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Chairman`s Message

Dear Shareholders,

I have the honor to welcome you on behalf of the Company's Board of Directors, and I am pleased to submit to you the Company's 45th annual report, reviewing the most important accomplishments that were achieved and important events which affected the Company's activities during the year 2008.

The year 2008 was indeed the year of contradictions since its last half differs totally from its first one. The last six months of the year witnessed a severe collapse in the local, regional and international stock markets leading to an unprecedented deterioration in the market value of different asset categories as well as liquidity position affecting the success of sales operations of investments/assets in order to improve the liquidity situation in the companies. Moreover, it resulted in a panic situation that struck the markets and the traditional and alternative investment instruments incurred a significant decrease in its market value.

As for Kuwait Stock Exchange Market, the year 2008 was considered the worst year. After reaching a good performance level in the first half of the year which allowed it to scale new unprecedented levels leading to the price index reaching 15,655 points on 24/06/2008, the second half took a diametrically opposite turn and the market was subject to a series of severe decreases that resulted in the erosion of its earnings experiencing a four year regression. This led the price index to reach the level of 7,783 points registering a fall of 50.3% from the highest level climbed earlier while the losses of the weighted index registered a decrease of 48.2% during the same period. Such decrease in terms of market value amounted to a loss of 30.33 billion dinars. Furthermore, the stock exchange markets of the Gulf region were not performing better than Kuwait in 2008. The Emirates shares losses reached 460.7 billion dirhams and its index registered a fall of 57.5%; Dubai Market witnessed the biggest losses in the region at a rate of 72.4% and held the top position. The state of other GCC markets is as follows:

• The Saudi Market holds the second position with a decrease of 56.5%;
• Abu Dhabi Market was the third with 47.5%;
• Muscat Market, fourth with 39.7%;
• Bahrain Market fifth rank with 34.5%; and finally
• Qatar Market was at the bottom of the table of GCC markets with a fall of 28.1%.

Concerning the American markets which triggered the crisis, the index of Standard and Poor's decreased by 38.5%; Dow Jones 33.8%; and NASDAQ 40.5%. The year 2008 was the worst, since the American economy was stricken in 1929, leading to depriving the investors and shareholders of about 6.9 trillion dollars. Moreover, dealers were confronted with an unprecedented state of chaos at the Wall Street after the collapse of Lehman Brothers, a Banking institution which was on the throne of the empire of global financial institutions besides in the United States of America. The American government saved some of the financial institutions that were about to collapse or disappeared as independent companies and some others were acquired by their larger competitors. At the international level, the year 2008 experienced weak performance overall; in Germany the share values have fallen at a rate of 40%; in Japan by 42%; and in Brazil 41%.

As for oil markets, the Kuwait oil price per barrel in 2008 reached its lowest levels over the years amounting to 35 dollars. The international financial and economic crisis led to the drop in the first energy source to such low levels, despite the fact that Kuwait oil price reached the highest levels in the month of July of the same year to 135 dollars per barrel and the expectation at that time was that it would rise to 150 dollars. OPEC failed to stop deterioration in the prices through reduction in standard production levels, which was not carried out by the said organization for many years.

Regarding the monetary policy and the exchange rates, the Central Bank of Kuwait decreased the discount rate on the Kuwaiti Dinar more than once during the year to stabilise at 3.75% in parallel with actions taken by most of the Central Banks in the world. As for the exchange markets, the American dollar value decreased against the Japanese yen by a rate of 18.6%; the Euro and the Japanese Yen by 4.2% and 22.1% respectively. The American dollar appreciated against the Pounds Sterling by 26.3%. The Euro appreciated by 33% against the Pounds Sterling to reach the best levels since the offering of this currency for trading in 1999. Furthermore, the Bank of England reduced the main interest rate by 3.5% this year to reach 2% in order to confront the negative effects of the financial crisis.

Concerning the updates related to the company, this year we were able to increase our shareholding in Bahrain Kuwait Insurance Company to reach 51.22%. Moreover, our associate company in KSA, Buruj Cooperative Insurance Company, has received the approval of the Saudi Council of Ministers upon its licensing and is currently preparing itself to offer 40% of its shares for public subscription. The company is extending its geographical spread inside Kuwait by identifying new branches in Khaitan, Abu Futaira, Salmiya and Hawalli. In fact, Khaitan branch was already operational and the remaining are to be opened shortly. Furthermore, during the year, Standard & Poor's reviewed the rating of the company and the company was able to maintain its previous rating of BBB+ with positive outlook, reinforcing the financial strength of the company. Our subsidiary companies were also able to achieve good growth rate both in terms of premium and profit which contributed to the company's overall growth and results. I would also like to state that the company succeeded in developing and introducing into the Market sales of some of our products via internet and it achieved good response from the public with the sale of appreciable number of policies and premium income. I am also pleased to inform you that our Company was granted in December 2008 the award of the "Best Company in the Middle East for 2008" considering its exceptional products, customer services and financial solvency. The company will continue its regional expansion strategy hoping to increase the number of subsidiary companies in new Arab markets.

The company also launched its third graduate development program for nine high caliber national cadres from various disciplines. The year long training includes in-house, on-the-job and overseas programs in the technical insurance, soft skills and management subjects. This reflects our efforts to ensure well-qualified and trained Kuwaiti human resources for the future leadership of the company.

Furthermore, this year witnessed the commencement of Al-Takaful Insurance activities through a separate unit established for the purpose. This Unit has achieved good success which has encouraged us to promote and support this unit in all lines of business.

Dear Shareholders,

The results achieved by the Company this year reflects clearly what was previously mentioned. The insurance activity has achieved the best ever results since the beginning of the company's operations. However, the severe fall experienced in the financial markets has induced the Board of Directors to take the difficult decision of evaluating all the company's investments based on the market value and to show the losses resulting thereof in the statement of income whether such investments were carried at fair value through income statement or available for sale, thereby surpassing the stipulations set by the International Accounting Standards. You can find below highlights of the financials and related ratios of the company's activities for the year 2008:

- Increase of gross premiums written by 16.9% to reach:	KD 86,609,378
- Increase of net underwriting surplus/profit by 80.3% to reach:	KD 8,046,102
- Increase of net technical reserves by 7.5% to reach:	KD 58,026,794
- Increase of balance sheet total by 7.6% to reach:	KD 239,976,237
- Decrease of cash and net investments by 5.6% to reach:	KD 145,598,608
- Decrease in shareholders equity by 11.1% to reach:	KD 76,976,564
- Decrease of Company's profit by 90.4% to reach:	KD 3,607,381
- Unrealized losses and impairment of value of investments:	KD 10,182,534

Hereunder, additional details concerning the company's activities and outcome during the year 2008:

Non Life Insurance Activities

Marine and Aviation Insurance Department

This Department has achieved a significant increase in its gross premiums written and net profits. The premiums written had increased from KD 8,877,549 to KD 10,446,189, which was an increase of KD 1,568,640 (by 17.7%). Moreover, the department's profit too increased from KD 905,237 to KD 1,196,310, which was an increase of KD 291,073 (by 32.2%).

Property Insurance Department

The department for the sixth consecutive year successfully managed the Combined Property Insurance Programme of Kuwait Petroleum Corporation. Moreover, it achieved a record increase in its gross premiums written and net profits earned; the gross premiums written increased from KD 10,604,538 in 2007 to KD 15,617,701, an increase of KD 5,013,163 (by 47.3%). Similarly, the department's profits increased from KD 163,636 to KD 457,384, which is an increase of KD 293,748 (by 179.5%).

Casualty Insurance Department

Despite the fact that the department was achieving unprecedented growth over the last 11 consecutive years, the year 2008 witnessed the best results with gross premiums written increasing from K.D 35,706,884 in 2007 to KD 40,874,605, an increase of K.D 5,167,721 (by 14.5%). The technical profits increased to KD 3,754,353 from K.D 2,005,151, a record increase of KD 1,749,202 (by 87.2%). The major capability of this department was its ability to maintain the unique level it has achieved on servicing and constant efforts to improve upon it by all means, whether by innovating new products which the market is looking to or to offer customized service to its clients.

Life and Health Insurance Activities

This year witnessed the beginning of the operations of our affiliated company specialized in life and health insurance business. It is the first company established in Kuwait for the said purpose and we believe that this will be the trend in the future to separate the general insurance activities from the life insurance activities. Moreover, this year witnessed a positive growth in gross premiums written and net profits earned, the premiums increased from KD 18,895,638 to KD 19,670,883 by an increase of KD 775,245 (by 4.1%) and the profits increased significantly from KD 1,387,390 in 2007 to KD 2,638,055, an increase of KD 1,250,665 (by 90.1%). Furthermore, the mathematical reserve of the life insurance activities increased to KD 16,311,027 compared to KD 15,617,788 in 2007, an increase of KD 693,239 (by 4.4%). However, the cash and net investments value was down to KD 30,690,571 in 2008 when compared with KD 31,946,400 in 2007, a decrease of KD 1,255,829 (or 3.9%) attributable to the decrease in value of investments in all the markets of the world.

The Company’s Financial Position and Investment Activities

The Company’s investment activity performance of this year reflected the severe financial and economic crisis that suddenly struck the entire world and the Board of Directors decided to show the company’s investments and assets at their market value without any change even

though the International Accounting Standards allows that, where all the losses resulting from the decrease of the priced investments value were recognized in the circulated securities in the local and international stock markets, whether such investments were listed in the fair value through the statement of income or if they were long-term investments for sale notwithstanding whether the decrease in the value is affected or not by certain percentage from the investment cost. We have absorbed our losses in these statements in full even for those amounting to a thousand dinars or less and this resulted in an unrealized book loss of KD 10,182,534 (against an increase of KD 1,931,666 in the investments value recognized in 2007). This has resulted in a loss from the investment activity of KD 568,059 for the first time since the well-known stock market crisis in 1982. Moreover, the severe decrease in the value of investments resulted in a decrease of cumulative change in the fair value of investments from KD 12,084,472 to KD 8,169,978, a decrease of KD 3,914,494 (by 32.4%), which has affected negatively the shareholders equity. In order to support the company's financial position, we have increased the capital reserves by KD 758,098 with which the legal reserve stands increased to KD 11,689,049 while the voluntary reserve reached KD 15,642,462. The total of the consolidated balance sheet increased by KD 16,945,253 to reach KD 239,976,237 of which the cash and investments represent 63.6%.

Recommendations:

The Board of Directors is pleased to recommend to this Meeting the apportionment of the distributable financial profits of the year amounted to KD 22,566,251 as follows:

10% for the statutory reserve:	KD 379,049
10% for the voluntary reserve:	KD 379,049
50% cash dividends to the shareholders:	KD 8,252,203

As I conclude, on my personal behalf and on behalf of all the members of the company's Board of Directors and its executive management, I thank HH the Emir of Kuwait, HH the Crown Prince and HH the Prime Minister for their wise leadership in carrying forward the affairs of the State towards further improvement and stability. I shall also benefit from this opportunity to congratulate you and congratulate the people of Kuwait on the occasions of Independence and Liberation Days. I also thank the company's local and international customers, reinsurers and insurance brokers for their continuous confidence, support and cooperation. Moreover, I also express my sincere appreciation to the Company's management and employees for their efforts and faith, which contributed to realizing the aimed results and finally I thank Kuwait Projects Company (KIPCO), which is the largest shareholder in our company, for its continuous support and cooperation.

Farqad Abdullah Al Sane
Chairman of the Board of Directors

Mission & Vision

MISSION - OUR CORPORATE AMBITION

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

VISION - WHAT DO WE WISH TO BE KNOWN FOR?

We will be the insurer of choice and the leader in our chosen markets.

