Public Offering Prospectus
For Capital Increase Shares
Gulf Insurance Group K.S.C.P

Public Offering of 14,200,000 Ordinary Shares to Existing Shareholders
at an Offer Price of KD 0.500 Per Share

Issuer **Subscription Agent**

Gulf Insurance Group K.S.C.P (the "Group" or "Company" or the "Issuer") is a Kuwaiti Public Shareholding Company established 9 April 1962 with Commercial Registration 9390 and has been listed on Boursa Kuwait (the "Boursa") since 29 September 1984. At the date of this prospectus (the "Prospectus"), the share capital of the Issuer is KD 18,703,913 consisting of 187,039,125 shares with a nominal value of 100 fils each (the "Existing Shares"), all of which are fully paid.

The issue (the "Offering") consists of the issuance of 14,200,000 ordinary shares (the "Issue Shares") equivalent to a 7.6% increase in the current paid-up capital of the issuing company (the "Offering"), at an offering price of 500 Fils (five hundred Kuwaiti fils) per share (the "Offer Price") including 100 fils (one hundred Kuwaiti fils) the nominal value plus 400 fils (four hundred Kuwaiti fils) an issue premium (hereinafter referred to as "offering shares" or "shares") With a total face value of KD 1,420,000 (one million four hundred twenty thousand Kuwaiti dinars), and a share premium of KD 5,680,000 (five million six hundred and eighty thousand Kuwaiti dinars only).

The shareholders attending the Extraordinary General Meeting held on 7 October 2020, in person or represented by proxy, adopted a resolution to set the Issuer's authorized share capital at KD 35,000,000. The Board of Directors of the Issuer, by written resolution No. 391 dated 8 October 2020 resolved to increase the issued and paid share capital from KD 18,703,913 to KD 20,123,913 by the issue and allotment of 14,200,000 Issue Shares at the Offer Price. The Board of Directors of the Issuer, by written resolution No. 391 dated 8 October 2020 resolved to call for the subscription in the Issue Shares; the Issuer also obtained the approval of the Capital Markets Authority of the State of Kuwait to increase the capital and issue shares on 27 October 2020 and on this Prospectus on 16 November 2020.

The Offering will commence on 17 December 2020 and will remain open up to and including 31 December 2020 (the "Offering Period") and that is during the official working hours specified for receiving subscribers in the Subscription Agent's headquarters or the designated website www.iktatib.com (the "Website"), unless the entire Offering is covered before that date, as the Issuer has the right to close Offering Period before the specified expiry date. The Board of Directors has the right to extend the Offering Period at its sole discretion as long as the total extension period does not exceed three (3) months, provided that the approval of the Capital Markets Authority is obtained for such extension.

For the purposes of this Prospectus, the term "business day" means the day on which the Boursa carries out normal trading business, and for the purposes of the subscription process, it must also be the day on which banks open to conduct their public business in the State of Kuwait (except for Fridays and Saturdays), and with the exception of public holidays.

This Prospectus is not considered an offer to sell or soliciting any offer to buy securities in any legal system in which offering or selling is not permitted. In addition, investors' subscription to any of the securities referred to in this document must be based on the information contained in this Prospectus exclusively.

Notice

You are hereby advised to seek the advice of an advisor licensed in accordance with the law and specialized in advising on the content of this prospectus prior to making a decision as to subscription

This Prospectus has been prepared in accordance with the Kuwait capital markets law no. 7 of 2010 and its executive regulations as amended. This Prospectus has been approved by the Kuwait capital markets authority on 16 November 2020 and this Prospectus was prepared in accordance with the Kuwait capital markets law no. 7 of 2010 and its executive regulations as amended regarding the establishment of the capital markets authority and the regulation of securities activities issued pursuant to the capital markets authority resolution no. (72) of 2015, and their amendments.

The members of the board of directors, whose name appear in the management section of this prospectus, collectively and individually accept full responsibility for the accuracy of all information contained in this prospectus relating to the issuer and the issue shares, and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The subscription agent accepts full responsibility for any inaccuracy of all information and data contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other material facts and information omitted, and that the prospectus has been drafted according to the information and data that correspond to reality.

The legal advisor to the issuer confirms that they have reviewed the prospectus and documents related thereto as provided to them by the issuer, and that to the best of their knowledge and after having made all reasonable inquiries, the prospectus complies with the relevant legal requirements and that the issuer has obtained the required approvals necessary in order for its obligations to be valid and enforceable.

The Kuwait capital markets authority does not take any responsibility for the contents of this prospectus, does not make any representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this prospectus.

This prospectus is dated 16 November 2020

English translation of the official Arabic language prospectus

Important notices

Gulf Insurance Group K.S.C.P (the "**Group**" or the **"Company"** or the **"Issuer"**), confirms, after raising all reasonable inquiries, that this Prospectus contains all the material and legal information related to the Company's business and shares, which are considered an essential and influential element in the course of the Offering, and that the data contained in this Prospectus are correct, accurate and not misleading. The opinions expressed in this Prospectus have been honestly presented, and have been reached after examining all the relevant circumstances and relies on reasonable assumptions made by the company. In addition, there are no other essential facts that have been overlooked in the context of this Offering or any statement contained in this Prospectus that is misleading in any material or influential way, and all reasonable inquiries have been raised by the Company to verify these essential facts and to verify the accuracy of all such information The material contained in this Prospectus.

The Company has not authorized the making or provision of any representation or information regarding the Company, the Offering or the Issue Shares other than as contained in this Prospectus or as approved for such purpose by the Company. Any such representation or information should not be relied upon as having been authorized by the Company or the Financial Advisor on the cover hereof (the "Advisor"). Also, submitting this Prospectus at any time does not mean that the information contained therein is correct at any later date. Any copying or distribution of this Prospectus, in whole or in part, is prohibited, and any disclosure of its contents or the use of any information contained therein for any purpose other to provide background information about the Company to assist each recipient in making an independent evaluation of the offering and any investment in the Issue Shares, with the exception of that information available to the public in another form. Each Eligible Shareholder agrees to the foregoing by accepting to receive a copy of this Prospectus.

This Prospectus has been provided for use by Eligible Shareholders only to review the Offering. Eligible Shareholders interested in the Offering should read this Prospectus in full. Eligible Shareholders should also read this Prospectus along with the Company's articles of association and its amendments. This Prospectus is not intended to be the only document that Eligible Shareholders should rely on in reaching an investment decision; The Eligible Shareholders must rely on the due diligence they themselves conduct on the Company and the terms of the Offering, including the risks involved in this Offering, in order to reach an investment decision. No part of this Prospectus represents financial, tax, or legal advice to any Eligible Shareholders.

Notwithstanding the foregoing, this Prospectus does not represent, nor should it be construed as, an offer or solicitation (nor should it be used for those purposes) by any person in any legal system that does not permit such offer or solicitation, or the person to whom that offer or solicitation is submitted is not qualified to subscribe to the Offering or receive this Prospectus, or to any person for whom such offer or solicitation is illegal or unauthorized.

The Company, its officials, directors, shareholders, partners, agents, employees, accountants, lawyers, or advisors do not make any commitment or guarantee, express or implied, with regard to the accuracy or completeness of the information contained in this Prospectus. The Company, its officials, directors, shareholders, partners, agents, employees, accountants, lawyers, and advisors disclaim their responsibility, in any way, for any information or on the basis of any information or what is related to any information in this Prospectus, including but not limited to, any information contained in this Prospectus, or errors or omissions in it, or information inferred from it, or based on or in connection with the use of this Prospectus by Eligible Shareholders. This Prospectus is not regarded as a recommendation on the part of the Company, the Advisor or any of their advisors or affiliates to participate in the Offering, no should Eligible Shareholders depend on this prospectus or any part of it in any way in relation to the process of purchasing shares, and this Prospectus does not and will not represent any form of commitment on the part of the Company to proceed with the Offering.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, certain portions of the market and industry information herein are derived from external sources, and while neither the Company, the Advisor, nor their respective advisors have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The Eligible Shareholders shall base their investment decision on the due diligence examination conducted by themselves of the Company and the terms of this Offering submitted through this Prospectus, including the advantages and risks involved in this Offering. Likewise, it has not been recommended to subscribe to the Offering by any Kuwaiti regulatory authority or agency. In addition, the previous authorities have not confirmed the accuracy or adequacy of this Prospectus.

Subscribing for the Offering involves some risk, as set out in the section of this Prospectus entitled “Risk Factors”. This Prospectus is provided for information purposes only, it is not intended, nor should it be taken, as a basis in order to reach an investment decision. Eligible Shareholders are not to construe the contents of this document as constituting tax, investment or legal advice. Prior to subscribing to the Offering, an Eligible Shareholder should consult a financial advisor, her or its own legal, business and tax advisors determine the appropriateness and consequences of an investment in the Offering for such investor and arrive at an independent evaluation of such investment. The sole purpose of this document is to provide background information about the Company to assist each recipient in making an independent evaluation of the offering and any investment in the Offering.

This Prospectus contains material information related to the Company, and is based on the reasonable opinions of the Company’s management and expectations based on some assumptions related to the general trends of the economy of Kuwait and the Middle East, in addition to other factors.

When used in this document, the words “expects”, “sees”, “speculates”, “estimates”, “intends”, “will”, “tolerates”, and other words or phrases of similar meaning in this Prospectus in relation to the Company, they are intended to indicate that these sentences are forward looking. These sentences also reflect the current risks, uncertainties and assumptions related to some factors that include but are not limited to competitive factors, general economic conditions, market conditions, one-time events, and other factors described in the description in this Prospectus, especially in the “Risk Factors” section. Depending on the changing circumstances and the possibility of changing circumstances, if one or more of these risks or uncertainties are realized, or if any basic assumption is proven incorrect, the actual results may differ substantially from what is mentioned in this Prospectus as was expected, probable, believed, predicted or estimated outcome. The Company does not update any of the information contained in this Prospectus, including any forward-looking data.

As a result of the amendments made to the numbers in this prospectus by rounding them up or down to the nearest whole, the numbers and/or percentages mentioned in this Prospectus may not lead to the net total.

All current shareholders must carefully review the information provided in this Prospectus, especially "Risk Factors" section below, in order to view a description of some of the risks associated with investing in the Company (including the risk of the total loss of their investment) and if any Eligible Shareholder has any doubts about the contents of this Prospectus, they should seek independent professional financial advice.

Please note that all investments carry different levels of risk, and the value of your investment may decrease or increase.

The Role of KPMG Consulting LLC

KPMG Consulting LLC provided valuation services to the Company as part of the Offering process based on the Company's audited financial statements for the years 2018 and 2019 and the interim un-audited financial information for the financial period ending on June 30, 2020. Accordingly, the evaluation report does not include events subsequent to that date.

The evaluation report is based on the financial statements and other information provided by the management. Accordingly, KPMG Consulting LLC is not responsible for the accuracy of the information provided. The accuracy and completeness of this information has not been independently verified by KPMG Consulting LLC. The work of KPMG Consulting LLC does not constitute any audit of the information provided by the management, and therefore no opinion has been expressed regarding such information. KPMG Consulting LLC analyzed the information made available to it and, to the extent possible, concluded that the information provided is consistent with other information provided to it during its work.

This Prospectus does not include any investment advice directed at any person. KPMG Consulting LLC has not established and will not provide such advice. In all cases, Eligible Shareholders should undertake a special review as well as investigate and analyze business data, financial information, ownership and other relevant information that are described or omitted in this Prospectus. Eligible Shareholders should rely solely on their judgment, review and business analysis, in evaluating the business and any potential investment in it.

Notice

KPMG Consulting LLC clearly disclaims any and all responsibilities related to or arising from the use of any information or other data contained or not contained in this Prospectus or any other exchanges written or oral or delivered or provided to the investor or any of its subsidiaries or representatives. The information in this Prospectus may be subject to updates, amendments, developments and changes.

Undertaking

KPMG Consulting LLC does not make any representations or guarantees, whether explicitly or implicitly, regarding the accuracy or completeness of the information contained in this Prospectus or any other written or oral exchanges that were delivered or made to an Eligible Shareholder for the purpose of investing in the Offering, if implemented, and subject to these limitations and restrictions as determined by the final agreements, as it has no legal effect.

Responsibility statement

Individuals responsible for the Prospectus

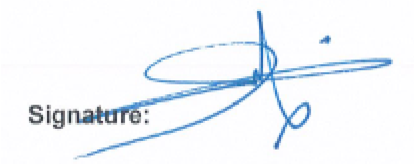
This Prospectus has been prepared by:

Name:	Title:	Address:
Mr. Khaled Saoud Al Hasan	Board Member & Group CEO	Sharq - Khalid Bin Al Waleed Street - KIPCO Tower - Floor 40

Each of the directors of the issuer, whose names appear herein, accepts responsibility for the information contained in this prospectus. To the best of the knowledge and belief of the directors, who have taken all reasonable care and conducted a full and detailed due diligence to ensure that such is the case: (i) the information contained in this prospectus is complete, accurate and correct, (ii) all information relating to the securities and to the issuer have been disclosed to the investors, so that the investors could take a decision as to whether or not to subscribe to the issue shares, and (iii) that all the relevant provisions relating to the securities as provided for in law no.1 of 2016 issuing the companies law and its executive regulations, law no. 7 of 2010 regarding the establishment of the capital markets authority and regulating securities activities and its executive regulations in accordance with Capital Markets Authority Decision No. (72) of 2015, as amended and the regulations and instructions issued by the capital markets authority, have been complied with.

On behalf of the Board of Directors of the Issuer

Name:	Title:
Mr. Khaled Saoud Al Hasan	Board Member & Group CEO



Forecasts and future data

Certain statements contained in this prospectus may indicate a forward-looking outlook without being binding on the Company. Future statements include data related to the Company's plans, goals, objectives, strategies, future operations and future performance, as well as the assumptions that those future statements involve.

Forward looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any of its derived expressions or any similar expressions generally identify forward looking statements. The Issuer has based these forward-looking statements on the current view of the Issuer's management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in the Issuer's forward looking statements are reasonable as of the date of this Prospectus, if one or more of the risks or uncertainties materialize, including those which the Issuer has identified in this Prospectus and those which the Issuer could not reasonably identify , or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted without any liability on the Issuer. These forward-looking statements speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any binding obligation or undertaking to achieve or fulfill any of the objectives or results contained in any of the expectations, estimations or predictions and to disseminate after the date of this Prospectus any updates or revisions to any forward looking statements contained herein to reflect any change in expectations, estimations or predictions thereof or any change in events, conditions or circumstances on which any such forward looking statement is based.

Expectations and future statements are subject to risk factors, instability and assumptions that could cause actual results to differ materially from the expected results. Important factors that could cause actual results to differ materially from our expectations, include but are not limited to, the following:

- Economic conditions and general business activity in Kuwait and other countries.
- The Company's ability to implement its strategy, achieve its growth and expansion, its technical changes, its exposure to market risks that have an impact on its business activity and its investments.
- A change in the tax and monetary systems in Kuwait, including inflation and the high cost of living, fluctuations in interest rates, stock prices or other prices and fees, the performance of capital markets in Kuwait and internationally, changes in local and international laws and regulations, imposition of taxes and a change in the framework of competition in the Company's industry.
- A change in the value of the Kuwaiti dinar and other currencies.
- The occurrence of natural disasters and disturbances.
- A change in the political and social conditions in Kuwait.
- Loss or stoppage of the Company's activity due to a labor strike or labor unrest.
- Failure to maintain the main employees and workers in the Company.
- The Company's ability to adapt to technological changes.

Therefore, Eligible Shareholders should carefully review the "Risk Factors" section to assess the risks involved, as mentioned on page 61 of this Prospectus. Due to their nature, some of the disclosures about market risk are only estimates that may differ significantly from future results. Consequently, actual profits or losses may differ materially from expectations. The Company is not obligated to update or review any data that contains information received after the date of this Prospectus, or to record the occurrence of any cases, even if none of the assumptions mentioned in this Prospectus have been implemented or fulfilled.

TABLE OF CONTENT

Important notices 4
Responsibility statement 7
Forecasts and future data 8
TABLE OF CONTENT 10
Key Terms of the Offering 11
Details of the Offering 17
Shares offered in the Offering 17
Issue Price per Issue Share 17
Issuance Premium Calculation 17
Priority Subscription 17
Convertibility of offered shares 18
Tradability of the offered shares 18
Voting Rights of offered shares 18
Short-Term Earnings Per Share 18
Eligible Shareholders Who do Not Subscribe to the Issue Shares 18
Offering Terms, Conditions and Instructions 18
Allocation of Shares 22
Refund of Subscription Surplus Amount 22
Abide by the Laws 23
Use of Proceeds 23
Details of the Issuer 24
Business Description of the Company 24
Overview 32
Regional Presence 33
Business Strategy 34
Company Duration 34
Management of the Company 34
General Assembly 35
Board of Directors and Management 36
Key Subsidiaries and Investments 45
Capitalization and Borrowings 51
Profit Distributions by the Company 53
Selected Financial Information 54
Previous Issuances by the Company 61
Legal Cases 61
Material Contracts 61

Risk Factors 61
Risks related to the Issue Shares 71
Appropriateness of investment 72
Liquidity and volatility in the Share price 72
Dividend payments 73
Dilution of existing shareholdings 73
Risks related to potential issuance of new shares 73
Risks related to non-exercise of Rights by Substantial Shareholders 73
Taxation risks on payments 73
Change in Law 75
Risks of taxing dividends 75
Countries of the Gulf Cooperation Council may enter into a monetary union 75
Taxation 75
Income tax 75
Stamp fees 76
Zakat 76
Tax to support the national employment program 76
Tax exemption in the Capital Markets Authority Law 76
Retention 77
Other taxes 77
General Information 78
Articles of Association and Memorandum of Association 80
Financial Statements 133

1. Key Terms of the Offering

This section intends to provide a brief overview of the information contained in this Prospectus and does not contain all the information that may be of interest to the subscribers. Accordingly, recipients should read the entire Prospectus before making an investment decision with respect to the Offering.

The terms in italics that are not specifically defined in this Key Terms summary bear the meanings indicated in the Details of the Offering section of this Prospectus.

The Issuer	Gulf Insurance Group K.S.C.P
Issuer's Address	Sharq - Khalid Bin Al Waleed Street - KIPCO Tower - 40th Floor - Kuwait
Date of Incorporation	9 April 1962
Date of Listing on Boursa Kuwait	29 September 1984
Nature of Offering	Ordinary shares The increase in the issued and paid-up capital of the Issuer has been approved in accordance with the decision of the Issuer's Board of Directors made on October 8, 2020 and based on the decision of the Extraordinary General Assembly held on October 7, 2020. The Issuer's authorized capital is determined at an amount of 35,000,000 Kuwaiti Dinars and authorizes the Board of Directors to decide on the increase of the issued and paid up capital in several installments or one payment within the limits of the authorized capital. The Issuer's capital increase was indicated in the Issuer's commercial register with the Ministry of Commerce and Industry on 19 October 2020 and the approval of the Capital Markets Authority in the State of Kuwait was obtained for the capital increase and the issuance of shares on 27 October 2020 and on the final subscription Prospectus, dated 16 November 2020.
Subscription Period	The Offering will commence on December 17, 2020 and will remain open up to and including January 14, 2021 (the "Offering Period") and that is during the official working hours specified for receiving subscribers, unless the entire Offering is covered before that date, as the Issuer has the right to close Offering Period before the specified expiry date.. The Board of Directors has the right to extend the Offering Period at its sole discretion as long as the total extension period does not exceed three (3) months, provided that the approval of the Capital Markets Authority is obtained for such extension.
Issuer's authorized capital immediately prior to the Offering	KD 35,000,000
Issuer's issued and paid up capital immediately prior to the Offering	KD 18,703,913 divided into 187,039,125 shares the value of each share is one hundred fils, and all the cash shares are fully paid.
In-Kind Shares	None
Subscription Price	KD 0.500 (five hundred fils) per share (the "Offer Price") which includes the 100 fils nominal value plus 400 fils issuance premium value.
Nominal Value	100 Kuwaiti fils per Issue Share (one hundred Kuwaiti
Issuance Premium	400 Kuwaiti fils per Issue Share (four hundred Kuwaiti

Number and type of Issue Shares	14,200,000 ordinary shares representing approximately 7.6% of the Issuer's existing issued share capital
Priority Subscription	The Issuer and the regulatory authorities agreed to increase the Issuer's current issued and paid-up capital by 1,420,000 KD distributed among 14,200,000 ordinary shares, with a value of 500 Kuwaiti fils per share including 100 fils nominal value plus 400 fils issuance premium, which shall be allocated to the shareholders registered in the Issuer's shareholder registry on the Record Date ("Eligible Shareholders") in proportion to their share ownership in the Issuer's capital during the Subscription Period. In the event that the Eligible Shareholder does not subscribe, this is considered a waiver of his priority right to subscribe to the shares of the capital increase for the benefit of existing or new shareholders. The Company's Extraordinary General Assembly, in accordance with its decision issued on October 7, 2020, authorized the Company's Board of Directors to approve the allocation of the subscription surplus to new shareholders, and to dispose of fractional shares (if any) in the manner it deems appropriate in accordance with the provisions of the law. The Eligible Shareholders that have a priority right to subscribe to the shares of the Issuer's capital increase may assign this right during the Subscription Period to the Company's shareholders or others, with or without consideration, and the assignment may be in all or some of the shares of the increase that each of them is entitled to subscribe to.
Surplus Subscription	Shareholders are entitled to subscribe to the surplus of the Offering in addition to their initial subscription amount. The offer price for Surplus Shares ("Surplus Shares") shall be 500 Kuwaiti fils per Surplus Share.
Allocation of Issue Shares	Eligible Shareholders who apply for Issue Shares and submit it prior to the end of the Offering Period will be entitled to pro rata Issue Shares for every Existing Shares that they hold. The Company's board of directors, with its sole authority, will allocate the Surplus Shares to existing or new shareholders. If the Eligible Shareholders have not fully subscribed to their entitlement to the Issue Shares, such unsubscribed Issue Shares will be allocated to those Eligible Shareholders who apply for more than their entitlement to the Issue Shares. If the aggregate number of the Additional Issue Shares exceeds the number of available unsubscribed Issue Shares, such shares will be allocated to those Eligible Shareholders applying for such Additional Issue Shares pro rata to their subscription for the Additional Issue Shares. The allocation of the Additional Issue Shares shall be final without any recourse or liability against the Issuer.
Record date	16 December 2020
Minimum Subscription	1 Share

Total value of the Offering	A total nominal value of 1,420,000 Kuwaiti Dinars and a total value after adding the issuance premium of 7,100,000 Kuwaiti Dinars.
Use of Proceeds	The proceeds of the Offering will be used to continue the general activities of the Company and to improve the Company's operating capital, to achieve growth in the revenues of the issuing company, and to implement its plans, regulatory requirements, and future goals. In addition to covering the Offering Expenses and some of the expenses that involved in the process of increasing the Company's capital.
Offering Fees	Shares will not be charged subscription fees as the Issuer will bears all issuance costs.
Offering Costs	It is expected that the total costs of the issuance, including the fees of the Subscription Agent, the Legal Advisor of the Issuer, the marketing costs, printing the Prospectus, and other costs and expenses related to the issue, are expected to reach a maximum of KD 70,000 (Seventy thousand Kuwaiti dinars).
Refund of Surplus Subscription Amount	The value of the subscription will be paid by the subscribers during the Subscription Period and before the closing date of the Subscription Period, and if there is any surplus in the sums that the subscribers will transfer to the subscription account, these amounts will be refunded within a period not exceeding five (5) business days from the date of the allocation of shares without interest.
Summary of 2017 financial statements **As on December 31, 2017**	Assets: 492.8 million Kuwaiti dinars Paid in Capital: 18.7 Million Kuwaiti Dinars Shareholders' Equity: 100.0 million Kuwaiti dinars Liabilities: 392.8 million Kuwaiti dinars
Summary of 2018 financial statements **As on December 31, 2018**	Assets: 567.1 million Kuwaiti dinars Paid in Capital: 18.7 Million Kuwaiti Dinars Shareholders' Equity: 112.4 million Kuwaiti dinars Liabilities: 454.7 million Kuwaiti dinars
Summary of 2019 financial statements **As on December 31, 2019**	Assets: 763.2 million Kuwaiti dinars Paid in Capital: 18.7 Million Kuwaiti Dinars Shareholders' Equity: 134.8 million Kuwaiti dinars Liabilities: 628.3 million Kuwaiti dinars
Summary of 2020 financial statements **As on June 30, 2020**	Assets: 881.4 million Kuwaiti dinars Paid in Capital: 18.7 Million Kuwaiti Dinars Shareholders' Equity: 138.0 million Kuwaiti dinars Liabilities: 743.3 million Kuwaiti dinars

Previous Securities Issues

Type of Issuance	**Year**	**Date of registration at commercial registrar**	**Number of shares issued**	**Total value of issuance (KWD)**	**Net value of issuance (including nominal value and issuance premium) (KWD)**
Capital at Incorporation	1962	7 April 1962	100,000	800,000	800,000
Bonus Shares	2012	13 May 2012	8,906,630	890,663	890,663
Bonus Shares	2011	15 September 2011	8,482,250	848,250	848,250
Bonus Shares	2010	7 October 2010	59,650,000	5,965,000	5,965,000

Date of the Extraordinary General Assembly decision to approve the authorized capital increase	7 October 2020
Subscription Agent	KAMCO Investment Company K.S.C.P. (KAMCO Invest)
Subscription Agent Address	Sharq- Khalid Bin Al Waleed Street, Al-Shaheed Tower P.O. Box 28873, Safat, 13149 Kuwait
Clearing and Depositary Agent	Kuwait Clearing Company K.S.C Arabian Gulf Road, Ahmed Tower, Floor 5 P.O Box 22077, 13081 Safat www.maqasa.com
Business Day	Any day on which the Boursa Kuwait carries out normal trading business, and for the purposes of the subscription process, it must also be the day on which banks open to conduct their public business in the State of Kuwait, with the exception of Fridays and Saturdays and public holidays.
Legal Advisors	Meysan Partners Attorneys and Legal Consultants P.O. Box 298, Safat 13003 Al Hamra Tower, 17th Floor, Al Shuhada Street, Sharq, Kuwait
Law	Laws of the State of Kuwait

Courts	Courts of the State of Kuwait
Board Members of Issuer	Farqad Abdullah Al-Sane (Chairman) Faisal Hamad Al-Ayyar (Vice Chairman) Khaled Saoud Al Hasan (Member & CEO) Abdulaziz Saoud Al Fulaij (Member) Abdullah Mohammed Al Mansour (Member) Bijan Khosrowshahi (Member) Robert Quinn McLean (Member) Jean Cloutier (Member) Abdul Ilah Mohammed Rafie Marafie (Member) Mahmoud Ali Al Sanea (Member)

2. Details of the Offering

2.1. Shares offered in the Offering

The Issuer is offering 14,200,000 ordinary shares representing approximately 7.6% of the Issuer's existing issued share capital.

2.2. Issue Price per Issue Share

The issue will have a price of 500 fils per Issue Share, reflecting the nominal value of 100 fils per Issue Share and the issuance premium of 400 fils per Issue Share. A total nominal value of 1,420,000 Kuwaiti Dinars and a total value after adding the issuance premium of 7,100,000 Kuwaiti Dinars.

2.3. Issuance Premium Calculation

The Issuer's Board of Directors approved the Offering price to be 500 fils on 8 October 2020, i.e. 400 Kuwaiti fils above the nominal value, based on a Valuation Report (the "Valuation Report") prepared by an independent asset valuer's licensed by the Capital Market Authority (KPMG Advisory W.L.L.) to assess the fair value of its shares in relation to the Offering.

The independent Valuation Report was prepared as at 30 June 2020 (the "**Valuation Date**") and it was provided to the Capital Markets Authority.

According to the valuation report, the valuation range for the Issuer is between 562 fils per share to 615 fils per share. The Offering price offers a 15% discount to the valuation range midpoint, so that the discount is not large and at the same time attracts shareholders to subscribe to increasing the company's capital, which is a factor in the interest of shareholders and strengthens their participation in increasing the capital.

It should be noted that several valuation methods have been used to derive the valuation range, including dividends discount model, relative valuation based on Price to Book Value multiples and volume weighted average price based on the audited financial statements of the Issuer and information available in the public domain from reliable third-party sources.

These methods are summarized as follows:

1. Dividends Discount Model ("DDM")
2. Relative valuation based on Price to Book Value ("P/BV") multiples
3. Volume Weighted Average Price ("VWAP")

2.4. Priority Subscription

The Issuer and the regulatory authorities agreed to increase the Issuer's current issued and paid-up capital of KD 18,703,912 by 7,100,000 KD distributed among 14,200,000 ordinary shares, with a value of 500 Kuwaiti fils per share including 100 fils nominal value plus 400 fils issuance premium, which shall be allocated to the shareholders registered in the Issuer's shareholder registry on the Record Date in proportion to their share ownership in the Issuer's capital during the Subscription Period. The Subscriber will Subscribe via www.iktatib.com (the "**Website**") by entering their Trading Account Number registered with the Kuwait Clearing Agency ("KCC") and the civil identification or passport number (for non-residents of the State of Kuwait) for individual subscribers and commercial registration number for corporate subscribers. The Website shall verify whether the subscriber is eligible to the Subscription or not. In the event that the Eligible Shareholder does not subscribe, this is considered a waiver of his priority right to subscribe to the shares of the capital increase for the benefit of existing or new shareholders. The Company's Extraordinary General Assembly, in accordance with its decision issued on October 7, 2020, authorized the Company's Board of Directors to approve the allocation of the subscription surplus to new shareholders, and to dispose of fractional shares (if any) in the manner it deems appropriate in accordance with the provisions of the law. The Eligible Shareholders that have a priority right to subscribe to the shares of the Issuer's capital increase may assign this right during the Subscription Period to the Company's shareholders or others, with or without consideration, and the assignment may be in all or some of the shares of the increase that each of them is entitled to subscribe to.

