD (KD equivalent)	JD (KD equivalent)	EGP (KD equivalent)	Euro (KD equivalent)	GBP (KD equivalent)	Others (KD equivalent)	Total KD
Liabilities arising from insurance contracts								
Outstanding claims reserve (gross)	18,521,379	7,398,782	42,884	-	34,508	192,623	25,113	26,215,289
Unearned premium reserve (net)	1,747,661	902,860	-	16,176	3,912	32,762	65,812	2,769,183
Life mathematical reserve	2,930,995	475,005	-	-	-	-	-	3,406,000
Additional reserve	6,700,000	-	-	-	-	-	-	6,700,000
Total liabilities arising from insurance contracts	29,900,035	8,776,647	42,884	16,176	38,420	225,385	90,925	39,090,472
Policyholders and agencies payables	590,647	16,900	-	-	-	-	-	607,547
Insurance and reinsurance payables	2,438,482	1,377,983	218,897	54,270	4,265	40,886	100,987	4,235,770
Other credit balances	8,583,003	207,889	-	-	-	-	-	8,790,892
Term loans	22,500,000	-	-	-	-	-	-	22,500,000
Bank overdraft	3,119,866	-	-	-	-	-	-	3,119,866
Total Liabilities	67,132,033	10,379,419	261,781	70,446	42,685	266,271	191,912	78,344,547

27 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2007: Assets	Kuwaiti Dinar	USD (KD equivalent)	JD (KD equivalent)	EGP (KD equivalent)	Euro (KD equivalent)	GBP (KD equivalent)	Others (KD equivalent)	Total KD
Property and equipment	3,396,491	-	-	-	-	-	-	3,396,491
Investments properties	1,290,766	-	-	-	-	-	-	1,290,766
Investments in associates	-	2,274,349	1,078,190	-	-	-	-	3,352,539
Investment in unconsolidated subsidiaries	100,001	-	-	-	-	-	-	100,001
Investment in equities and bonds	92,954,169	18,513,282	-	3,027,155	1,699,464	820,925	3,137,986	120,152,981
Loans to life policyholders	97,013	-	-	-	-	-	-	97,013
Premiums and insurance balances receivable	5,112,672	2,810,711	-	54,214	13,897	133,482	216,057	8,341,033
Reinsurance recoverable on outstanding claims	11,121,685	5,180,908	34,539	43,174	25,905	863,484	-	17,269,695
Other debit balances	1,033,444	1,072,831	-	-	-	-	-	2,106,275
Fixed and short notice bank deposits	11,821,564	-	-	-	-	-	-	11,821,564
Bank balances and cash	1,730,132	275,474	-	55,340	1,668	650	129	2,063,393
Total assets	128,657,937	30,127,555	1,112,729	3,179,883	1,740,934	1,818,541	3,354,172	169,991,751

31 December 2007: Liabilities Liabilities arising from insurance contracts	Kuwaiti Dinar	USD (KD equivalent)	JD (KD equivalent)	EGP (KD equivalent)	Euro (KD equivalent)	GBP (KD equivalent)	Others (KD equivalent)	Total KD
Outstanding claims reserve (gross)	16,386,033	7,632,314	50,882	63,603	36,162	1,272,052	-	25,441,046
Unearned premium reserve (net)	1,686,221	953,968	-	18,053	4,627	44,449	71,946	2,779,264
Life mathematical reserve	2,629,900	464,100	-	-	-	-	-	3,094,000
Additional reserve	6,700,000	-	-	-	-	-	-	6,700,000
Total liabilities arising from insurance contracts	27,402,154	9,050,382	50,882	81,656	40,789	1,316,501	71,946	38,014,310
Policyholders and agencies payables	572,312	100,996	-	-	-	-	-	673,308
Insurance and reinsurance payables	2,839,283	1,975,355	-	43,568	9,857	85,314	174,325	5,127,702
Other credit balances	7,960,766	1,828,473	-	-	-	-	-	9,789,239
Term loans	27,330,402	-	-	-	-	-	-	27,330,402
Bank overdraft	939,250	-	-	-	-	-	-	939,250
Total Liabilities	67,044,167	12,955,206	50,882	125,224	50,646	1,401,815	246,271	81,874,211

27 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 before contribution to KFAS, NLST, Zakat and directors' fees (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity (due to the fluctuation in the exchange rates related to associated companies).