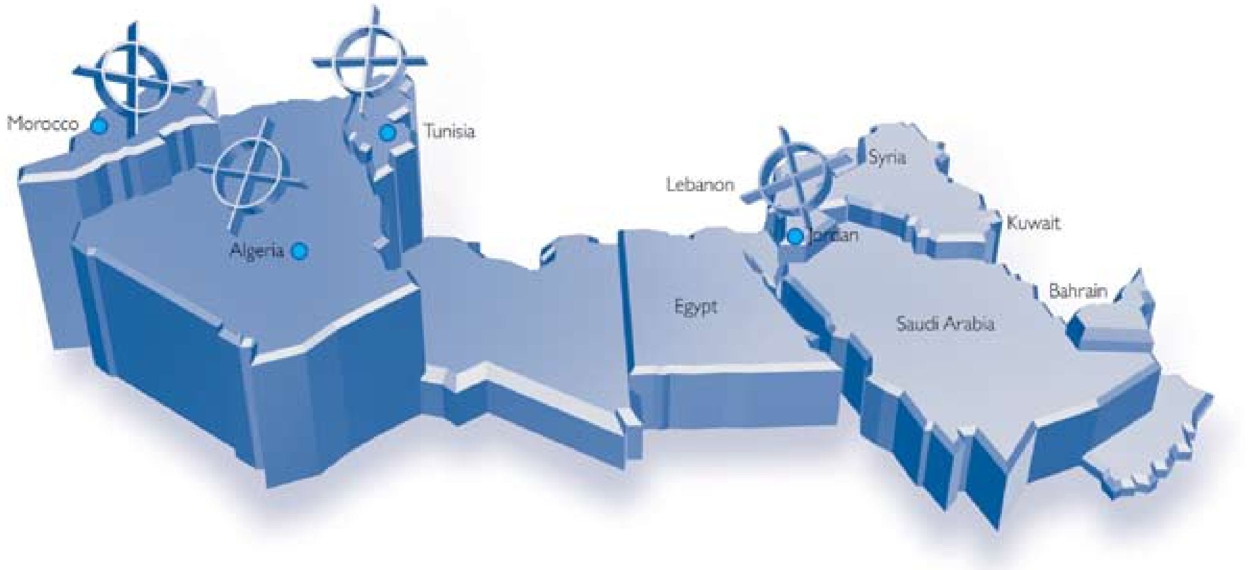
WE WILL ACHIEVE THIS BY:

- Providing solutions that consistently meet or exceed the needs and aspirations of our customers.
- Setting standards for service delivery and value creation amongst insurers in Kuwait and the MENA region.
- Being influential in enhancing the development of our industry.

We AIM to be valued by our Customers, our Shareholders and our Staff alike.

About Gulf Insurance Company

KUWAIT | KUWAIT | SAUDI ARABIA | LEBANON | EGYPT | BAHRAIN | SYRIA



Gulf Insurance Company – A Profile

Gulf Insurance Company (GIC) was established in 1962. Over the years GIC has grown from being a leading personal and commercial insurer in Kuwait into a regional insurance solutions provider. Its subsidiaries include:

· Gulf Life Insurance Company - Kuwait
· Bahrain Kuwait Insurance Company - Bahrain.
· Arab Misr Insurance Group - Egypt.
· Saudi Pearl Insurance Company - Saudi Arabia.
· Syrian Kuwaiti Insurance Company - Syria.
· Fajr Al-Gulf Insurance & Reinsurance Company - Lebanon.

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

GIC covers a variety of risks related to Motor; Marine and Aviation; Property and Casualty; Life and Health insurance. It prides itself in the quality of products and customer service and enjoys lending utmost personalized attention to both individual and corporate clients. By cultivating a team of over 150 life and non-life insurance consultants trained to offer customers the most practical advises and dedicated attention and a growing network of over 15 branches accessible throughout Kuwait has allowed the company to realize its pledge to be the “insurer of choice”.

GIC’s state-of-the-art Internet based information technology system links all of its operations and that of subsidiaries to a mainframe. This process has immensely contributed to company’s efficiency in issuing policies, handling claims, keeping financial accounts and allowing online access to its overseas subsidiaries and reinsurers. A complete database of clients has been built allowing improved Customer Relationship Management, which is a crucial step in customer retention.

GIC intends to implement many ambitious and futuristic projects in order to meet the ever-changing customer needs and exceed their expectations. Apart from being committed to the advancement of insurance industry both in Kuwait and in the Middle East region, GIC plans to continue the regional expansion strategy towards establishing itself as a major player in the regional insurance market and increasing its business portfolio.

GIC is part of the KIPCO Group, one of the biggest diversified holding companies in the Middle East and North Africa, with assets worth more than US$ 19 billion under management or control. The Group has substantial ownership interests in a portfolio of over 50 companies operating across 21 countries. The company’s main business sectors are financial services and media. Through the subsidiaries and affiliates of its core companies, KIPCO also has interests in Real Estate, Industry, Healthcare and the Management & Advisory sector.


الخليج لتأمينات الحياة
GULF LIFE INSURANCE
الخليج للتأمين
GULF INSURANCE
FAJR AL GULF
SKIC
AMIG

الشـركة البـحرينية الكويتية للتـأمين
Bahrain Kuwait Insurance Company

Bahrain Kuwait Insurance Company (BKIC) was established in 1975. By virtue of its shareholding structure, BKIC is allowed to operate as a national insurance company both in Bahrain and Kuwait, the only company to enjoy such a privilege. The company is currently listed on both the Bahrain Stock Exchange and the Kuwait Stock Exchange.
BKIC is involved in all classes of insurance. BKIC has grown to occupy a leading position in the Bahrain insurance market. BKIC has been a leader in community service and BKIC prides itself on being in the forefront of training and manpower development activity.
Due to strong market and financial position of the company, GIC has increased its investment in BKIC to own 51.22% of shareholders' equity as at 31 December 2008.

	2008	2007
GIC Shareholding	**%51.22**	**% 50.22**
	KD	**KD**
Total Cash & Investments	27,921,321	27,743,198
Total Assets	57,264,628	44,722,137
Net Technical Reserves	9,278,078	8,389,822
Total Shareholder's Equity	**17,556,981**	**19,243,539**
Gross Written Premium	26,266,299	20,303,116
Underwritting Surplus / (Deficit)	2,348,142	1,358,507
Net Profits / (Losses)	2,716,032	2,815,833

17,556,981

Total Shareholders' Equity

شركة المجموعة العربية المصرية للتأمين

Arab Misr Insurance Group

Arab Misr Insurance Group (AMIG) is an Egyptian non life insurance company established in 1993 where its issued capital is EGP 500m and paid up capital is EGP 65m. The Company practices all lines of non life insurance business through 11 branches covering most of Egypt and Employing around 200 employees.
The company market share is 3% of the total non life market & 10% from private sector insurance company.

	2008	2007
GIC Shareholding	**%85.34**	**% 85.34**
	KD	**KD**
Total Cash & Investments	9,104,119	7,814,100
Total Assets	15,058,633	12,153,011
Net Technical Reserves	5,613,036	4,236,577
Total Shareholder's Equity	**3,409,581**	**3,329,839**
Gross Written Premium	9,644,807	7,746,262
Underwritting Surplus / (Deficit)	546,564	(-354,740)
Net Profits / (Losses)	206,709	443,949

3,409,581

Total Shareholders' Equity

شركة اللؤلؤة السعودية للضمان المحدودة

Saudi Pearl Insurance Company Ltd.

Saudi Pearl Insurance Company is a Bahraini insurance company, established in Bahrain and is engaged in an offshore insurance business in Kingdom of Saudi Arabia. The company has strong presence in the Saudi insurance market and is engaged in all classes of insurance.

SPI is going under a transitory period, where a new company is being established under the name of Buruj Cooperative Insurance Company, where GIC will own a 22.5% of share capital as a founder.

The new formed company has strong potentials to grow in the Saudi insurance market due to positive economic outlook, low current insurance penetration rates and a new insurance regulatory framework that was introduced in 2004.

	2008	2007
GIC Shareholding	**%100.00**	**% 100.00**
	KD	**KD**
Total Cash & Investments	2,051,943	1,940,839
Total Assets	5,837,647	4,913,051
Net Technical Reserves	1,146,418	1,066,982
Total Shareholder`s Equity	**1,927,846**	**1,588,431**
Gross Written Premium	2,997,911	2,710,315
Underwritting Surplus / (Deficit)	409,812	361,716
Net Profits / (Losses)	333,545	267,649

1,927,846

Total Shareholders' Equity

الشـركة السورية الكويتية للتأمين

Syrian Kuwaiti Insurance Company

Syrian Kuwaiti insurance company (SKIC) is a syrian shareholding company, established on 6 February 2006. The company's issued and fully paid up capital is KD 4,845,000.

SKIC had 7% of the Syrian Insurance Market from its first year of operations. The company provides services that consistently meet customers' needs and contirbuting positively in the development of the insurance industry in Syria by expanding the sales and distribution network.

	2008	2007
GIC Shareholding	**%44.39**	**% 44.39**
	KD	**KD**
Total Cash & Investments	9,035,926	6,565,942
Total Assets	11,408,103	7,535,470
Net Technical Reserves	2,625,795	1,691,966
Total Shareholder's Equity	**5,608,555**	**4,646,999**
Gross Written Premium	5,270,308	4,093,051
Underwritting Surplus / (Deficit)	130,882	148,705
Net Profits / (Losses)	288,947	191,908

5,608,555

Total Shareholders' Equity

شركة فجر الخليج للتأمين و إعادة التأمين

Fajr Al Gulf Insurance & Reinsurance Co.

Fajr Al Gulf is a Lebanese shareholding company established in 1992. Currently the company employees 60 employees spread over 7 branches and serving approximately 60,660 customers in Lebanon.
Due to the political and economical situations preveiling in Lebanon recently, Fajr has been incurring losses, but the management of the company is keen to overcome these losses in the near future increasing and diversifying its insurance and investment portfolios.