2.5. Convertibility of offered shares

The Issue Shares cannot be converted into another form of securities.

2.6. Tradability of the offered shares

The Issue Shares will be listed on the Boursa following the close of the Offering Period, the final allocation of the Issue Shares and completion of all the necessary regulatory procedures, and will be traded without any restrictions equal to the Existing Shares.

2.7. Voting Rights of offered shares

Each share of the Offering has one vote, and every shareholder has the right to attend and vote in the general assembly. None of the shareholders have premium voting rights or rights to dividends. Upon issuance of the Offering, the subscribed shareholder has the right to participate in the general assembly meetings of the Issuer and to receive their share of dividends whenever it is announced by the Issuer. Shareholders are also entitled to a share of the proceeds from the liquidation of the Issuer's assets upon liquidation, after all Company debts.

2.8. Short-Term Earnings Per Share

Earnings per share for the year ended December 31, 2019 amounted to 73.7 fils per share. Earnings per share for the three months ending June 30, 2020 were 36.5 fils per share.

2.9. Eligible Shareholders Who do Not Subscribe to the Issue Shares

Eligible Shareholders who do not subscribe to the Issue Shares ("Non-Participating Shareholders") shall be subject to a reduction in the proportion of their equity in the Issuer as well as a reduction in the value of their Existing Shares.

2.10. Offering Terms, Conditions and Instructions

2.10.1. Subscription Agreement

The Subscription Agent agreed with the Issuer under the subscription agreement, provided that relevant conditions are fulfilled, to take the necessary actions in order to provide the Offering to the subscribers at the Subscription Price including the issuance premium. The Subscription Agent is not obligated to subscribe to any of the shares that have not been subscribed by the Eligible Shareholders and investors.

2.10.2. Subscription Period

The Offering will commence on 17 December 2020 and will remain open up to and including 31 December 2020 (the "Offering Period") and that is during the official working hours specified for receiving subscribers, unless the entire Offering is covered before that date, as the Issuer has the right to close Offering Period before the specified expiry date.. The Board of Directors has the right to extend the Offering Period at its sole discretion as long as the total extension period does not exceed three (3) months, provided that the approval of the Capital Markets Authority is obtained for such extension.

2.10.3. Under-Subscription

In the case Issuer does not sell of the all the shares of the Offering during the original Subscription Period, the Board of Directors has the right to extend the Offering Period at its sole discretion as long as the total extension period does not exceed three (3) months, provided that the approval of the Capital Markets Authority is obtained for such extension. If the entire Offering is not depleted during the original Subscription Period and subsequent extensions, then the Issuer must either withdraw the capital increase or be satisfied with the amount that has been subscribed to, and reduce the capital increase, in both cases, and a capital decrease must be registered at the commercial registrar based on the Company's decision.

2.10.4. Subscribers

All shareholders of the Company are natural persons and corporate entities, Kuwaiti and non-Kuwaiti companies, institutions, banks, and others registered in the books of the Company's records at the date of the commercial registry in proportion to their share ownership in the Company's capital during the Subscription Period mentioned in this Prospectus and in accordance with the relevant laws. In the event that the Eligible Shareholder does not subscribe, this is considered a waiver of his priority right to subscribe to the shares of the capital increase for the benefit of existing or new shareholders. A shareholder with a priority right may request to subscribe to the surplus shares that may result from the failure of other shareholders to exercise the right of priority in subscription, provided that this shareholder has subscribed for his entire share in the increase in the capital of the issuing company. Otherwise, the Company's Extraordinary General Assembly, in accordance with its decision issued on October 7, 2020, authorized the Company's Board of Directors may approve the allocation of the subscription surplus to those Eligible Shareholders who apply for more than their entitlement to the Issue Shares. If the aggregate number of the Additional Issue Shares exceeds the number of available unsubscribed Issue Shares, such shares will be allocated to those Eligible Shareholders applying for such Additional Issue Shares pro rata to their subscription for the Additional Issue Shares. The allocation of the Additional Issue Shares shall be final without any recourse or liability against the Issuer.

2.10.5. Subscription Application

Eligible Shareholders who would like to participate in the Offering may subscribe by following the subscription process below.. Each Eligible Shareholder who is participating in the Offering must agree to the terms and conditions and provide all relevant information for the Subscription Application Form. The Issuer and the Subscription Agent reserve the right, free from any liability, to reject, in full or in part, any Subscription Application Form in the event any of the subscription terms and conditions are not met or the instructions are not duly and punctually followed including without limitation, the failure of the Subscription Application Form to comply with the applicable laws and regulations, the non-payment by the Eligible Shareholder of the full amount of the Subscription Monies, the inaccuracy or the invalidity of any information contained in the Subscription Application Form or the failure of the Subscription Application Form to comply with or follow any terms or requirements set forth under this Prospectus or in the Subscription Application Form. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon submission, represent a legally binding agreement between the Eligible Shareholder and the Issuer.

Using the Website (http://www.iktatib.com/) ***to subscribe in the Offered Shares***

The Website allows subscription in capital increase. Below is the subscription process and payment instructions for the Shares, which are to be executed within working hours in every day of the week of the Subscription Period, beginning at 9:00am on 17 December 2020 and ending on 1:00pm on 31 December 2020.

Subscribing for 5,900 Shares or less – i.e. with a total value KD 2,950 or less (Two Thousand Nine Hundred and Fifty Kuwaiti Dinars):

1) Subscriber to login to the Website via the link (http://www.iktatib.com/)
2) Subscriber to register their information, such as their civil identification number and Trading Account Number or Passport Number (for non-residents of the State of Kuwait), on the Website to determine and confirm the Subscriber's eligibility
3) Subscriber to choose number of Shares in which to subscribe
4) A confirmation e-mail will be sent to the Subscriber's email address. The subscription is then considered complete.

*The subscriber must subscribe through only one bank account

Subscribing for more than 5,900 Shares – i.e. with a total value more than KD 2,950 (Two Thousand Nine Hundred and Fifty Kuwaiti Dinars):

- Option of payment of subscription value through bank transfer:
  1) Subscriber to login to the Website via the link http://www.iktatib.com/ (the "Website")
  2) Subscriber to register their information such as their civil identification number or passport number (for non-residents of the State of Kuwait) and Trading Account Number to determine and confirm the Subscriber's eligibility to subscribe
  3) Subscriber to choose number of Shares in which to subscribe for
  4) Subscriber to print and retain this Subscription Application Form ("Subscription Application Form"), which indicates, including but not limited to, the Subscriber's name, civil identification/passport number, and number of Shares to subscribe and pay for
  5) Subscriber to pay subscription amount via bank transfer from Subscriber's bank account to Issuer's bank account (net amount without any charges by the transferring bank and the receiving Bank). Below are the subscription account details:
     a. Beneficiary name: GULF INSURANCE GROUP
     b. Beneficiary address: Sharq, Building 1, Block 5, Floor 42, Office 1, Kuwait City, Kuwait – P.O. Box 1040 Safat 13011
     c. Beneficiary account number: 0231600259800146000 01
     d. Beneficiary IBAN: KW96BRGN0000000000006002598007
     e. Beneficiary bank: Burgan Bank (K.S.C.P.)
     f. Beneficiary bank branch: Corporate Office
     g. Purpose of payment/ description: Capital Increase of Gulf Insurance Group + Subscriber Trading Account Number + Subscriber contact number
  6) Subscriber to upload the bank transfer receipt, which must contain the Subscriber's Bank name, IBAN number, and account number on the Website www.iktatib.com
  7) A confirmation e-mail will be sent to the Subscriber's email address. <u>The subscription is then considered complete.</u>

  *The subscriber must subscribe through only one bank account

- In the event that the subscriber chooses to pay the subscription amount at the location of the Subscription Agent and pays the subscription amount through the K-NET debit card, the subscriber must:
  1) Login into the Website
  2) Register their information, such as their civil identification number or passport number (for non-residents of the State of Kuwait) and Trading Account Number to determine and confirm the Subscriber's eligibility to subscribe
  3) Choose number of Shares in which to subscribe and pay for
  4) Print and retain this Subscription Application Form ("Subscription Application Form"), which indicates, including but not limited to, the Subscriber's name, civil identification/passport number, and number of Shares to subscribe and pay for
  5) Personally visit Subscription Agent office
  6) Submit to the Subscription Agent the below required documents along with the Subscription Application Form
  7) Provide for the Subscription Agent the IBAN number of the bank account he/she wishes to subscribe through
  8) Pay via K-NET at the Subscription Agent's office. A confirmation e-mail will be sent to the Subscriber's email address. <u>The subscription is then considered complete.</u>

  *The subscriber must subscribe through only one bank account

2.10.6. Documents required for subscription

The Subscription Application Form must be accompanied by the following documentation, as applicable, and the IBAN number of the bank account he/she wishes to subscribe through. Staff at the offices of the Subscription Agent will compare copies with originals and return originals to the Eligible Shareholder:

<u>Individual subscribers</u>

a. Original and copy of personal civil identification card (residents of the State of Kuwait and minors);
b. Original and copy of passport for non-residents of the State of Kuwait;
c. Original and copy of special legal proxy for subscribing in shares (for proxy subscriber);
d. Original and copy of Certificate of Guardianship for orphans/minors;
e. Original and copy of a Limitation of Succession Deed for beneficiaries; and
f. In the event that the subscriber does not appear in person, the original authorization issued by the subscriber to the person authorized to conduct administrative transactions regarding the subscription application (provided that the signature contained in the authorization is attested by the subscriber's bank).

<u>Corporate subscriber</u>

a. Original and copy of Commercial Registration Certificate;
b. Original and copy of the Authorized Signatories Certificate or the Extract of the Commercial Register;
c. Original and copy of the personal identification card of the authorized signatory;
d. Original and copy of the specimen of signature for the authorized signatory issued by the Ministry of Social Affairs and Labor or attested by the Chamber of Commerce and Industry; and
e. In the event that the authorized signatory does not appear in person, the original authorization issued by the authorized signatory to the person authorized to conduct administrative transaction regarding the subscription application.

2.10.7. Payment of Subscription Amount

The value of the subscription shall be paid by K-NET or bank transfer as indicated above. Cash payments will not be accepted. The full value of the subscription must be received by the Subscription Agent, during the Subscription Period and, at a maximum, before the closing date.

2.10.8. Subscription Terms & Conditions

Subscription requests are final, and it is not permissible to refund to them for any reason, even before the closing date of the Subscription Period. The subscriber may not add any conditions or restrictions to the subscription application after submission of the application. The subscription must be genuine, any mock subscription or underwriting with fictitious names or otherwise is prohibited. The Subscription Period Application must be submitted in accordance with this Prospectus prior to the deadline set for the Subscription Period. The Subscription Agent has the right to exclude duplicate requests and requests that do not fulfill the required data or are in violation of the law, unless they are corrected, and the Eligible Shareholder must subscribe through one bank account. In the event that the Subscription Application is submitted by someone who legally represents the subscriber in accordance with the applicable laws, regulations and relevant rules, shares shall be allocated in the name of the subscriber whose name is mentioned in the Subscription Application. The Subscription Agent reserves the right, without referring to the subscriber, to reject any Subscription Application if it is found that it violates the terms and conditions of this Prospectus or if it does not fulfill all of its data or if it is not associated with the documents indicated in the Prospectus or with other documents that may be requested by the Subscription Agent.

After the payment or subscription process and submission of the application, the subscription application is considered a legally binding agreement between the subscriber and the Issuer. The subscription application form and all its provisions, conditions and undertakings stipulated therein shall be binding on the subscribers, the assignees, assignees, managers of their assets, and the beneficiaries, unless otherwise stipulated in this Prospectus. The subscriber must also accept the number of Offer Shares allocated to them. All terms and conditions and receipt of subscription application forms and agreements arising therefrom shall be subject to the laws of the State of Kuwait and shall be interpreted and applied in accordance with the provisions of the laws of the State of Kuwait. The Subscriber shall read the Subscription Instructions carefully before submitting the Application Form. Signing the subscription application form will be deemed a binding contract and approval of all underwriting provisions.

2.10.9. Applicant declarations

By completing and submitting the Subscription Application Form, the Eligible Shareholder:

a. agrees to subscribe to a number of Issue Shares set forth in the Subscription Application Form that is final and irrevocable;
b. warrants that he has read and carefully studied this Prospectus and understands all of its contents;
c. accepts the Memorandum and Articles of Association of the Issuer and all of the Offering terms and conditions mentioned in this Prospectus;
d. accepts that the Issuer and the Subscription Agent shall have the right to refuse any unsatisfactory, incomplete or unclear Subscription Application Form or for any of the reasons set forth in this Prospectus;
e. accepts the number of Issue Shares allocated to him (to a maximum of the amount he has subscribed for) and all other instructions of subscription stated in the Subscription Application Form and this Prospectus; and
f. undertakes that he will not cancel or amend the Subscription Application Form after submission to the Subscription Agent.
g. the corporate subscriber declares, at his full responsibility, that he obtained all the authorizations and consents required pursuant to his Memorandum and Articles of Association or pursuant to the law, in order to enable him to apply for the subscription and to perform his obligations in accordance to the terms and conditions contained in the Prospectus and to transfer his pre-emption right, including the consent of his Board of Directors or the General Assembly, as the case may be, in respect of shareholding companies.

2.10.10. Bank Fees and Commissions

The subscriber shall bear the bank fees and commissions related to the method of paying the subscription value for the subscription amount applied for.

2.11. Allocation of Shares

Shares shall be allocated to subscribers within a maximum period of five (5) business days after the closing of the Subscription Period. The Issuer's board of directors will allocate all the shares subscribed to by the shareholders who hold the priority right on a pro rate basis. The Issuer's board of directors will allocate the surplus subscribed shares, in excess of the priority right, which may result from the failure of some shareholders to exercise the right of priority, to existing shareholders or to new shareholders in accordance with the decision of the Company's extraordinary general assembly issued on October 7, 2020, where the remaining un-subscribed shares, if any, are allocated to the shareholders who applied for subscription with an additional number of shares in excess of the number allocated to them, on the basis of the ratio of the number of remaining additional shares to the number of additional shares that the shareholders requested to subscribe for and proportionately between them in accordance with the provisions of the Companies Law and its executive regulations. The Board of Directors may dispose of fractional shares (if any) in the manner it deems appropriate in accordance with the provisions of the law. The allocation decision shall be final and without any liability on the Issuer.

2.12. Refund of Subscription Surplus Amount

The value of the subscription will be paid by the subscribers during the Subscription Period and before the closing date of the Subscription Period, and if there is any surplus in the sums that the subscribers will transfer to the subscription account, these amounts will be refunded within a period not exceeding five (5) business days from the date of the allocation of shares without interest.

2.13. Abide by the Laws

The Subscription Monies and the Excess Offering Monies and amounts paid by declined applications – if any – will be refunded without any interests, fees or deductions on the date determined by the Issuer.

2.14. Use of Proceeds

The proceeds of the Offering will be used to continue the general activities of the Company and to improve the Company's operating capital, to achieve growth in the revenues of the issuing company, and to implement its plans, regulatory requirements, and future goals. In addition to covering the Offering Expenses and some of the expenses that involved in the process of increasing the Company's capital.

The total value of the capital increase is 7,100,000 Kuwaiti Dinars (Seven million one hundred thousand only Kuwaiti Dinars). The proceeds of the Offering will be used to continue the general activities of the Company and to improve the Company's operating capital, to achieve growth in the revenues of the issuing company, and to implement its plans, regulatory requirements, and future goals. In addition to covering the Offering Expenses and some of the expenses that involved in the process of increasing the Company's capital.

The following statement details the returns on the capital increase and the estimated uses thereof:

Value of Capital Increase	**Amount (KWD)**
1) The nominal value of the capital increase	1,420,000
2) The total value of the issuance premium	5,680,000
Total	**7,100,000**

Estimated uses of proceeds on capital increase	**Amount (KWD)**
1) The company's general activities	7,030,000
2) Issuance and offering expenses (maximum)	70,000
Total	**7,100,000**

3. Details of the Issuer

3.1 Business Description of the Company

3.1.1. Incorporation

Gulf Insurance Group K.S.C.P. (hereinafter referred to as "GIG", the "Company" or the "Issuer") is a public shareholding company incorporated in the State of Kuwait by Amiri Decree No. 25 dated 9 April 1962. It was registered with the Ministry of Commerce and Industry, under commercial registration number 9390 on 15 April 1963.

In 2013, the Issuer changed its name to Gulf Insurance Group with a unified brand across all its subsidiaries to reflect it becoming a holding company in order to oversee the entire group companies, and transferred its local business to the Gulf Insurance and Reinsurance Company.

3.1.2. History

GIG was incorporated on 9 April 1962 as the second private insurance company in the State of Kuwait. In 1977, the government of the State of Kuwait acquired 82 per cent stake of the share capital of the Company which was divested in 1996 as part of the State of Kuwait’s privatization process. In 1996, KIPCO acquired majority stake and as at 31 December 2019, KIPCO’s consolidated effective interest was 45.99 per cent.

In 2008, GIG established its Takaful unit which offers Shariah compliant life and non-life insurance products.

In September 2010, GIG announced that it had entered a strategic relationship with Fairfax Financial Holdings, a global leader in insurance and re-insurance headquartered in Canada. As part of the transaction, a Fairfax affiliate purchased a 41.3 per cent. stake in the Company.

In 2013, GIG restructured itself to a holding company to oversee all of the Group companies while retaining its license as a regulated operating insurer in the Kuwaiti market. Its domestic insurance business was transferred to Gulf Insurance and Reinsurance ("**GIG – Kuwait**"), which is 99.8 per cent owned by GIG as at December 2019.

Having established a presence in the State of Kuwait, GIG has expanded across the MENA region by:

- Acquiring a 100 per cent. stake in Saudi Pearl Insurance Company in the Kingdom of Saudi Arabia in 2000. Following a change in regulation, GIG along with other investors established the Al-Buruj Cooperative Insurance Company which was listed on the Saudi Stock Exchange ("**Tadawul**") in October 2009 and received its commercial license in February 2010. The insurance business of Saudi Pearl Insurance Company has been transferred to the newly established company upon the completion of regulatory formalities (GIG has a 27.0 per cent. shareholding in Al Buruj Cooperative Insurance Company as at 31 December 2019);

- Establishing Fajr Al-Gulf Insurance and Reinsurance Company S.A.L in Lebanon by a merger of International Trust Insurance Company SAL (ITI) with Al-Fajr Insurance and Reinsurance Company SAL ("Al Fajr") to form Fajr Al-Gulf Insurance and Reinsurance Company S.A.L in 2004 (92.7 per cent. shareholding as at 31 December 2019);

- Acquiring a majority stake in Egypt's Arab Misr Insurance Group Company S.A.E. in February 2005 (99.0 per cent. shareholding as at 31 December 2019);

- Acquiring a 21.4 per cent. stake in Bahrain Kuwait Insurance Company B.S.C. ("**GIG-Bahrain**") in December 2005, which was increased to 51.2 per cent. in 2008 and to 56.1 per cent. as at December 2010 (56.1 per cent. shareholding as at 31 December 2019);

- In April 2017, GIG- Bahrain increased its holding in the share capital of Takaful International B.S.C. ("**Takaful**"), a listed company on the Bahrain Bourse, to 63.6 per cent. (31 December 2016: 40.9 per cent.). As a result, Takaful became a subsidiary of the Group and has been consolidated from that date. In June 2017, GIG Bahrain further increased its shareholding ownership from 63.6 per cent. to 67.3 per cent. in Takaful. In December 2018, GIG Bahrain's ownership in Takaful increased to 81.9 per cent.

- Establishing Syrian Kuwait Insurance Company ("**GIG-Syria**") in December 2006 with an initial 44.4 per cent. direct stake. It commenced operations in 2007 (54.4 per cent. shareholding as at 31 December 2019);
- Acquiring a 42.0 per cent. stake in Jordan's Arab Orient Insurance J.S.C. ("**GIG Jordan**") in May 2009 and a further 13 per cent. stake in June 2009 from Jordan Kuwait Bank (inter-group transaction) which was further increased to 88.7 per cent. as at December 2010. It is the largest insurance company in Jordan in terms of market share and revenues (90.4 per cent. shareholding as at 31 December 2019);
- Acquiring a 59.5 per cent. stake in Egyptian Life Takaful Insurance Company (together with Egypt's Arab Misr Insurance Group Company S.A.E.,"**GIG-Egypt**") in 2010 (61.3 per cent. shareholding as at 31 December 2019);
- Acquiring a 51.0 per cent. stake in Dar Al Salam Insurance Company, Iraq in 2011 (79.9 per cent. shareholding as at 31 December 2019);
- Acquiring a 20.0 per cent. interest in Alliance Insurance Company P.S.C. in the UAE in 2012 (20.0 per cent. shareholding as at 31 December 2019);
- Acquiring a 20.0 per cent. stake in Al-Argan International Real Estate Company K.S.C.P. in the State of Kuwait in 2013 (20.0 per cent. shareholding as at 31 December 2019);
- Acquiring a 25.0 per cent. stake in Egyptian Takaful Property and Liability S.A.E. in Egypt in 2014 (25.0 per cent. shareholding as at 31 December 2019);
- Expanding in Algeria by partnering with local entities, the Hydrocarbon Insurance Company CASH and National Bank of Algeria to establish a life insurance company, Algerian Gulf Life Insurance Company, with a capital of U.S.$. 9.0 million. GIG has a 42.5 per cent. shareholding in the new company as at 31 December 2019;
- In 2015, GIG acquired a 51 per cent. shareholding in an Algerian insurance company, "L'Algerienne des Assurance (2A)" (51.0 per cent. shareholding as at 31 December 2019);
- Acquiring a 90 per cent. stake in a Turkish non-life insurance company, Turins Sigorta Anonim Şirketi ("**Turins Sigorta**") in June 2016; and
- In 2017, acquired 100 per cent. stake in AIG Sigorta Anonim Şirketi ("**AIG**"), a Turkish non-life insurance company and merged AIG Sigorta and Turins Sigorta under the name Gulf Sigorta (99.2 per cent. shareholding as at 31 December 2019).

In May 2020, GIG acquired 9.6 per cent stake in Yallacompare, one of the leading insurance and financing products comparison companies in the Middle East.

3.1.3. Registered Office

The address of GIG's registered office is at KIPCO Tower, 42nd Floor, Khaled Bin Al-Waleed Street, Sharq Area, Block 5, Kuwait City P.O. Box 1040, Safat 13011, State of Kuwait, telephone number: +965 1802080.**Objectives as per Articles**

In accordance with Article (5) of the Company's by-laws, the licensed objectives of the Company are execution of all kinds of insurance and guarantee, compensation and capital and property investment works as indicated below:

- Life insurance and in general all insurance which include life term and insurance against disability and old age

- Insurance against fire and insurances relating thereto
- Insurance against accidents, losses, and responsibilities that are causes by the same, including insurance for personal incidents and against illness
- Insurance against work injuries and commitment to insurance for employers for responsibility for worker compensation who are in their service and for all worker rights resulting from the termination of their services
- Obligatory insurance over cars and vehicles as well as comprehensive insurance for vehicles and the related insurance
- Insurance against land, river, sea and air transport, including insurance over ships, boats, planes or the equipment of the same, functions and crew
- Reinsurance or obtain an insurance for all risks indicated in the previous provisions or any work of the Company
- Concluding contracts regarding any kinds of insurance by issuing documents, papers, certificates or others, by means of which the Company shall commit to paying a certain amount on a certain date or undetermined date, by means of periodical installment(s)
- Granting to any category or section of insured parties or those dealing with the Company, any rights in any reserve account(s) at the Company or any rights to subscribe in the Company's profits
- Granting payments of all kinds and terms, whether adopted for the person's life or other and whether for a limited term or not, whether paid immediately or in delayed form
- Concluding contracts with tenants, debtors, delegated parties, parties with annual salaries, or others and for using the capital for investment
- Purchasing, mortgaging, and loaning different real estate and movable property with temporary benefits or for life or any other benefits
- Executing mediation works for any transfers, or debt documents, or shares whether open for subscription or not and including in subscriptions any financial deeds or shares and executing a will or inheritance or division, for a reward or fee
- Granting loans as cash or noncash funds for guarantees, including loaning funds for policies issued by the Company or which the Company shall be responsible for and use any portion of the funds of the Company for purchasing, annulling, use, or discharge in any policy, contract or responsibility
- Paying or conciliating regarding claims filed against the Company, which can be paid or settled, even if the same is not established duly
- Without prejudice to the provisions of the Commercial Companies Law, the Company shall have the right to obtain a loan, collect, or obtain funds, as it shall deem adequate
- Obtaining and committing to any commercial department, property, any person or company that executes any of the works that the Company shall have the right to execute or which has property, adequate for the purposes of the Company
- Establishing regular partnership with any person or company, that executes or shall execute any action or grant the Company the right to execute the same, in light of the objects and goals of the Company
- Taking and obtaining shares at any other company, whose goals completely or partially meet those of the Company or executing any actions that may benefit it directly or indirectly

- Making calls and concluding agreements with state authorities whether the municipality, local or other authorities, for obtaining rights, privileges, permits, and interests which the Company shall consider beneficial to obtain

- Establishment of any associations that shall benefit the employees of the Company or persons who are supported by them or connected to them; granting retirement salaries and raises and paying insurance amounts and subscribing or include the funds for charity and for any object that is beneficial to the public

- Purchasing, leasing, exchanging, renting, or obtaining movables or immovables, rights or privileges that the Company deems necessary for executing its objects and in particular any lands, buildings, machines, equipment, or merchandise; constructing, maintaining, and make amendments to any building or works as necessary and in accordance with the objects of the Company

- Investing funds not required immediately and acting with the same as deemed adequate by the board in accordance with the benefit of the Company

- Paying fees to any person or company for the previous or following services regarding the commitment, aid in commitment, or guarantee of commitment to subscription in the Company shares or the establishment thereof, or the execution of its works

- Selling, or acting in any means in the Company projects or any section thereof for an adequate fee in particular for shares, deeds, or securities at any other company whose objects, whether fully or partially, are similar to those of the Company

- The Company shall have the right to execute all transactions and procedures, that are deemed adequate for facilitating and achieving its objects in accordance with the adequate conditions

- The Company, for executing its actions and aforesaid objects in Kuwait or abroad, shall have the right to delegate agents, insurance representative and brokers

3.1.4. Listing

The Issuer's shares were listed on Boursa Kuwait on 29 September 1984.

3.1.5. Authorized and Paid-Up Capital

As at 31 December 2019, the Issuer's authorized share capital was KD 18.7 million, consisting of 187,039,125 shares of KD 0.100 each.

As at 30 June 2020, the Issuer's issued and paid-up capital was KD 18.7 million, consisting of 187,039,125 shares of KD 0.100 each.

3.1.6. Borrowing Limits

The Company does not have any borrowing limits imposed in its constitutional documents.

3.1.7. Ownership

The Issuer's 45.99 per cent of issued share capital is owned by Kuwait Investment Projects Company K.S.C.(Public) ("**KIPCO**"), a Kuwaiti holding company owned by members of the Kuwaiti ruling family. Fairfax Financial Holdings Limited, a financial service holding Company ("**Fairfax**") incorporated in Canada and listed in Toronto stock exchange owns 43.43 per cent shares of the issued ordinary share capital.

As at 31 December 2019, the following shareholders had holdings in excess of 5.0 per cent. of the Issuer's issued ordinary share capital.

3.1.8. Shareholders	Percentage of Shares	Number of Ordinary Shares (in million)
Kuwait Investment Projects Company K.S.C.(Public)	45.99	86.0
Fairfax Financial Holdings Limited.	43.43	81.2

3.1.9. Group Structure

The Issuer, directly or indirectly, is the ultimate holding company of over 10 subsidiaries, associates (companies in which the Group holds more than 20 per cent. of the shares) and joint ventures. Its assets substantially comprise of shares in the Group companies. The Issuer is dependent on revenues received from other members of the Group.

The principal subsidiaries and associates of the Issuer operate in the insurance sector (together the "**Principal Companies**"). The remaining companies of the Group and its associates operate in the real estate and communication and broadcasting sectors.

The table below sets out the Issuer's consolidated interest in its subsidiaries as of 31 December 2019:

Company	**Jurisdiction of Incorporation**	**Group's Consolidated effective interest* (in per cent.)**	**Share Capital**
Gulf Insurance & Reinsurance Company.	Kuwait	99.8	KWD18mn
Bahrain Kuwait Insurance Company.......	Bahrain	56.1	BHD14.3mn
Arab Orient Insurance Company............	Jordan	90.4	JOD21.44mn
Gulf Sigorta......	Turkey	99.2	TRL181.2mn
Arab Misr Insurance Group........	Egypt	99.0	EGP315mn
L'Algrienne Des Assurances......	Algeria	51.0	DZD2bn
Egyptian Life Takaful Company..	Egypt	61.3	EGP200mn
Syrian Kuwaiti Insurance Company........	Syria	54.3	SYP1.06bn
Dar Al Salam Insurance Company.........	Iraq	79.9	IRD7bn
Fajr Al Gulf Insurance and Reinsurance..	Lebanon	92.7	LBP7.14bn

* Effective interest is computed by adding the Issuer's direct shareholding and the Issuer's share of indirect interest held through subsidiaries and associates

The table below sets out the Issuer's consolidated interest in its associates as of 31 December 2019:

Company	Jurisdiction of Incorporation	Group's Consolidated effective interest* (in per cent.)	Principal Activity
Al-Buruj Co-Operative Insurance Company.	Saudi Arabia	27	Insurance
Al-Argan International Real Estate Company.	Kuwait	20	Real Estate
Alliance Insurance Company..........	UAE	20	Insurance
Egyptian Takaful Property and Liability	Egypt	25	Insurance
United Networks Company..........	Kuwait	17	Communication & Broadcasting
Algeria Gulf Life Insurance Company	Algeria	42.5	Insurance
Health 360 Ancillary Service	Bahrain	41	Third party administration - Claims
Yallacompare	UAE	9.6	Insurance Aggregator

*Effective interest is computed by adding the Issuer's direct shareholding and the Issuer's share of indirect interest held through subsidiaries and associates

3.1.10. OPERATING ENVIRONMENT

The Group and its associates operate in the Middle East and North Africa ("**MENA**") region, characterized by a growing population, varying levels of per capita income and relatively nascent markets presenting significant business and investment opportunities.