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. The effect of decreases in profit and equity is expected to be equal and opposite to the effect of the increases shown.

		2008		2007	
	Change in variables	Impact on profit KD	Impact on equity KD	Impact on profit KD	Impact on equity KD
USD	+ 5%	184,238	1,495,684	180,764	1,039,381
JD	+ 5%	1,044	92,469	816	53,896
EGP	+ 5%	809	95,662	1,347	148,271
Euro	+ 5%	765	97,706	458	84,973
GBP	+ 5%	6,370	49,726	20,152	40,930
Others	+ 5%	4,546	243,405	1,504	156,895

(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 company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest 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 company 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 before contribution to KFAS, NLST, Zakat and directors' fees. 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.

27 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(ii) Interest rate risk (continued)

	2008		2007	
Currency	Change in variables	Impact on profit KD	Change in variables	Impact on profit KD
KD	5%	44,140	5%	40,299
USD	5%	-	5%	202

The effect of decreases in profit and equity is expected to be equal and opposite to the effect of the increases shown.

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

(iii) Equity price risk

Equity price risk arises from the change in fair values of equity investments. The company manages this risk through diversification of investments in terms of geographical and industrial concentration.

The effect on equity (as a result of a change in the fair value of available for sale investments) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	2008		2007	
Market indices	Change in equity price %	Effect on equity KD	Change in equity price %	Effect on equity KD
Kuwait	+ 10	4,956,591	+5	4,663,258
Other GCC countries	+ 10	1,579,218	+5	470,581
Europe	+ 10	551,231	+5	162,845
Others	+ 10	1,852,329	+5	569,620

The effect of decreases in profit and equity is expected to be equal and opposite to the effect of the increases shown.

27 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 deposits which is as follows:

31 December 2008	Kuwait KD	Other GCC Countries KD	Europe KD	America KD	Middle East KD	Asia KD	Total KD
Investments in associates	1,069,067	2,304,629	-	-	1,363,466		4,737,162
Investment in unconsolidated subsidiaries	100,000	-	-	-	-		100,000
Investment in equities and bonds	50,119,398	15,792,188	4,012,314	6,109,839	9,603,993	4,309,459	89,947,191
Fixed and short notice bank deposits	10,627,187	-	-	-	-		10,627,187
Bank balances and cash	73,281	-	-	-	-		73,281
Total	61,988,933	18,096,817	4,012,314	6,109,839	10,967,459	4,309,459	105,484,821

31 December 2007	Kuwait KD	Other GCC Countries KD	Europe KD	America KD	Middle East KD	Asia KD	Total KD
Investments in associates	-	-	-	-	3,352,539	-	3,352,539
Investment in unconsolidated subsidiaries	100,000	-	1	-	-	-	100,001
Investment in equities and bonds	95,789,089	7,451,101	2,459,508	9,524,508	-	4,928,775	120,152,981
Fixed and short notice bank deposits	11,821,564	-	-	-	-	-	11,821,564
Bank balances and cash	2,063,393	-	-	-	-	-	2,063,393
Total	109,774,046	7,451,101	2,459,509	9,524,508	3,352,539	4,928,775	137,490,478

28 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company's policy is to keep the gearing ratio between 35% and 60%. The company includes within net debt, liabilities arising from insurance contracts, payables and term loans less cash and cash equivalent. Capital includes equity of the company less cumulative changes in fair values.

	2008 KD	2007 KD
Liabilities arising from insurance contracts	39,090,472	38,014,310
Payables	13,634,209	15,590,249
Term loans	22,500,000	27,330,402
Less: Cash and cash equivalents	3,046,585	(1,124,143)
Net debt	78,271,266	79,810,818
Total capital	56,819,907	69,636,697
Capital and net debt	135,091,173	149,447,515
Gearing ratio	58%	53%

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, deposits, investments and receivables. Financial liabilities consist of bank overdraft, term loans and payables.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost (see note 9), are not materially different from their carrying values.