	2008	2007
GIC Shareholding	**%51.00**	**%51.00**
	KD	**KD**
Total Cash & Investments	1,173,065	2,406,938
Total Assets	5,080,928	5,966,699
Net Technical Reserves	1,936,771	1,849,355
Total Shareholder's Equity	**310,805**	**882,864**
Gross Written Premium	3,067,519	2,710,160
Underwritting Surplus / (Deficit)	(-465,240)	(-575,030)
Net Profits / (Losses)	(-527,413)	(-679,781)

310,805

Total Shareholders' Equity

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

	2008
GIC Shareholding	**%98.60**
	KD
Total Cash & Investments	26,013,818
Total Assets	42,235,502
Net Technical Reserves	24,284,697
Total Shareholder's Equity	**7,460,197**
Gross Written Premium	15,657,415
Underwritting Surplus / (Deficit)	2,509,415
Net Profits / (Losses)	2,460,197

7,460,197

Total Shareholders' Equity

Board of Directors

1 Mr. Farqad Al Saneh
Chairman

2 Mr. Faisal Al Ayaar
Vice Chairman

3 Mr. Khalid Al Hassan
Managing Director and CEO

4 Mr. Abdul Aziz Al Fulaij
Board Member

5 Mr. Khaled Al Wazzan
Board Member

6 Mr. Abdul Ilah Marafie
Board Member

7 Mr. Abdullah Al Mansour
Board Member

8 Mr. Mahmoud Al Saneh
Board Member

Executive Management

Mr. Khalid Al Hassan
Managing Director and CEO

Mr. Tareq Abdulwahab Al Sahhaf
General Manager

Mr. Ahmad Helmi
Legal Consultant

Mr. Adnan Al Baghli
Deputy General Manager

Mr. Rafat Al Salamouny
Deputy General Manager

Mr. Anwar Al Rafidi
Deputy General Manager

Mr. Jamal Al Sayer
Assisstant General Manager

Mr. I.V.K. Chary
Assisstant General Manager

Mr. Hatem Selim
Regional Financial Controller

Auditor’s Report

ERNST & YOUNG

Ernst & Young
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Email: kuwait@kw.ey.com

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Independent Member of Baker Tilly International

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Sharq, Omar Bin Al khattab St.
Shawafat Bldg., Entrance 5, 1st Floor
Tel: (965) 2401342 - 2401324
Fax: (965) 2426532
Email: info@bakertillykuwait.com
Website: www.bakertillykuwait.com

Honorable Shareholders',

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

We have audited the accompanying consolidated financial statements of Gulf Insurance Company – K.S.C. (the parent company) and its subsidiaries ('the Group'), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Auditors' Report to the Shareholders

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2007 that might have had a material effect on the business of the parent company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG
24 January 2008
Kuwait

DR. SAOUD AL-HUMAIDI
LICENCE NO. 51 A
AL-HUMAIDI & PARTNERS
INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL

CONSOLIDATED INCOME STATEMENT

At 31 December 2008

	Notes	2008 KD	2007 KD
REVENUE:			
Premiums written		**86,609,378**	74,084,609
Reinsurance premiums ceded		**(44,211,087)**	(35,384,832)
Net premiums written		**42,398,291**	38,699,777
Movement in unearned premiums		**(901,192)**	(797,198)
Net premiums earned		**41,497,099**	37,902,579
Commission received on ceded reinsurance		**6,723,192**	5,897,497
Policy issuance fees		**1,434,166**	1,194,486
Net investment income from life insurance	3	**479,854**	2,383,866
		50,134,311	47,378,428
EXPENSES:			
Claims incurred		**23,983,953**	24,916,434
Commission and discounts		**6,262,704**	6,147,261
Increase in life mathematical reserve		**693,239**	1,197,788
Increase in additional reserve		**192,297**	58,597
Maturity and cancellations of life insurance policies		**450,033**	693,834
General and administrative expenses		**10,505,983**	9,903,100
		42,088,209	42,917,014
NET UNDERWRITING RESULT		**8,046,102**	4,461,414
Net investment (loss) income	3	**(1,047,913)**	39,123,228
Sundry income		**58,700**	95,196
		7,056,889	43,679,838
OTHER CHARGES			
Unallocated general and administrative expenses		**(1,974,568)**	(3,137,982)
		(1,974,568)	(3,137,982)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES		**5,082,321**	40,541,856
Contribution to KFAS		**(37,413)**	(391,555)
National Labour Support tax		**(46,926)**	(954,639)
Zakat tax		**(18,771)**	(23,336)
Directors' fees		**(80,000)**	(120,000)
PROFIT FOR THE YEAR		**4,899,211**	39,052,326
ATTRIBUTABLE TO:			
Equity holders of the parent company		**3,607,381**	37,665,945
Minority interest		**1,291,830**	1,386,381
		4,899,211	39,052,326
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**21.9 Fills**	230,67 Fills
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**21.9 Fills**	233,12 Fills

The attached notes 1 to 27 form part of these consolidated financial statements.

Gulf Insurance Company - K.S.C and Subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 KD	2007 KD
ASSETS			
Property and equipment	5	**6,458,519**	6,191,673
Investments in associated companies	6	**5,370,810**	4,050,680
Intangible assets		**2,934,275**	2,725,109
Financial instruments:			
Investments carried at fair value through income statement	7	**16,378,807**	22,829,621
Investments available for sale	8	**64,820,838**	60,913,490
Debt securities (loans)		**3,300,000**	4,300,000
Investments held to maturity		**6,320,460**	4,731,485
Loans secured by life insurance policies		**731,959**	438,165
Premiums and insurance balances receivable	9	**27,842,034**	22,961,088
Reinsurance recoverable on outstanding claims	10	**37,231,202**	22,224,904
Property held for sale		**228,932**	291,249
Other assets	11	**12,163,792**	6,364,875
Cash and cash equivalents	12	**56,194,609**	65,008,645
TOTAL ASSETS		**239,976,237**	223,030,984
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities arising from insurance contracts:	10		
Outstanding claims reserve (gross)		**61,502,416**	44,263,271
Unearned premiums reserve (net)		**14,188,193**	13,287,003
Life mathematical reserve (net)		**16,311,027**	15,617,788
Additional reserve (net)		**3,256,360**	3,064,061
Total liabilities arising from insurance contracts		**95,257,996**	76,232,123
Bank overdraft	12	**7,015,847**	7,888,638
Premiums received in advance		**6,319,613**	2,736,907
Insurance payable	13	**30,770,516**	25,507,388
Other liabilities	14	**11,196,155**	11,010,746
TOTAL LIABILITIES		**150,560,127**	123,375,802
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT			
Share capital	15	**16,965,000**	11,310,000
Share premium		**3,600,000**	3,600,000
Treasury shares	16	**(2,045,871)**	(3,385,743)
Treasury shares reserve		**1,578,309**	1,011,297
Employees Share option reserve	17	**-**	318,508
Statutory reserve	18	**11,689,049**	11,310,000
Voluntary reserve		**15,642,462**	15,263,413
Cumulative changes in fair value		**8,169,978**	12,084,472
Foreign currency translation adjustments		**(430,516)**	(496,807)
Retained earnings		**21,808,153**	35,555,940
		76,976,564	86,571,080
Minority interest		**12,439,546**	13,084,102
Total equity		**89,416,110**	99,655,182
TOTAL LIABILITIES AND EQUITY		**239,976,237**	223,030,984

Farqad A. Al-Sane
Chairman

The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 December 2008

	Attributable to equity holders of the parent												
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Employees share option reserve KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation adjustments KD	Retained earnings KD	Sub total KD	Minority Interest KD	Total equity KD
Balance as at 31 December 2007	11,310,000	3,600,000	(3,385,743)	1,011,297	318,508	11,310,000	15,263,413	12,084,472	(496,807)	35,555,940	86,571,080	13,084,102	99,655,182
Change in fair value of investments available for sale	-	-	-	-	-	-	-	2,867,456	-	-	2,867,456	-	2,867,456
Sale of investments available for sale	-	-	-	-	-	-	-	(2,059,032)	-	-	(2,059,032)	-	(2,059,032)
Impairment of investments available for sale	-	-	-	-	-	-	-	(4,722,918)	-	-	(4,722,918)	-	(4,722,918)
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	66,291	-	66,291	-	66,291
Net income and expense recognized directly in equity	-	-	-	-	-	-	-	(3,914,494)	66,291	-	(3,848,203)	-	(3,848,203)
Profit for the year	-	-	-	-	-	-	-	-	-	3,607,381	3,607,381	1,291,830	4,899,211
Total recognized income and expense for the year	-	-	-	-	-	-	-	(3,914,494)	66,291	3,607,381	(240,822)	1,291,830	1,051,008
Dividends for 2007 (Note 27)	-	-	-	-	-	-	-	-	-	(10,942,070)	(10,942,070)	-	(10,942,070)
Issues of bonus shares	5,655,000	-	-	-	-	-	-	-	-	(5,655,000)	-	-	-
Sales of treasury shares	-	-	1,339,872	567,012	(702,068)	-	-	-	-	-	1,204,816	-	1,204,816
Cost of share based payment (Note 17)	-	-	-	-	383,560	-	-	-	-	-	383,560	-	383,560
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	-	(1,936,386)	(1,936,386)
Transfer to reserves	-	-	-	-	-	379,049	379,049	-	-	(758,098)	-	-	-
Balance as at 31 December 2008	**16,965,000**	**3,600,000**	**(2,045,871)**	**1,578,309**	**-**	**11,689,049**	**15,642,462**	**8,169,978**	**(430,516)**	**21,808,153**	**76,976,564**	**12,439,546**	**89,416,110**

The attached notes 1 to 27 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

At 31 December 2008

	Attributable to equity holders of the parent												
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Employees share option reserve	Statutory reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation adjustments	Retained earnings	Sub total	Minority Interest	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 31 December 2006	11,310,000	3,600,000	(3,151,943)	-	-	10,363,850	11,319,880	18,511,012	23,323	8,589,328	60,565,450	13,470,360	74,035,810
Change in fair value of investments available for sale	-	-	-	-	-	-	-	7,942,825	-	-	7,942,825	-	7,942,825
Sale of investments available for sale	-	-	-	-	-	-	-	(13,816,174)	-	-	(13,816,174)	-	(13,816,174)
Impairment of investment available for sale	-	-	-	-	-	-	-	(553,191)	-	-	(553,191)	-	(553,191)
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	(520,130)	-	(520,130)	-	(520,130)
Net income and expense recognised directly in equity	-	-	-	-	-	-	-	(6,426,540)	(520,130)	-	(6,946,670)	-	(6,946,670)
Profit for the year	-	-	-	-	-	-	-	-	-	37,665,945	37,665,945	1,386,381	39,052,326
Total recognised income and expense for the year	-	-	-	-	-	-	-	(6,426,540)	(520,130)	37,665,945	30,719,275	1,386,381	32,105,656
Dividends for 2006 (Note 27)	-	-	-	-	-	-	-	-	-	(5,809,650)	(5,809,650)	-	(5,809,650)
Purchase of treasury shares	-	-	(2,589,057)	-	-	-	-	-	-	-	(2,589,057)	-	(2,589,057)
Sale of treasury shares	-	-	2,355,257	1,011,297	-	-	-	-	-	-	3,366,554	-	3,366,554
Cost of share based payment	-	-	-	-	318,508	-	-	-	-	-	318,508	-	318,508
Net movement in minority interest	-	-	-	-	-	-	-	-	-	-	-	(1,772,639)	(1,772,639)
Transfer to reserves	-	-	-	-	-	946,150	3,943,533	-	-	(4,889,683)	-	-	-
Balance as at 31 December 2007	**11,310,000**	**3,600,000**	**(3,385,743)**	**1,011,297**	**318,508**	**11,310,000**	**15,263,413**	**12,084,472**	**(496,807)**	**35,555,940**	**86,571,080**	**13,084,102**	**99,655,182**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
At 31 December 2008

	Note	2008 KD	2007 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**5,082,321**	40,541,856
Adjustments for:			
Depreciation		**510,038**	1,165,082
Net investment income		**(4,107,100)**	(43,062,912)
Impairment of investment		**4,722,918**	1,555,818
Impairment of goodwill		**-**	448,949
Gain on sale of associates		**(47,759)**	-
Cost of share based payment		**383,560**	318,508
Changes in operating assets and liabilities:		**6,543,978**	967,301
Investments carried at fair value through income statement		**6,450,814**	(10,623,698)
Premiums and insurance balances receivable		**(4,880,946)**	(4,292,688)
Reinsurance recoverable on outstanding claims		**(15,006,298)**	(6,419,024)
Property held for sale		**62,317**	1,023,202
Other assets		**(14,415,827)**	(135,257)
Liabilities arising from insurance contracts		**19,025,874**	11,406,463
Premiums received in advance		**3,582,706**	(3,030,848)
Insurance payable		**5,263,127**	(1,793,001)
Other liabilities		**1,342,144**	(810,849)
Cash (used in) generated from operations		**7,967,889**	(13,708,399)
Paid to KFAS		**(391,555)**	(87,463)
Paid to NLST		**(967,336)**	(178,460)
Paid to Zakat		**(23,707)**	-
Paid to directors		**(120,000)**	(80,000)
Net cash (used in) from operating activities		**6,465,291**	(14,054,322)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(772,944)**	(1,837,306)
Proceeds from sale of property and equipment		**2,930**	146,610
Net movement on investments available for sale		**(7,775,681)**	(1,491,709)
Purchase of investments in associates		**(2,072,655)**	(3,278,070)
Proceeds from sale of associates		**800,284**	-
Purchase of investment held to maturity		**(1,588,975)**	(3,199,649)
Decrease in debt securities (loans)		**1,000,000**	1,216,155
Increase in loans secured by life insurance policies		**(293,794)**	(311,189)
Acquisition of subsidiary		**(229,957)**	(2,058,942)
Interest received		**3,865,984**	2,197,720
Dividends received		**3,796,097**	1,582,831
Other investment income received		**386,769**	38,502,343
Net cash from (used in) investing activities		**(2,881,942)**	31,468,794
FINANCING ACTIVITIES			
Dividends paid		**(10,859,315)**	(5,952,651)
Net movement of treasury shares		**1,204,816**	777,497
Minority interest movement		**(1,936,386)**	(386,258)
Net cash (used in) from financing activities		**(11,590,885)**	(5,561,412)
Foreign currency translation adjustments		**66,291**	(520,130)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(7,941,245)**	11,332,930
Cash and cash equivalents at beginning of the year		**57,120,007**	45,787,077
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	**49,178,762**	57,120,007

The attached notes 1 to 27 form part of these consolidated financial statements.