The majority of the assets of the Group and its associates are located in the Gulf Cooperation Council ("**GCC**") economies, which are mainly investment grade rated stable economies, except for Bahrain and Oman. Bahrain is rated B2 and B+ respectively by Moody's Investor Service and Standard & Poor's Rating Services, whereas Oman, is rated as Ba3 and BB- respectively by Moody's Investor Service and Standard & Poor's Rating Services. These economies offer a market for premium goods and services derived from their high per capita income and favorable demographic trends. A number of these countries are major oil and/or gas producers.

The following table sets out the key socio-economic indicators for the GCC economies:

Country	Population (in millions)	Population Growth Rate (per cent. per annum)	GDP Growth Rate (per cent. per annum) **	GDP Per Capita Income (PPP in U.S.$)	Proven Oil Reserve (Billion barrels) #
Bahrain…………………	1.5	2.4	2.6	44,506	0.1
Kuwait……………..……	4.8	2.9	0.8	58,117	101.5
Oman…………………...	4.4	3.3	2.1	41,598	5.4
Qatar*…………………..	2.8	2.5	2.0	118,912	25.2
Saudi Arabia……………	34.8	2.3	1.1	48,719	266.2
UAE…………………….	11.1	2.9	1.9	60,301	97.8

#as of January 2018 (estimated)
* Also has a large gas reserve; ** GDP @ constant prices

The above figures have been extracted from the World Economic Outlook published by the International Monetary Fund (the "**IMF**") in October 2019. The population growth rate and the GDP growth rate have been calculated as the compounded annual growth rates for the period 2015 to 2020. Figures for Proven Oil Reserves have been extracted from the 2018 World Fact Book published by the Central Intelligence Agency (the "**CIA**"). The above information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by the IMF and the CIA, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In addition to the GCC economies, the Group and its associates also have investments in other Middle Eastern (non-GCC) and North African economies. These economies are characterized by a large population base and offer mass markets with low penetration.

The table below sets out the key socio-economic indicators for the other Middle Eastern (non-GCC) and North African economies:

Country	Population (in millions)	Population Growth Rate (per cent. per annum)	GDP Growth Rate (per cent. per annum) **	GDP Per Capita Income (PPP in U.S.$)
Algeria……………..	44.2	2.0	2.2	13,774
Egypt………………	101.5	2.7	5.0	12,670
Jordan……………..	10.2	2.2	2.1	8,508
Lebanon……………	6.0	0.6	0.7	13,353
Syria……………….	21.4	-	-	6,507
Turkey…………….	84.0	1.3	3.3	25,105

** GDP @ constant prices

The above figures have been extracted from the World Economic Outlook published by the IMF in October 2019. The population growth rate and GDP growth rate have been calculated as the compounded annual growth rates for the period 2015 to 2020, except for Syria, for which the information presented is for the period 2010. The above information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by the IMF, no facts have been omitted which would render the reproduced information inaccurate or misleading.

As regards accounting and reporting standards, companies in the State of Kuwait follow International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (IASB).

4. Business Overview and Strategy

4.1 Overview

4.1.1. Principal Business Activities

GIG is a holding company of subsidiaries and associates that primarily engage in insurance activities and provide related services. GIG is amongst the largest and most diversified insurance groups in the Middle East and North Africa region, with market leading positions in Kuwait, Jordan and Bahrain, and a strong presence in Egypt, Turkey and Algeria. Furthermore, the Group has operations in Syria, Iraq, Lebanon, Saudi Arabia, Algeria, and the United Arab Emirates. The Group aims to acquire or create insurance businesses, build and grow them in order to diversify products offering, mainly in Takaful and life, taking into account the financial ability of the group, and with a view to maximize shareholder value. The Issuer is dependent on revenues received from other members of the Group.

GIG issues insurance policies under the broad categories of medical, motor, property, casualty, life, engineering, and marine. The following provides an overview of the business lines of the Issuer's subsidiary/associate companies:

4.1.1.1. Medical: Medical provides comprehensive medical coverage for individuals/corporates (for group policies) within and outside the designated geography. The Company will cover the costs of providing medical services to the insured person (beneficiaries) through the network of service providers appointed by the Company, and in accordance with the terms and conditions and restrictions contained in the policy.

Medical is the key source of Group revenues and earnings. For the year 31 December 2019 contribution of Medical to consolidated total GPW was 50.3 per cent.

4.1.1.2. Motor: Motor provides third party and comprehensive policy covers for motor liability, whereby the Company pays compensation on the occurrence of any damage covered under the policy during use or parking within the designated geographical boundaries.

Motor is the second largest source of group revenues. For the year 31 December 2019 contribution of Motor to consolidated total GPW was 15.3 per cent.

4.1.1.3. Property: Property and / or any part thereof in the event of material damage or destruction are covered under this Insurance. The property could include buildings (including fixtures and accessories of the owner), machinery and equipment, devices, tools and inventory (products, materials, spare parts), furniture, equipment, and personal belongings.

In the year 31 December 2019, Property contributed 12.5% to total consolidated GPW and it is the third largest line of business by revenues.

4.1.1.4. Casualty: Casualty Insurance is best described as specialty insurance and can be defined by risks that are not included in other lines of business. It mainly covers personal accidents and workmen compensation. Major part of casualty is liabilities toward third parties arising from bodily injury and property damage arising from insured activities.

This includes third party liability, product liability, employer's liability, professional indemnity and medical malpractice risks that do not fall under conventional insurances of health, life and property. Such cases will be covered under casualty including fidelity guarantee, money insurance, banker's blanket bond and others. New emerging risks are part of casualty business such as cyber risks, director's and officer's liability and trade credit insurance.

In addition, this line of business offers travel insurance policies that provide coverage and protection for medical expenses and expenses that may result from accidents during travel.

General Accidents contributed 6.6 per cent to total consolidated GPW in year 31 December 2019.

4.1.1.5. Life: Life offers a variety of life insurance policies that provides the beneficiary and their family with indemnities in case of unforeseen death or injury. In addition to providing life insurance, this line of business offers a life product “Thokhour”, which enables the client to customize their own investment portfolio with local and international investment strategies with flexible payment plans.

Life contributed 4.9 per cent to total consolidated GPW in year 31 December 2019.

4.1.1.6. Engineering: Engineering offers comprehensive and adequate protection against loss or damage to the construction / erection projects, plant, equipment and machinery. It also protects against third-party claims for any bodily injury or property damage during the execution of a construction / erection project
Engineering contributed 7.6 per cent to total consolidated GPW in year 31 December 2019.

4.1.1.7. Marine: Marine offers third party or comprehensive coverages to marine properties such as boats of various types or yachts and provides coverage for all the risks due to accident, damage or other occurrences that lead to loss of the boat or damage to machinery or navigational and electrical equipment and an injury to an individual.

Marine contributed 2.7 per cent to total consolidated GPW in year 31 December 2019.

In 2008, GIG established its Takaful unit which offers life and non-life insurance products compliant with Islamic Shariah laws. Currently its takaful operations are in Kuwait, Bahrain and Egypt. Takaful products contributed 8.3 per cent to total consolidated GPW in year 31 December 2019.

4.2 Regional Presence

The Group operates in following 11 MENA countries through its subsidiaries and associates;

Country	**Subsidiary / Associate**
Kuwait	• Gulf Insurance & Reinsurance Company • Al-Argan International Real Estate Company • United Networks Company
Bahrain	• Bahrain Kuwait Insurance Company • Health 360 Ancillary Service
Egypt	• Arab Misr Insurance Group • Egyptian Life Takaful Company • Egyptian Takaful Property and Liability
Jordan	• Arab Orient Insurance Company
Turkey	• Gulf Sigorta
Algeria	• L'Algrienne Des Assurances • Algeria Gulf Life Insurance Company
Syria	• Syrian Kuwaiti Insurance Company
Iraq	• Dar Al Salam Insurance Company
Lebanon	• Fajr Al Gulf Insurance and Reinsurance
Saudi Arabia	• Al-Buruj Co-Operative Insurance Company
UAE	• Alliance Insurance Company

4.3 Business Strategy

The key elements of the Group's strategy are to:

- **Foster innovation in products and distribution to be in the top 5 leading insurance companies in the MENA region by market share**: GIG's underlying strategy is to become a regional market leader by increasing its customer focus and becoming the single contact for all insurance needs of its customers. Its digital transformation strategy which includes digital distribution channels, digital consumer products (health, life, auto, travel and home) and digital claim services play a vital role in developing a customer centric and data driven organization. In this regard, GIG acquired 9.6% stake in Yallacompare, one of the leading insurance and financing products comparison companies in the Middle East. Also, GIG is currently in the implementation phase for Motor Telematics in Kuwait, Egypt, Jordan and Algeria. GIG has also established a multi-phase plan for its Customer Relationship Management program directed at gaining insight into customer purchasing behavior.

- **Utilize in-organic strategies to reinforce product and market development**: GIG continues to expand its geographical presence in MENA region through friendly acquisitions to diversify products offering, mainly in life and Takaful businesses, within the financial ability of the Group. GIG is particularly adopting in-organic growth strategies for its existing takaful business in Kuwait, Bahrain and Egypt. In addition to acquisitions, GIG is looking to reinforce GIG brand in the MENA region through unified branding, regional digital marketing and by enhancing its approach on regional multi-country accounts servicing.

- **Leverage its position and reputation in the GCC and wider MENA region to capture further growth in these regions**: GIG is well positioned through its network of business relationships and its reputation to identify opportunities for growth and generate attractive returns from its businesses. GIG seeks to penetrate new markets with its existing businesses and at the same time look for new opportunities that will generate attractive returns. GIG is particularly interested to develop its businesses in countries where opportunities and market dynamics are similar to markets GIG is already operating in.

- **Achieve operational excellence through partnerships and alliances driven by Insurtechs:** Given the importance of support functions (such as IT, actuaries, legal and compliance, call center, HR) in the insurance operations, GIG is looking to create a center of excellence through either establishing a new service entity or streamlining existing departments. Through this the company aims to re-engineer its business model and embrace its key digital strategies which enable to create cost efficiencies across entities while enabling to leverage the team skills and capabilities. In this regard, GIG has already successfully implemented the shared service center in Bahrain and progressing well on establishing similar centers

4.4 Company Duration

The duration of the Company shall be indefinite.

4.5 Management of the Company

The Board of Directors of the Company consists of ten Directors (6 - Non-executive, 1- Executive and 3 Independent Directors) elected by General Assembly by secret ballot.

Each shareholder, whether a natural person or an entity, may appoint representatives on the Company’s Board of Directors according to the percentage of shares owned by him. These representatives have the same rights and obligations as elected members. The shareholder is responsible for the actions of his representatives toward the company and its creditors and shareholders.

Members of the Board of Directors of the Company are appointed for a period of three years renewable. Upon the expiry of such period, the total Board of Directors shall stand again for election. Any member of the Board of Directors may be re-elected more than once.

The member of the Board of Directors must meet membership requirements in accordance with the Companies Law, CMA law no.7 for 2010 and its amendments and it's executive bylaws in this regard.

4.6 General Assembly

4.6.1. Invitation

The invitation for attending the General Assembly meetings, including the agenda, time, and place of the meeting, shall be announced twice, at least, in two local Arabic newspapers the company's website, and any modern advertising means. The second announcement should be published after at least seven days from the first publication and seven days before the date of the General Assembly meeting.

The Ministry of Commerce and Industry should be notified in writing of the meeting's agenda, time, and place seven days before it is held.

4.6.2. Purview of Ordinary General Assembly Meeting

The Ordinary General Assembly meeting may discuss any matter related to the Company's activities, except for those matters which are specified by law and /or the Articles of Association to be discussed in an Extra-Ordinary General Assembly.

4.6.3. Purview of Extra-Ordinary General Assembly Meeting

Taking into consideration all the other specialties stated in the law, the Extra-Ordinary General Assembly is concerned with the following issues:

1. Amending the Memorandum or the Articles of Association of the Company;
2. Selling or otherwise disposing of the entire project undertaken by the Company;
3. Dissolving the Company or merging with another company or entity or its transfer of division; and
4. Increasing or decreasing the Company's capital.

Any amendment to the Company's Articles of Association, shares, objectives, or capital except by increasing it by issuing shares against profits achieved by the Company or the addition of its provisions which can be used to the capital, is not valid without the approval of the Ministry of Commerce and Industry and taking all action stated in the Capital Markets Law and the Companies Law and any other applicable laws.

4.6.4. The Accounts of the Company

The Company shall have one or more external auditor appointed by the General Assembly, from the approved list of the Capital Market Authority, which also assesses their annual fees. The external auditor(s) shall supervise and audit the accounts of the fiscal year for which they were appointed.

If the company has more than one auditor, they must prepare a one unified report according to the law.

4.6.5. Profit Distribution

The net profit shall be distributed in the following manner:

1. 10% is allocated to the statutory reserve. The General Assembly may suspend this deduction if the statutory reserve exceeds half the company's capital.
2. 10% shall be allocated to the voluntary reserve. Such deduction shall be stopped by a resolution of the Ordinary General Assembly which should be based on a recommendation from the Board of Directors.
3. Part of the profits, based on a recommendation from the Board of Directors and determined by the General Assembly, shall be deducted to meet the obligations of the Company under the Labor Laws. These funds may not be distributed to the shareholders.
4. The sufficient amount to distribute an initial dividend of 5% of the nominal value of the issued shares is deducted.
5. After the above, a percentage, not exceeding 10%, of the balance amount determined by the General Assembly shall be allocated for the remuneration of the Board of Directors.

6. Based on a recommendation from Board of Directors, the rest of the profits shall then be distributed to the shareholders as an additional share of the profits or to be transferred to the next year or allocated to the establishment of an unusual reserve or capital for consumption.

4.6.6. Dissolution, Liquidation and liability of the Company for its subsidiaries

The Company may dissolve by one of the matters provided for in the Companies Law.

The liquidation of the Company's holding shall be conducted in accordance with the provisions of the Companies Law and the amendments thereto and the executive by-law thereof in respect of anything not specifically provided for in the memorandum or articles of association.

4.6.7. Regulatory & Supervisory Authorities

The Company is under the supervision of the Ministry of Commerce and Industry in the State of Kuwait in accordance with the provisions of the Kuwait Companies Law No. 1 of 2016 and its executive regulations.

The Company is required to obtain and maintain the necessary regulatory licenses, permits and approvals in relation to its activities granted by Supreme Committee within Insurance Regulation Unit (IRU) to practice insurance activities. IRU was established in 2019 with the introduction of Kuwait's new insurance law (Law No. 125 of 2019 on the Regulation of Insurance (Insurance Law)).

The Company is also under the supervision of the Capital Markets Authority and Boursa Kuwait as a listed company as per the Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and its executive regulations as amended.

4.7 Board of Directors and Management

4.7.1. The Board of Directors of the Issuer

Pursuant to its Articles of Association, the Issuer's Board of Directors consists of ten directors. The Issuer's Articles of Association provide that each director is elected at an ordinary general meeting of shareholders for a three-year term and is eligible for re-election upon the expiration of such term. The Board of Directors has the power to appoint and remove the Chairman and Chief Executive Officer ("**CEO**") at any time provided there is a quorum of three directors.

The members of the Board of Directors are set out below. Each Director was re-elected for a term of three years at the Annual General meeting on 23 March 2020. Each Director's business address is P.O. Box 1040, Safat 13011, State of Kuwait.

Farqad Abdullah Al-Sane (Chairman, Age 66)

- Chairman of Commercial Markets Complexes Company
- Board Member of Kuwait Projects Company (Holding) (KIPCO) Group
- Board Member of United Real Estate Company
- Board Member in ALARGAN INTERNATIONAL REAL ESTATE COMPANY

Faisal Hamad Al-Ayyar (Vice Chairman, Age 66)

- Chairman of Panther Media Group (OSN), UAE
- Honorary Chairman of Kuwait Association for Learning Differences (KALD), Kuwait
- Vice Chairman (Executive) of Kuwait Projects Company (Holding) K.S.C.P., Kuwait
- Vice Chairman of United Gulf Bank, Bahrain
- Vice Chairman of United Gulf Holding Company, Bahrain
- Vice Chairman of Gulf Insurance Group, Kuwait
- Vice Chairman of Jordan Kuwait Bank, Jordan
- Vice Chairman of Mashare'a Al-Khair Est., Kuwait
- Vice Chairman of Saudia Dairy and Foodstuffs Group of Companies, Kingdom of Saudi Arabia
- Board member of Gulf Egypt Hotels and Tourism Company, Egypt
- Trustee of American University of Kuwait, Kuwait

Khaled Saoud Al Hasan (Member & CEO, Age 67)

- CEO of Gulf Insurance Group
- Chairman of Kuwait Insurance Federation (KIF), Kuwait
- Board member of several Gulf Insurance Group subsidiaries
- Board member of General Arab Insurance Federation (GAIF), Egypt
- Board member of Arab Reinsurance Company, Lebanon

Bijan Khosrowshahi (Member, Age 59)

- President & CEO of Fairfax International, London, UK
- Board member (Representative of Fairfax Financial Holdings Limited) for the following companies:
  - Gulf Insurance Group, Kuwait
  - Gulf Insurance & Reinsurance Company, Kuwait
  - Bahrain Kuwait Insurance Company, Bahrain
  - Arab Misr Insurance Group, Egypt
  - Arab Orient Insurance Company, Jordan
  - Gulf Sigorta, Turkey
  - Alliance Insurance Company, United Arab Emirates
  - Jordan Kuwait Bank, Jordan
  - Commercial International Bank, Egypt
  - Colonnade Insurance, Luxembourg
  - Southbridge Compañía de Seguros Generales, Chile
  - La Meridional Compañía Argentina de Seguros, Argentina
  - SBS Seguros Colombia, Colombia.

Jean Cloutier (Member, Age 57)

- Board member of a number of Fairfax Subsidiaries as well as Industry Organizations on behalf of Fairfax

Quinn McLean (Member, Age 41)

- Vice President at Hamblin Watsa Investment Counsel, a wholly owned subsidiary of Fairfax Financial
- Board member of Gulf Insurance Group, Kuwait
- Board member of AFGRI Ltd, South Africa
- Board member of APR Energy, United States
- Board member of Fairfax Africa Holdings, Canada

Mahmoud Ali Al Sanea (Member, Age 71)

- Chairman & CEO of United Networks Company

Abdulaziz Saoud Al Fulaij (Member, Age 91)

- Runs his company called “Abdulaziz Saud Al-Fulaij Establishment”
- Actively involved in the social and community services in Kuwait

Abdullah Mohammed Rafie Marafie (Member, Age 66)

- Chairman of Marafie Group
- Chairman & CEO of First Hotels Co. KSCC

Abdullah Mohammed Al Mansour (Member, Age 62)

- Vice Chairman of Al Aman Investment Company
- Worked in top management positions in various banks, including Commercial Bank of Kuwait and Kuwait Finance House
- Board member of various leading companies, including National Investments Company, Kuwait Hotels Company, and CapCorp Investment Company

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or other duties.

There are no family relationships among the members of the board of directors.

The number and proportion of the shares owned by each member of the Issuer's Board of Directors as a percentage of its share capital as of 31 December 2019 are as follows:

	Direct		**Indirect through portfolio managers**		**Outstanding stock options**
	Shares	**%**	**Shares**	**%**	**Shares**
Directors					
Abdullah Mohammed Al Mansour	429,975	0.23	-	-	-
Abdulaziz Saoud Al Fulaij	110,249	0.059	-	-	-
Abdul Ilah Mohammed Rafie Marafie	1,000	0.001	-	-	-

4.7.2. Board of Directors Compensation

Issuer's Board of Directors proposed compensation for the year ended 31 December 2019 is KWD185,000, subject to approval of the Ordinary Annual General Assembly of the Parent Company's shareholders.

Directors' compensation of KWD 185,000 for the year ended 31 December 2018 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 29 March 2019.

Issuer's Board of Directors compensation for the year ended 31 December 2018 and the expected Board fees for the year ended 31 December 2019 are as follows:

Board of Directors Compensation	**Board fees for 2018 To be Paid in 2019 (KD)**	**Expected Board fees for 2019 To be Paid in 2020 (KD)**
Farqad Abdullah Al-Sane	50,000	50,000
Faisal Hamad Al-Ayyar	15,000	15,000
Khaled Saoud Al Hasan	15,000	15,000
Bijan Khosrowshahi	15,000	15,000
Jean Cloutier	15,000	15,000
Quinn McLean	15,000	15,000
Mahmoud Ali Al Sanea	15,000	15,000
Abdulaziz Saoud Al Fulaij	15,000	15,000
Abdul Ilah Mohammed Rafie Marafie	15,000	15,000
Abdullah Mohammed Al Mansour	15,000	15,000

4.7.3. **Key Management Compensation**

The benefits paid or the estimated dues with respect to the key management of the Issuer (parent company) (which include for that purpose the members of the Board of Directors with respect to the services of the special committees and the executive general manager and the other high managers) were as follows:

Key Management Compensation (KWD)	For the year ended 31 December 2018	For the year ended 31 December 2019
Salaries and other short-term benefits	572,392	584,892
Employees' end of service benefits	267,413	154,301
Total	**839,805**	**739,193**

.

4.7.4. **Board Confirmation of Financials**

The financial results for the periods ending 31 December 2018 and 31 December 2019 have been audited and approved by the Company's General Assembly Meeting of Shareholders. The Company's Board of Directors have been obligated to present the financial results of the Company in accordance with the Companies Law No. 25 of 2012 and its subsequent amendments as repealed and replaced by Law No. 1 of 2016 issuing the Companies Law, and the Board of Directors accepts such responsibility.

Description of Contracts Entered into Between Directors or any Subsidiaries of the Company

These represent transactions with related parties, i.e. major shareholder, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Related party balances and transactions consist of the following:

	2018		**2019**	
	Amounts owed by related parties **KWD**	Amounts owed to related parties **KWD**	Amounts owed by related parties **KWD**	Amounts owed to related parties **KWD**
Consolidated statement of financial position:				
Directors and key management personnel	163,696	20,703	330,964	150
Other related parties	1,158,652	667,900	1,042,903	1,108,589
	1,322,348	**688,603**	**1,373,867**	**1,108,739**

	2018		**2019**	
	Premiums **KWD**	Claims **KWD**	Premiums **KWD**	Claims **KWD**
Transactions:				
Directors and key management personnel	292,177	27,945	296,896	13,100
Other related parties	3,916,968	871,617	3,381,297	1,254,900
	4,209,145	**899,562**	**3,678,193**	**1,268,000**

* In addition to the above balances, the Group holds certain deposits and call accounts with related entities under common control amounting to KWD 29,194,150 (2018: KWD 4,987,605). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KWD 4,816,500 (2018: KWD 7,855,250)

4.7.5. **Contracts with the Company in which any Director has a Personal Interest**

Directors and their immediate family conduct business with GIG's subsidiaries as customers on commercial, arm's length terms in the normal course of each subsidiary's business activities. GIG encourages all its employees and directors to make use of such services and has negotiated discounts for all Group employees to encourage them to do so. None of these transactions are for material amounts.

4.7.6. **Executive Management**

The table below sets forth certain information with respect to the Executive Management of the Issuer, as of 31 December 2019. The business address of each member of the Executive Management is P.O. Box 1040, Safat 13011, State of Kuwait.

Name	Age	Position	Years with the Group
Khaled Saoud Al Hasan	67	Board Member and Group CEO	42
Farid Joseph Saber	47	Assistant Group CEO (Operations)	3
Osama Kamel Mostafa Aly Kishk	46	Group Chief Financial Officer	3
Sridharan Sundaresan	56	Group Technical Executive Manager - Reinsurance	7
Khaled M. Al Sanousi	48	Group Senior Manager - Corporate Communications & Investor Relations	12
Syed Adil	52	Executive Technical Manager	3
Rami Selim Al Baraky	44	Group Senior Manager Finance – Treasury & Investment Operations	19
Sherif Abdel Moamen Abdel Sattar Mosa	38	Group Senior Manager Regional Merger & Acquisition and Project Management Office	12
Ahmed Ragab, ACIA	34	Group Manager Group Actuarial and Risk Management	8
Mohamed Ahmed Sayed Ibrahim	36	Group Manager Group Internal Audit	9

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or other duties.

Khaled Saoud Al Hasan (KIPCO) - *Board Member and Group CEO*

Mr. Al Hasan holds a Bachelor's degree in Political Science and Economics from Kuwait (1976). His professional Insurance and Administrative experience exceed over 30 years in different Executive positions. He joined GIC in 1978. He is currently the Board member and CEO of GIG and the Chairman of Kuwait Insurance Federation "KIF" (Kuwait). He is on the Board of Directors in many of Gulf Insurance Group subsidiaries, General Arab Insurance Federation "GAIF" (Egypt) and the Arab Reinsurance Company (Lebanon).

Farid Joseph Saber - *Assistant Group CEO (Operations)*

Mr. Farid Joseph Saber is the Assistant Group Chief Executive Officer (Operations) since November 2016. Mr. Saber has a Bachelor of Laws (LL.B.) and a Bachelor in Business Administration from the Lebanese University in Beirut and a Diploma in Insurance (Dip CII). Mr. Saber is an experienced Executive Officer with a demonstrated history of working in the insurance industry in the MENA region. He is also a Member of the Board of Directors at L'Algerienne vie (AGLIC), Gulf Sigorta and Egyptian Life Takaful Co., all subsidiaries of GIG.

Osama Kamel Mostafa Aly Kishk - *Group Chief Financial Officer*

Mr. Osama Kishk has joined the Group in June 2017 as Group Chief Financial Officer. He is responsible for providing leadership and strategic direction to the Group's Finance, Financial Planning & Analysis, Treasury and Investment, and Merger and Acquisition functions and for the integrity and flow of the financial information to the management, the board, shareholders and financial institutions. He also works with the Group CEO in all financial matters at the Group level and its subsidiaries. Mr. Kishk holds an MBA from Maastricht School of Management (MSM) in addition to several professional qualification from the USA such as Certified Public Accountant (CPA), Certified Risk Professional (CRP), Certified Internal Auditor (CIA), and Certified Associate Business Manager (CABM). Mr. Kishk has over 23 years of experience in the Finance, Accounting, Treasury, Investment and Auditing related fields.

Sridharan Sundaresan - *Group Technical Executive Manager (Reinsurance)*

Mr. Sridharan Sundaresan is Group Technical Executive Manager responsible for Technical Reinsurance functions at Group level heading Technical Committees and Working Groups. Mr Sridharan holds Master of Arts in Sociology and Master of Business Administration (Marketing) from India. He is a Fellow Member of the Insurance Institute of India (FIII); and Associate of the Chartered Insurance Institute (ACII, Chartered Insurer), UK. He is also holding Chartered Property and Casualty Underwriter (CPCU) and Associate in Reinsurance (ARe) from The Institutes, USA.

Khaled M. Al Sanousi - *Group Senior Manager (Corporate Communications & Investor Relations)*

Mr. Sanousi holds a Bachelor of Science in Business Administration from the University of National and World Economy in Sofia, Bulgaria. He started his career as a Diplomat, eventually moving to the commercial world in 2004. In 2008, He joined Gulf Insurance as the Head of Marketing & PR. He played a vital role in transforming the department to what is now known as Group Corporate Communications & Investor Relations in which he developed the GIG brand and unified it across all Group companies in the MENA region. Also, by overseeing Group Investor Relations, Mr. Sanousi practices transparency and efficiency in the Group’s relationship with its investors and stakeholders. He is actively involved in creating opportunities in which the Group can benefit in the communities it operates in. GIG’s CSR activities span from youth to education and numerous other initiatives.

Syed Adil - *Executive Technical Manager*

Mr. Syed Adil re-joined Gulf Insurance Group in 2017 as an Executive Technical Manager, his responsibilities entail two functions (i.e. Iraq Operations and Regional Business Development). He has a Bachelor of Commerce Degree with Majors in Finance and Marketing. He has been working in the Insurance Industry since 1991, in various countries in MENA region under different capacities. Mr. Syed Adil attended several Insurance Workshops/ Courses in MENA and UK. He hosted a number of Insurance Seminars in MENA region for Marine Underwriting/ Claims.

Rami Selim Al Baraki - *Group Senior Manager (Finance – Treasury & Investment Operations)*

Mr. Rami Selim Al Baraki holds a Bachelor’s degree of Commerce in Accounting from Mansoura University, Egypt. He is responsible for the Group consolidated financial statements and applying the Group’s accounting policies and implementing international accounting standards, in addition he oversees GIG's Capital Structure, Treasury, investment reporting and Takaful Unit Operations, and recommends to the Board the Capital Structure type that the Company needs to have for both Short Term (working capital) and Long Term purpose (capital investments) in line with GIG's plans for future acquisitions and expansions. Mr. Al Baraki is also a member of the Board of Directors of Egyptian Takaful Property Insurance Co in Egypt.

Sherif Abdel Moamen Abdel Sattar Mosa - *Group Senior Manager (Regional Merger & Acquisition and Project Management Office)*

Mr. Sherif Abdel Moamen Mousa holds a Bachelor Degree of Commerce in Accounting from Ain Shams University – Egypt. In 2013 he has been awarded the designation of International Certified Valuation Specialist (ICVS) from the IACVA Institute – Middle East. He is the manager of M&A and PMO department, which is concerned to participate in formulating GIG’s strategic expansion plan and to execute it through the merger and acquisitions of insurance companies and exploring the insurance markets and investment opportunities. In addition, he lead the project management across the Group and acted as business partner between the operational initiatives and its financial implications on the Group. Mr. Mousa is also a board member of GIG–Turkey as well as a committee member in risk and audit committees of GIG-turkey.