1 - CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Company – K.S.C (the "parent company" and Subsidiaries (the "Group") for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 15 February 2009 . The Shareholders' General Assembly has the power to amend these financial statements after issuance.

The parent company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The parent company is 68.29% (2007: 75.3%) owned by Kuwait Projects Company Holding K.S.C. (the "ultimate parent company"). The parent company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The address of the Company's registered office is at Ahmed Al Jaber Street, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 570 employees for the year ended 31 December 2008 (2007: 511 employees).

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements have been presented in Kuwaiti Dinars.

Statement of compliance

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

Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following:

International Accounting Standard Amended and Issued

Amendments to IAS 39: Financial Instruments: Recognition and Measurement

On 13 October 2008, the International Accounting Standards Board (IASB) approved and published amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures to allow reclassifications of certain financial instruments held for trading to either the held maturity, loans and receivables or available for sale categories with effect from 1 July 2008. The group did not use these amendments to IAS 39.

International Accounting Standards Board (IASB) Standards and International Financial Reporting Interpretations Committee Interpretation (IFRIC) Interpretations issued but not adopted

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

IFRS 8: Operating segments

This supersedes IAS 14 Segment Reporting. The IFRS is required to be applied for accounting period beginning from 1 January 2009 and will result in additional disclosure requirements in the group's consolidated financial statements in the future.

- IAS 1 (Revised 2007): Presentation of financial statements

This supersedes IAS 1 (Revised 2003). The IAS is required to be applied for annual accounting period beginning from 1 January 2009 and will result in additional presentation and disclosure requirements.

- IAS 23 (Revised 2007): Borrowing costs

The IFRS is required to be applied for annual accounting period beginning from 1 January 2009 and will most likely not have any impact on the accounting policies and disclosure requirements in the group's consolidated financial statements in the future.

- Revised IFRS 3 – Business Combinations and consequential amendments to IAS 27 – Consolidated

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 8: Operating segments (Continued)

and Separate Financial Statements (applicable for business combinations for which the acquisition date is on or after the beginning of the reporting period be on or after 1 July 2009)

The main change to the standard that affects the group's current policies is that acquisition related costs are expensed in the consolidated income statement in the periods in which the costs are incurred and the services received, except for the cost of issue of equity (recognized directly in equity). Currently the group recognizes acquisition costs as part of the purchase consideration. Also changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity and will have no impact on goodwill nor will it give rise to a gain or loss in the consolidated income statement.

- IFRS 2 share based payment (Amendment)

This amendment to IFRS 2 Share-based payments was issued in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted.

The Group does not intend to apply any of the above pronouncements early.

Based on the Group's current business model and accounting policies, management does not expect material impact on the Group's consolidated financial statements in the period of initial applications of the above interpretations.

Summary of Significant Accounting Policies

- Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2008. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interest represents the portion of profit or loss and net assets not held by the Group and is presented separately in the income statement and within equity in the consolidated balance sheet, separately from the parent company's shareholders' equity. Acquisitions of minority interest is accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Revenue recognition

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the income statement in order that revenue is recognised over the period of risk.

Commissions earned and paid

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

Interest income

Interest income is recognised using the effective interest rate method.

Dividend income

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

Rental income

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

Realised gains and losses

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

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income statement as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the balance sheet date.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the 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 of that year.

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The deferred policy acquisition costs (DAC) are subsequently amortised over the 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.

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

Liability adequacy test
At each balance sheet date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in the income statement and an unexpired risk provision is created.

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

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

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

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

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

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reinsurance contracts held (Continued)

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

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

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

Product classification

Insurance contract

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

Investment contracts

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

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

Property and equipment

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

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

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

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

Investments in associated companies

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

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

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

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associated companies (Continued)

interest in the associate.

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or Groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or Groups of units.

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

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

When goodwill forms part of a cash-generating unit (Group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determine the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained

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

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

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

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

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

- The designation eliminates or significantly reduces the inconsistent

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

• The assets and liabilities are part of a Group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.
Fair value adjustments and realised gain and loss are recognised in the income statement.

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

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

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

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

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

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

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

(a) For assets carried at fair value, impairment is the difference between cost and fair value;

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment and uncollectability of financial assets (Continued)

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

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

De-recognition of financial assets and liabilities

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

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

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

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

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

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 Group's actuaries.

Payables

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

End of service indemnity

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

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

End of service indemnity (Continued)

Treasury shares

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

Employees' share option reserve

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

Equity-settled transactions

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

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

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

Foreign currencies

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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,

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-life insurance contract liabilities (Continue)

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 Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or 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 Group base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Reinsurance

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

Impairment of goodwill

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

Judgement

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

Classification of investments

Management has to decide on acquisition of an investment whether it should be classified as available for sale or investments carried at fair value through statement of income or held to maturity investments. The Group classifies investments as carried at fair value through income statement if the

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Judgement (Continued)

fair value can be reliably determined. The Group classifies investment as "held to maturity" if they meet the relevant criteria for each classification. All other investments are classified as available for sale.

Impairment of investments

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

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

3 - NET INVESTMENT INCOME

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

	Investments held for trading	Designated investments at fair value through income statement	Investments available for sale	Debt securities (loan)	Investment held to maturity	Time and call deposits	**2008 Total**	2007 Total
	KD	KD	KD	KD	KD	KD	**KD**	KD
Realised gains (losses)	92,162	-	-	-	-	-	**92,162**	720,521
Unrealised (losses) gains	(1,391,617)	-	-	-	-	-	**(1,391,617)**	246,915
Dividends income	225,779	-	-	-	-	-	**225,779**	99,608
Interest income	-	-	-	337,110	-	1,246,210	**1,583,320**	1,555,535
Gain on financial assets	(1,073,676)	-	-	337,110	-	1,246,210	**509,644**	2,622,579
Total investment income	(1,073,676)	-	-	337,110	-	1,246,210	**509,644**	2,622,579
Financial charges and other expenses	(29,790)	-	-	-	-	-	**(29,790)**	(238,713)
Total investment expense	(29,790)	-	-	-	-	-	**(29,790)**	(238,713)
Net investment income	(1,103,466)	-	-	337,110	-	1,246,210	**479,854**	2,383,866

3 - NET INVESTMENT INCOME (CONTINUED)

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

	Investments in associated companies KD	Investments held for trading KD	Designated investments at fair value through income statement KD	Investments available for sale KD	Debt securities (loan) KD	Investment held to maturity KD	Property held for sale KD	Time and call deposits KD	**2008 Total KD**	2007 Total KD
Realised gains	-	83,896	283,993	2,710,753	-	-	-	-	**3,078,642**	36,016,944
Unrealised (loss) gains	-	(1,583,152)	(2,484,847)	-	-	-	-	-	**(4,067,999)**	1,684,751
Dividends income	-	87,758	-	3,482,560	-	-	-	-	**3,570,318**	1,483,223
Interest income	-	-	-	-	9,321	388,578	-	1,884,764	**2,282,663**	2,453,675
Gain on financial assets	-	(1,411,498)	(2,200,854)	6,193,313	9,321	388,578	-	1,884,764	**4,863,624**	41,638,593
Share of result of associates	-	-	-	-	-	-	-	-	**-**	(209,061)
Gain on sale of associates	47,759	-	-	-	-	-	-	-	**47,759**	-
Rental income	-	-	-	-	-	-	88,194	-	**88,194**	139,216
Other investment income	-	17,820	-	-	-	-	-	-	**17,820**	-
Total Investment income	47,759	(1,393,678)	(2,200,854)	6,193,313	9,321	388,578	88,194	1,884,764	**5,017,397**	41,568,748
Financial charges	-	(69,029)	(732,683)	-	-	-	-	-	**(801,712)**	(367,980)
Impairment loss provision	-	-	-	(4,722,918)	-	-	-	-	**(4,722,918)**	(1,555,818)
Other investment expenses	-	(386,027)	-	(95,377)	-	-	(59,276)	-	**(540,680)**	(521,722)
Total Investment expense	-	(455,056)	(732,683)	(4,818,295)	-	-	(59,276)	-	**(6,065,310)**	(2,445,520)
Net investment (losses) income	**47,759**	**(1,848,734)**	**(2,933,537)**	**1,375,018**	**9,321**	**388,578**	**28,918**	**1,884,764**	**(1,047,913)**	**39,123,228**

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

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

	2008 KD	2007 KD
Profit for the year attributable to equity holders of the parent company	3,607,381	37,665,945
	shares	shares
Number of shares outstanding at the beginning of the year	169,650,000	169,650,000
Weighted average number of treasury shares	(5,290,407)	(6,361,785)
Weighted average number of shares outstanding during the year	164,359,593	163,288,215
Basic earnings per share	21.9 Fils	230.67 Fils
Weighted average number of shares outstanding during the year adjusted for the effect of dilution	164,359,593	161,575,082
Diluted earning per share	21.9 Fils	233.12 Fils

Basic and diluted earning per share reported for the year ended 31 December 2007 have been restated for bonus shares issued in 2008 (Note 27). Basic and diluted earning per share reported for the year ended 31 December 2007 were 352.86 fils and 349.68 fils before the retroactive adjustment to the number of shares following the bonus issue.

5 - PROPERTY AND EQUIPMENT

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

5 - PROPERTY AND EQUIPMENT (CONTINUED)

	Land KD	buildings KD	Leasehold improvements KD	Computer KD	Furnituer and fixtures KD	Motor Vehicles KD	Total KD
Cost:							
At 1 January 2007	3,181,009	3,736,188	455,904	2,699,700	1,891,435	331,384	12,295,620
Additions	-	1,212,572	160,051	160,999	228,620	75,037	1,837,279
Disposals	(33,883)	(9,753)	-	(3,032)	(20,634)	(58,930)	(126,232)
Foreign currency translation differences	(72,553)	(70,033)	(7,576)	(29,707)	(21,987)	(6,484)	(208,340)
At 31 December 2007	**3,074,573**	**4,868,974**	**608,379**	**2,827,960**	**2,077,434**	**341,007**	**13,798,327**
Accumulated Depreciation:							
At 1 January 2007	-	2,306,717	253,962	2,169,365	1,694,142	205,377	6,629,563
Charge for the year	-	496,427	83,173	405,759	126,604	53,119	1,165,082
On disposals	-	(1,527)	-	(2,858)	(20,293)	(41,915)	(66,593)
Foreign currency translation differences	-	(36,387)	(6,386)	(54,408)	(17,392)	(6,825)	(121,398)
At 31 December 2007	-	2,765,230	330,749	2,517,858	1,783,061	209,756	7,606,654
Net carrying amount:							
At 31 December 2007	**3,074,573**	**2,103,744**	**277,630**	**310,102**	**294,373**	**131,251**	**6,191,673**
At 31 December 2006	3,181,009	1,429,471	201,942	530,335	197,293	126,007	5,666,057

The parent company's building is mortgaged for carrying value of KD 1,260,000 in favour of the Minister of Commerce and Industry. Of this amount, KD 600,000 is in accordance with Article No. 7 of the Insurance Companies and Agents By-law No. 24 of 1961 (related to Life Insurance Business), and the balance, in compliance with Article 3 of the Ministerial Decree No. 30 of 1975 (2007: KD 1,260,000).