Ahmed Ragab, ACIA - *Group Manager (Group Actuarial and Risk Management)*

Mr. Ahmed Ragab is a graduate with Honors in Actuarial Science from Cairo University – Egypt and is an Associate Actuary (ACIA) from the Canadian Institute of Actuaries – Canada. Additionally, he was awarded the designation of International Certified Valuation Specialist (ICVS) from the IACVA Institute – Middle East in 2014. As a Group Manager, he is responsible for managing the Group risk portfolio along with developing the actuarial practices across the Group companies. During 2018, he worked at Fairfax – Canada as Actuarial Analyst for evaluating subsidiaries' reserves, analyzing the operational performance, supporting the actuarial pricing team and streamlining various actuarial processes. Mr. Ragab is also a Risk Committee member at Buruj Cooperative Insurance Company – KSA. With his team, he plays a vital strategic role in the development of risk and actuarial functions with operational excellence across the region.

Mohamed Ahmed Sayed Ibrahim - *Group Manager (Group Internal Audit)*

Mr. Mohamed Ibrahim is responsible for leading the audit functions for GIG as he has a proven record through establishing and reengineering the audit functions in several Group companies, he also has extensive hands-on experience in the governance, control and compliance frameworks and applications. Mr. Mohamed Ibrahim holds a Bachelor's degree of commerce in accounting from Cairo University, and is also a member of the Institute of Internal Auditors - USA, and an associate of the Association of Certified Fraud Examiner - USA. He is also awarded the International Certificate in Compliance with distinction of International Compliance Association (ICA- UK). Prior to joining GIG, Mr. Mohamed Ibrahim held various auditing roles with well-known international firms, such as KPMG and RSM.

4.7.7. Employees

As at 31 December 2019, the Issuer had 2,447 employees.

4.7.8. Corporate Governance

The Issuer has formed various committees for the implementation of corporate governance practices as follows:

4.7.9. Audit Committee

The Audit Committee has been established by the Board of Directors under Corporate Governance Regulations issued by Capital Market Authority, Kuwait. The purpose of the Committee is to carry out the main responsibilities relating to:

- Review the financial statements periodically before submitting to the Board of Directors and submit its opinions and recommendations in this regard to the Board of Directors and ensure transparency and fairness in the financial reports.
- The audit committee shall submit its recommendations to the board regarding appointment and reappointment of the external auditor, as well as determining and changing their fees, taking into account when recommending, that independence is ensured and reviewing their engagement letter.
- Monitoring the external auditor's performance, to ensure that they are not providing services to the Group except for services required by the audit profession.
- Consider the external auditor's observations regarding the financial statements and following-up on its status.
- Consider the accounting policies followed and provides its opinion and recommendation to the board regarding it.
- Evaluate the adequacy of the internal control systems in the Group and prepares a report including the opinion and recommendation of the committee in this regard.
- Supervising the internal audit department in the Group in order to verify the extent of its effectiveness in preforming its prescribed duties defined by the Board of Directors.
- Recommend the recruitment, shifting and termination of the chief internal auditor, and evaluate his performance and the performance of the internal audit department.

- Revision and adaptation of the proposed audit plan, which is prepared by the internal auditor and provides its opinion on the same.
- Reviewing the results of internal audit reports and ensures that the corrective procedures have been taken regarding the observations which are contained in the report.
- Reviewing the results of the regulatory authorities reports and ensures that the necessary procedures have been taken in this regard.
- Ensure the Group is complying with the regulations, policies, and instructions that are of relation to it.

4.7.10. Committee Composition:
- Chairman of the committee: Mahmoud Ali Al Sanea
- Member of the committee: Abdul Ilah Mohammed Rafie Marafi
- Member of the committee: Jean Cloutier
- Member of the committee: Abdullah Mohammed Al Mansour

4.7.11. Nomination & Remuneration Committee

The Nomination & Remuneration Committee is constituted by the Board of Directors and has been delegated the main responsibilities, authorities and duties with respect to:

- Recommending nominations and re-nominations for the membership of the board of directors and executive management.
- Annual review of the requirements for appropriate skills, in order to attract applicants seeking to fill executive position as needed, studying and reviewing these applications.
- Preparing job descriptions for the executive, non-executive and independent members.
- Recommending independent members for nomination and re-nomination through election from the general assembly and ensure the existence of independence for the independent member in the Board of Directors.
- Establishing a clear policy for the remuneration of the board members and senior executives.
- The periodic review (annual) of the remunerations policy and evaluation of its efficiency in achieving the objectives expected from it, such as attracting and maintaining highly qualified and technical labor that improve the Group’s performance.
- Ensure that the appropriate level of training is provided to the board of director’s members as well as the executive management members.

4.7.12. Committee Composition
- Chairman of the committee: Abdullah Mohammed Al Mansour
- Member of the committee: Khaled Saoud Al Hasan
- Member of the committee: Abdul Ilah Mohammed Rafie Marafi

4.7.13. Risk Management Committee

The Risk Management Committee is constituted by the Board of Directors and has been delegated the main responsibilities, authorities and duties with respect to:

- Preparing and reviewing the strategies and policies of risk management before it being approved by the Board of Directors and ensuring the execution of these strategies and policies and the same is consistent with the nature and size of the Group’s activity.
- Providing sufficient resources and adequate systems for the risk management department.
- Evaluate the systems and mechanisms for identifying and monitoring various risks that the Group may be exposed to, in order to determine the weaknesses in this regard.
- Assist the Board of Directors in identifying and assessing the acceptable level of the risks to ensure that the Group does not breach this level of the risk after approval from the Board of Directors.

- Reviewing the organization structure of the risk management department and submitting its recommendations in this regard, prior to the Board of Directors approval.
- Ensuring that the staff of the risk management department are independent from the activities that leads to risk exposure.
- Ensuring that the staff of the risk management department completely understand the risks surrounding the Group and work on increasing awareness of the employees regarding the risk culture.
- Preparing periodic reports regarding the nature of the risks that the Group may be exposed to and submitting the same to the Board of Directors.
- Reviewing the related issues raised by the audit committee which may affect managing the Group's risks.

4.7.14. Committee Composition:

- Chairman of the committee: Mahmoud Ali Al Sanea
- Member of the committee: Abdul Ilah Mohammed Rafie Marafi
- Member of the committee: Jean Cloutier
- Member of the committee: Abdullah Mohammed Al Mansour

4.8 Key Subsidiaries and Investments

4.9.1. Gulf Insurance and Reinsurance Company (“GIG – Kuwait”)

GIG – Kuwait was established in the State of Kuwait by GIG in 2007 with the name of Gulf Life Insurance Company K.S.C (Closed) (“GLIC”) to operate in Life and Medical business. It started operations as a separate legal entity on 1 January 2008 after obtaining the necessary license from the Kuwaiti authorities. In 2013, GIG restructured itself to a semi holding company to oversee all of the group companies and its domestic insurance business including the non-life insurance portfolio which was transferred to GLIC. GLIC changed the license to practice all insurance activities (composite insurer) effective July 2014 and changed its legal name to Gulf Insurance & Reinsurance Company K.S.C (Closed) (“GIRI”) . In 2017, GIRI transformed their brand name to Gulf Insurance Group-Kuwait (GIG-Kuwait). This change was in collaboration with all Gulf Insurance Group subsidiaries for a unified and streamlined identity.

As at 31 December 2019, the Issuer's direct effective interest in GIG - Kuwait was 99.8 per cent and the paid-up share capital was KD 18.0 million. For the year 31 December 2019, GIG – Kuwait contributed 54.9% to total group consolidated GPW.

GIG - Kuwait's registered office is at Ahmed Al Jaber Street, Sharq Area, Block 5, Building no. 25, Kuwait City P.O. Box 24518, Safat 13106, State of Kuwait.

GIG – Kuwait offers a full range of life and non-life insurance including medical, motor, causality, property, and marine to both retail and commercial customers in the State of Kuwait. For the year 31 December 2019, Life and Medical lines of businesses contributed 78.0 per cent to GIG – Kuwait’s total GPW, followed by motor (9.0 per cent).

GIG -Kuwait is the first insurance company to lead the life and health insurance business in the local market. It is currently the largest insurance company in Kuwait in terms of gross written premiums and retained premiums in the life, health and auto insurance sectors. It is the first insurance company in Kuwait and in the region to issue various insurance policies online and provide online health claims approval.

GIG – Kuwait operates 13 branches across the State of Kuwait and has a head count of 410 employees.

Financial Summary:

	As at and for the six months ended 30 June 2020	**As at and for the six months ended 30 June 2019**	**As at and for the year ended 31 December 2019**	**As at and for the year ended 31 December 2018**	**As at and for the year ended 31 December 2017**
			KD million		
Total assets……………………..	413.5	190.2	319.7	200.8	193.9
Gross Premium written………	139.2	86.6	216.2	190.1	174.7
Net underwriting income……….	7.6	3.2	7.9	7.9	9.1
Net Profit ………………	5.8	4.0	9.3	8.6	10.9

- Gross premiums written ("GPW") increased from KD 86.6 million in June 2019 to KD 139.2 million in 2020 representing growth of 60.7 per cent mostly driven from the medical line as a result of policy renewals from two major contracts. For the year ended 31 December 2019, Premiums written increased by 13.7 per cent to reach KD 216.2 million as compared to KD 190.1 million for the year ended 31 December 2018 driven from the medical and engineering lines.

- Net underwriting income increased from KD 3.2 million in June 2019 to KD 7.6 million in June 2020, which represents an increase of 136.8 per cent majorly due to increased GPW coupled with decline in net claims incurred as result of preventive measures applied in the country with spread of COVID-19. Net underwriting income decreased marginally for the year ended 31 December 2019 to KD 7.89 million as compared to KD 7.95 million for year ended 31 December 2018. The marginal decline was mainly due to high increase in net claims incurred, acquisition cost and other expenses, offset by 12.5 per cent growth in revenues.

- Net profit increased from KD 4.0 million in June 2019 to KD 5.8 million in June 2020, an increase of 43.7 per cent. The increase in the net profit during the six months of the year was mainly due to improved underwriting performance. GIG – Kuwait recorded a net profit of KD 9.3 million for the year ended 31 December 2019 as compared to KD 8.6 million for the year ended 31 December 2018. Increase was led by better underwriting performance coupled with an increase in investment return.

4.9.2. Bahrain Kuwait Insurance Company (B.S.C.) ("GIG – Bahrain")

Bahrain Kuwait Insurance Company (B.S.C.) (**"**BKIC**"**) was established in 1976 with joint Bahraini and Kuwaiti capital. By virtue of its shareholding structure, the company enjoys national status in Bahrain as well as Kuwait, the only company to enjoy such privilege. GIG acquired a 21.4 per cent. stake in BKIC in December 2005, which was increased to 51.2 per cent. in 2008 and to 56.1 per cent. as at December 2010. In 2017, BKIC transformed their brand name to Gulf Insurance Group-Bahrain (GIG-Bahrain) in collaboration with all Gulf Insurance Group subsidiaries for a unified and streamlined identity.

During 2017, BKIC acquired 67.28 per cent of Takaful International Company (TIC). In December 2018, GIG – Bahrain increased its ownership in the company to reach 81.94 per cent.

As at 31 December 2019, the Issuer's direct effective interest in GIG – Bahrain was 56.1 per cent and the paid-up share capital was BD 14.3 million. For the year 31 December 2019, GIG – Bahrain contributed 16.7% to total group consolidated GPW.

The company operates in all classes of insurance business. For the year 31 December 2019, Property, Engineering and General Accidents contributed 64.0 per cent to GIG – Bahrain's total conventional GPW. In the Takaful portfolio the largest contributor was Motor business (39 per cent) followed by Life and Medical business (35 per cent).

GIG– Bahrain is the leader of the Bahraini insurance market in terms of gross written premiums.

GIG– Bahrain's registered office is at BKIC Tower 2775, road 2835, block 428, Seef District, Kingdom of Bahrain. It operates 4 branches in Bahrain and a branch office in the State of Kuwait and has a headcount of 167 employees.

Financial Summary:

	As at and for the six months ended 30 June 2020	As at and for the six months ended 30 June 2019	As at and for the year ended 31 December 2019	As at and for the year ended 31 December 2018	As at and for the year ended 31 December 2017*
			KD million		
Total assets……………………..	171.6	176.7	167.2	143.7	98.0
Gross Premium written………	31.0	27.7	65.8	65.4	36.7
Net underwriting income……….	2.7	2.4	4.2	4.0	1.7
Net Profit ………………	1.9	1.7	2.3	2.6	2.1

**The numbers of 2017 excludes Takaful numbers*

- Gross premiums written ("GPW") increased from KD 27.7 million in June 2019 to KD 31.0 million in June 2020 representing growth of 11.8 per cent primarily driven by the medical business. For the year ended 31 December 2019, Premiums written increased marginally by 0.6 per cent to reach KD 65.8 million as compared to KD 65.4 million for the year ended 31 December 2018 driven from the property line of business.
- Net underwriting income increased from KD 2.4 million in June 2019 to KD 2.7. million in June 2020, which represents an increase of 15.5 per cent majorly due increased underwriting income from the motor business. Net underwriting income increased marginally by 6.6 per cent for the year ended 31 December 2019 to KD 4.2 million as compared to KD 4.0 million for year ended 31 December 2018.
- Net profit increased from KD 1.7 million in June 2019 to KD 1.9 million in June 2020, an increase of 11.9 per cent. GIG - Bahrain recorded a net profit of KD 2.6 million for the year ended 31 December 2019 as compared to KD 2.3 million for the year ended 31 December 2018. Increase was led by better underwriting performance coupled with the decrease in net claims paid.

4.9.3. Arab Orient Insurance Company ("GIG – Jordan")

Arab Orient Insurance Co. was established in 1996 as a public shareholding Jordanian company. It is licensed to underwrite all general insurance business and offers a number of insurance solutions including Medical, Motor, Property, Engineering, General Accidents, Marine and Aviation. Medical Insurance draws the maximum composition of premiums having a share of approximately 57 per cent in the year 31 December 2019 followed by Motor, Property, Engineering & General Accidents.

For the year 31 December 2019, GIG – Jordan contributed 9.3% to total Group consolidated GPW. The Issuer first acquired a 42.0 per cent stake in GIG – Jordan in 2009 and as at 31 December 2019, the Issuer's direct effective interest in GIG – Jordon was 90.4 per cent and the paid-up share capital was JOD 21.4 million

GIG – Jordon is the leader in the Jordanian insurance market in terms of gross written premiums and net profit.

GIG-Jordon's headquarters is based in Jabal, Amman. It has 10 branches across the Hashemite Kingdom of Jordan. The company's headcount is 353 employees.

Financial Summary:

	As at and for the six months ended 30 June 2020	As at and for the six months ended 30 June 2019	As at and for the year ended 31 December 2019	As at and for the year ended 31 December 2018	As at and for the year ended 31 December 2017
			KD million		
Total assets……………………..	58.4	51.9	53.0	47.0	49.7
Gross Premium written………...	20.5	21.2	36.7	36.3	40.9
Net underwriting income……….	3.1	2.0	3.3	1.2	(5.0)
Net Profit ………………………	1.6	1.2	1.8	(1.0)	(4.7)

- Gross premiums written ("GPW") decreased from KD 21.2 million in June 2019 to KD 20.5 million in June 2020 representing decline of 3.5 per cent primarily due to non-renewal of several key policies. For the year ended 31 December 2019, Premiums written increased marginally by 1.2 per cent to reach KD 36.7 million as compared to KD 36.3 million for the year ended 31 December 2018 driven by growth of Motor business being partially offset by the decline in medical business.
- Net underwriting income increased from KD 2.0 million in June 2019 to KD 3.1. million in June 2020, which represents an increase of 54.2 per cent majorly due increased underwriting income from the motor & medical business. Net underwriting income increased by 163.3 per cent for the year ended 31 December 2019 to KD 3.3 million as compared to KD 1.2 million for year ended 31 December 2018. The positive performance is as a result of fall in net claims mainly related to Medical business & total expenditure of the company.
- Net profit for the year increased from KD 1.2 million in June 2019 to KD 1.6 million in June 2020, an increase of 32.2 per cent due to improved underwriting performance supported by the investment income. GIG –Jordon recorded a net profit of KD 1.8 million for the year ended 31 December 2019 as compared to a loss KD 1.0 million for the year ended 31 December 2018. Increase was led by improved underwriting performance coupled with the decrease in net claims paid.

4.9.4. Gulf Sigorta ("GIG – Turkey")

Gulf Sigorta was established in 2013 as a non-life Turkish joint stock insurance company under the name of "Turins Sigorta". In 2016, GIG acquired 90 per cent stake in Turnis Sigorta and changed the company's name to "Gulf Sigorta". In 2017 GIG acquired 100 per cent stake in AIG Sigorta and merged it with Gulf Sigorta. GIG re-branded Gulf Sigorta's to GIG – Turkey to be in line with the group's brand strategy. For the year 31 December 2019, GIG – Turkey contributed 7.3% to total Group consolidated GPW.

As at 31 December 2019, the Issuer's direct effective interest in GIG – Turkey was 99.2 per cent and the paid-up share capital was TRL 181.2 million.

GIG – Turkey operates in both non-life corporate and individual insurance lines. Property, Engineering & General Accidents Insurance draws the maximum composition of premiums having a share of approximately 81 per cent as of 31 December 2019.

It has 5 branches across Turkey. GIG – Turkey is head quartered in Istanbul and has a headcount of 247 employees.

Financial Summary:

	As at and for the six months ended 30 June 2020	As at and for the six months ended 30 June 2019	As at and for the year ended 31 December 2019	As at and for the year ended 31 December 2018	As at and for the year ended 31 December 2017
			KD million		
Total assets……………………..	60.2	59.8	59.7	54.9	59.5
Gross Premium written………...	12.8	15.5	28.7	32.7	26.5
Net underwriting income……….	0.4	0.0	0.5	(1.5)	(0.5)
Net Profit ………………………	2.2	1.4	3.0	2.9	0.5

- Gross premiums written ("GPW") decreased from KD 15.5 million in June 2019 to KD 12.8 million in June 2020 representing decline of 17.8 per cent majorly due to fall in the premiums of Motor, Property, Engineering & General Accidents in light of the COVID-19 pandemic and taking into consideration the devaluation of Turkish Lira against Kuwaiti Dinar of average 11.8% YTD. For the year ended 31 December 2019, Premiums written also decreased by 12.1 per cent to reach KD 28.7 million as compared to KD 32.7 million for the year ended 31 December 2018 primarily due to foreign currency translation losses.
- Net profit for the year increased from KD 1.4 million in June 2019 to KD 2.2 million in June 2020, an increase of 60.3 per cent. The increase in the net profit during the six months of the year was mainly due to fall in net claims paid coupled with higher investment returns. Gulf Sigorta net profit increased marginally by 5.3 per cent to KD 3.0 million for the year ended 31 December 2019 as compared to a profit of KD 2.9 million for the year ended 31 December 2018.

4.9.5. Arab Misr Insurance Group ("GIG – Egypt")

Arab Misr Insurance Group was established in 1993 as an Egyptian Non-Life insurance company. It is a member of the Egyptian Insurance Federation. In 2005, the Issuer acquired 94.9 per cent of Arab Misr Insurance Group and changed the company name and trademark to GIG – Egypt to be in line with the group's brand strategy in 2017.

For the year 31 December 2019, GIG – Egypt contributed 5.2% to total Group consolidated GPW. As at 31 December 2019, the Issuer's direct effective interest in GIG – Egypt was 99.0 per cent and the paid-up share capital was EGP 315mn million.

GIG – Egypt offers all non-life insurance solutions; Property, Engineering & General Accidents contributed in excess of 57 per cent to the total GPW in year 31 December 2019.

GIG – Egypt has 23 branches across Egypt. It is head quartered in Heliopolis and has a headcount of 308 employees.

Financial Summary:

	As at and for the six months ended 30 June 2020	As at and for the six months ended 30 June 2019	As at and for the year ended 31 December 2019	As at and for the year ended 31 December 2018	As at and for the year ended 31 December 2017
			KD million		
Total assets……………………..	45.6	35.6	40.6	30.5	23.9
Premium written………………..	13.2	9.2	20.4	18.4	15.1
Net underwriting income……….	1.2	0.8	1.1	1.3	2.0
Profit for the year………………	1.7	1.8	2.9	2.7	2.6

- Gross premiums written ("GPW") increased from KD 9.2 million in June 2019 to KD 13.2 million in June 2020 representing increase of 43.8 per cent majorly due to premium growths of several key policies. For the year ended 31 December 2019, Premiums written increased by 10.9 per cent to reach KD 20.4 million as compared to KD 18.4 million for the year ended 31 December 2018. Growth was primarily driven by the acquisition of several large accounts.
- Net underwriting income increased by 47.1 per cent from KD 0.8 million in June 2019 to KD 1.2. million in June 2020, majorly due increased GPW. Net underwriting income for the year ended 31 December 2019 decreased by 10.4 per cent to KD 1.1 million as compared to KD 1.3 million for year ended 31 December 2018.
- Net profit decreased marginally from KD 1.8 million in June 2019 to KD 1.7 million in June 2020, a decrease of 5.2 per cent, impacted by lower investment returns and unrealized losses of equity investments. GIG-Egypt net profit increased by 7.5 per cent to KD 2.9 million for the year ended 31 December 2019 as compared to a profit of KD 2.7 million for the year ended 31 December 2018. The growth in net profit is collectively supported by the improvement of technical results along with investment income.

4.9.6. L'Algrienne des Assurances ("GIG – Algeria")

L'A**lgrienne des Assurances** is an Algerian joint stock company established in 1998 and authorized to perform general insurance activities. A majority stake (51.0 per cent) of the company was acquired by GIG in 2015. As at 31 December 2019, the Issuer's direct effective interest in GIG – Algeria was 51.0 per cent and the paid-up share capital was DZD 2 billion.

GIG – Algeria operates in all non-life lines except for medical. Motor Insurance draws the maximum composition of premiums having a share of approximately 62 per cent in year 31 December 2019.

GIG – Algeria has 8 branches across country; with the head quarter located in Hussein Dey. The company's headcount is 254 employees.

For the year 31 December 2019, GIG – Algeria reported a GPW of KD 9.9 million, 2.5 per cent of total Group consolidated GPW.

4.9.7. Egyptian Life Takaful Company (“GIG – Egypt Life Takaful”)

GIG-Egypt (Life Takaful) is a joint Takaful Insurance Company that operates as a Life insurer, established in 2006. The company is regulated by the Egyptian Financial Supervisory Authority (EFSA) and Sharia Supervisory Committee. A 59.5 per cent stake of the company was acquired by GIG along with Arab Misr Insurance Group (GIG-Egypt) in 2010.

As at 31 December 2019, the Issuer's direct effective interest in GIG – Egypt Life Takaful was 61.3 per cent and the paid-up share capital was EGP 200 million.

GIG – Egypt Life Takaful has 7 branches across the country; with the head quarter located in Heliopolis. The company’s headcount is 160 employees.

For the year 31 December 2019, GIG – Egypt Life Takaful reported a GPW of KD 11.7 million, i.e. 3.0 per cent of total Group consolidated GPW. All of these GPW was generate from life and medical lines.

4.9.8. Syrian Kuwaiti Insurance Company (“GIG – Syria”)

Syrian Kuwaiti Insurance Company (GIG - Syria) is a Syrian joint stock company operates as a composite insurer, established in 2006. GIG owns 54.4 per cent (direct and indirect stake) of the company.

Syria operates with paid-up capital of SYP 1.06 Billion. The company operates through its headquarters in Damascus, along with 3 other branches across the country. The company’s headcount is 64 employees.

4.9.9. Dar Al Salam Insurance Company (“GIG – Iraq”)

Dar Al Salam Insurance Company (GIG - Iraq) was established in 2000 as the first privately owned Insurance company in Iraq. The group owns 79.9 per cent (direct stake) of the company. GIG-Iraq operates with paid up capital of IRD 7 Billion.

It practices all insurance activities (composite insurer) through its headquarter in Baghdad, along with 2 other branches in Iraq. The company’s headcount is 16 employees.

4.9.10. Fajr Al Gulf Insurance and Reinsurance (“GIG – Lebanon”)

Fajr Al Gulf Insurance and Reinsurance (GIG - Lebanon) was established in 1991 in Lebanon as a Lebanese shareholding company. On August 2003 the company merged with International Trust Insurance Co. The Group owns 92.7 per cent (direct and indirect stake) of the company. GIG -Lebanon operates with a paid-up capital of LBP 7.14 Billion.

It practices all insurance activities (composite insurer) through its headquarters in Beirut. The company’s head count is 4 employees.

4.9 Capitalization and Borrowings

The following table sets forth GIG’s capitalization*, as well as pro-forma figures post Capital Increase. The financial information as at 30 June 2020 (actual) has been extracted from the Issuer’s audited consolidated financial statements as at 30 June 2020:

KD million	30 June 2020 (Actual)	30 June 2020 (Post Capital Increase) (Pro-forma)
Shareholder's Equity		
Share capital	18.7	20.1
Share premium	3.6	8.9
Treasury shares	(0.4)	(0.4)
Treasury shares Reserves	3.1	3.1
Statutory Provision	18.7	18.7
Voluntary Provision	27.6	27.6
Cumulative changes in fair values	2.1	2.1
Foreign currency translation adjustment	(21.4)	(21.4)
Changes in FMV of Properties	12.2	12.2
Other Reserves	(2.8)	(2.8)
Retained earnings	49.2	49.2
Minority Interest	27.4	27.4
Total Shareholders' Equity	**138.0**	**144.7**
Liabilities		
Total liabilities arising from insurance contracts	483.8	483.8
Premium received in advance	4.9	4.9
Insurance payable	152.0	152.0
Long Term Loans	38.3	38.3
Other Liabilities	58.0	58.0
Bank Overdraft	6.3	6.3
Total liabilities	**743.3**	**743.3**
Total Capitalization*	**881.4**	**888.0**

* Capitalization is a total of shareholders equity and liabilities

4.10Profit Distributions by the Company

Issuer's dividend distribution trend for the last five years as follows:

Dividend distribution	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019
Date of approval	31 March 2016	30 March 2017	29 March 2018	29 March 2019	23 March 2020
Cash dividend (fils)	40	40	30	36	38
Dividend payout ratio (per cent.)	50.9%	59.7%	53.3%	54.1%	51.6%

4.11 Selected Financial Information

4.12.1. General

The selected financial information below has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to the Group’s consolidated financial statements and the notes thereto as at and for the six months ended 30 June 2020 and years ended 31 December 2019 & 31 December 2018.

Unless otherwise stated, the consolidated financial position data as at 30 June 2020 and 30 June 2019 and the consolidated income statement data for the six months ended 30 June 2020 and 30 June 2019 has been extracted from the Group's audited consolidated financial statements for the six months ended 30 June 2020. The consolidated financial position data as at 31 December 2017 and the consolidated income statement data for the year ended 31 December 2017 has been extracted from the Group's audited consolidated financial statements for the financial year ended 31 December 2018. The consolidated financial position data as at 31 December 2018 and 31 December 2019 and the consolidated income statement data for the years ended 31 December 2018 and 31 December 2019 has been extracted from the Group's audited consolidated financial statements for the financial year ended 31 December 2019.

Each of the directors of the Company confirms that they have committed themselves to ensuring that the financial statements of the Company included in this Prospectus have been compiled in accordance with the provisions of the Companies Law and that each of the directors accept responsibility for the information contained in such financial statements.

4.12.2. Consolidated Income Statement

For the six months ended 30 June 2020, total consolidated Gross Premiums Written (**“GPW”**) was KD 230.7 million compared to KD 173.1 million in 30 June 2019. The increase of 33.2 per cent was driven by the conventional business of GIG – Kuwait, due to renewal of key policies and policy premium growth. Consolidated net underwriting income increased 53.3 per cent to KD 16.7 million in 30 June 2020 from KD 10.9 million in 30 June 2019 as a result of improved underwriting performance of GIG – Kuwait’s conventional business. GIG reported a net profit attributable to equity holders of the parent of KD 9.8 million in 30 June 2020, an increase of 21.4 per cent over KD 8.1 million in 30 June 2019, primarily due to better underwriting results being partially offset by relatively low investment returns.

In the year ending 31 December 2019 GPW increased 8.1 per cent from KD 364.6 million in 31 December 2018 to KD 394.1 million, mainly driven by premium growth of a large retiree’s policy in GIG – Kuwait. Net underwriting income increased notably by 37.8 per cent from KD 15.7 million in 30 June 2020 to KD 21.6 million in 30 June 2019, mainly attributed to improved underwriting performance in GIG – Jordan coupled with decline in net claims incurred in GIG – Turkey. GIG reported a net profit attributable to equity holders of the parent of KD 13.3 million in 31 December 2019, an increase of 12.2 per cent over KD 11.9 million in 31 December 2018 as a result of better underwriting results being offset by relatively low investment returns.

The following table sets out extracts from the Group's consolidated income statements for the six months ended 30 June 2020 and 30 June 2019 and three financial years ended 31 December 2017, 31 December 2018 and 31 December 2019.