6 - INVESTMENTS IN ASSOCIATED COMPANIES

The Company has the following investment in associates:

	Country of incorporation	Percentage of ownership 2008	2007	Principal activity
United Real Estate Company (Jordan) J.S.C.	Jordan	**20%**	20%	Real estate activities
Al-Brouj Co-Operative Insurance Co.	KSA	**22.5%**		Insurance activities
United Warehousing and Refrigeration K.S.C (Closed)	Kuwait	**-**	20%	Logistic and storage activities

During 2008, the parent company acquired 2,925,000 shares for an amount of KD 2,072,655 being 22.5% of the share capital of newly formed Insurance Company: “Al-Brouj Co-Operative Insurance Co.”, a company incorporated in Kingdom of Saudi Arabia.

During 2008, the parent company sold all the shares in the associated company “United Warehousing and Refrigeration K.S.C. (Closed)” to a related party with a purchase consideration amounting to KD 800,000 resulting in a gain of KD 47,759 (Note 24).

Investments in associates are newly incorporated and do not carry out significant operations, accordingly no share of results has been recognised.

6 - INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

CARRYING AMOUNT OF INVESTMENT IN ASSOCIATES

	2008 KD	2007 KD
At 1 January	**4,050,680**	981,671
Additions	2,072,655	3,278,765
Disposal	(752,525)	-
Share of results of associates	-	(209,061)
Foreign currency translation differences	-	(695)
At 31 December	**5,370,810**	**4,050,680**
Share of associates' balance sheet:		
Current assets	1,794,357	6,511,135
Non-current assets	5,413,242	24,310
Current liabilities	(64,918)	(2,330,296)
Non-current liabilities	(1,771,871)	(154,469)
Net assets	5,370,810	4,050,680

	2008 KD	2007 KD
Share of associates' revenue and profit:		
Revenue	18,982	8,795
Net results	-	(209,061)

7- INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2008 KD	2007 KD
Held for Trading:		
Quoted securities	3,538,653	3,848,041
Designated upon initial recognition:		
Quoted managed funds	12,840,154	18,981,580
	16,378,807	22,829,621

8 - INVESTMENT AVAILABLE FOR SALE	2008 KD	2007 KD
Quoted securities	**47,793,908**	46,780,049
Unquoted securities	**15,127,125**	11,870,211
Unquoted managed funds	**1,899,805**	2,263,230
	64,820,838	60,913,490

Included under available for sale investments are unquoted securities and managed funds with a value of KD 17,026,930 (2007: KD 14,133,441) which are carried at cost because fair value could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments due to the impact of the global financial crisis. Based on specific information available in respect of these investments and their operations, management is of the view that these investments have not suffered any impairment.

Impairment loss of KD 4,722,918 (2007: Nil) has been made against the quoted securities on which there has been a significant or prolonged decline in value.

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

	2008 KD	2007 KD
Net unrealised gain	**2,867,456**	7,942,825
Net realised gain reclassified to the income statement on disposal	**(2,059,032)**	(13,816,174)
Impairment	**(4,722,918)**	(553,191)
	(3,914,494)	(6,426,540)

9 - PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2008 KD	2007 KD
Policyholders accounts receivable		
Premiums receivable	25,891,997	20,617,190
Insured debts receivable	1,551,231	543,675
	27,443,228	21,160,865
Provision for doubtful debts	(3,051,970)	(2,819,748)
Net policyholders accounts receivable	24,391,258	18,341,117
Insurance and reinsurance accounts receivable		
Reinsurance receivable	4,318,020	5,381,562
Provision for doubtful debts	(867,244)	(761,591)
Net insurance and reinsurance accounts receivable	3,450,776	4,619,971
Total premiums and insurance balances receivable	27,842,034	22,961,088

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

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

	2008 KD	2007 KD
At 1 January	2,819,748	2,911,180
Charge for the year	237,812	91,433
Amounts written off	(5,590)	(1,445)
Unused amounts reversed	-	(181,420)
At 31 December	3,051,970	2,819,748

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

	2008 KD	2007 KD
At 1 January	761,591	805,055
Charge for the year	105,653	4,522
Amounts written off	-	(25,782)
Unused amounts reversed	-	(22,204)
At 31 December	867,244	761,591

10 - LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

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

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

* Casualty includes motor business.

10 - LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (CONTINUED)

31 December 2007	Marine and aviation	Property	Casualty*	Life & Medical	Total
	KD	KD	KD	KD	KD
OUTSTANDING CLAIMS RESERVE:					
Gross balance at beginning of the year	3,425,048	7,526,417	14,434,599	8,560,907	33,946,971
Reinsurance recoverable on outstanding claims	(2,799,077)	(5,065,699)	(3,781,065)	(4,160,039)	(15,805,880)
Net balance at beginning of the year	625,971	2,460,718	10,653,534	4,400,868	18,141,091
Foreign currency translation difference	(97)	(133)	(207)	(1,350)	(1,787)
Arising on consolidation of new subsidiaries	(8,766)	(2,157,534)	1,189,942	652,402	(323,956)
Incurred during the year – net	205,699	213,642	12,143,917	12,353,175	24,916,433
Paid during the year – net	(217,049)	(223,859)	(10,198,328)	(10,054,178)	(20,693,414)
NET BALANCE AT END OF THE YEAR	605,758	292,834	13,788,858	7,350,917	22,038,367
Represented in:					
Gross balance at end of the year	3,433,830	5,603,010	21,931,110	13,295,321	44,263,271
Reinsurance recoverable	(2,828,072)	(5,310,176)	(8,142,252)	(5,944,404)	(22,224,904)
NET BALANCE AT END OF THE YEAR	605,758	292,834	13,788,858	7,350,917	22,038,367
Unearned premiums reserve - net	462,467	669,101	10,058,533	2,096,902	13,287,003
Additional reserve - net	675,939	318,418	1,149,952	919,752	3,064,061
Life mathematical reserve - net	-	-	-	15,617,788	15,617,788

* Casualty includes motor business

11 - OTHER ASSETS

	2008 KD	2007 KD
Accrued interest income	**1,156,645**	1,409,911
Inward reinsurance retentions	**68,610**	33,365
Refundable claims	**595,875**	422,629
Prepaid expenses and other	**4,371,851**	3,000,845
Premium ceded in advance	**4,975,779**	-
Amount due from related parties, net (Note 24)	**995,032**	1,498,125
	12,163,792	6,364,875

12 - CASH AND CASH EQUIVALENTS

	2008 KD	2007 KD
Cash on hand and at banks	**6,329,136**	7,616,889
Time and call deposits	**49,865,473**	57,391,756
Cash and cash equivalents in the balance sheet	**56,194,609**	65,008,645
Bank overdraft	**(7,015,847)**	(7,888,638)
Cash and cash equivalents in the statement of cash flows	**49,178,762**	57,120,007

13 - INSURANCE PAYABLE

	2008 KD	2007 KD
Policyholder and agencies payables	**13,955,996**	13,007,860
Insurance and reinsurance payables	**16,814,520**	12,499,528
	30,770,516	25,507,388

14 - OTHER LIABILITIES

	2008 KD	2007 KD
Accrued expenses and deposits for others	**6,250,865**	5,719,510
Reserve for reinsurance premiums	**1,126,871**	1,130,398
Kuwait Foundation for the Advancement of Sciences	**25,094**	391,555
Provision for end of service indemnity	**3,476,345**	2,658,611
National Labour Support Tax	**210,933**	967,336
Proposed directors' fees	**80,000**	120,000
Zakat tax	**26,047**	23,336
	11,196,155	11,010,746

15 - SHARE CAPITAL

Authorised, issued and fully paid capital consists of 169,650,000 shares of 100 fils each (2007: 113,100,000 shares).

16 - TREASURY SHARES

	2008	2007
Number of shares (share)	**5,518,953**	6,088,934
Percentage of issued shares (%)	**3.25**	5.3
Market value (KD)	**4,139,215**	5,175,594

During the year, the employees exercised all the shares granted of 2,409,632 shares (Note 17) from the treasury shares realising net gain of KD 567,012, which has been credited to treasury share reserve.

17 - PROFIT-SHARING SCHEMES

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

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

Options totalling Nil shares outstanding at 31 December 2008 (31 December 2007: 3,090,808 shares) had a weighted average exercise price of Nil (31 December 2007: 500 fils) and a weighted average remaining contractual life of Nil (31 December 2007: two years).

The average fair value of share options granted during the year is 858 Fils (31 December 2007: 729 Fils) for which an expense of KD 383,560 was recognised in the consolidated income statement (2007: KD 318,508).

On 27 October 2008, the board of directors of the parents company agreed to postpone the third phase of the scheme to the next year.

18 - STATUTORY RESERVE

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

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

19 - SEGMENT INFORMATION

a) Consolidated segment information

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

Year ended 31 December 2008:	Marine and Aviation KD	Property KD	Casualty and Motor KD	Total general risk insurance KD	Life and Medical KD	**Total KD**
Revenue:						
Premiums written	10,446,189	15,617,701	40,874,605	66,938,495	19,670,883	**86,609,378**
Reinsurance premiums ceded	(8,467,389)	(14,632,680)	(15,630,374)	(38,730,443)	(5,480,644)	**(44,211,087)**
Net premiums written	1,978,800	985,021	25,244,231	28,208,052	14,190,239	**42,398,291**
Movement in unearned premiums	(95,732)	(48,534)	(1,287,099)	(1,431,365)	530,173	**(901,192)**
Net premiums earned	1,883,068	936,487	23,957,132	26,776,687	14,720,412	**41,497,099**
Commission received on ceded reinsurance	1,610,108	1,819,838	2,417,012	5,846,958	876,234	**6,723,192**
Policy issuance fees	146,163	12,668	1,131,571	1,290,402	143,764	**1,434,166**
Net investment income from life insurance	-	-	-	-	479,854	**479,854**
Total Revenues	3,639,339	2,768,993	27,505,715	33,914,047	16,220,264	**50,134,311**
Expenses:						
Claims incurred	329,200	387,619	13,841,227	14,558,046	9,425,907	**23,983,953**
Commission and discounts	716,440	845,788	3,863,401	5,425,629	837,075	**6,262,704**
Increase in life mathematical reserve	-	-	-	-	693,239	**693,239**
Increase (decrease) in additional reserve	28,069	(4,520)	180,551	204,100	(11,803)	**192,297**
Maturity and cancellations of life insurance policies	-	-	-	-	450,033	**450,033**
General and administrative expenses	1,363,595	1,073,552	5,830,422	8,267,569	2,089,525	**10,357,094**
Other provisions related to technical operations	5,725	9,170	35,761	50,656	98,233	**148,889**
Total Expenses	2,443,029	2,311,609	23,751,362	28,506,000	13,582,209	**42,088,209**
Net underwriting result by segment	**1,196,310**	**457,384**	**3,754,353**	**5,408,047**	**2,638,055**	**8,046,102**
OTHER INFORMATION						
Segment assets				71,140,099	16,221,683	**87,361,782**
Cash and investments				126,600,636	26,013,819	**152,614,455**
Total assets				197,740,735	42,235,502	**239,976,237**
Segment liabilities				110,258,852	29,105,120	**139,363,972**
Unallocated liabilities						**11,196,155**
Total liabilities				115,784,322	34,775,805	**150,560,127**
Depreciation				431,490	78,548	**510,038**
Capital expenditure				761,641	11,303	**772,944**