Consolidated Statement of Income

Revenues:					
Premiums written	230.7	173.1	394.1	364.6	304.8
Reinsurance premiums ceded	(126.9)	(83.5)	(211.4)	(193.5)	(170.2)
Net premiums written	**103.8**	**89.6**	**182.7**	**171.2**	**134.6**
Movement in unearned premiums	(9.4)	(1.6)	(0.3)	(7.6)	(7.4)
(Decrease) Increase in life mathematical reserve	(1.5)	0.1	(1.0)	1.5	(1.2)
Net premiums earned	**92.9**	**88.1**	**181.3**	**165.0**	**126.0**
Commission received on ceded reinsurance	9.2	9.3	17.8	17.1	17.3
Policy issuance fees	1.4	1.8	3.2	3.6	3.5
Net investment income from life insurance	0.2	1.6	3.1	0.3	1.7
	103.7	**100.8**	**205.3**	**186.0**	**148.5**
Expenses:	0.0	0.0			
Claims incurred	61.5	61.8	128.7	119.1	95.7
Commission and discounts	10.9	10.7	22.5	20.6	15.5
(Decrease)/Increase in additional reserve	0.0	0.0	0.0	0.0	0.0
Maturity and cancellations of life insurance policies	1.0	3.8	5.4	4.1	2.4
General and administrative expenses	13.6	13.6	27.2	26.4	26.7
	87.0	**89.9**	**183.7**	**170.3**	**140.2**
Net underwriting income	**16.7**	**10.9**	**21.6**	**15.7**	**8.3**
Net investment income	6.8	6.8	5.4	8.9	9.1
Net sundry income	1.1	0.1	2.5	3.5	1.4
	24.6	**17.8**	**29.5**	**28.1**	**18.7**
Other charges:					
Unallocated general and administrative expenses	(9.8)	(6.6)	(13.5)	(12.7)	(7.3)
Profit before tax	**14.8**	**11.2**	**16.0**	**15.4**	**11.4**
Contribution to KFAS	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
National Labour Support tax (NLST)	(0.2)	(0.2)	(0.3)	(0.3)	(0.2)
Zakat tax	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)

Director's fees/ Subsidiary Tax	(2.0)	(1.7)	(0.2)	(0.2)	(0.2)
PROFIT FOR THE PERIOD	**12.4**	**9.2**	**15.3**	**14.7**	**10.8**
Attributable to:					
Equity holders of the parent company	**9.8**	**8.1**	**13.3**	**11.9**	**10.3**
Non-controlling interests	2.6	1.1	0.0	2.8	0.7
Basic and diluted EPS (fils)	**36.5**	**45.3**	**73.7**	**66.5**	**56.2**

The following table sets out the Group's consolidated GPW broken down by segments as at 31 December 2019, as at 31 December 2018 (See note 21 of the Issuer's audited consolidated financial information for the year ending 31 December 2019), and as at 31 December 2017 (See note 21 of the Issuer's audited consolidated financial information for the year ending 31 December 2018):

	As at 31 December 2019	**As at 31 December 2018**	**As at 31 December 2017**
Gross Premiums written (GPW)			
General Risk Insurance	**176.6**	**166.6**	**133.9**
Marine & Aviation	10.8	10.6	8.7
Motor Vehicles	60.3	58.3	50.8
Property	49.3	41.1	31.3
Engineering	29.9	32.7	22.4
General Accidents	26.2	23.9	20.6
Life & Medical Insurance	**217.5**	**198.0**	**170.9**
Life	19.2	16.3	9.8
Medical	198.3	181.8	161.1
Total GPW	**394.1**	**364.6**	**304.8**

The following table sets out the Group's consolidated net underwriting income broken down by segments as at 31 December 2019, as at 31 December 2018 (See note 21 of the Issuer's audited consolidated financial information for the year ending 31 December 2019), and as at 31 December 2017 (See note 21 of the Issuer's audited consolidated financial information for the year ending 31 December 2018):

	As at 31 December 2019	**As at 31 December 2018**	**As at 31 December 2017**
Net Underwriting Income			

General Risk Insurance	**8.5**	**5.2**	**6.3**
Marine & Aviation	2.4	1.7	1.5
Motor Vehicles	(3.0)	(3.1)	(0.9)
Property	4.5	0.6	1.2
Engineering	1.7	2.3	1.4
General Accidents	2.9	3.7	3.0
Life & Medical Insurance	**13.2**	**10.5**	**1.9**
Life	3.2	1.6	1.4
Medical	9.9	8.9	0.5
Net Underwriting Income	**21.6**	**15.7**	**8.3**

4.12.3. Consolidated Financial Position Data

The following sets out: (i) the Group's consolidated financial position data as at 30 June 2020 & 30 June 2019 extracted from the Issuer's unaudited consolidated financial statements as at and for the financial year ended 30 June 2020 (ii) the Group's consolidated financial position data as at 31 December 2017 extracted from the Issuer's audited consolidated financial statements as at and for the financial year ended 31 December 2018; and (iii) the Group's consolidated total assets as at 31 December 2018 and 31 December 2019, in each case extracted from the Issuer's audited consolidated financial information as at and for the financial year ended 31 December 2019.

4.12.4. Consolidated Assets:

As at 30 June 2020, the consolidated total assets of the Group were KD 881.4 million, an increase of 36.7 per cent compared to KD 644.7 million in 30 June 2019. Cash in hand and at bank constituted 12.4 per cent of consolidated total assets while Reinsurance recoverable on outstanding claims accounted for 34.3 per cent of consolidated total assets as of 30 June 2020. Investments in associates accounted for 5.0 per cent of consolidated total assets. Financial Instruments accounted for 14.3 per cent of consolidated total assets while Premium and Insurance balances receivable represented 23.8 per cent of consolidated total assets as at 30 June 2020.

As at 31 December 2019, the consolidated total assets of the Group amounted to KD 763.2 million, representing an increase of 34.6 per cent compared to KD 567.1 million as at 31 December 2018. Cash in hand and at bank constituted 16.6 per cent of consolidated total assets while Reinsurance recoverable on outstanding claims accounted for 32.4 per cent of consolidated total assets as at 31 December 2019. Investments in associates accounted for 5.7 per cent of consolidated total assets as at 31 December 2019. Financial instruments accounted for 15.0 per cent of consolidated total assets as at 31 December 2019. Premium and Insurance balances receivable represented 18.7 per cent of consolidated total assets as at 31 December 2019.

	As at 30 June 2020	**As at 30 June 2019**	**As at 31 December 2019**	**As at 31 December 2018**	**As at 31 December 2017**
	KD million				
Property and equipment	36.9	32.2	37.4	29.3	18.0
Investments in associated companies	43.7	43.3	43.4	43.3	40.9
Intangible assets	15.1	15.1	15.1	15.1	15.1
Financial Instruments	125.7	100.1	114.6	105.9	100.4

Loans secured by life insurance policies	1.2	1.1	1.1	1.3	1.6
Premiums and insurance balances receivable	209.4	129.5	142.6	109.9	93.2
Reinsurance recoverable on outstanding claims	302.5	154.4	247.3	131.0	103.3
Property held for sale	6.4	5.2	6.2	5.0	2.9
Other Assets	31.1	27.9	28.5	28.9	23.3
Cash & Cash Equivalents	109.4	136.0	126.9	97.6	94.0
Total Assets	**881.4**	**644.7**	**763.2**	**567.1**	**492.8**

The following table sets out the Group's consolidated total assets broken down by segments as at 30 June 2020 & 30 June 2019 (See note 7 of the Issuer's unaudited consolidated financial statements for the period ending 30 June 2020), as at 31 December 2019 and as at 31 December 2018 (See note 21 of the Issuer's audited consolidated financial information for the year ending 31 December 2019), as at 31 December 2017 (See note 21 of the Issuer's audited consolidated financial information for the year ending 31 December 2018):

	As at 30 June 2020	**As at 30 June 2019**	**As at 31 December 2019**	**As at 31 December 2018**	**As at 31 December 2017**
	KD million				
General Risk Insurance	524.7	410.2	514.6	356.6	293.3
Life & medical insurance	121.2	95.4	111.2	103.1	96.3
Unallocated	235.5	139.1	137.4	107.4	103.2
Total Assets	**881.4**	**644.7**	**763.2**	**567.1**	**492.8**

4.12.5. Consolidated Liabilities and Equity:

The consolidated total liabilities of the Group increased to KD 743.3 million as at 30 June 2020 from KD 530.2 million as at 30 June 2019. Consolidated total liabilities as at 30 June 2020 comprised of Outstanding Claims Reserves (52.0 per cent. of total liabilities), insurance payables (20.3 per cent. of total liabilities) and Unearned Premiums Reserves (9.1 per cent of total liabilities).

The consolidated total liabilities of the Group increased from KD 454.7 million as at 31 December 2018 to KD 628.3 million as at 31 December 2019. Consolidated total liabilities as at 31 December 2019 comprised of Outstanding Claims Reserves (50.9 per cent. of total liabilities), insurance payables (20.0 per cent. of total liabilities) and Unearned Premiums Reserves (9.5 per cent of total liabilities).

	As at 30 June 2020	**As at 30 June 2019**	**As at 31 December 2019**	**As at 31 December 2018**	**As at 31 December 2017**
	KD million				
Total Liabilities	**743.3**	**530.2**	**628.3**	**454.7**	**392.8**
Outstanding Claims Reserves	386.8	223.5	319.9	195.4	159.2
Unearned Premiums Reserves	67.8	61.0	59.5	59.5	51.2
Life Mathematical Reserves	28.2	24.5	26.4	24.5	20.2
Insurance Payable	152.0	119.7	125.7	75.3	66.7

Long-term Loans	38.3	31.3	35.3	-	-
Other Liabilities	70.2	70.2	61.5	100.0	95.5
Total Equity	**138.0**	**114.6**	**134.8**	**112.4**	**100.0**
Equity attributable to equity holders of the Issuer	110.6	90.9	108.8	89.1	81.6
Non-controlling Interest	27.4	23.7	26.0	23.3	18.4

The following table sets out the Group's consolidated total liabilities broken down by segments as at 30 June 2020 & 30 June 2019 (See note 7 of the Issuer's unaudited consolidated financial statements for the period ending 30 June 2020), as at 31 December 2019 and as at 31 December 2018 (See note 21 of the Issuer's audited consolidated financial information for the year ending 31 December 2019), as at 31 December 2017 (See note 21 of the Issuer's audited consolidated financial information for the year ending 31 December 2018):

	As at 30 June 2020	**As at 30 June 2019**	**As at 31 December 2019**	**As at 31 December 2018**	**As at 31 December 2017**
	KD million				
General Risk Insurance	462.3	336.2	424.5	285.1	231.9
Life & medical insurance	168.2	94.7	121.9	105.9	102.5
Unallocated	112.9	99.2	82.0	63.8	58.5
Total Assets	**743.3**	**530.2**	**628.3**	**454.7**	**392.8**

4.12.6. Key Financial Ratios

The following table sets out certain key ratios calculated with results derived from the Financial Statements. These ratios are not calculated based on IFRS and are not IFRS measures of financial performance.

Net combined ratio declined from 93.8 per cent in 30 June 2019 to 91.7 per cent in 30 June 2020, primarily due to decrease in net loss ratio from 70.2 per cent in 30 June 2019 to 68.0 per cent in 30 June 2020. This is mainly resulting from Medical and Motor lines, which experienced a decline in net claims incurred relative to the net premium earned as a result of the outbreak of COVID 19 and the preventive measures applied in the respective countries.

In the year ending 31 December 2019, net combined ratio decreased from 97.5 per cent in 31 December 2018 to 94.6 per cent primarily due to 2.2 per cent decrease in the net expense ratio (as a result of lower doubtful debts). Net loss ratio too decreased from 72.2 per cent to 71.0 per cent.

In 30 June 2020, Return on Equity (**"ROE"**) decreased marginally to 17.9 per cent from 18.0 per cent in 30 June 2019. For the year ending 31 December 2019, ROE declined marginally by 0.4 per cent to 13.5 per cent.

	As at 30 June 2020	**As at 30 June 2019**	**As at 31 December 2019**	**As at 31 December 2018**	**As at 31 December 2017***
Performance Ratios					
Net Loss Ratio	68.0%	70.2%	71.0%	72.2%	76.0%

Net Acquisition Ratio	1.8%	1.6%	2.6%	2.1%	-1.5%
Net Expense Ratio	21.9%	22.0%	21.0%	23.2%	25.5%
Net Combined Ratio	**91.7%**	**93.8%**	**94.6%**	**97.5%**	**99.9%**
Performance Ratios					
ROE	17.9%	18.0%	13.5%	13.9%	12.3%
ROA	3.0%	3.1%	2.3%	2.7%	2.5%

*For 2017 the calculation excludes takaful numbers, while for rest all are consolidated numbers

4.12.7. Further information

For further detail on the financial information of the Group, please see: (i) the notes to the 2018 Annual Financial Statements, (ii) the notes to the 2019 Annual Financial Statements, and (iii) the notes to the 30 June 2020 Financial Statements each of which are set out in full under “Financial Information”.

4.12 Previous Issuances by the Company

Type of Issuance	Year	Date of registration at commercial registrar	Number of shares issued	Total value of issuance (KWD)	Net value of issuance (including nominal value and issuance premium) (KWD)
Capital at Incorporation	**1962**	**7 April 1962**	**100,000**	**800,000**	**800,000**
Bonus Shares	**2012**	**13 May 2012**	**8,906,630**	**890,663**	**890,663**
Bonus Shares	**2011**	**15 September 2011**	**8,482,250**	**848,250**	**848,250**
Bonus Shares	**2010**	**7 October 2010**	**59,650,000**	**5,965,000**	**5,965,000**

4.13 Legal Cases

The Company (including its subsidiaries) is not a party to any governmental proceedings, administrative proceedings, litigation or arbitration proceedings (whether these proceedings are pending or potential and the Company is aware of them) which may have or had in the recent past implications materially affecting the financial position f the Company and its profits.

4.14 Material Contracts

The Company (including its subsidiaries) did not enter into any of the Material Contracts outside its normal activity during the two years preceding the date of submitting the application for approval of this Prospectus. Nor has it relied on any specific customers or suppliers or on any patent rights or other intellectual property rights, licenses or special contracts, any of which have a major importance in the activity of the issuing company.

4.15 Risk Factors

Prior to investing in any Issue Shares, prospective investors should carefully consider, together with all other information contained in this Prospectus, the risk factors described below. The Company believes that the factors described below represent the principal risks inherent in investing in the Issue Shares but these risk factors are not exhaustive and other considerations, including some which may not be presently known to the Company, or which the Company currently deems to be immaterial, may impact on any investment in the Issue Shares.

4.16.1. Risks Related to the Issuer

Developing markets are subject to greater risks than more developed markets, including significant political, social and economic risks

The following table sets out the geographical break-down of the Company's revenue and Total asset as at and for the year end 31 December 2019 based on the Company's audited consolidated financial statements for same financial year:

	Revenue (In per cent.)	**Total Assets** (In per cent.)
Kuwait……………………………………..	56.7	62.9
Rest Of GCC……………………………….	10.3	9.8
Rest Of MENA…………………………….	32.9	27.3
Total……………………………………….	100.0	100.0

A significant proportion of the Company’s revenues are generated in the State of Kuwait. There can be no assurance that economic conditions in the State of Kuwait will remain robust nor that a significant deterioration in these economic conditions will not impact the financial performance of the Company. The economy of the State of Kuwait is largely driven by revenues from oil exports and as such is exposed to volatility in oil prices. The Government's policies to diversify the economy away from its reliance on oil as the single major revenue source have generally resulted in improved economic performance, there can be no assurance that such performance will be sustained.

The Company’s financial performance can be adversely affected by political, economic and related developments not only from within the State of Kuwait, but also to a lesser extent from within the countries of the Gulf Cooperation Council ("**GCC**") (which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and the political and economic instability in surrounding countries, such as Turkey, Syria, Iraq, and the countries of North Africa. Although not unique to the region, Kuwait, the GCC region and surrounding countries are exposed to specific risks that may have a material impact on the business carried out by the Company, its operating results and its financial condition.

Amongst those specific risks is the possibility of:

- Political and social instability;
- Downturn in economic conditions;
- External acts of warfare, civil clashes and terrorist activity;
- Natural disasters; and
- Regulatory, taxation and legal structure changes

Over the last few years political uncertainty and armed conflict continues to persist across Yemen, Iraq, Syria and Libya. The countries in question are affected in particular by political and social instability and external acts of warfare and civil clashes. Neighboring countries such as Turkey and Lebanon are receiving large numbers of refugees fleeing the conflict, resulting in increased pressure on their public services. Political uncertainty and sectarian violence in the region could have a material adverse effect on the Company’s business, financial condition, results of operations and prospects. Kuwait and most of the other countries in the Gulf have thus far been largely immune from disruption from such activity. However, despite the authorities’ rapid response and intensified intelligence and prevention activities, there is no assurance that the issues experienced elsewhere in the region will not impact the areas in the Gulf where the Group operates.

4.16.2. Risks related to insurance activity

Risks related to financial market disruptions

The business and results of operations of the Company and its subsidiaries and the market price of the Issue Shares are influenced by economic and market conditions in Kuwait and, to a varying degree, economic and market conditions in the global markets generally. Global financial crises and volatility in the emerging markets in the past have adversely affected market prices in the world’s securities markets for companies that operate in developing economies. Even if the Kuwaiti economy remains relatively stable, financial turmoil in the emerging markets and globally could have a material adverse effect on the Company and its subsidiaries’ business, financial condition, results of operations or prospects and the market price of the Issue Shares.

4.16.3. Risks related to renewal of the required licenses

The Company is required to obtain and maintain the necessary regulatory licenses, permits and approvals in relation to its activities. Such licenses are granted by Supreme Committee, within Insurance Regulation Unit (IRU), to practice insurance activities. IRU was established in 2019 with the introduction of Kuwait's new insurance law (Law No. 125 of 2019 on the Regulation of Insurance (Insurance Law). The Supreme Committee is also responsible for ensuring industry players meet international standards and determining fund levels to be kept by insurance and reinsurance companies.

The IRU can suspend or revoke a company's insurance license for violations of any provisions of the Insurance Law (Articles 52 and 55, Insurance Law). The IRU can suspend a company's insurance license in the following circumstances (Article 52, Insurance Law):

- If the company fails to comply with any provisions of the Insurance Law, the Implementing Regulations (which have not yet been issued), the Companies Law, or any other law.
- If the company fails to abide by a legally enforceable judgment.
- If the company fails to place a guarantee deposit with a bank operating in Kuwait (under Article 30 of the Insurance Law), or if the value of that deposit falls below the minimum limit under Article 30 and the difference is not settled within a 60-day period.
- If the company is late in complying with its payment obligations under the Implementing Regulations.
- If the IRU determines that the rights of policyholder are at risk.
- If the company fails to comply with the requirements for exercising insurance activities under the Insurance Law.

The Supreme Committee can revoke a company's license in the following situations (Article 55, Insurance Law):

- Its registration violates the Insurance Law and its Implementing Regulations.
- The company has unenforced judgments against it.
- It has failed to transfer policies as requested.
- It is declared bankrupt.
- It was suspended more than once in two years.
- It does not rectify the violations for which it was suspended.

The Company's license may be suspended or terminated if the Company fails to meet and comply with such requirements. If the Company fails to renew its current licenses or obtain any of its business licenses; if any of the Company's licenses are suspended or expired; if such licenses were renewed with unsuitable terms for the Company; or the Company fails to obtain the additional licenses that may be required in the future, then the Company may discontinue or refrain from engaging in its business, e.g. by closing some of the branches and points of sales. This would lead to a disruption of the Company's operations and to its incurring of more costs, which would have an adverse impact on the Company's financial position, operations and the results thereof.

4.16.4. Risks related to contracts with related parties

The Company has entered into a range of insurance contracts (insurance policies) with related parties, including some of its Directors, and key management personnel, for a total value of KWD1.4 million as at 31 December 2019.

In addition to the above, as of 31 December 2019, the Company holds certain deposits and call accounts with related entities under common control amounting to KWD29.2 million and holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 4.8 million.

4.16.5. Risks related to contracts with third parties

The Company has concluded contracts and agreements with other parties in the insurance industry, such as insurance claims settlement contracts, insurance agencies contracts, reinsurance contracts, as well as other service contracts such as IT contracts and staff training contracts. The Company depends on the potential and abilities of such parties to meet their obligations under the terms and conditions of their contracts and agreements. There is no certainty that these parties will meet the Company's expectations. If the Company or the contracted parties fail to comply with the terms of such contracts or if any future disputes or claims occur and the Company loses such disputes or claims, its financial position, cash flows, prospects, operations and the results thereof will be adversely affected.

4.16.6. Risks related to reliance on brokers and agents

The Company relies on brokers and agents as major distributors for marketing its products. Gross written premiums (GWPs) through direct distribution channels represented 62.7% of GWPs as of 31 December 2019, while GWPs through brokers and agents represented 29.7% of GWPs for the same period. Any interruption or termination of arrangements with Intermediaries would have some negative impact on the sales of the Company's products, leading to negative impact on the Company's business, operations and the results thereof.

4.16.7. Risks related to dependence on key personnel

Key personnel of the Company play an important role in the success of the Company's business. Its success and future prospects will depend to a large extent on its ability to recruit and retain high quality personnel and find replacements for departing key personnel.

Despite providing encouraging remuneration, compensation and training to its staff, there can be no assurance that the Company can retain their services or increase their skill levels. The Company may also need to increase salaries to ensure long-term retention of its personnel and attract new well-qualified staff. In addition, employment contracts lack some preventive terms and conditions (including but not limited to non-competition, etc.), all of which may make it difficult to retain some employees. The business of the Company may be adversely affected by the loss of the services of one or more members of key personnel, which could lead to a disruption of the Company's operations and adversely impact the Company's business products, financial condition, operations and results thereof.

It should be noted that no social employment contract, as of the date of this Prospectus, has been signed with the Company's CEO; it was deemed sufficient to conclude an employment offer between the Company and the CEO in this regard. Despite the fact that this employment offer, from a regulatory point of view, proves that the functional and contractual relationship is reliable, the lack of sufficient provisions does not protect the Company's interests and rights as is customary in such contracts.

4.16.8. Risks related to employee misconduct and error

The Company cannot guarantee that it can always deter or prevent events of employee misconduct or error such as fraud, intentional or unintentional errors, embezzlement, theft, forgery, abuse of property and acting on its behalf without obtaining the due administrative authorizations. This may increase the risks of lack of regulation governing the behavior of employees and labor policies in the Company. As a result, employee misconduct or error could result in consequences and liabilities incurred by the Company, regulatory sanctions, financial liability and/or serious damage to the reputation of the Company. Hence, the Company cannot guarantee that employee misconduct or error will not materially and adversely affect its financial condition, operations and results thereof.

4.16.9. Risks related to inadequate capital and minimum capital requirements

The Company's capital adequacy remains a key risk due to its impact on credit ratings and the Group's ability to absorb shocks with safety margins, as compared to regional peers. Various actions were executed in 2019 to mitigate risks related to capital adequacy such as initiating a new capital injection and exit strategies for the non-strategic investments.

In the future, the Company may need to increase its capital to expand its business and comply with capital adequacy and solvency margin requirements to remain in a competitive position. Future increases of the capital are subject to approvals by the regulators, such as the Insurance Regulatory Unit (IRU), the Ministry of Commerce and Industry (MOCI) and the Company's Shareholders Assembly. If the Company does not obtain such approvals, it may be prevented from maintaining its growth and compliance with the aforementioned regulatory requirements, which would have a material and adverse impact on the Company's business and financial results.

4.16.10. Risks related to access to adequate financing

The Company's ability to obtain sources of financing for its business depends on several factors, including factors related to its ability to obtain the regulatory approvals, its financial condition and creditworthiness. In the future, if the Company needs to inject a large amount to finance expansion of its activities and products or improve its solvency, it may face difficulties in obtaining sources of financing and, if obtained, they may have unfavorable costs and terms. If the Company needs to increase its capital to obtain additional financing, the ownership percentages of the current Shareholders may decrease. In the future, difficult access to adequate financing may adversely impact the Company, its financial performance and business plan.

4.16.11. Risks related to liquidity & investments

The Company's operations and results thereof will partially depend on the performance of its investment portfolio. Investment results are subject to a number of investment risks, including risks associated with general economic conditions, market fluctuations, volatility of interest rates, liquidity and credit risks, and political conditions. A key risk is the expected mismatch in cash inflows and outflows along with the pressure of the current macroeconomic indicators on new business streams. The Company plans to mitigate these risks with new financial agreements and long-term facilities, evaluating new factoring plans, accelerating premium collections and exit strategies for the non-strategic investments.

4.16.12. Risks related to adequacy of provisions and reserves

Insurance and reinsurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred but Not Reported Reserve ("IBNR"). As at 31 December 2019, the insurance and reinsurance technical reserves are significant to the Group's total liabilities.

The determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long-term policyholder liabilities. The Group uses valuation models to support the calculations of the insurance and reinsurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.

Economic assumptions such as investment return and interest rates and actuarial assumptions such as mortality, morbidity and customer behavior, along with Group's historical claims data are key inputs used to estimate these long-term liabilities.

The sizes of the reserves depend on future estimates which might prove to be inadequate for any period. The Company might have an adverse impact of technical results for some LOBs and Claims and reserving risks (especially for pandemics like COVID-19). Mitigation plans for these risks include developing new internal Actuarial functions, setting new risk appetite and UW guidelines, monitoring emerging risks and regular reserve review on different levels.

4.16.13. Risks related to acquisition of insurance portfolios

If the Company wishes to acquire an insurance portfolio in the future, IRU's final approval on the terms and conditions of the agreement for the sale and transfer of the insurance portfolio must be obtained (Article 48(1), Insurance Law). The Insurance Law specifies that an application made by a company to transfer insurance policies must be published in the Official Gazette and two local daily newspapers (Article 48(3)). If the IRU approves the transfer, the decision must be published in the Official Gazette (Article 49(1)). The Company may pay amounts more than the book value, which would affect its profitability and may adversely impact the Company's financial condition.

4.16.14. Risks related to business concentration

The Company's business concentrates on medical insurance, which represent 50.3 per cent of GWPs as of 31 December 2019 while the rest of the GWP comes from Motor, Engineering, Property, Life, General Accidents and Marine & Aviation. In addition, the Company's largest account, AFYA contributed 31.4 per cent to total GPW in the year 31 December 2019. If a large drop in the volume of contracted transactions with any major client or agent the Company is dealing with occurs, such a drop would adversely impact the Company's performance, operations and results thereof.

Motor insurance and property insurance are highly competitive sectors, and if the Company is unable to expand its customer base in such activities or diversify its products in the future, its financial condition, operations and results thereof would be adversely impacted.

4.16.15. Risks related to reinsurance

The insurance companies, in their normal course of business, depend on re-insurance agreements concluded with reinsurers to risks arising from insurance coverage. Reinsurance is a specialized business in which reinsurance companies often charge premiums to provide reinsurance coverage. In case of global or regional incidents affecting insurance premiums may rise, which may lead to a negative impact on the profitability of the Company. It should also be noted that even though the Company obtains reinsurance for its insurance portfolio, it remains liable for the transferred risks to the extent that the reinsurer fails to meet its obligations. Therefore, failure of the reinsurers to meet their financial obligations may have a material negative impact on the Company's operations.

There is also a risk that the Company may not be able to obtain reinsurance services in the market in the future, particularly from companies operating outside Kuwait in the event that a disruption occurs in the reinsurance market for any reason, which would materially and adversely affect the Company's business. Insolvency of any reinsurers with whom the Company is dealing now or will contract with in future, or lack of ability or willingness to pay the due amounts in a timely manner, or failure to comply with the provisions of reinsurance agreements with such parties would materially and adversely affect the Company's financial condition, operations and the results thereof.

The Company has a strong reinsurance panel, most of which are high rated reinsurance companies, supporting GIG's underwriting capabilities. The Company's reinsurance utilization has remained consistent at 55.9%, 53.1% and 53.6% over the years 2017, 2018 and 2019, respectively.

4.16.16. Risks related to miscalculation of risks

The Company studies potential risks before issuing insurance policies to the applicants. However, if the Company underestimates the potential risks upon issuance of insurance policies, it will suffer financial losses, and its performance will be adversely impacted in the future.

4.16.17. Risks related to cancellation or non-renewal of insurance policies

The Company operates in a competitive insurance market. The Company may not be able to continue renewing insurance policies issued or to be issued in the future as expected. In case of non-renewal or cancellation of policies by policyholders, the level of written premiums of the Company in the coming years would be negatively and materially affected, which would affect the Company's business and the results thereof.

4.16.18. Risks related to the functions and meetings of Board Committees

The Company's by-laws and Corporate Governance Regulations have established certain restrictions regarding the formation of committees of the Board of Directors and the number of their meetings. The Company's Board of Directors consists ten members, one executive member, nine non-executive members (in which three of them are independent members), all members of the board are professionals with a proven track record of board membership in various companies, they sustain the necessary skills for this position, in addition to knowledge and experience of the insurance industry, all members of the board are elected through the general assembly every three years and the members have been reelected in 2020. The Board of Directors meetings take place by the attendance of the majority of the members. In the financial year ending in 31st of December 2019 six board meetings were held.

Pursuant to Governance Regulations for Insurance Companies, non-compliance with the requirements of the regulations will be deemed a violation of the Insurance Law and IRU and the conditions for licensing and may expose the Company to sanctions which would have an adverse impact on the Company's financial condition, operations and results thereof.

4.16.19. Risks related to operation and IT systems

The business of the Company is highly dependent on the ability of the operational systems and information technology systems. The new normal poses various operational risks, IT risks, cyber risks, process controls, and internal governance risk. The flow of short-term regulations in response to the crisis adds more pressure on companies. New digital processes are being developed, however its efficiency/controls are not yet evaluated. Such systems may be exposed to risks of malfunction, including system crashes, failures, and breaches of security, viruses, human errors, natural disasters, ire, and errors of communication and lack of the skilled labor necessary for the operation and management of such systems. If a significant malfunction or failure occurs repeatedly, it will negatively affect revenues and the Company will not be able to issue its periodical financial reports in a timely manner, which may expose it to investigation and penalties, which would affect its operating results.

The Company plans to mitigate these risks through continuous monitoring on the progress with subsidiaries, developing new Risk Assessment Tools/Reports and comprehensive IT Risk Assessment across the group

4.16.20. Risks related to credit rating

Moody's A3 Insurance Financial Strength Rating (IFSR) (as of 25th of June 2020), S&P's A- rating (as of 4 Nov 2019) and A.M Best Ratings "A" (Excellent) rating (as of 9 August 2019) reflects its leading position in its target markets as well as its well-established brand recognition in the region. However, the coronavirus outbreak may pose significant challenges to its non-Kuwaiti MENA operations which account for around 40% of the Group's operations. While these operations outside of Kuwait have maintained strong operating performances, the countries of these operations are characterized by weak operating environments which are more vulnerable to the pandemic, like COVID-19. Furthermore, volatility in financial markets will negatively impact the Group's profitability, capital adequacy and financial leverage, while the expected delays in premium recoveries will exert pressure on the Group's liquidity position.