19 - SEGMENT INFORMATION (CONTINUED)

a) Consolidated segment information (continued)

Year ended 31 December 2007:	Marine and Aviation KD	Property KD	Casualty and Motor KD	Total general risk insurance KD	Life and Medical KD	**Total KD**
Revenue:						
Premiums written	8,877,549	10,604,538	35,706,884	55,188,971	18,895,638	**74,084,609**
Reinsurance premiums ceded	(7,212,356)	(9,786,718)	(13,324,321)	(30,323,395)	(5,061,437)	**(35,384,832)**
Net premiums written	1,665,193	817,820	22,382,563	24,865,576	13,834,201	**38,699,777**
Movement in unearned premiums	(75,811)	(220,934)	(2,097,925)	(2,394,670)	1,597,472	**(797,198)**
Net premiums earned	1,589,382	596,886	20,284,638	22,470,906	15,431,673	**37,902,579**
Commission received on ceded reinsurance	1,270,336	1,624,999	2,288,050	5,183,385	714,112	**5,897,497**
Policy issuance fees	121,236	24,322	1,003,348	1,148,906	45,580	**1,194,486**
Net investment income from life insurance	-	-	-	-	2,383,866	**2,383,866**
Total Revenues	2,980,954	2,246,207	23,576,036	28,803,197	18,575,231	**47,378,428**
Expenses:						
Claims incurred	205,699	213,643	12,143,917	12,563,259	12,353,175	**24,916,434**
Commission and discounts	576,234	675,015	4,047,702	5,298,951	848,310	**6,147,261**
Increase in life mathematical reserve	-	-	-	-	1,197,788	**1,197,788**
Increase in additional reserve	5,080	(3,368)	52,796	54,508	4,089	**58,597**
Maturity and cancellations of life insurance policies	-	-	-	-	693,834	**693,834**
General and administrative expenses	1,288,704	1,197,281	5,326,470	7,812,455	2,090,645	**9,903,100**
Total Expenses	2,075,717	2,082,571	21,570,885	25,729,173	17,187,841	**42,917,014**
Net underwriting result by segment	905,237	163,636	2,005,151	3,074,024	1,387,390	**4,461,414**
OTHER INFORMATION						
Segment assets				52,128,351	8,777,464	**60,905,815**
Cash and investments				130,911,392	31,213,777	**162,125,169**
Total assets				183,039,743	39,991,241	**223,030,984**
Segment liabilities				78,185,719	34,179,338	**112,365,057**
Unallocated liabilities						**11,010,746**
Total liabilities						**123,375,802**
Depreciation				1,088,204	76,878	**1,165,082**
Capital expenditure				1,733,753	103,553	**1,837,306**

19 - SEGMENT INFORMATION (CONTINUED)

b) Parent company stand alone information:

The parent company operates in general risk insurance there are no inter-segment transactions. Following are the details of parent company stand alone for the following segments:

Year ended 31 December 2008	Marine and Aviation	Property	Casualty and Motor	Total
	KD	KD	KD	KD
Revenue:				
Premiums written	4,334,380	5,281,829	14,088,910	**23,705,119**
Reinsurance premiums ceded	(3,584,212)	(4,832,328)	(4,846,188)	**(13,262,728)**
Net premiums written	750,168	449,501	9,242,722	**10,442,391**
Movement in unearned premiums	4,000	(10,000)	(254,000)	**(260,000)**
Net premiums earned	754,168	439,501	8,988,722	**10,182,391**
Commission received on ceded reinsurance	628,863	609,911	732,632	**1,971,406**
Policy issuance fees and other income	5,674	1,088	739,043	**745,805**
Net investment income from life insurance	-	-	-	**-**
Total Revenues	1,388,705	1,050,500	10,460,397	**12,899,602**
Expenses:				
Claims incurred	82,479	165,209	4,495,353	**4,743,041**
Commission and discounts	118,940	167,698	1,286,216	**1,572,854**
Increase in life mathematical reserve	-	-	-	**-**
Maturity and cancellations of life insurance policies	-	-	-	**-**
General and administrative expenses	725,627	633,023	2,658,536	**4,017,186**
Total Expenses	927,046	965,930	8,440,105	**10,333,081**
Segment result	461,659	84,570	2,020,292	**2,566,521**
OTHER INFORMATION				
Segment assets				**56,576,671**
Cash and investments				**77,314,263**
Total assets				**133,890,934**
Segment liabilities				**29,131,400**
Unallocated liabilities				**27,702,969**
Total liabilities				**56,834,369**
Depreciation				**107,669**
Capital expenditure				**360,574**

19 - SEGMENT INFORMATION (CONTINUED)

b) Parent company stand alone information (continued):

Year ended 31 December 2007	Marine and Aviation	Property	Casualty and Motor	Total general risk insurance	Life and Medical	Total
	KD	KD	KD	KD	KD	KD
Revenue:						
Premiums written	3,832,699	4,859,726	12,500,155	21,192,580	15,329,125	**36,521,705**
Reinsurance premiums ceded	(3,082,643)	(4,439,360)	(4,006,227)	(11,528,230)	(2,735,907)	**(14,264,137)**
Net premiums written	750,056	420,366	8,493,928	9,664,350	12,593,218	**22,257,568**
Movement in unearned premiums	(44,000)	(23,000)	(233,000)	(300,000)	1,325,000	**1,025,000**
Net premiums earned	706,056	397,366	8,260,928	9,364,350	13,918,218	**23,282,568**
Commission received on ceded reinsurance	524,424	558,925	700,302	1,783,651	440,904	**2,224,555**
Policy issuance fees and other income	6,143	1,122	800,425	807,690	33,936	**841,626**
Net investment income from life insurance	-	-	-	-	2,383,867	**2,383,867**
Total Revenues	1,236,623	957,413	9,761,655	11,955,691	16,776,925	**28,732,616**
Expenses:						
Claims incurred	(5,549)	46,045	4,396,298	4,436,794	10,945,289	**15,382,083**
Commission and discounts	174,257	148,343	1,334,026	1,656,626	536,509	**2,193,135**
Increase in life mathematical reserve	-	-	-	-	1,195,000	**1,195,000**
Maturity and cancellations of life insurance policies	-	-	-	-	693,834	**693,834**
General and administrative expenses	748,195	685,447	2,629,162	4,062,804	1,603,701	**5,666,505**
Total Expenses	916,903	879,835	8,359,486	10,156,224	14,974,333	**25,130,557**
Segment result				1,799,467	1,802,592	**3,602,059**
OTHER INFORMATION						
Segment assets				45,754,067	3,847,465	**49,601,532**
Cash and investments				84,440,375	31,213,777	**115,654,152**
Total assets				130,194,442	35,061,242	**165,255,684**
Segment liabilities				37,034,767	34,179,338	**71,214,105**
Unallocated liabilities				6,588,595	881,904	**7,470,499**
Total liabilities				43,623,362	35,061,242	**78,684,604**
Depreciation				808,794	76,878	**885,672**
Capital expenditure				629,623	103,553	**733,176**

19 - SEGMENT INFORMATION (CONTINUED)

b) Parent company stand alone information (continued):

As disclosed in Note 26 the parent company established a new entity for life and health insurance in Kuwait. This new entity started its operations as a separate legal entity on 1 January 2008. Effectively, from 1 January 2008 the assets and liabilities relating to life and health business managed by a separate division within the parent company, Gulf Insurance Company K.S.C., have been transferred to the newly established subsidiary, Gulf Life Insurance Company K.S.C. (Closed).

20 - STATUTORY GUARANTEES

The following amounts are held in Kuwait as security for the order of the Minister of Commerce and Industry in accordance with the Ministerial Decree No. 27 of 1966 and its amendments:

	2008 KD	2007 KD
Current accounts and deposits at banks	**17,053,692**	18,282,487
Loans secured by life insurance policies	**215,047**	126,976
	17,268,739	18,409,463

The foreign deposits held outside the State of Kuwait as security for the subsidiary companies' activities amounted to KD 3,053,661(2007: 3,457,891).

21 - CONTINGENT LIABILITIES

At the balance sheet date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 711,403 (2007: KD 3,316,903).

22 - COMMITMENTS

At the balance sheet date, the Group had future commitments with respect to investments that amounted to approximately KD 117,000 (2007: KD 185,750).

23 - RISK MANAGEMENT

(a) Governance framework

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

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

(b) Regulatory framework

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

The following are the key regulations governing the operation of the Group:
For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait

• For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.

23 - RISK MANAGEMENT (CONTINUED)

(b) Regulatory framework (continued)

- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as under:
  - A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
  - A maximum of 25% could be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies)
  - A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
  - A maximum of 15% should be in a current account with a bank operating in Kuwait.

The residual value may be invested in bonds issued or guaranteed by the Government of Kuwait, properties based in Kuwait or loans secured by first mortgage of properties based in Kuwait.

The Group's internal audit and quality control department is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

(c) Capital management objectives, policies and approach

The group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

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

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

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

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

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

23 - RISK MANAGEMENT (CONTINUED)

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

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

The Group'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 position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

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

(d) Insurance risk

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

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

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

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

(1) Life insurance contracts
Life insurance contracts offered by the Group include whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with

23 - RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to 'paid up' on guaranteed terms. The majority of the mortgage endowment contracts offered by the Group have minimum maturity values subject to certain conditions being satisfied.

For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

The main risks that the Group is exposed to are as follows.

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

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

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts where death or disability are the insured risks the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

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

The insurance risks described above are also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holder behaviour.

23 - 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
Whole life insurance	25,000	19,000	6,000	25,000	19,000	6,000
Term insurance	4,792,414	4,749,667	42,747	6,258,316	6,206,954	51,362
Pure endowment	4,209,241	2,401,058	1,808,183	3,910,039	2,226,746	1,683,293
Group life and disability	2,431,379	2,004,125	427,254	1,493,073	1,230,954	262,119
Group medical including TPA	1,533,039	-	1,533,039	1,170,405	-	1,170,405
Credit life (Banks)	17,866,665	12,110,001	5,756,664	15,406,022	8,746,318	6,659,704
Preferred global health	55,611	-	55,611	54,805	-	54,805
Balsam	163,077	-	163,077	142,862	-	142,862
Misk individual policies	8,398,687	6,357,806	2,040,881	5,225,149	3,955,854	1,269,295
Total life insurance contract	**39,475,113**	**27,641,657**	**11,833,456**	**33,685,671**	**22,385,826**	**11,299,845**
Unitised pensions (Misk individual policies)	4,477,571	-	4,477,571	4,317,943	-	4,317,943
Total investments contracts	**4,477,571**	**-**	**4,477,571**	**4,317,943**	**-**	**4,317,943**
Total life insurance and investment contracts	**43,952,684**	**27,641,657**	**16,311,027**	**38,003,614**	**22,385,826**	**15,617,788**
Other life insurance contract liabilities	**12,831,120**	**4,820,423**	**8,010,697**	**36,907,185**	**27,397,557**	**9,509,628**

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

23 - RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2008			2007		
	Gross liabilities	**Reinsurers' share of liabilities**	**Net liabilities**	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
	KD	**KD**	**KD**	KD	KD	KD
Kuwait	**39,438,086**	**27,641,657**	**11,796,429**	33,682,883	22,385,826	11,297,057
Other Countries	**37,027**	**-**	**37,027**	2,788	-	2,788
Total	**39,475,113**	**27,641,657**	**11,833,456**	33,685,671	22,385,826	11,299,845

Investment contracts

	2008			2007		
	Gross liabilities	**Reinsurers' share of liabilities**	**Net liabilities**	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
	KD	**KD**	**KD**	KD	KD	KD
Kuwait	**498,273**	**-**	**498,273**	1,185,270	-	1,185,270
Europe	**3,979,298**	**-**	**3,979,298**	3,132,673	-	3,132,673
Total	**4,477,571**	**-**	**4,477,571**	4,317,943	-	4,317,943

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life insurance contract estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

• Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides, reflecting recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

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

23 - RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

• Longevity

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

• Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

• Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

• Discount rate

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on Central Bank of Kuwait rate, adjusted for the Group's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

23 - 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 Group are listed below.

Portfolio assumptions by type of business impacting net liabilities	Mortality and morbidity rates		Investment return		Lapse and surrender rates		Discount rates		Renewal expenses		Inflation rate	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**4.5%**	**4.5%**	**N/A**	N/A	**5 %**	5 %	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Non guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**5 %**	5 %	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Life term assurance:												
Males	**49**	49	**5%**	5%	**N/A**	N/A	**5 %**	5 %	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%
Females	**52**	52	**5%**	5%	**N/A**	N/A	**5 %**	5 %	**5% of AP+1% of SA**	5% of AP+1% of SA	**3%**	3%

23 - 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**
Mortality/morbidity	**N/A**	**N/A**	**N/A**	**N/A**
Investment return	**-1%**	**Covered by contingency reserve of KD 867,583**		**N/A**
Expenses	**+10%**			**N/A**
Discount rate	**-1%**			**N/A**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2007

	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 764,711		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	**Impact on gross liabilities**	**Impact on net liabilities**	**Impact on profit**
Mortality/morbidity	**N/A**	**N/A**	**N/A**	**N/A**
Investment return	**-1%**	**Covered by contingency reserve of KD 867,583**		**N/A**
Expenses	**+10%**			**N/A**
Discount rate	**-1%**			**N/A**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2007

	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit
Mortality/morbidity	N/A	N/A	N/A	N/A
Investment return	-1%	Covered by contingency reserve of KD 764,711		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

23 - RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: marine and aviation, property, motor, and general accidents. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities which are only covered in fire line of business.

Insurance contracts at times also cover risk for single incidents that expose the Group to multiple insurance risks. The Group has adequately reinsured for insurance risk that may involve significant litigation.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured and by industry.

The below risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group.

The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

23 - 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:

Concentration of insurance contract liabilities by type of contract:	2008 Gross liabilities KD	2008 Reinsurer's share of liabilities KD	2008 Net liabilities KD	2007 Gross liabilities KD	2007 Reinsurer's share of liabilities KD	2007 Net liabilities KD
Marine and Aviation	8,146,061	5,985,869	2,160,192	5,657,659	3,923,543	1,734,116
Property	16,307,389	14,782,439	1,524,950	8,447,091	7,195,279	1,251,812
Motor	19,463,659	2,073,987	17,389,672	18,827,731	2,228,363	16,599,368
General Accidents	29,523,909	16,893,654	12,630,256	15,974,599	6,680,092	9,294,507
Total	**73,441,018**	**39,735,948**	**33,705,070**	48,907,080	20,027,277	28,879,803

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

Geographical concentration of insurance contract liabilities:	2008 Gross liabilities KD	2008 Reinsurer's share of liabilities KD	2008 Net liabilities KD	2007 Gross liabilities KD	2007 Reinsurer's share of liabilities KD	2007 Net liabilities KD
Kuwait	46,995,345	29,613,744	17,381,601	28,974,543	12,471,030	16,503,513
Middle East countries	26,445,673	10,122,204	16,323,469	19,932,537	7,556,247	12,376,290
Total	**73,441,018**	**39,735,948**	**33,705,070**	48,907,080	20,027,277	28,879,803

23 - RISK MANAGEMENT (CONTINUED)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Key assumptions

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

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

Sensitivities

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

31 December 2008	**Change in assumption**	**Impact on gross liabilities KD**	**Impact on net liabilities KD**	**Impact on profit KD**
Average claim cost	**+15%**	**6,150,241**	**2,427,121**	**(2,398,395)**
Average number of claim	**+15%**	**1,722**	**1,378**	**(612,883)**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**3,723,473**	**2,234,084**	**N/A**

31 December 2007	Change in assumption	Impact on gross liabilities KD	Impact on net liabilities KD	Impact on profit KD
Average claim cost	+10%	4,426,327	2,222,490	(1,291,680)
Average number of claim	+10%	2,520	2,016	(896,420)
Average claim settlement paid	Reduce from 18 months to 12 months	8,410,884	4,233,019	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.

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risk (continued)

(1) Credit risk (continued)

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

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).
- Reinsurance is placed with counter parties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.
- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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

	31 December 2007			
Exposure credit risk by classifying financial assets according to type of insurance	General KD	Life KD	Unit linked KD	Total KD
Debt securities (loans)	300,000	4,000,000	-	4,300,000
Investments held to maturity	4,325,851	-	405,634	4,731,485
Loans secured by life insurance policies	-	438,165	-	438,165
Reinsurance recoverable on outstanding claims	16,773,151	5,451,753	-	22,224,904
Policyholders account receivables (gross)	18,566,549	2,594,316	-	21,160,865
Reinsurance account receivable (gross)	3,273,889	1,222,831	884,842	5,381,562
Cash and cash equivalents	28,242,400	23,737,233	5,140,374	57,120,007
Total credit risk exposure	**71,481,840**	**37,444,298**	**6,430,850**	**115,356,988**

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risk (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						
Debt securities (loans)	-	-	-	1,550,000	1,750,000	3,300,000
Investments held to maturity	-	275,940	164,615	5,421,033	458,872	6,320,460
Loans secured by life insurance policies	-	-	-	-	731,959	731,959
Policyholders accounts receivable	-	-	103,891	1,679,908	25,659,429	27,443,228
Reinsurance account receivable	-	575,647	313,106	478,183	2,951,084	4,318,020
Reinsurance recoverable on outstanding claims	171,043	6,265,190	7,884,946	4,163,765	18,746,258	37,231,202
Cash and cash equivalents	113,450	191,260	29,761,034	16,825,379	2,287,639	49,178,762
Total credit risk exposure	284,493	7,308,037	38,227,592	30,118,268	52,585,241	128,523,631

Not rated are classified as follows using internal credit rating.

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

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risk (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets as at 31 December 2007 by classifying assets:

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						
Debt securities (loans)	-	-	1,000,000	3,300,000	-	4,300,000
Investments held to maturity	-	3,114,196	275,912	492,782	848,595	4,731,485
Loans secured by life insurance policies	-	-	-	-	438,165	438,165
Policyholders accounts receivable	-	-	40,427	193,963	20,926,475	21,160,865
Reinsurance account receivable	252,953	556,764	504,467	1,740,235	2,327,143	5,381,562
Reinsurance recoverable on outstanding claims	1,160,890	3,051,849	3,637,083	10,985,355	3,389,727	22,224,904
Cash and cash equivalents	33,025	4,342,365	33,189,510	17,023,689	2,531,418	57,120,007
Total credit risk exposure	1,446,868	11,065,174	38,647,399	33,736,024	30,461,523	115,356,988

Not rated are classified as follows using internal credit rating.

	Neither past due nor impaired			
	High grade 2007 KD	Standard grade 2007 KD	Past due or impaired 2007 KD	Total 2007 KD
31 December 2007				
Debt security loan	-	-	-	**-**
Investment held to maturity	848,595	-	-	**848,595**
Loan secured by life insurance policy	-	438,165	-	**438,165**
Policyholders accounts receivable (gross)	-	18,106,727	2,819,748	**20,926,475**
Reinsurance accounts receivable (gross)	-	1,545,522	781,621	**2,327,113**
Reinsurance recoverable on outstanding claims	3,389,727	-	-	**3,389,727**
Cash and cash equivalents	2,531,418	-	-	**2,531,418**
	6,769,740	20,090,414	3,601,369	**30,461,523**

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risk (continued)

(1) Credit risk (continued)

The following table represents the aging analysis of financial assets:

	Neither past due nor impaired	Up to 1 month	Within 1-3 months	Within 3-12 months	More than one year	Total
31 December 2008:	KD	KD	KD	KD	KD	KD
Policyholders accounts receivable	867,595	3,466,265	5,327,508	15,550,417	2,231,443	27,443,228
Reinsurance receivables	436,120	617,038	1,141,347	403,841	1,719,674	4,318,020
Total	1,303,715	4,083,303	6,468,855	15,954,258	3,951,117	31,761,248

	Neither past due nor impaired	Up to 1 month	Within 1-3 months	Within 3-12 months	More than one year	Total
31 December 2007:	KD	KD	KD	KD	KD	KD
Policyholders accounts receivable	908,784	3,496,374	6,096,359	7,485,218	3,174,130	21,160,865
Reinsurance receivables	574,643	313,745	762,459	2,923,481	807,234	5,381,562
Total	1,483,427	3,810,119	6,858,818	10,408,699	3,981,364	26,542,427

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risks (continued)

(2) Liquidity risk

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

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

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

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

	Up to 1 month KD	Within 1-3 months KD	Within 3-12 months KD	Within 1-5 years KD	Within 5-10 years KD	Total KD
Liabilities						
Outstanding claims reserve (gross)	634,168	10,759,878	38,839,210	9,317,239	1,951,921	**61,502,416**
Unearned premium reserve (net)	1,329,546	3,285,304	8,719,000	854,343	-	**14,188,193**
Life mathematical reserve	315,350	750,300	1,100,250	2,500,400	11,644,727	**16,311,027**
Additional reserve	-	660,985	95,375	-	2,500,000	**3,256,360**
Bank overdraft	-	-	7,015,847	-	-	**7,015,847**
Premiums received in advance	5,684,210	-	426,618	208,785	-	**6,319,613**
Insurance and reinsurance payable	4,828,407	9,902,373	9,069,751	6,589,979	380,006	**30,770,516**
Other liabilities	1,092,393	1,984,519	5,295,880	1,323,363	1,500,000	**11,196,155**
	13,884,074	27,343,359	70,561,931	20,794,109	17,976,654	**150,560,127**

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

The table below summarises the maturity of the liabilities of the Group based on remaining undiscounted contractual obligations as at 31 December 2007. As the Group does not have any interest bearing liabilities (except bank overdraft), the figures below agree directly to the balance sheet amounts.

	Up to 1 month	Within 1-3 months	Within 3-12 months	Within 1-5 years	Within 5-10 years	Total
	KD	KD	KD	KD	KD	KD
Liabilities						
Outstanding claims reserve (gross)	1,415,950	7,499,165	16,876,505	17,024,979	1,446,672	**44,263,271**
Unearned premium reserve (net)	395,200	2,531,872	7,565,608	2,794,323	-	**13,287,003**
Life mathematical reserve	305,200	600,500	594,300	1,002,788	13,115,000	**15,617,788**
Additional reserve	-	-	495,476	68,585	2,500,000	**3,064,061**
Bank overdraft	-	-	7,624,080	264,558	-	**7,888,638**
Premiums received in advance	583,894	-	100,000	2,053,013	-	**2,736,907**
Insurance and reinsurance payable	1,177,112	9,581,896	11,220,892	3,518,772	8,716	**25,507,388**
Other liabilities	879,949	2,453,762	5,376,885	1,906,156	393,994	**11,010,746**
	4,757,305	22,667,195	49,853,746	28,633,174	17,464,382	**123,375,802**

23 - 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).