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

4.16.21. Risks related to counterparty

The Company expects delay in premium recoveries, RI Credit defaults, Concentration risk and Investment credit risk. The key steps taken by the Company to mitigate these risks are –

- Accelerating the premium collection process
- Assessing RI Exposure, concentrations and new KPIs
- De-risk the investment portfolio (prudent strategy).

4.16.22. Risks related to risk management policies

The Company has robust Enterprise Risk Management across all operations, with a unified ERM framework which has been embedded in the decision making. Existence of ERMs and BRCs across the Group, dual oversight at group and entity levels, effective link with strategies and operations, effective link with financial planning and budgeting, regular follow-up and monitoring across the Group and technical trainings on risk-related activities, ensures proactive risk-based decision-making processes, supported with objectivity, scenario analysis and realistic plans.

Unification of risk tools and practices across the Group (e.g. Risk reporting, KRIs dashboards etc.), unification of risk appetite frameworks, optimizing new technologies and risk systems, organizing group meetings with a closer integration and enhancing credit qualities on multiple levels ensures integrated group companies' ERMs under one unified approach.

However, The Company's policies, procedures and internal controls may not be fully effective in all cases and conditions, which may cause the company not to obtain adequate information to properly estimate risk exposure. As a result, the Company's financial condition and operating results may be materially and adversely affected by the consequent increase in risk exposure.

4.16.23. Risks related to disputes and litigation

In the conduct of its operations, the Company may be exposed to lawsuits and claims related to its insurance operations, and disputes and claims related to insurance coverage. The Company cannot guarantee that no disputes will arise with some of its policyholders, which may lead to lawsuits before the competent judicial authorities brought by or against the Company. As a result, the Company may be exposed to legal claims made by government bodies and departments and investigations within the framework of new controls on the insurance sector. The Company cannot anticipate the results of such claims as they are made and does not guarantee that such claims would not have a material effect on its financial condition and results of operations. The company cannot accurately anticipate the cost of legal claims or proceedings that may be brought by or against it or the final results of such claims or judgments passed in respect thereof, including damages and penalties. Therefore, any negative results of such lawsuits would negatively affect the Company.

4.16.24. Risks related to failure to develop and expand

The Company's development strategy is to establish and develop insurance projects in the region. The ability to implement this strategy depends on the management methodology of its business development process at the competitive level in the market as well as external factors related to government regulations and decisions issued by regulatory departments and its competitors. The Company's success in developing its insurance activity cannot be guaranteed. Failure by the Company to implement its expansion plans would have an adverse effect on its continuity, especially in light of strong competition from other insurance companies, which, in turn, would impact the results of its operations and financial condition.

4.16.25. Risks related to increase in doubtful debts

As of 31 December 2019, the Company has a total premiums and insurance balances receivables totaling KWD 142.6 million out of which KWD 13.4 million is accumulated for more than 365 days. Failure by the Company to implement a serious and effective collection policy would have an adverse effect on the Company's business, prospects, operations, financial condition and/or share price and results thereof.

4.16.26. Risks related to brand protection

The Company has high brand recognition with unified branding across the region. On a fourth row, the Company successfully won "Insurance Brand of the Year, Kuwait' award from World Branding Awards. The company has a trademark registered at the Ministry of Commerce under category (36) thirty-six related to private insurance services. However, the Company's ability to market its insurance products and develop its business depends on the use of its name and logo. If the Company fails to prevent violation of its rights in this regard, such failure will negatively impact the brand and make the Company's operations more expensive, affecting its operating results. The Company's business will be further affected if it has to compete with similar brands within the major markets in which it operates and does not have registered ownership rights.

4.16.27. Risks related to Zakat differences

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007. However, the Company may be exposed to liabilities arising from differences in the method of calculating the amount of Zakat.

4.16.28. Risks related to vacancy of key Company positions

The Company does not have any vacant key positions as of the date of this prospectus. However, if any of the key positions becomes vacant, the Company's productivity will be negatively impacted by any delay in hiring persons with the competence and experience required for candidates for such positions and would negatively impact the Company's ability to implement its strategies.

4.16.29. Risks related to currency exchange rates

The Company's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange rate risk. All assets are covering liabilities under each foreign currency. The currency risk is effectively managed by the Company through financial instruments as well as the Company's Asset Liability Management model. No material impact on profitability and equity is envisaged from exchange rate movements. If the Company receives any amounts from the sales of its products or conducts any transactions in a foreign currency, it may be exposed to risks related to currency exchange rates. If significant fluctuations in exchange rates occur, this would negatively impact the Company's financial performance.

4.16.30. Risks related to changes in significant accounting standards and new standards

The Company's financial statements are prepared in accordance with the international accounting standards for financial reports. In this case, the Company is required to comply with any amendments or changes to these standards from time to time. Therefore, any changes in these standards or the compulsory application of some of the new standards will affect the financial statements and, consequently the Company's financial results and financial condition. Currently the Company is facing IFRS 9 and 17 implementation challenges in terms of people, data, systems, processes, finance and actuarial.

4.16.31. Risks Relating to the Region in which the Company Operates

Legal systems in the State of Kuwait and other Gulf Cooperation Council countries continue to evolve, creating an unstable environment for investment and business

The State of Kuwait and many countries of the Gulf Cooperation Council are going through different stages of developing their legal and supervisory institutions that characterize the most developed countries. As a result, procedural protection measures as well as formal regulations and laws may not be applied consistently, and at times may not be possible to obtain legal measures provided under relevant laws and regulations at the required time. Since the legal environment remains subject to continuous development, investors in the State of Kuwait and the Gulf Cooperation Council countries may face ambiguity in terms of the safety of their investments. Also, any unexpected changes in the legal systems in the State of Kuwait and the Gulf Cooperation Council may have a negative material impact on the rights of shareholders or investments made by the issuing company or may make in the future, and therefore this may have a material negative impact on the business of the Issuer, its legal status, results of its business and prospects.

4.16.32. Risks related to insurance market growth

The growth rate of the regional insurance market may not be as high and sustainable as currently anticipated by the Company. Further, the coronavirus pandemic and low oil prices are expected to negatively affect the economies and insurance markets of the GCC. The Company faces the risk of increased financial market volatility and potential fall in real estate valuations. Also delays in cash collection are expected.

4.16.33. Risks related to competition

New tendering law is now being enforced in Kuwait, which opens the doors for international companies to compete in any new tender. The Company is likely to find itself operating in an increasingly competitive environment with increase in the number of licensed insurance companies in Kuwait. The competitive position of the Company will be based on many factors, including financial strength, the geographical scope of its business, business relations with customers, the premiums charged, the terms and conditions of policies issued, the services and products offered, the Company's ability to design insurance programs according to the requirements of the market, quick payment of claims, the Company's reputation, experience and efficiency of the staff and their presence in the local market.

There can be no assurance that the Company will be able to achieve or maintain any particular level of premiums in this competitive environment. The increased competitive pressures may materially and adversely affect the business of the Company, its prospects and financial condition by:

- Reducing margins and spreads.
- Hindering the growth of the Company's customer base.
- Reducing market share.
- Increasing turnover of management and sales personnel.
- Elevating operating expenses, such as sales and marketing expenses.
- Increasing policy acquisition costs.

4.16.34. Risks related to consumer confidence

Consumer confidence in the insurance sector is vital to the industry's strength. Any drop in consumer confidence in the insurance industry will result in higher cancellations of insurance policies and refund of money, which would adversely affect the Company's sales of these products, and accordingly affect its financial condition.

4.16.35. Risks related to the insurance business cycle

The global insurance industry has undergone periodic changes with significant fluctuations in operating results due to competition, catastrophic events, economic and social conditions and other factors beyond the control of companies working in the insurance industry. That may result in periods of price competition due to the excess of supply, and other periods during which companies will receive better premiums. In addition, the increase in the recurrence and magnitude of losses that affect the insured can have a significant impact on the mentioned business cycle. It is expected that the Company's insurance business cycles will be adversely affected as a result of these factors.

4.16.36. Risks related to lack of control over prices

The Company is committed to follow the guidance of the actuary reports and IRU's instructions on pricing insurance policies, which may require changes in the prices of the Company's policies. If one of the Company's products has a high price, the Company will be unable to attract new customers and lose its current customers to other companies. Any future change in prices will affect the Company's market share as well as its sales, operations and the results thereof.

5. Legal and regulatory systems

Legal and regulatory systems may create an unsuitable environment for the insurance sector in the Middle East and North Africa region, which is in the process of developing its governmental apparatus as well as its legal and regulatory systems, but it is not in the same position as governmental institutions in Western Europe and the United States of America. Kuwait, in addition to other countries in the Gulf Cooperation Council region, has put in place measures to enhance efficiency and effectiveness within its legal and supervisory systems. Among these measures, the State of Kuwait and countries within the Gulf Cooperation Council bear the obligations arising from the General Agreement on Tariffs and Trade (GATT) (as defined by the World Trade Organization). As an example, the State of Kuwait has already enacted legislation to extend the scope of foreign ownership. However, the State of Kuwait may witness changes in its economy and government policies (including but not limited to policies related to the continued extension of foreign ownership rights under Kuwait's emerging obligations towards the General Agreement on Tariffs and Trade / World Trade Organization) in a manner that may affect the business of the Issuer.

The changes in government policy and the interpretation of legislative and supervisory texts that are applicable to the insurance sector in the markets in which the Issuer operates may have a negative impact on the activity of the Issuer, its reputation, the costs of its activities, and its ability to make new investments or liquidate existing assets, which in turn affects the financial position of the Issuer.

The Issuer operates directly or through subsidiary companies and entities established in several legal and legislative systems. The local legislation of these systems may negatively affect the activity of the Issuer. This may, for example, lead to an increase in competition due to the issuance of additional licenses or changes in licensing terms that affect the activities of the Issuer or its profitability. It may also impose on the Issuer restrictions or limits related to ownership or the scope of activities.

6. Bankruptcy under Kuwaiti law

All claims or rights claimed by shareholders in the shares to be issued or their representatives, without any discrimination, are equal to the existing shares of the Issuer. In the event of bankruptcy of the Issuer, the provisions of bankruptcy regulations listed in the Kuwaiti Trade Law and the provisions for enforcement on the assets of the Company in accordance with the provisions of Law No. 38 of 1980 issuing the Civil and Commercial Procedures Law and its amendments, may negatively affect the ability of the Issuer to fulfill its obligations towards shareholders or return the money of shareholders. In the event of bankruptcy, any claims of the shareholders of the Company shall be classified in accordance with the law in favor of the state, government, tax and labor agencies, mortgagee creditors and other all creditors of the Issuer.

Also, obtaining a final bankruptcy judgment in Kuwait may take several years. Therefore, there is no assurance that shareholders will ever receive the full value of their claims in the event of bankruptcy of the Issuer.

7. Force Majeure

Unexpected changes may occur that impede the Issuer’s fulfillment of its obligations with respect to current and planned operations in the future. Cases of force majeure include, for example, the occurrence of accidents, the outbreak of wars, revolutions, riots, civil disobedience, judiciary events, fate, natural disasters, strikes, or labor disputes. There is no guarantee that the Issuer's financial performance will continue in the future.

The financial performance of the Issuer since its inception has been supported by the strong economic conditions in Kuwait and the GCC region during that period against the backdrop of relative political stability and the continuous rise in oil prices. There can be no guarantee that the financial performance of the Issuer will continue in the future, or that the growth and stability of the markets in which the Issuer operates and invests in will continue. In view of the interrelationships between global financial markets, investors should note that the Issuer's activity and financial performance could be negatively affected by political, economic and other related developments, both within and outside the GCC and Middle East regions. In the event that the issuing company is not able to provide satisfactory or appropriate investment returns on an ongoing basis, existing customers may decide to reduce or liquidate their investments.

The Issuer continues to develop its systems in response to the expected growth, increased accuracy and specialization in managing its assets and various investments. While the Issuer believes that it has the appropriate financial and administrative controls, any mismanagement, fraud, fraud, or failure to fulfill the operational responsibilities of the Issuer, or the negative publicity arising from those actions, or an accusation from any other party to it, could adversely affect the ability of the Issuer to maintain or increase income from the credit portfolio and various investments.

8. Risks related to the Issue Shares

Investing in securities in developing and emerging markets generally involves a high level of risk

Investors in developing and emerging markets - such as Kuwait - should know that these markets are subject to greater risks than more developed markets, including higher levels of volatility, limited liquidity, and changes in the political and economic environment. In addition, there is no guarantee that stock markets exposed to the risk of developing and emerging markets will not be negatively affected by events elsewhere, especially in other emerging markets.

The risks identified in the State of Kuwait and the MENA region that could result in a material negative impact on the business of the Issuer, its financial position and prospects include, but are not limited to, the following:

- Political, economic and social instability;
- External actions related to war, civil strife, hostilities or other conflicts;
- Local disturbance or violence;
- Increased inflation and the cost of living;
- Changing tax systems and tax laws, including imposing taxes in tax-free places and increasing taxes in low-tax places;
- Governmental interventions and government protection policy;
- Potential negative changes in laws and regulatory practices, including legal structures and tax laws.
- Difficulties in hiring staff and managing operations;
- Legal systems that could make it difficult for the exporting company to implement its intellectual and contractual property rights;
- Restrictions on the right to convert or extract currency or export assets;
- Greater risk of uncollectible accounts and longer collection steps;
- fluctuation of the exchange rate; and
- Logistical difficulties and communication difficulties.

Therefore, potential investors should exercise special care in assessing the risks involved and they must determine whether the investment in securities is appropriate in light of those risks. Overall, investing in developing and emerging markets is more suitable for sophisticated investors who fully understand the importance of the risks involved.

9. Appropriateness of investment

Each potential investor must determine the suitability of that investment in light of his or her own circumstances. In particular, each potential investor must:

- To have sufficient knowledge and experience to make a meaningful assessment of stocks and the advantages and risks of investing in stocks, and the information contained in this prospectus.
- To be able to access and be familiar with the appropriate analytical tools to evaluate any investment in stocks in the context of its own financial situation, as well as to evaluate the impact of stocks on his investment portfolio in general.
- To have a full understanding of the conditions of investing in the company's shares, and to be familiar with the progress of business in any relevant financial markets.
- To be able, with the assistance of an investment advisor, to evaluate potential scenarios for economic factors and other factors that may affect his investment and his ability to bear potential risks.

10. Liquidity and volatility in the Share price

Subscribers may not be able to resell their Shares (including the Issue Shares) at or above the Offer Price, or at all, as the market price of the Shares after the Offering may be adversely affected by factors within and outside the Issuer's control, including, but not limited to, variations in the Issuer's results of operations, market conditions, or changes in Government regulations.

Subscribers should be aware that the value of an investment in the Shares (including the Issue Shares) may go down as well as up. The market price of the Issue Shares could be volatile and subject to significant fluctuations due to a change in sentiment in the market regarding the Issue Shares. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected market prices for securities, and which may be unrelated to the Issuer's performance or prospects. Furthermore, the Issuer's operating results and prospects from time to time may be below the expectation of market analysts and the market generally. Any of these events could result in a decline in the market price of the Shares.

11. Dividend payments

The Issue Shares will be entitled to receive any dividends declared by the Issuer in the future. (The Issuer intends to maintain a dividend policy which has due regard to sustainable levels of dividend distribution, and which reflects the Issuer's view on the outlook for sustainable recurring earnings. The Issuer does not aim to create reserves that are not available for distribution to Shareholders other than those required by law. The Issuer intends to pay dividends when the Board of Directors considers it appropriate). Furthermore, the dividend policy of the Issuer may change from time to time.

12. Dilution of existing shareholdings

If Eligible Shareholders do not take up their rights by the latest date for receipt of applications and payments in full that are set out in this Prospectus, their proportionate ownership and voting interests in the Issuer will be reduced and the percentage that their Existing Shares represent in the share capital of the Issuer immediately following the Offering will be reduced accordingly. In addition, Eligible Shareholders as at the Record Date who take up their rights in full may suffer some dilution of their interest in the Issuer as their entitlement will be rounded down to the nearest whole number of Issue Shares. Such Shareholders may, in the event of availability of unsubscribed Issue Shares, be able to subscribe for Additional Issue Shares, which may enable them to maintain or increase their proportionate interest in the Issuer.

13. Risks related to potential issuance of new shares

The company does not, currently, have future plans to issue new shares (except for the Rights mentioned in this Prospectus). If the company decides to increase its capital by issuing new shares and preventing existing shareholders from exercising their Rights upon issuing new Rights, their ownership of shares will proportionally decline along with their consequent right to vote and right to receive dividends. Any additional offering may have a material impact on the share market price.

14. Risks related to non-exercise of Rights by Substantial Shareholders

If the Substantial Shareholders, including the Strategic Shareholders, do not subscribe for their full rights to obtain New Shares in the Offering, their ownership, voting rights pertaining thereto and their representation on the Board of Directors will decrease, along with the return they receive due to the decrease of their shareholdings in the Company's share capital. The decrease in the major shareholders' voting rights will be reflected in their support and the extent of their influence over making significant decisions for the Company, which will affect the Company's decisions and financial position.

15. Taxation risks on payments

The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Issue Shares which are "non-GCC corporate entities" may become subject to the Kuwaiti income tax regime in certain limited circumstances.

Under the Taxation Laws, income tax (at a flat rate of 15 per cent.) is levied on, inter alia, the net income and capital gains realized by any corporate entity (interpreted by the DIT to mean any form of company or partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Prospectus as GCC corporate entities) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Prospectus as non-GCC corporate entities) which, for the avoidance of doubt, includes shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. Any holder of the Issue Shares which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future, should the Department of Income Tax (the "**DIT**") at the Kuwaiti Ministry of Finance and/or the Kuwaiti courts determine that the income received by a holder of the Issue Shares in respect of any Issue Shares is taxable notwithstanding the Tax Exemptions (as defined and explained in "**Taxation**")

As at the date of this prospectus, there has been no official statement made publicly by the DIT regarding its interpretation of, and/ or application of, the Tax Exemptions in the context of a transaction such as the issue of the Issue Shares. Similarly, the Kuwaiti courts (who will be the final arbiters on the matter) have not been required to interpret such requirement to date. Furthermore, the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally.

If the DIT and/or the Kuwaiti courts were to determine that the income received by a holder of Issue Shares which is a non-GCC corporate entity in respect of any Issue Shares held by it is taxable, then such non-GCC corporate entity would become subject to the Kuwaiti income tax regime described above, which requires income tax (at a rate of 15 per cent.) to be levied on the net income and possibly capital gains of such non-GCC corporate entities, and imposes certain disclosure and reporting obligations on persons subject to such regime (which would include an obligation to file a tax return in Kuwait). In addition, a deduction of five per cent. of the amount of any payments made by the Issuer directly to the holders of the Issue Shares may be applied in certain circumstances, pending resolution of their tax position. See "Taxation" – Retention for further details.

Whilst the application and enforcement of the Kuwaiti income tax regime remains uncertain, there can be no assurance that holders of Issue Shares which are "non-GCC corporate entities" will not become subject to such regime in the circumstances described above. Prospective subscribers for the Issue Shares are advised to consult their tax advisers as to the consequences under Kuwaiti and other applicable tax laws of acquiring, holding and disposing of the Issue Shares and receiving payments under the Issue Shares. See "Taxation" for further details.

Kuwait may introduce Corporate Income Tax on Kuwaiti and other Companies and Value Added Taxes

The Issuer is not currently subject to corporation tax on its earnings within Kuwait. However, on 14 March 2016 the Kuwait Cabinet of Ministers approved plans to implement a corporate tax of 10% on the annual profits of Kuwaiti incorporated entities (the "**Proposed Corporate Income Tax**"), including Partnerships, Funds, Sole Partnership and Trusts, similar companies established under the laws of a foreign country and individuals, enterprises or sole traders (other than incorporated companies) who are carrying on a business in Kuwait which may be applicable to the Issuer for future financial years. As at the date of this Prospectus, the Proposed Corporate Income Tax does not have the force of law until such time as it has been approved by the Kuwaiti Parliament, signed by the Amir and published in the Official Gazette. It is currently uncertain as to whether the Proposed Corporate Income Tax will be promulgated into law in the form in which it has been proposed by the Cabinet of Ministers, or at all. If the Kuwaiti authorities impose new tax regimes on the Issuer (whether in the form of the Proposed Corporate Income Tax or otherwise) or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Issuer's business, results of operations, cash flows and financial condition.

The Proposed Corporate Income Tax also provides for Withholding taxes (WHT) to be imposed on payments to nonresident entities. Currently the Proposed Corporate Income Tax provides for WHT on royalties, interest and technical fees at 10% and insurance premiums at 5%, but not on dividends.

The GCC Value Added Tax Framework (the "**GCC VAT Framework**") was finalized, approved and formally announced in 2017 and some of GCC countries have already implemented Value Added Tax ("**VAT**") regimes in 2018. However, as of the date of this Prospectus, the VAT regime has not yet been implemented in Kuwait although Kuwait has committed to do so under the GCC VAT Framework. Therefore, it is not possible to state how VAT may affect the Issuer in Kuwait at this time and whether any exemptions, zero ratings or refunds that may be included in the VAT regime may be available to the Issuer. As such, any implementation of the VAT regime in locations where the Issuer has business may have a material adverse effect on the Issuer's business, results of operations, cash flows and financial condition.

It is expected that the GCC VAT Framework tax law will be prepared, approved and published in the next few months. It is also expected that the Gulf countries will implement the GCC VAT Framework tax law in the year 2020 or before that date. Although the application of this tax on financial services has not been confirmed, the application may cause economic effects on the Company's financial position, business results and prospects.

16. Change in Law

No assurance can be given as to the impact of any possible change to Kuwaiti law or to administrative practice after the date of the Prospectus, nor can any assurance by given as to whether any such change could adversely affect the ability of the Issuer to make payments and/or make deliveries under the Issue Shares, as applicable.

17. Risks of taxing dividends

It must be noted here that Article 150 bis of the Capital Markets Authority Law stipulates that: “Without prejudice to the tax exemptions established for the profits of disposal of securities issued by companies listed on the stock market, returns on securities, bonds and financing instruments shall be exempt from tax, and all other similar securities, regardless of the issuing company.” However, there is no guarantee that this text will not be amended in the future. Consequently, payments made by the Issuer related to shares may be subject to taxes in the event that the aforementioned text is amended.

18. Countries of the Gulf Cooperation Council may enter into a monetary union

There is a possibility that the Kingdom of Bahrain, the State of Kuwait, the Kingdom of Saudi Arabia and the State of Qatar will give up their respective national currencies in favor of a unified Gulf currency in the future. If a unified Gulf currency is adopted, the convergence and consensus necessary for laws, policies and procedures will bring about major changes to the economic and political infrastructure in each of the Gulf Cooperation Council states. So far, no official timetable for the development of the monetary union has been announced and there are currently no details of new legislation or policies. Nevertheless, shareholders and potential investors should be aware that the new legislation and any resulting shift in monetary policies and procedures in Kuwait may affect the ability of the Issuer to fulfill its obligations resulting from the shares.

19. Taxation

The following is a general description of certain Kuwaiti tax considerations relating to the Issue Shares. It does not purport to be a complete analysis of all tax considerations relating to the Shares, whether in Kuwait or elsewhere. Prospective subscribers of Issue Shares should consult their own tax advisers as to acquiring, holding and disposing of Issue Shares and receiving payments under the Issue Shares and the consequences of such actions under the tax laws of the State of Kuwait. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

This summary of taxation in Kuwait is based on the Kuwait Income Tax Decree No. 3 of 1955 (the Decree), as amended by Law No. 2 of 2008 "Amending Certain Provisions of Kuwait Income Tax Decree No. 3 of 1955" (the Amendment), the Executive Bylaws of the Amendment (the Regulations), and various ministerial resolutions and circulars relating thereto issued by the Ministry of Finance (the MOF) (together, the Taxation Laws) as interpreted and implemented by the MOF's Department of Income Tax (DIT) as at the date of this Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT would alter and affect this summary.

20. Income tax

Under the Taxation Laws, income tax (at a flat rate of 15 per cent.) is levied on, inter alia, the net income and capital gains realized by any corporate entity (interpreted by the DIT to mean any form of company or partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Prospectus as GCC corporate entities) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Prospectus as non-GCC corporate entities) which, for the avoidance of doubt, includes shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in

Kuwait. The following paragraphs in this section are therefore applicable only to non-GCC corporate entities. Pursuant to the Regulations, income generated from the investment of funds inside Kuwait is considered to be income realized from the conducting of business in Kuwait, and is therefore subject to income tax.

For the purposes of this section, the term “corporation” includes general partnerships, limited partnerships or joint ventures. The term “corporate body” that is subject to tax does not include any corporate body established in one of the member states of the Cooperation Council for the Arab States of the Gulf and wholly owned by citizens of the Gulf Cooperation Council countries only. The countries of the Gulf Cooperation Council at present include the State of Kuwait, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

If the Income Tax Department and / or the Kuwaiti Courts decide that the income obtained by the shareholder, which is a legal entity not affiliated with the Gulf Cooperation Council, in relation to any shares he owns that are subject to tax, then this legal entity not affiliated with the Gulf Cooperation Council will become subject to the Kuwaiti income tax system. This requires the imposition of income tax (at a rate of 15%) on the net income and possibly capital gains of these non-GCC corporate entities, and imposes some disclosure and reporting obligations on persons subject to such a system (which includes an obligation to file a tax return in Kuwait). In addition, 5% of the amount of any payments made by the company directly to shareholders of issue shares may be applied in certain circumstances, pending the resolution of their tax position. See the section "Taxes – Retention” for more details.

Although the application of the Kuwaiti income tax system is still uncertain, there can be no guarantee that holders of issue shares that are "corporate entities not affiliated with the Gulf Cooperation Council" will not become subject to such a system in the above-mentioned circumstances. Prospective subscribers of the issue shares are advised to consult with tax advisors regarding the consequences under tax laws and other applicable laws for buying, owning, disposing of, and receiving payment on issue shares. See section "Taxes" for more details.

The proposed law is set to impose a reserved obligation to guarantee tax on payments to non-resident institutions. Currently, the proposed law stipulates an obligation to reserve a tax guarantee on interest and technical fees at a rate of 10% and insurance fees at a rate of 5%, but not on dividends.

21. Stamp fees

According to the provisions of the tax laws in force in the State of Kuwait, shareholders are not entitled to pay any stamp fees, registration fees, or similar fees in the State of Kuwait in connection with the issuance of shares.

The contribution of the Issuer to the Kuwait Foundation for the Advancement of Sciences

According to the Emiri Decree of December 12, 1976 and its amendments, the Issuer is obligated, like other Kuwaiti shareholding companies, to pay an annual contribution of 1% (one percent) of its annual net profits (after deductions for the company's legal reserve) to the Kuwait Foundation for the Advancement of Sciences.

22. Zakat

The Issuer is obligated to pay 1% (one percent) of its net profits as zakat in accordance with Law No. 46 of 2006 and Ministerial Resolution No. 58 of 2007, and their amendments.

23. Tax to support the national employment program

As a result of being a listed company on the Kuwait Stock Exchange, the Issuer is obligated to pay 2.5% (two and a half percent) of its net profits to the National Labor Support Program in accordance with Law No. 19 of 2000.

24. Tax exemption in the Capital Markets Authority Law

Notwithstanding the above, the recently implemented Law No. 22 of 2015 amending Law No. 7 of 2010 (the “**CMA Amendment**”) provides that “yields of securities, bonds, finance sukuk and all other similar securities regardless of the issuer thereof shall be exempted from tax" (Article 150 bis of the CMA Amendment), the "**Tax Exemptions**"). Although the Tax Exemptions are yet to be tested, they clearly provide for a tax exemption to the holders of the Issue Shares.

Notwithstanding the foregoing, the application and enforcement of the Kuwaiti income tax regime and the Tax Exemptions remains uncertain, especially as a result of the lack of DIT and/or Kuwaiti court precedent referred to above and as a result of the fact that the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally. Accordingly, prospective investors in the Issue Shares are advised that there remains a possibility that any holder of Issue Shares which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future (which would include an obligation to file an income tax return in Kuwait), should the DIT and/or the Kuwaiti courts determine that the income received by it in respect of any Issue Shares held by it represents the "investment of funds inside Kuwait" (and hence constitutes the conducting of business in Kuwait for the purposes of the income tax regime described above), even if the holder of Issue Shares is not incorporated or otherwise located in Kuwait.

As of the date of this Prospectus, no official statement has been issued by the Income Tax Department regarding the interpretation and / or application of tax exemptions in the context of a transaction such as the Issue Shares. Likewise, Kuwaiti courts (which will constitute the final arbitrators in this matter) have not been asked to explain this requirement yet. Although there are no preconditions for the Income Tax Department to apply income tax to shareholders of legal entities not affiliated with the Gulf Cooperation Council in the circumstances described above, it is not possible to determine how the Income Tax Department and / or Kuwaiti courts implement or enforce tax laws and tax exemptions in practice. Moreover, the Income Tax Department has not yet applied consistent rulings on Kuwaiti tax matters in general.

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

25. Retention

Under the Regulations, a Kuwaiti-based party making such a payment (being referred to in this section as the payer) to any other party (being referred to in this section as the payee), wherever incorporated, is obliged to deduct 5% of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. The payer is not required to transfer the deducted amount to the DIT immediately, but instead retains such amount and releases it either (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realized a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand. According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include dividend payments.

Although payments made by the Issuer would likely not be subject to retention because of the Tax Exemptions, there is a lack of guidance on this issue currently from the DIT, and as such, there is a remote possibility that retention could apply, in the event of which, the Issuer would be required to deduct 5%. from every payment made by it to the holders of Shares, which amount would be released by the Issuer upon presentation to it by the relevant holder of Shares of a tax clearance certificate from the DIT.

26. Other taxes

Save as described above, all payments in respect of the Issue Shares may be made without withholding, deduction or retention for, or on account of, present taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Kuwait.

No stamp, registration or similar duties or taxes will be payable in Kuwait by holders of Issue Shares in connection with the issue or any transfer of the Issue Shares.

27. General Information

27.1. Capital Markets Authority

The Capital Markets Authority in Kuwait is the regulating authority in charge of, as per the Capital Market Law No. 7 of 2010 and its executive regulations issued on 13 March 2011, regulating the issuance of securities in Kuwait and to issue the required licenses and approvals for the Offering.

27.2. Regulatory Authorities

The Capital Markets Authority in Kuwait (in addition to the MOCI in respect of insurance institutions regulated by the MOCI), are the regulating authorities in charge of issuing the required licenses and approvals for the Offering in Kuwait.

27.3. Change in Financial Position

Save as disclosed in this Prospectus, there has been no material adverse change in the financial position of the Company since 30 September 2020, the date of its latest interim financial statements.

27.4. Auditors

The Company has appointed Al Aiban, Al Osaimi & Partners (Ernst & Young) as the Company's auditor for the financial year ending 31 December 2019. The financial statements for the fiscal year ending on December 31, 2017 were audited in cooperation between Al Aiban, Al Osaimi & Partners (Ernst & Young) and Al Sultan & Partners (member of Baker Tilly International). The financial statements for the financial years ending on December 31, 2018 and December 31, 2019 were audited by Al Aiban, Al Osaimi & Partners (Ernst & Young). The interim financial statements for the six months ending on 30 June 2020 were examined by Al Aiban, Al Osaimi & Partners (Ernst & Young).

27.5. Resolution of the Extraordinary General Assembly and Board of Directors

The Issue Shares shall be issued pursuant to the Kuwait Capital Markets Law No. 7 Of 2010 and its Executive Regulations as amended and the Companies Law No. 1 of 2016.

Approval to the issuance of the Issue Shares has been granted by the Extraordinary General Meeting held on 7 October 2020, and by the Board of Directors of the Issuer on 8 October 2020.

27.6. Official Consent

The Issuer also obtained the approval of the Capital Markets Authority of the State of Kuwait to increase the capital and issue shares on 27 October 2020 and on this Prospectus on 16 November 2020.

27.7. Insurance Regulatory Unit

Under Law No. 125 of 2019 regarding insurance regulation, the Insurance Regulatory Unit was established and among its objectives is to regulate, control and develop insurance activity, protect dealers, apply policies that achieve fairness and transparency, and work to ensure compliance with laws and regulations and educate the public. According to Law No. 125 of 2019, the Issuer is subject to the supervision of the Insurance Regulatory Unit.

27.8. Share registry

The Issuer maintains a register of the company's shareholders with the Kuwait Clearing Company KSCC in accordance with the provisions of the Kuwaiti Companies Law No. 1 of 2016 and its implementing regulations.

27.9. Clearance

The clearing of the shares transaction shall be completed through the Kuwait Clearing Company K.S.C.

27.10. Control/Supervision of the Company

The Issuer is a bank operating in the State of Kuwait pursuant to the Companies Law No.1 of 2016 a. The Company is subject to the control/supervision of the Capital Markets Authority and the Ministry of Commerce and Industry in Kuwait.

27.11. **Articles of Association and Memorandum of Association**

مرفق رقم ٩٣

بسم الله

مجـــل : لجمعية د

الرقم المسلسل : ٦/٦ ح

رقم التصديق :

رقم ايصال الرسوم : ١٢/ ٣٣٦

تصادق

State of Kuwait دولة الكويت

وزارة العــدل

ادارة التوثيق

صورة طبق الأصل ١

شركـــــة الخليـــج للتأميــــن

(شركة ساهمة كويتيـــة)

عقد التأسيس

انه في يوم الســبت ٢ ذو القعـــدة سنة ١٣٨١هـ الموافـــق ٧ أبريـل سنة ١٩٦٢ م.

لدى انا كـــامل محمد الجندي كاتب عدل الكويـــــت.

وبحضور كل من :ــ

١) عبد العزيز احمد مدوه / كـــويتي الجنســية.

٢) عبد الرزاق عبد الحميد الصانع / كويتي الجنســية.

الشاهدين الحائزين لكـــافة الصفات المطلوبة والمثبتين لشــــخصية الحاضــرين بعد :ــ

حضـــر :ــ

اولا ــ فهد السلطان العيسى : كويتي الجنسية ومقيم بالكويت.

ثانيا ــ علي عبد الرحمن البحـــر : كويتي الجنسية ومقيم بالكويت.

ثالثا ــ يعقوب يوسف النليــي : كويتي الجنسية ومقيم بالكويت.

رابعا ــ عبد الحسين حاجي محمد بهمن : كويتي الجنسية ومقيم بالكويت.

خامساــ عبد العزيز سعود الفليــج : كويتي الجنسية ومقيم بالكويت.

سادسا خالد يوسف المـــرزوق : كويتي الجنسية ومقيم بالكويت.

سابعاــ جاسم محمد الـــــوزان : كويتي الجنسية ومقيم بالكويت.

ثامنــاــ سعود عبد العزيز الراشـــد : كويتي الجنسية ومقيم بالكويت.

وقد تم التعاقـــد فيما بينهـــم على ما يأتي :ــــــــ

المادة الاولـــى :ــ

اتفق المتعاقدون على ان يؤلفوا فيما بينهم جماعة ترمي الى انشاء شركة ساهمة كويتية بترخيص من الحكومة الكويتيـــة وطبقا لأحكام النظام الأســاسي المرافق لهذا العقد ولأحكام قانـــون الشركات التجاريـــة.ـــــــ

المادة الثانيـــة :ــ

اسم هذه الشركـــة :ــ (شركـــة الخليـــج للتأمين) شركـــة مساهمة كويتيـــة.ـــــــ

المادة الثالثـــة :ــ

مركز ادارة الشركة ومقرها القانوني في مدينة الكويت ويجوز لمجلس الادارة ان ينشيء لها فروعا او توكيلات في الكويـــت او في الخارج.ــــــــ

وزارة العدل

المادة الرابعـــة :-

مدة هذه الشركـــة غير محـــدودة تبدأ من تاريـــخ المرســـوم المرخص في تأسيسها ٠

المادة الخامســـة :-

غرض هذه الشركـــة القيام بكافة انواع التأمين وجميع اعمال الضمان والتعويض واستثمار رأس المال والممتلكـــات كما هو مبين فيما يلي :-

١) التأمين على الحياة وعلى العموم كافة التأمينات التي لمدة الحياة دخل فيها وكذلك التأمين ضد العجـــز والشيخوخة وانواع التأمين التي لها علاقة بذلك بما في ذلك الالتزام بأعطاء مرتب دوري مدى الحياة مقابل عوض من مال اوعقـــار او منقول يقوم بمال ٠

٢) التأمين ضد الحريـــق والتأمينات التي تلحق به عـــادة ٠

٣) التأمين ضد الحوادث والخسائر والمسئوليات التي تتسبب عنها بما في ذلك التأمين عن وقوع حوادث شخصية والتأمين ضد المرض والتأمين ضد اخطار التدمير او التلف او الضياع او السرقة والتأمين ضد خيانة الأمانة وغيرهـــا ٠

٤) التأمين ضد اصابات العمل وهو الالتزام بتأمين ارباب الاعمال من مسئوليتهم عن تعويض العمال الذيـــن في خدمتهم - وكذا تأمين ارباب الاعمال من مسئوليتهم عن كافة حقوق العمال المترتبة على انتهـــاء خدمتهم لديهم ٠

٥) التأمين الاجباري على الســـيارات وكافة المركبـــات الميكانيكيـــة وكذا التأمين الشامل لتلك المركبـــات وما يلحق بها عادة من تأمينات اخـــرى ٠

٦) التأمين ضد اخطار النقل البري والنهري والبحري والجوي ويشمل التأمين على السفن والبواخر والطائـــرات وعلى الاتها ومهماتها وأنواع اطقمهـــا والتأمين على البضائع والمنقولات من اى نوع كانت والتأمين علـــى اجور الشحن وعلى كل ما يتعلق بالسفن والطائرات والتأمين ضد الاخطار التي تنشأ عن بنائها او صناعتها او استخدامها او اصلاحها او رسوهـــا بما في ذلك كافة الاخطار التي تصيب ركابها أو الغير ٠

٧) التأمين ضد جميع الاخطار الاخرى التي لم ينص عليها والتي تشمل الاتفاقيات المعروفة بالمراهنه علـــى الحياه (التنـــوتيـــن) ٠

٨) ان تعيد الضمان او ان تحصل على ضمان مقابل لجميع او لأي من الاخطار الواردة في البنود السابقـــة اوغيرها وان تقوم بجميع انواع اعادة التأمين او التأمين المقابل المختص بأي عمل من اعمال الشركـــة ٠

٩) تكوين الاموال ويقصد به التعاقد على اى نوع من التأمينات الســـالفة واللاحقـــة بأصدار وثائق او مستندات او شهادات اوغير ذلك تلتزم بموجبها الشركة بأداء مبلغ معين او جملة مبالغ معينة في تاريخ مقبل محدد او غير محدد نظير قســـط او اقســـاط دوريـــة ٠

١٠) ان تعطي لأي نشاو قسم من المؤمن عليهم او من الذين يتعاملون مع الشركة اية حقوق في اى حســـاب احتياطي او حســـابات احتياطية في الشركة او اى حق للاشـــتراك في ارباح الشركة او في ارباح اى نوع خاص او قسم من اقسامها المختلفة او اية امتيازات او فوائد او منافع اخرى نظير قيام تلك الفئة او الافـــراد بخدمات جليلـــة نافعة للشركـــة ٠

١١) ان تمنح المعاشات على اختلاف انواعها وآجالها ســـواء كانت معتمدة على حيـــاة الانسان ام غير ذلك سواء اكانت لمدة محدودة ام لمدة غير محدودة وسواء اكانت تدفع فورا ام مؤجلـــة مطلقة كانت ام عوضية وغير ذلك من انواع المعاشـــات ٠

سجـــل : أ‌سيتشد
الرقم المسلسل :
رقم التصديق :
رقم ايصال الرسوم : ٣٣٦/١٢

بسم الله

اوقع رقم ٩٢

نصادق على صحة توقيع وكيل العدل

وزارة العـــدل

ادارة التوثيق

- ٣ -

١٢) ان تقوم بأجراء التعاقد مع المستأجرين او المقترضين او المقرضين او صاحبي الرواتب السنوية او خلافه لانشاء او جمع او تجهيز او دفع رؤوس الاموال المخصصة لاستهلاك الدين او لاستهلاك الموجودات او لرصد رأس المال لاستعمال ربحه او استثماره او لأية حسابات احتياطية اخرى سواء كان ذلك مقابل دفعة واحدة او مقابل اقساط سنوية او غير ذلك وأجمالا بموجب اية شـــروط او حدود يتفق عليها •

١٣) ان تشترى وتتعامل وترهن وتقرض على الممتلكات المختلفة العقارية والمنقولة المتعلق بها منافع موقوته او مدى الحياة او اية منافع اخرى سواء كانت مطلقة او عرضيـة بشرط ان تكون متوقعة وسواء كانت محددة او غير محددة كما لها الحق في ان تحصل على او تقرض او تستهلك او تلغي او تزيل بأية طريقة تراها اية وثيقة او بوليصـــة او ضمانة او هبـة او عقد تكون اصدرته او اتخذته او صنعته او دخلت فيه الشركـــة •

١٤) ان تقوم بأعمال الوكالة لاصدار اية حوالات او سندات دين او اسهم سواء كانت معروضة للجمهور للأكتتـاب فيها او لم تكن ، وان تضمن الاكتتاب بأية سندات مالية او اية اسهم وان تتولـى تنفيذ وصية او اعمال القيم على تركة مقابل مكافأة او اجـــر وان تدير اية اعمال متعلقة بالادارة على اختلاف انواعها كأدارة التركـــات وتقسيمها وحفظ حقوق المستحقين فيها من الورثة وغيرهم وغير ذلك من اعمال الادارة •

١٥) ان تقوم بأعمال قرض تســـليف اموال نقدية وغير نقدية مقابل ضمانات بما في ذلك اقراض الاموال على البوالص الصادرة من الشركة او التي تكـــون الشركة مسئولة عنها وان تستعمل اى قسم من اموال الشركة لمشترى او الغـاء او استهلاك او ابــراء الذمة في اية بوليصـــة او عقد او مسئوليـــة •

١٦) ان تقوم بدفع او تسديـد او تتصالح على اية ادعاءات قائمة ضد الشركة مما يكون من المناسب دفعه او تسديده او المصالحة عليه ولو كان غير ثابت قانونيـــا •

١٧) مع عدم الأخلال بأحكام قانون الشركات التجارية للشركة ان تقترض او تجمع او تحصل على الاموال بالطريقة التي تراها مناســبة وبالاخص عن طريق اصدار سندات الدين او سندات الدين الموحـد (ستوك) سواء كانت دائمية او غير ذلك ومؤمنة على جميع ممتلكات الشركة او قسم منها وان تشترى او تستهلك او تسدد تلك السندات الماليـــة •

١٨) ان تحصل على وتلتزم اى قسم او جميع اقسام التجـارة وممتلكات والتزامات اى شـخص او شركة تقوم بأى عمل من الاعمال التي يحق لهذه الشركة القيام بها او تكون لديها ممتلكات مناسبة لغايات هذه الشركة •

١٩) ان تعقد شراكة عادية او اى ترتيب آخر للاشـــتراك في الارباح او في المصالح المتحدة او في التعاون او في العمليات التجارية الموقتـة او في الامتيازات المتبادلة او غير ذلك مع اى شـخص او شركة تقوم او تنوى القيام بأى عمل او معاملة مما يحق للشركة القيام بها او تعاطيها ويمكن ان يكون للشركة منها فائــدة مباشرة او غير مباشــرة • ــــ وان تقرض المال او تكفل العقود او تساعد في غير ذلك اى شخص او شركة

- ٤ -

وان تحصل على اسهم او سندات مالية في اية شركة كهذه وان تبيعها او تحملها او تعيد اصدارها بكفالة او بدونها او ان تتعامل بها على اى وجه آخر في حدود اهداف الشركة وأغراضها .

٢٠) ان تأخذ وتحصل على اسهم في اية شركة اخرى تتفق غاياتها جميعها او بعضها مع غايات هذه الشركة او تقوم بأى عمل يمكن ان يفيدها مباشرة او غير مباشرة .

٢١) ان تقوم بأجراء الاتصالات وعقد الاتفاقيات مع السلطات الحكومية سواء كانت بلدية او محلية او غير ذلك للحصول على الحقوق والامتيازات والرخص والفوائد التي ترى الشركة انه من المستحسن الحصول عليها .

٢٢) ان تؤسس او تعيل او تساعد على تأسيس اية جمعيات او مؤسسات او رؤوس اموال احتياطية او وكالات تولية او امانات او تسهيلات من شأنها ان تفيد موظفي الشركة او الاشخاص الذين يعيلهم او يتصل بهم هؤلاء الموظفون وان تمنح رواتب تقاعد وعلاوات وان تدفع المبالغ للتأمين عليهم وان تكتتب او ان تضمن المال لغايات الخير والاحسان او لأى مغرض او لأية غاية عمومية نافعة .

٢٣) ان تشترى او تستأجر او تبادل او تؤجر او تحصل على اى اموال منقولة او غير منقولة او اية حقوق او امتيازات ترى الشركة انها لازمة لتنفيذ اغراضها وبالاخص اية اراض او ابنية او ماكينات او الالآت او بضاعة وان تبني وتحسن وتجرى تعديلات في اية ابنية او اعمال مما يكون ضروريا ومتفقا مع غايات الشركة .

٢٤) ان تستثمر اموالها التي لا تحتاج اليها في الحال وتتصرف بها بالكيفية التي يراها مجلس الادارة مناسبة وبما يتفق ومصلحة الشركة .

٢٥) ان تقوم بدفع اجور اى شخص او شركة مقابل الخدمات السابقة او اللاحقة بشأن التعهد او المساعدة في التعهد او ضمان التعهد بالاكتتاب في اسهم الشركة او بشأن تأسيسها او بشأن تسيير اعمالها .

٢٦) ان تبيع او تتصرف بأى وجه آخر في مشروعات الشركة او اى قسم منها لقاء الثمن الذى تستنسبه وعلى الاخص مقابل اسهم او سندات دين او سندات مالية في اية شركة اخرى تكون غاياتها كلها او بعضها مماثلة لغايات الشركة واهدافها .

٢٧) للشركة ان تجرى جميع المعاملات وكافة التصرفات الاخرى التي تراها لازمة لتسهيل وتحقيق اغراضها وذلك بالشروط التي ترتأيها .

٢٨) للشركة لكي تتمكن من ممارسة اعمالها وتنفيذ اغراضها السالفة الذكر داخل الكويت او خارجها ان تنيب عنها الوكلاء ومندوبي التأمين والسماسرة .

المادة السادسة :-

قد حدد رأسمال الشركة بمبلغ ثمانمائة الف دينار كويتي (٨٠٠٠٠٠ فقط) مقسمة الى مائة الف / ١٠٠٠٠٠ سهما قيمة كل سهم ثمانية دنانير كويتية (٨ فقط).

المادة السابعة :-

تم اكتتاب المؤسسين الموقعين على هذا بجزء من رأس المال الشركة على الوجه الاتي :

الاسم	عدد الاسهم	القيمة الاسمية
١) محمد السلطان	١٢٥٠	١٠٠٠٠
٢) علي البحر	١٢٥٠	١٠٠٠٠
٣) يعقوب يوسف النفيسي	١٢٥٠	١٠٠٠٠
٤) عبد الحسين بهمن	١٢٥٠	١٠٠٠٠
٥) عبد العزيز سعود الفليج	١٢٥٠	١٠٠٠٠

اوثق رقم ١٣

نصادق على صحة توقيع كاتب العدل

بسم الله

سجــل : ...

الرقم المسلسل : ٦٨/...

رقم التصديق :

رقم ايصال الرسوم : ٣٣٦ / ١٣

وزارة العدل

ادارة التوثيق

الأســـــم	عدد الأســـــم	القيمة الاسمية
٦) خالد المرزوق	١٢٥٠	١٠٠٠٠ د ٠ ك ٠
٧) جاسم الــوزان	١٢٥٠	١٠٠٠٠
٨) سعود عبد العزيز الراشد	١٢٥٠	١٠٠٠٠
= المجمـــــــــــوع	١٠٠٠٠/	٨٠٠٠٠

ويتعهد المكتتبون المذكورون بدفع ٢٥٪ من القيمة الاسمية لهذه الأسهم ومقدارها عشرون الف دينار كويتي في البنوك الأربعة بالتساوى كل منهم بنسبة اكتتابه وستطرح باقي الأسهم ومقدارها تسعون الف سهما للأكتتاب العام طبقـــا لأحكام النظام الأ ســـاسي .

المادة الثامنة :ـ المصروفات والنفقات والأجــور والتكاليف التي تلتزم الشركة بأدائها بسبب تأسيسها هي بوجـــه التقريب ثلاثة الاف دينار كويتي وتخصم من حساب المصروفات العامة .

المادة التاسعة :ـ يتعهد المؤسسون الموقعون على هذا بالسعي لاستصدار مرسوم التأسيس والقيام بجميـــع الاجراءات اللازمة لاتمام تأسيس هذه الشركة وصحة تكوينها . ولهذا الغرض وكلوا عنهم السيد / عبد العزيز سعـــود الفليج في اتخاذ الاجراءات القانونية وأستيفاء المستندات اللازمة وأدخال التعديلات التي ترى الحكومة ضــــرورة ادخالها في هذا العقد او في النظام الأساسي للشركة المرافق لهذا العقد .

المادة العاشرة :ـ يقرر الموقعون على هذا بتعرفهم احكام القانون رقم ١٥ / ١٩٦٠ م الصادر في ١٢/ ٥/ ١٩٦٠ والمنشور بالجريدة الرسمية ملحق العدد رقم ٢٧٦ بأصدار قانون الشركات التجارية وعلى الأخص الشركات المساهمة ولكافة الأحكام التي تصدر فيما بعد بتنظيم هذا النوع من الشركات وأنهم يعتبرونها جزءا متمما لهذا العقد .

المؤســـــــــــون

١/ ٢/ ٣/

٥/ ٦/ ٧/ ١٠/

الشاهد الاول الشاهد الثاني

وبما ذكر تحرر هذا العقد بحضور الأطراف المتعاقدين والشاهدين المذكورين وبعد تلاوته بمعرفتي على الحاضـــرين وقعه الجميع معي . . كاتب العدل

وزارة العدل

توثيق رقم ٩٣

نصادق على صحة توقيع كاتب العدل

بسم الله

سجـــل : أسسند

الرقم المسلسل : ٥٩٦٨

رقم التصديق :

رقم ايصال الرسوم : ١٠٣ / ٣٣٦

وزارة العـدل

ادارة التوثيق

شـركـة الخليج للتأمـــــــين

شركـة مساهمـه كويتيـــــــــه

النظـــــام الاســاســــي

الفصـل الاول

تأسيس الشركه واسمها ومركزها ومدتها وغرضها

المادة الاولى :ـ

تأسست طبقا لاحكام قانون الشركات التجاريه وهذا النظام الاساسي بين مالكي الاسهم المبينه فيما بعـــد شـركة مساهمه كويتيه تحت اسم " شركـة الخليج للتأمـــــين ".

المادة الثانيـــه :ـ

مركز الشركه الرئيسي ومقرها القانوني في مدينة الكويت ويجوز لمجلس الاداره ان ينشيء لها فروعا او توكيلات في الكويت او في الخارج .

المادة الثالثه :ـ

مدة هذه الشركه غير محدوده تبدأ من تاريخ صـدور المرسوم المرخص في تأسيسهـــا .

المادة الرابعـــــه :ـ

غرض هذه الشركه القيام بكافة انواع التأمين وجميع اعمال الضمان والتعويض واستثمار رأس المال والممتلكات كما هو مبين فيما يلـي :ـ

١) التأمين على الحياة وعلى العموم كافة التأمينات التي لمدة الحياة دخل فيها وكذلك التأمين ضد العجـــز والشيخوخه وانواع التأمين التي لها علاقة بذلك بما في ذلك الالتزام باعطاء مرتب دوري مدى الحياة مقابل عوض من مال أو عقار او منقول يقوم بمال .

٢) التأمين ضد الحريق والتأمينات التي تلحـق به عـادة .

٣) التأمين ضد الحوادث والخسائر والمسئوليات التي تتسبب عنها بما في ذلك التأمين عن وقوع حوادث شخصية والتأمين ضد المرض والتأمين ضد اخطار التدمير او التلف او الضياع او السرقه والتأمين ضد خيانة الامانة وغيرها .

٤) التأمين ضد اصابات العمل وهو الالتزام بتأمين ارباب الاعمال من مسئوليتهم عن تعويض العمال الذين فقدوا خدمتهم وكذا تأمين ارباب الاعمال من مسئوليتهم عن كافة حقوق العمال المترتبة على انتهاء خدمتهم لديهـــم .

٥) التأمين الاجباري عن السيارات وكافة المركبات الميكانيكيه وكذا التأمين الشامل لتلك المركبات وما يلحق به عادة من تأمين اجازات القياده وغيرها .

٦) التأمين ضد اخطار النقل البري والنهري والبحري والجوي ويشمل التأمين على السفن والبواخر والطائرات او على الاتهام ومهماتها وافراد اطقمها والتأمين على البضائع والمنقولات من اي نوع كانت والتأمين على اجور الشحن وعلى كافة ما يتعلق بالسفن والطائرات والتأمين ضد الاخطار التي تنشأ عن بنائها او صناعتها او استخدامها او اصلاحها او رسوها بما في ذلك كافة الاخطار التي تصيب ركابها او الغير .

٧) التأمين ضد جميع الاخطار الاخرى التي لم ينص عليها والتي تشمل الاتفاقيات المعروفه بالمراهنه على الحياة (التنونتين) .

٨) ان تعيد الضمان او ان تحصل على ضمان مقابل لجميع او لاي من الاخطار الوارده في البنود السابقه او غيرها وان تقوم بجميع انواع اعادة التأمين او التأمين المقابل المختص باي عمل من اعمال الشركه .

٩) تكوين الاموال ويقصد به التعاقد على اي نوع من التأمينات السالفة واللاحقه باصدار وثائق او لسندات او شهادات او غير ذلك تلتزم بموجبها الشركه باداء معين او جملة مبالغ معينه في تاريخ مقبل محدد او غير محدد نظير قسط او اقساط دوريه .

١٠) ان تعطي لاي فئه او قسم من المؤمن عليهم او من الذين يتعاملون مع الشركه اية حقوق في اي حساب احتياطي او حسابات احتياطيه في الشركه او اي حق للاشتراك في ارباح الشركه او في ارباح اي فرع خاص او قسم من اقسامها المختلفه او اية امتيازات او فوائد او منافع اخرى نظير قيام تلك الفئه او الافراد بخدمات جليله نافعه للشركه .

١١) ان تمنح المعاشات على اختلاف انواعها واجالها سواء أكانت معتمده على حياة الانسان ام غير ذلك وسواء أكانت لمدة محدوده ام لمدة غير محدوده وسواء أكانت تدفع فورا ام مؤجله مطلقه كانت ام عرضيه وغير ذلك من انواع المعاشات

١٢) ان تقوم باجراء التعاقد مع المستأجرين او المقترضين او المقرضين او صاحبي الرواتب السنويه او خلافهم لانشاء او جمع او تجهيز او دفع رؤوس الاموال المخصصه لاستهلاك الدين او لاستهلاك الموجودات او لتجديدها او لرصد رأس المال لاستعمال ريعه او استثماره او لاية حسابات احتياطيه اخرى سواء كان ذلك مقابل دفعه واحده او مقابل اقساط سنويه او غير ذلك واجمالا بموجب اية شروط او حدود يتفق عليها .

١٣) ان تشتري وتتعامل وترهن وتقرض على الممتلكات المختلفه العقاريه والمنقوله المتعلق بها منافع موقوته او مدى الحياة او اية منافع اخرى سواء كانت مطلقه او عرضيه بشرط ان تكون متوقعه وسواء كانت محدوده او غير محدوده كما لها الحق في ان تحصل على او تقرض او تستهلك او تلغي او تزيل باية طريقه تراها اية وثيقة او بوليصه او ضمانه او هبه او عقد تكون اصدرته او اتخذته او صنعته او دخلت فيه الشركه .

١٤) ان تقوم باعمال الوكاله لاصدار اية حوالات او سندات دين او اسهم سواء كانت معروضه للجمهور للاكتتاب فيها او لم تكن وان تضمن الاكتتاب باية سندات ماليه او اية اسهم وان تتولى تنفيذ وصيه او اعمال القيم على تركه مقابل مكافأه او اجر وان تدير اية اعمال متعلقه بالاداره على اختلاف انواعها كادارة التركات وتقسيمها وحفظ حقوق المستحقين فيها من الورثه وغيرها وغير ذلك من اعمال الاداره .

١٥) ان تقوم باعمال قرض وتسليف اموال نقديه وغير نقديه مقابل ضمانات بما في ذلك اقراض الاموال على البوالص الصادره من الشركه او التي تكون الشركه مسئولة عنها وان تستعمل اي قسم من اموال الشركه لمشترى او الغاء او استهلاك او ابراء الذمه في اية بوليصه او عقد او مسئوليه .

١٦) ان تقوم بدفع او تسديد او تتصالح على اية ادعاءات قائمه ضد الشركه مايكون من المناسب دفعه او تسديده او التصالح عليه ولو كان غير ثابت قانونيا .

يتبع

سجـــل :
الرقم المسلسل :
رقم التصديق :
رقم ايصال الرسوم : ٢٢٦ / ١ ٣

بسم الله

نموذج رقم ٩٣

نصادق على صحة توقيع كاتب العدل

وزارة العــدل

ادارة التوثيق

١٧) مع عدم الاخلال باحكام قانون الشركات التجاريه للشركه ان تقترض او تجمع او تحصل على الاموال بالطريقه التي تراها مناسبه وبالاخص عن طريق اصدار سندات الدين او سندات الدين الموحد (ستوك) سواء كانت دائميه اوغير ذلك وتؤمنها على جميع ممتلكات الشركه او قسم منها وان تشترى او تستهلك او تسدد تلك السندات الماليه .

١٨) ان تحصل على وتلتزم اى قسم او جميع اقسام التجاريه وممتلكات والتزامات اى شخص او شركه تقوم باى عمل من الاعمال التي يحق لهذه الشركه القيام بها او تكون لديها ممتلكات مناسبه لغايات هذه الشركـــــــه .

١٩) ان تعقد شراكه عاديه او اى ترتيب اخر للاشتراك في الارباح او في المصالح المتحده او في التعاون او فـــي العمليات التجاريه المؤقته او في الامتيازات المتبادله او غير ذلك مع اى شخص او شركة تقوم او تنوى القيـــام باى عمل او معامله مما يحق للشركه القيام بها او تعاطيها ويمكن ان يكون للشركه منها فائده مباشرة اوغير مباشرة .

وان تقرض المال او تكفل العقود او تساعد في غير ذلك اى شخص او شركة وان تحصل على اسهم او سنـــدات ماليه في اية شركه كهذه وان تبيعها او تجطها او تجيد اصدارها بكفاله او بدونها او ان تتعامل بها علـــى اى وجه اخر في حدود اهداف الشركه واغراضها .

٢٠) ان تأخذ وتحصل على اسهم في اية شركه اخرى تتفق غاياتها جميعها او بعضها مع غايات هذه الشركه او تقوم بأى عمل يمكن ان يفيدها مباشرة اوغير مباشـــرة .