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

(i) Currency risk

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

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

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

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

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risks (continued)
(3) Market risk (continued)
(i) Currency risk (continued)

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

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risks (continued)
(3) Market risk (continued)
(i) Currency risk (continued)

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

The Group has no significant concentration of currency risk

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2007 **Assets**	Local currency KD equivalent	USD KD equivalent	BD KD equivalent	EGP KD equivalent	Euro KD equivalent	GBP KD equivalent	Other KD equivalent	Total KD
Property and equipment	2,839,639	-	407,818	869,615	-	-	2,074,601	6,191,673
Investments in associated companies	752,241	-	-	-	-	-	3,298,429	4,050,680
Intangible assets	-	-	-	-	-	-	2,725,109	2,725,109
Investments carried at fair value through income statement	6,574,087	2,414,647	4,743,209	1,109,992	1,164,391	127,464	6,695,831	22,829,621
Investments available for sale	58,368,871	2,125,960	-	-	172,861	-	245,798	60,913,490
Debt securities (loans)	4,300,000	-	-	-	-	-	-	4,300,000
Investments held to maturity	-	2,111,317	-	2,620,168	-	-	-	4,731,485
Loans secured by insurance policies	438,165	-	-	-	-	-	-	438,165
Premiums and insurance balances receivable	8,178,924	2,069,001	2,950,926	1,919,213	173,813	12,688	7,656,523	22,961,088
Reinsurance recoverable on outstanding claims	12,170,674	3,375,810	2,700,149	798,632	-	-	3,179,639	22,224,904
Property held for sale	-	-	213,077	78,172	-	-	-	291,249
Other assets	4,696,106	10,030	348,938	263,517	-	-	1,046,284	6,364,875
Cash and cash equivalents	33,539,523	7,387,832	15,280,780	2,177,286	350,000	33,084	6,260,140	65,008,645
Total assets	**131,858,230**	**19,494,597**	**26,624,897**	**9,836,595**	**1,861,065**	**173,236**	**33,182,364**	**223,030,984**

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2007 **LIABILITIES**	Local currency KD equivalent	USD KD equivalent	BD KD equivalent	EGP KD equivalent	Euro KD equivalent	GBP KD equivalent	Other KD equivalent	Total KD
Liabilities arising from insurance contracts:								
Outstanding claims reserve (gross)	25,322,154	4,852,525	4,312,116	2,107,524	-	-	7,668,952	44,263,271
Unearned premiums reserve (net)	5,506,000	-	1,832,049	2,432,209	-	-	3,516,745	13,287,003
Life mathematical reserve (net)	15,560,195	54,805	-	-	-	-	2,788	15,617,788
Additional reserve (net)	2,500,000	-	-	495,476	-	-	68,585	3,064,061
Total liabilities arising from insurance contracts	48,888,349	4,907,330	6,144,165	5,035,209	-	-	11,257,070	76,232,123
Bank Overdraft								
Premiums received in advance	7,624,080	-	-	-	-	-	264,558	7,888,638
Policyholders and agencies payable	1,901,032	-	120,974	-	-	-	714,901	2,736,907
Insurance and reinsurance payable	8,095,897	84,721	1,647,616	-	13,856	675	3,165,095	13,007,860
Other liabilities	2,454,296	4,396,645	1,491,403	1,245,053	8,527	13,991	2,889,613	12,499,528
	6,562,999	82,980	277,566	1,682,344	13,852	175	2,390,830	11,010,746
Total liabilities								
	75,526,653	9,471,676	9,681,724	7,962,606	36,235	14,841	20,682,067	123,375,802

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit (due to changes in fair value of currency sensitive monetary assets and liabilities).

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear.

		2008	2007
	Change in variables	Impact on profit	Impact on profit
		KD	KD
USD	± 5 %	(420,642)	458,746
GBP	± 5 %	(209,759)	(47)
EURO	± 5 %	(280,093)	(8,081)
Others	± 5 %	(162,262)	39,712

(ii) Interest rate risk

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

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

The Group'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 Group has no significant concentration of interest rate risk.

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

23 - RISK MANAGEMENT (CONTINUED)

(e) Financial risks (continued)

(3) Market risk (continued)

(ii) Interest rate risk (continued)

Currency	2008 Change in variables	2008 Impact on profit before tax KD	2007 Change in variables	2007 Impact on profit before tax KD
USD	**± 150 basis**	**667,848**	± 50 basis	53,649
EURO	**± 150 basis**	**1,778,874**	± 50 basis	7,876
OTHERS	**± 150 basis**	**322,047**	± 50 basis	104,117

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

(iii) Equity price risk

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

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

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

	2008 %	2007 %
Kuwait market	**38 %**	3 %
Rest of GCC market	**38 %**	17 %
MENA market	**32 %**	7 %
Other international markets	**28 %**	12 %

The above percentages have been determined based on the average market movements over a 90 days period from October to December 2007 and 2008. The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis reflects the impact of positive changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

23 - RISK MANAGEMENT (CONTINUED)

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

	Profit for the year		Equity	
	2008 KD	2007 KD	**2008 KD**	2007 KD
Investment carried at fair value through income statement	**5,826,440**	1,204,046	-	
Investments available-for-sale	-	-	**17,691,843**	1,829,109

23 - 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 investment and time deposits which is as follows:

31 December 2008	GCC KD	Middle East & North Africa KD	Europe KD	America KD	Others KD	Total KD
Investments in associated companies	2,092,045	3,278,765	-	-	-	**5,370,810**
Investments carried at fair value through income statements	11,247,517	874,649	4,256,641	-	-	**16,378,807**
Investments available for sale	58,893,335	3,716,594	1,138,454	124,895	947,560	**64,820,838**
Debt securities (loans)	3,300,000	-	-	-	-	**3,300,000**
Investments held to maturity	1,959,000	4,361,460	-	-	-	**6,320,460**
Time and call deposits	36,387,710	12,661,577	166,991	649,195	-	**49,865,473**
	113,879,607	24,893,045	5,562,086	774,090	947,560	**146,056,388**
31 December 2007						
Investments in associated companies	752,241	3,298,439	-	-	-	**4,050,680**
Investments carried at fair value through income statements	17,061,201	-	3,389,834	2,378,586	-	**22,829,621**
Investments available for sale	60,616,688	39,641	257,161	-	-	**60,913,490**
Debt securities (loans)	4,300,000	-	-	-	-	**4,300,000**
Investments held to maturity	62,735	2,753,466	907,230	-	1,008,054	**4,731,485**
Time and call deposits	45,636,977	11,254,656	96,106	404,017	-	**57,391,756**
	128,429,842	17,346,202	4,650,331	2,782,603	1,008,054	**154,217,032**

24 - RELATED PARTY TRANSACTIONS

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

	2008		2007	
	Premiums KD	**Claims KD**	Premiums KD	Claims KD
Ultimate parent company	**75,579**	**6,124**	78,985	1,447
Directors and key management personnel	**715,459**	**241,212**	651,678	224,980
Other related parties	**2,182,014**	**712,199**	3,236,540	1,048,005
	2,973,052	**959,535**	3,967,203	1,274,432

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

	2008		2007	
	Amounts owed by related parties KD	**Amounts owed to related parties KD**	Amounts owed by related parties KD	Amounts owed to related parties KD
Ultimate parent company	**14,740**	**-**	41,025	-
Directors and key management personnel	**260,718**	**9,502**	251,334	23,271
Other related parties	**748,811**	**19,735**	1,238,212	9,175
	1,024,269	**29,237**	1,530,571	32,446

The Group has also engaged with related parties in its investment activities as follows:

a) Most of the Group's investment transactions are made through portfolios managed by a related company. The results of these transactions amounted to KD 5,483,986 (2007: KD 31,819,806) and the portfolios include shares in Kuwait Projects Company Holding and other related companies.

b) The Group holds certain deposits and call accounts with a related party. The Group also holds bonds issued by the ultimate parent company and other related entity amounting to KD 1,300,000 (2007: KD 2,610,000).

24 - RELATED PARTY TRANSACTIONS (CONTINUED)

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

d) The group sold all the investment in an associated company "United Warehousing and Refrigeration K.S.C. (Closed) to a related party resulting in a gain of KD 47,759.

Key management personnel compensation:

	2008	2007
	KD	KD
Salaries and other short term benefits	**760,964**	705,236
Employees' end of service benefits	**1,702,638**	1,285,620
	2,463,602	1,990,856

25 - SUBSIDIARY COMPANIES

The consolidated financial statements include the following subsidiaries:

Company	Country of incorporation	% Ownership		Nature of operation
		2008	2007	
Saudi Pearl Insurance Co. Limited (SPI)	Bahrain	**100%**	**100%**	General risk and life insurance
Gulf Life Insurance Co. GLIC	Kuwait	**98.60%**	-	Life & Medical Insurance
Fajr Al Gulf Insurance and Reinsurance Co. SAL	Lebanon	**51%**	**51%**	General risk and life insurance and reinsurance
Arab Misr Insurance Group Company (S.A.E.)	Egypt	**85.37%**	**85.37%**	General risk insurance
Syrian Kuwait Insurance Company (S.S.C.)	Syria	**44.39%**	**44.39%**	General risk and life insurance
Bahrain Kuwait Insurance Company (B.S.C.)	Bahrain	**51.22%**	**50.22%**	General risk insurance

26 - ACQUISITION AND FORMATION OF SUBSIDIARIES

Saudi Pearl Insurance Company Limited E.C. (S.A.)
The company is under a transitory period where a new company is established named Buruj Cooperative Insurance where all the insurance business will be shifted to the new formed company. The parent own 22.5% equity interest in the new company(Note 6).

Bahrain Kuwait Insurance Company B.S.C.
During the year, the parent company acquired additional equity interest in Bahrain Kuwait Insurance Company B.S.C. for KD 180,415. Accordingly the equity interest increased to 51.22% as at 31 December 2008.

Takaful Insurance Department
The parent company has established a new insurance unit named Takaful Insurance for life and non life insurance and will be specialised in Islamic insurance products. The new formed units commenced operations in October 2008. Business written and net profit impact on the parent company is immaterial to separately disclose the policyholders' results by line of business and policyholders assets, liabilities and fund

Gulf Life Insurance Company K.S.C. (Closed)
During 2007, the parent company established a new entity for life and health insurance in Kuwait where it has equity interest of 98.60%. This new entity started its operations as a separate legal entity on 1 January 2008 after obtaining the necessary licensing and certification from the Kuwait authorities. Effectively, from 1 January 2008 the assets and liabilities relating to life and health business managed by a separate division within the parent company, Gulf Insurance Company K.S.C. (Closed), have been transferred to the newly established subsidiary, Gulf Life Insurance Company K.S.C. (Closed). The parent company has consolidated this subsidiary from 1 January 2008 and there is no material impact on the consolidated financial statements because of this change.

27 - PROPOSED CASH DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

The board of directors of the parent company have proposed cash dividends for the for the Year ended 31 December 2008, representing 50 fils per share of outstanding shares excluding treasury shares to the parent company's shareholders on records as of the date of the general assembly. This proposal is subject to the approval of the general assembly meeting of the shareholders of the parent company.

On 23 March 2008, the general assembly approved the distribution of cash dividend of 100% amounting to KD 10,942,070 representing 100 fils per share and bonus shares of 50% (50 shares for each 100 share) proposed by the Board of Directors for the year ended 31 December 2007 and directors" remuneration of KD 120,000 for the year 2007 and paid subsequent to that.