٢١) ان تقوم باجراء الاتصالات وعقد الاتفاقيات مع السلطات الحكوميه سواء كانت بلديه او محليه اوغير ذلـــك للحصول على الحقوق والامتيازات والرخص والفوائد التي ترى الشركه انه من المستحسن الحصول عليها لتنفيذ كل او بعض اغراضهـــا .

٢٢) ان تؤسس او تعيل او تساعد على تأسيس اية جمعيات او مؤسسات او رؤوس اموال احتياطيه او وكالات توليـــه او امانات او تسهيلا ت من شانها ان تفيد موظفي الشركه او الاشخاص الذين يعيلهم او يتصل بهم هؤلاء الموظفون وان تمنح رواتب تقاعد وعلاوات وان تدفع المبالغ للتأمين عليهم وان تكتتب او ان تضمن المـــال لغايات الخير والاحسان او لاى معرض او لا يقاية عموميـــه نافعـــــه .

٢٣) ان تشترى او تستأجر او تبادل او تؤجر او تحصل على اى اموال منقوله اوغير منقوله او اية حقوق او امتيازات ترى الشركه انها لازمه لتنفيذ اغراضها وبالاخص اية اراض او ابنيه او ماكينات او الات او بضاعه وان تبـــني وتصون وتجرى تعديلات في اية ابنيه او اعمال مما يكون ضروريا ومتفقا مع غايات الشركه .

٢٤) ان تستثمر اموالها التي لا تحتاج اليها في الحال ــ وتتصرف بها بالكيفيه التي يراها مجلس الاداره مناسبه وبما يتفق ومصلحـــة الشركه .

٢٥) ان تقوم بدفع اجور اى شخص او شركه مقابل الخدمات السابقه او اللاحقه بشأن التعهد او المساعده فـــي التعهد او ضمان التعهد بالاكتتاب في اسهم الشركه وبشأن تأسيس او تكوين الشركه وبشأن تسير اعمالهــــــا .

المصدر

٢٦) ان تبيع او تتصرف باى وجه اخر في مشروعات الشركه او اى قسم منها لقاء الثمن الذى يناسبها وعلى الاخص مقابل اسهم او سندات دين او سندات ماليه في اية شركه اخرى تكون غاياتها كلها او بعضها مماثله لغايات الشركه واهدافها .

٢٧) للشركه ان تجرى جميع المعاملات وكافة التصرفات الاخرى التي تراها لازمه لتسهيل تحقيق اغراضها وذلك بالشروط التي ترتأيها .

٢٨) للشركه لكي تتمكن من ممارسة اعمالها وتنفيذ اغراضها السالفة الذكر داخل الكويت او خارجها ان تنيب عنها الوكلاء ومندوبي التأمين والسماسره .

الفصل الثاني

في رأس المال والاسهم

المادة الخامسة

تد حدد رأس مال الشركه بمبلغ ثمانمائه الف دينارا كويتيا مقسم الى مائة الف سهم قيمة كل سهم منها ثمانية دنانير كويتيه .

المادة السادسة :

اسهم الشركه اسميه ولا يجوز لغير الكويتيين تملكها .

المادة السابعة :

يكتتب المؤسسون الموقعون على عقد التأسيس بجزء من رأس مال الشركه قدره ثمانين الف دينارا قيمة عشرة الاف سهما بالتساوى فيما بينهم ويتعهدون بدفع ٢٥٪ من تلك القيمه الاسميه لهذه الاسهم وقدره عشرون الف دينارا كويتيا في البنوك الاربعه بالتساوى كل منهم بنسبة اكتتابه .

المادة الثامنة :

تطرح باقي الاسهم ومقدارها تسعون الف سهما للاكتتاب العام لمدة شهر ويجرى الاكتتاب في البنوك الاتيه : بنك الخليج - بنك الكويت الوطني المحدود - البنك التجارى الكويتي - البنك البريطاني للشرق الاوسط .
واذا ظهر بعد اغلاق باب الاكتتاب انه قد جاوز عدد الاسهم المطروحه وزعت الاسهم على المكتتبين بنسبه ما اكتتبوا به .

المادة التاسعة :

يدفع ٢٥٪ من قيمة الاسهم عند الاكتتاب .
ويجب ان يتم الوفاء بباقي قيمة كل سهم بناء على طلب مجلس الادارة وذلك في المواعيد وبالطريقه التي يعينها على ان يعلن عن مواعيد الدفع قبل حلولها بخمسة عشر يوما على الاقل . وتقيد المبالغ المدفوعه على مستندات الاسهم وكل سهم لم يؤشر عليه بكيفية صحيحه بتسديد المبالغ الواجبه الاداء يصبح من تلقاء ذاته غيرقابل للتداول .

المادة العاشرة :

كل مبلغ يتأخر سداده تحتسب عليه فائده لصالح الشركه بواقع ٧٪ (سبعة في المائه) تسرى من تاريخ الموعد المحدد للدفع . وللشركه الحق في بيع الاسهم التي تأخر اصحابها عن الدفع لحساب المساهم المتأخر وتحت مسئوليته بدون حاجه لسابق انذار او لاتخاذ اى اجراء من الاجراءات القانونيه .

يتبع / ٥ /

توقيع رقم ٩٣

نصادق على صحة توقيع كاتب العدل

بسم الله

سجل : المصدقة

الرقم المسلسل : ١٣

رقم التصديق :

رقم ايصال الرسوم : ٣٣٦ / ١٣

وزارة العدل

ادارة التوثيق

وتخصم الشركة من ثمن البيع ما هو مستحق لها اولا من اصل وفوائد التأخير والمصروفات فأن بقيت بعد ذلك زيادة حاسبت المساهم عليها وان ظهر عجز الزمته به وطريقة حصول الشركة على حقها بالصورة المتقدم بيانها لا يمنعها في الوقت نفسه او فيما بعد من استعمال اى حق من الحقوق التي تملكها بمقتضى القانون حيال المساهم المتأخر في الدفع.

المادة الحادية عشرة :-

لا يجوز لأى شخص ان يكتتب في اكثر من الف سهم كما لا يجوز ان يتملك في اى وقت اكثر من الف سهم بغير طريق الميراث او الوصية.

المادة الثانية عشرة :-

يسلم مجلس الادارة لكل مساهم خلال ثلاثة اشهر من تاريخ اعلان قيام الشركة نهائيا سندات مؤقتة تقوم مقام الاسهم التي يملكها ويسلم المجلس الاسهم خلال ثلاثة اشهر من تاريخ وفاء القسط الاخير.

المادة الثالثة عشرة :-

يترتب حتما على ملكية السهم قبول النظام الاساسي للشركة وقرارات جمعيتها العمومية.

المادة الرابعة عشرة :-

كل سهم يخول الحق في حصة معادلة لحصة غيره بلا تمييز في ملكية موجودات الشركة وفي الارباح المقسمة على الوجه المبين فيما بعد.

المادة الخامسة عشرة :-

تتداول الاسهم بمجرد تنازل يثبت في دفتر خاص بالشركة بناء على تسليمها اقرارا موقعا عليه من المتنازل والمتنازل اليه.

وزارة العدل

المادة السادسة عشرة :-

لما كانت اسهم الشركة أسمية فأن آخر مالك لها مقيد اسمه في سجل الشركة هو وحده صاحب الحق في الحصول على المبالغ المستحقة عن السهم سواء كانت حصصا في الأرباح او نصيبا في موجودات الشركة.

المادة السابعة عشرة :-

كل سهم غير قابل للتجزئة ولا تعترف الشركة الا بمالك واحد للسهم.

المادة الثامنة عشرة :-

ليس لورثة المساهم او دائنيه ان يطلبوا لأي سبب من الأسباب وضع الأختام على دفاتر الشركة او اوراقها المالية او ممتلكاتها او يطلبوا قسمتها او تصفيتها ولا ان يتدخلوا بأي وجه في ادارة الشركة بل عليهم عند مباشرة ما لهم من حقوق ان يرجعوا الى قوائم جرد الشركة وحساباتها الختامية والى قرارات الجمعية العمومية.

المادة التاسعة عشرة :-

تجوز زيادة رأس المال بأصدار اسهم جديدة بالسعر الرسمي لأسهم التأسيس ولا يجوز اصدار الأسهم الجديدة بأقل من قيمتها الأسمية - فأذا اصدرت بقيمة اكبر اضيف الفرق الى الأحتياطي القانوني بعد وفاة مصروفات الأصدار غير انه لا تجوز زيادة رأس المال الا اذا كانت اقساط الأسهم الأصلية قد دفعت كاملة ، ولكل مساهم الأولوية في الأكتتاب بحصة من الأسهم الجديدة متناسبة مع عدد اسهمه وتمنح لممارسة حق الأولوية مدة خمسة عشر يوما من تاريخ نشر دعوة المساهمين لذلك.

الفصل الثالث

ادارة الشركة

المادة العشرون :-

يتولى ادارة الشركة مجلس ادارة مكون من ثمانية اعضاء تنتخبهم الجمعية العمومية بالتصويت السري - وينتخب نصف اعضاء مجلس الأدارة الاول من بين مؤسسي الشركة.

المادة الحادية والعشرون :-

نموذج رقم ٩٢

بسم الله

سجل : أسيس د

الرقم المسلسل : ٥٦٣

رقم التصديق :

رقم ايصال الرسوم : ٢٣٦/١٢

نصادق على صحة توقيع كاتب العدل

وزارة العدل

ادارة التوثيق

- ٧ -

يعين اعضاء مجلس الادارة لمدة ثلاث / ٣ سنوات قابلة للتجديد .

المادة الثانية والعشرون :-

يشترط في عضو مجلس الادارة ان يكون مالكا بصفته الشخصية لعدد من الاسهم لا يقل عن الف ومائتين وخمسين سهما / ١٢٥٠ سهما من اسهم الشركة . فاذا كان العضو وقت انتخابه لا يملك هذا العدد من الاسهم وجب عليه خلال شهر من انتخابه ان يكون مالكا والا سقطت عضويته .

المادة الثالثة والعشرون :-

لا يجوز لعضو مجلس الادارة ان يكون عضوا في مجلس ادارة الشركة مماثلة او منافسة او ان يكون تاجرا في تجارة مماثلة ومشابهة او منافسة لتجارة الشركة او ان تكون له مصلحة مباشرة او غير مباشرة في العقود والصفقات التي تبرم مع الشركة او لحسابها او ان تكون له مصلحة تتعارض مع مصالح الشركة الا اذا كان ذلك بترخيص خاص من الجمعية العمومية .

المادة الرابعة والعشرون :-

اذا شغر مركز عضو في مجلس الادارة خلفه فيه من كان حائزا لاكثر الاصوات من المساهمين الذين لم يفوزوا بعضوية مجلس الادارة في آخر انتخاب واذا قام لديه مانع خلفه من يليه .

اما اذا بلغت المراكز الشاغرة ربع المراكز الاصلية فانه يتعين على مجلس الادارة دعوة الجمعية العمومية لتجتمع في ميعاد شهرين من تاريخ شغر آخر مركز لتنتخب من يملأ المراكز الشاغرة . وفي جميع الاحوال يكمل العضو الجديد مدة سلفه فقط .

المادة الخامسة والعشرون :-

ينتخب مجلس الادارة بالاقتراع السري رئيسا ونائبا للرئيس لمدة سنة . ورئيس المجلس هو الذي يمثل الشركة لدى القضاء مدعيا او مدعى عليه ، وعليه تنفيذ القرارات التي يصدرها المجلس ويقوم نائب الرئيس مقام الرئيس عند غيابه او قيام مانع به .

المادة السادسة والعشرون :-

يجوز لمجلس الادارة ان يعين عضوا منتدبا او اكثر من بين اعضائه ويحدد صلاحياتهم ومكافآتهم .

المادة السابعة والعشرون :-

يملك التوقيع عن الشركة على انفراد كل من رئيس مجلس الادارة او نائبه او اعضاء مجلس الادارة المنتدبين

وزارة العدل ادارة

الذين يتم تعيينهم عن طريق مجلس الادارة بالاقتراع السرى او اى عضو آخر ينتدبه .

ويجوز لمجلس الادارة ان يعين مديرا عاما يحدد صلاحياته .

المادة الثامنة والعشرون :-

يجتمع مجلس الادارة اربع مرات على الاقل في السنة بناء على دعوة من رئيسه ويجتمع ايضا اذا دعت الضرورة الى اجتماعه ولا يكون اجتماعه صحيحا الا بحضور اربعة اعضاء منهم على الاقل - كما لا يجوز الحضور بالوكالة في اجتماعاته .

المادة التاسعة والعشرون :-

تصدر قرارات المجلس بأغلبية اصوات الاعضاء الحاضرين وفي حالة تساوى الاصوات يرجح الجانب الذى ينضم اليه الرئيس او من يقوم مقامه .

المادة الثلاثون :-

تثبت مداولات مجلس الادارة في محاضر جلسات تقيد في سجل خاص لدى الشركة ويذكر فيه اسماء الاعضاء الحاضرين ويوقع عليها الرئيس او من يقوم مقامه وعضو آخر ويجوز للعضو المعارض ان يطلب تسجيل رأيه .

ويصدق الرئيس او من يقوم مقامه على صور قرارات المجلس او المستخرجات المأخوذة منها المراد تقديمها الى القضاء او غيره من الهيئات الرسمية او الحكومية ويؤشر عليها بمطابقتها للأصل .

المادة الحادية والثلاثون :-

اذا تخلف احد اعضاء المجلس عن حضور ثلاث جلسات متتالية بدون عذر مشروع جاز اعتباره مستقيلا بقرار من مجلس الادارة .

المادة الثانية والثلاثون :-

مع عدم الاخلال بأحكام قانون الشركات التجارية تحدد الجمعية العمومية العادية مكافآت اعضاء مجلس الادارة - ويحدد مجلس الادارة مكافآت اعضاء المجلس المنتدبين وراتب المدير العام .

المادة الثالثة والثلاثون :-

لمجلس الادارة اوسع سلطة لادارة الشركة ويجوز له على الاخص ان يدفع كافة الرسوم والمصاريف الابتدائية اللازمة لتأسيس الشركة من تسجيل ونشر ومباشرة وتنفيذ الشروط المدونة بعقد الشركة والقيام بكل الاجراءات القانونية اللازمة لذلك وتحديد المصروفات العمومية للادارة ومن اللوائح والقوانين اللازمة لترتيب العمل وادارة اعمال الشركة وتعيين المدير او المديرين او رؤساء العمل او الموظفين او الوكلاء او اقالتهم وتحديد عمل كل منهم وتحديد مرتباتهم واذا لزم الحال تحديد قيمة الضمانات الواجبة تقديمها منهم والتصريح بسحبها وبالاختصار القيام بكل ما يلزم لمباشرة كل عمل يدخل ضمن اغراض الشركة والتصريح برفع كل دعوى والدفاع عن مصلحة الشركة امام القضاء سواء اكانت الشركة مدعية او مدعى عليها ، وأبرام الصلح والتحكيم وشطب القيود والتنازل عن الحقوق سواء اكان التنازل بمقابل او بغير مقابل وتقرير كيفية استعمال اموال الشركة بما في ذلك مالها الاحتياطي وعلى العموم ادارة اعمال الشركة على الوجه الاصلح .

المادة الرابعة والثلاثون :-

لا يترتب اى التزام شخصي على اعضاء مجلس الادارة بسبب قيامهم بأعباء وظائفهم ضمن حدود وكالتهم فيما يتعلق بتعهدات الشركة .

(١٥)

سجـــل : أ...
الرقم المتسلسل : ...
رقم التصديق :
رقم ايصال الرسوم : ٣٣٦/١٣

بسم الله

نموذج رقم ٩٣

نصادق على صحة توقيع كاتب العدل

وزارة العـــدل
ادارة التوثيق

- ٩٣ -

المادة الخامسة والثلاثون :ــ

رئيس مجلس الادارة واعضاؤه مسئولون عن اعمالهم تجاه الشركة والمساهمين والغير عن جميع اعمال الغش وأسـاءة استعمال السـلطة وعن كل مخالفة للقانون او لهذا النظام وعن الخطأ في الادارة • ولا يحول دون دعوى المسئولية اقتراع الجمعية العامة بأبراء ذمة مجلس الادارة •

الفصــــل الرابــــع
الجمعية العامـــة

المادة السادسة والثلاثون :ــ

تنعقد الجمعية العامة للمساهمين مرة على الاقل كل سنة خلال ثلاثة اشهر التالية لنهاية السنة المالية للشركة فـي المكان والزمان الذين يعينهما الدعوة للحضور وذلك لسماع تقرير مجلس الادارة عن نشاط الشركة وعن مركزها المالي خلال السنة وسماع تقرير مراقبي الحسابات عن ميزانية الشركة وعن الحسابات التي قدمها مجلس الادارة ومناقشـة تلك الحسابات والتصديق عليها وتحديد حصة الارباح الواجب توزيعها على المساهمين وفي انتخاب اعضاء مجلـس الادارة ومراقبي الحسابات وتحديد الأجـر الذي يؤدى اليهم خلال السنة المالية المقبلة ان كان هناك داع لهذا الانتخاب وكذلك لبحث اى اقــتراح آخر يدرجه مجلس الادارة في جدول الاعمال لاتخاذ قرار فيـــه •

المادة السابعة والثلاثون :ــ

توجـــه الدعوة الى المساهمين لحضـور اجتماعات الجمعية العامة ــ ايا كانت صفتها ــ بكتب مسجلة ــ ويجـب ان تتضمن الدعوة جدول الاعمال • ويضع المؤسسون جدول اعمال الجمعية العامة منعقدة بصفة تأسيسية ويضـع مجلس الادارة جدول اعمال الجمعية العامة منعقدة بصفة عادية او بصفة غير عاديـــة •

المادة الثامنة والثلاثون :ــ

يجـوز لمجلس الادارة دعوة الجمعية العامة كلما رأى ذلك او اذا طلب اليه ذلك عدد من المساهمين يملكون ما لا يقل عن عشر رأس المال •

المادة التاسعة والثلاثون :ــ

في الأحـــوال التي يجـوز فيها عقد الجمعية العامة بناء على طلب المساهمين او مراقبي الحسابات يضع جدول الاعمال من طلبوا انعقاد الجمعية العمومية ولا يجـوز بحث اية مسألة غير مدرجة في جدول الاعمال •

المادة الأربعون :ــ

وزارة العدل
ادارة ...

لكل مساهم عدد من الأصوات يعادل عدد اسهمه وتصدر القرارات بالاغلبية المطلقة للأسهم الممثلة . ويجوز التوكيل في حضور الاجتماع ويمثل القصر والمحجوزين النائبون عنهم قانونا . ولا يجوز لأي عضو ان يشترك في التصويت عن نفسه او عمن يمثله في المسائل التي تتعلق بمنفعة خاصة له او بخلاف قائم بينه وبين الشركة .

المادة الحادية والأربعون :-

يرأس اجتماع الجمعية العامة رئيس مجلس الادارة او نائبه او من ينتدبه مجلس الادارة لذلك ولا يكون الاجتماع صحيحا الا اذا حضره عدد من المساهمين يملكون اكثر من نصف الاسهم فاذا لم يتوافر هذا النصاب وجهت الدعوة الى اجتماع ثان يكون صحيحا مهما كان عدد الحاضرين .

المادة الثانية والأربعون :-

يسجل المساهمون اسمائهم في سجل خاص يعد لذلك في مركز الشركة قبل الموعد المحدد لانعقاد الجمعية العامة بأربع وعشرين ساعة على الاقل ويتضمن التسجيل اسم المساهم وعدد الاسهم التي يملكها وعدد الاسهم التي يمثلها وأسماء مالكيها مع تقديم سند الوكالة . ويعطى المساهم بطاقة لحضور الاجتماع يذكر فيها عدد الاصوات التي يستحقها اصالة ووكالة .

المادة الثالثة والأربعون :-

تجتمع الجمعية العامة بصفة غير عادية بناء على دعوة من مجلس الادارة او بناء على طلب كتابي موجه الى هذا المجلس من عدد من المساهمين يحملون ما لا يقل عن ربع اسهم الشركة . ويجب على مجلس الادارة في هذه الحالة ان يدعو الجمعية العامة للاجتماع بصفة غير عادية خلال شهر من تاريخ وصول الطلب اليه .

المادة الرابعة والأربعون :-

تسري على النصاب الواجب توافره لصحة انعقاد الجمعية العامة بصفاتها المختلفة وعلى الاغلبية اللازمة لاتخاذ القرارات احكام قانون الشركات التجارية .

المادة الخامسة والأربعون :-

يكون التصويت في الجمعية العامة بالطريقة التي يعينها رئيس الجلسة الا اذا قررت الجمعية العامة طريقة معينة للتصويت . ويجب ان يكون التصويت سريا في انتخاب اعضاء مجلس الادارة والاقالة من العضوية .

المادة السادسة والأربعون :-

يدعو المؤسسون المساهمين خلال ثلاثين يوما من اغلاقهم باب الاكتتاب لعقد الجمعية العامة بصفتها جمعية تأسيسية ويقدمون لها تقريرا عن جميع عمليات التأسيس مع المستندات المؤيدة له . وتتثبت الجمعية من صحة المعلومات الواردة في التقرير وموافقتها للقانون ولعقد تأسيس الشركة ونظامها الاساسي وتنتخب اعضاء مجلس الادارة ومراقبي الحسابات وتعلن تأسيس الشركة نهائيا .

المادة السابعة والأربعون :-

تختص الجمعية العامة منعقدة بصفة عادية بكل ما يتعلق بأمور الشركة عدا ما احتفظ به القانون او هذا النظام للجمعية العامة المنعقدة بصفة غير عادية او بصفتها جمعية تأسيسية .

المادة الثامنة والأربعون :-

المسائل الآتية لا تنظرها الا الجمعية العامة منعقدة بصفة غير عادية :-

مسجل :
الرقم المسلسل :
رقم التصديق :
رقم ايصال الرسوم : ٢٣٦/١٢

بسم الله

نموذج رقم ٩٢

نصادق على صحة توقيع كاتب العدل

وزارة العدل

ادارة التوثيق

= ١١ =

١) تعديل عقد التأسيس او النظام الأساسي للشركة ....
٢) بيع كل المشروع الذي قامت به الشركة او التصرف فيه بأي وجه آخر ....
٣) حل الشركة او اندماجها في شركة او هيئة أخرى ....
٤) تخفيض رأس مال الشركة ....

الفصل الخامس
مراقب الحسابات

المادة التاسعة والأربعون :-

يكون للشركة مراقب حسابات او اكثر من المحاسبين القانونيين تعينه الجمعية العامة وتقدر اتعابه وعليه مراقبة حسابات السنة المالية التي عين لها .

المادة الخمسون :-

تكون للمراقب الصلاحيات وعليه الالتزامات المنصوص عليها في قانون الشركات التجارية . وله بوجه خاص الحق في الأطلاع في اى وقت على جميع دفاتر الشركة وسجلاتها ومستنداتها وفي طلب البيانات التي يرى ضرورة الحصول عليها وله كذلك ان يحقق موجودات الشركة والتزاماتها ، واذا لم يمكن من استعمال هذه الصلاحيات اثبت ذلك كتابة في تقرير يقدم الى مجلس الادارة ويعرض على الجمعية العامة كما ان له دعوة الجمعية العامة للانعقاد لهذا الغرض.

المادة الحادية والخمسون :-

يقدم المراقب الى الجمعية العامة تقريرا يبين فيه ما اذا كانت الميزانية وحسابات الأرباح والخسائر متفقة مع الواقع وتعبر بأمانة ووضوح عن المركز المالي الحقيقي للشركة وما اذا كانت الشركة تمسك حسابات منتظمة وما اذا كان الجرد قد اجرى وفقا للأصول المرعية وما اذا كانت البيانات الواردة في تقرير مجلس الادارة متفقة مع ما هو وارد في دفاتر الشركة وما اذا كانت هناك مخالفات لأحكام نظام الشركة او لأحكام القانون قد وقعت خلال السنة المالية على وجه يؤثر في نشاط الشركة او مركزها المالي مع بيان ما اذا كانت هذه المخالفات لا تزال قائمة وذلك في حدود المعلومات التي توافرت لديه . ويكون المراقب مسئولا عن صحة البيانات الواردة في تقريره بوصفه وكيلا عن مجموع المساهمين ولكل مساهم اثناء عقد الجمعية العامة ان يناقش المراقب وان يستوضحه عما ورد فيه .

الفصل السادس

حسابات الشركة

المادة الثانية والخمسون :-

تبدأ السنة المالية للشركة من اول يناير وتنتهي في ٣١ ديسمبر من كل سنة . ويستثنى من ذلك السنة المالية الاولى للشركة فتبدأ من تاريخ قيام الشركة نهائيا وتنتهي في ٣١ ديسمبر من السنة التالية وتعقد الجمعية العامة العادية الاولى عقب انقضاء هذه المدة .

المادة الثالثة والخمسون :-

يقتطع سنويا من الارباح غير الصافية نسبة مئوية يحددها مجلس الادارة لاستهلاك موجودات الشركة او التعويض عن نزول قيمتها وتستعمل هذه الاموال لشراء المواد والالات والمنشآت اللازمة او لاصلاحها ولا يجوز توزيع هذه الاموال على المساهمين .

المادة الرابعة والخمسون :-

يوزع صافي ارباح الشركة السنوية بعد خصم جميع المصروفات العامة والتكاليف الاخرى على النحو الاتي :

اولا - يقتطع مبلغ (١٠٪) من الارباح لحساب الاحتياطي الاجباري .

ثانيا - يقتطع مبلغ يوازي (١٠٪) من الارباح لحساب الاحتياطي الاختياري .

ثالثا - ويقف هذا الاقتطاع بقرار من الجمعية العامة العادية بناء على اقتراح مجلس الادارة .

~~ثالثا - يقتطع جزء من الارباح تحدده الجمعية العامة لمواجهة الالتزامات المترتبة على الشركة بموجب قوانين العمل~~

رابعا - يقتطع المبلغ اللازم لتوزيع حصة اولى من الارباح قدرها (٥٪) للمساهمين من قيمة اسهمهم المدفوعة .

خامسا - يخصص بعد ذلك من الباقي عشرة في المائة (١٠٪) لمكافآت اعضاء مجلس الادارة .

سادسا - يوزع الباقي من الارباح بعد ذلك على المساهمين او يرحل بناء على اقتراح مجلس الادارة الى السنة المقبلة او يخصص لانشاء حساب احتياطي آخر للطوارئ او مال للاستهلاك غير العادي .

المادة الخامسة والخمسون :-

تدفع حصص الارباح الى المساهمين في المكان وفي المواعيد التي يحددها مجلس الادارة .

المادة السادسة والخمسون :-

يستعمل المال الاحتياطي بناء على قرار مجلس الادارة فيما يكون اوفى بمصالح الشركة . ولا يجوز توزيع الاحتياطي الاجباري على المساهمين وانما يجوز استعماله لتأمين توزيع ارباح على المساهمين تصل الى (٥٪) في السنوات التي لا تسمح فيها ارباح الشركة بتأمين هذا الحد .

المادة السابعة والخمسون :-

تودع اموال الشركة النقدية لدى بنك او عدة بنوك يعينها مجلس الادارة . ويحدد مجلس الادارة الحد الاعلى من المال النقدي الذي يجوز لأمين الصندوق ان يحتفظ به في صندوق الشركة .

الفصل السابع

انقضاء الشركة وتصفيتها

المادة الثامنة والخمسون :-

تنقضي الشركة بأحد الامور المنصوص عليها في قانون الشركات التجارية .

المادة التاسعة والخمسون :-

يتبع /

نموذج رقم ٩٣

بسم الله

سجـل :
الرقم المسلسل :
رقم التصاديق :
رقم ايصال الرسوم : ٢٣٦ /١٢

نصادق على صحة توقيع كاتب العدل

وزارة العـدل

ادارة التوثيق

-١٣-

اذا خسرت الشركة ثلاثة ارباع رأس مالها وجب على مجلس الادارة ان يعقد جمعية عامة غير عادية لتقرير ما اذا كانت الحالة تستوجب حل الشركة او تخفيض رأس مالهـا او اتخاذ غير ذلك من التدابير المناسبة وذلك طبقا لأحكام القانون.

المادة الستون :

تجـرى تصفية اموال الشركة عند انقضائها وتعيين المصفين وفقـا للأحكام الواردة في قانون الشركـات التجارية.

"المؤسسـون"

١/ ٢/ ٣/ ٤/

٥/ ٦/ ٧/ ٨/

الشاهد الاول : الشاهد الثاني

وبما ذكر تحرر هذا العقد بحضور الأطراف المتعاقدين والشاهدين المذكورين وبعد تلاوته بمعرفتي على الحاضرين وقعـه الجميع معي ... كاتب العدل

ادارة التوثيق
صورة طبق الأصل سجلت بسجل الطلبات
برقم ٤٤٦٣ وتاريخ ٤/ ٨/ ٢٠٠٩
الموظف المختص

الموثق

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **الخليج للتأمين (ش.م.ك)**

رقم القيد في السجل التجاري: **٩٣٩٠**

بموجب مذكرة صادرة من إدارة الشركات المساهمة رقم ٤١٨ بتاريخ ٢٠١٠/١٠/٧ بناء على القرار الجمعية العمومية العادية والغير العادية المنعقدة بتاريخ ٢٠٠٨/٣/٢٣ فقد تمت الموافقة على ما يلي :-

جرى التأشير بالسجل التجارى بالآتي :-

الموافقة على تعديل المادة السادسة من عقد التأسيس والمادة الخامسة من النظام الأساسي للشركة بزيادة رأس المال من ١١,٣١٠,٠٠٠ دينار كويتى إلى ١٦,٩٦٥,٠٠٠ دينار كويتى بتوزيع أسهم منحة على المساهمين بنسبة ٥٠% من قيمة ما يمتلكونه من أسهم وذلك بناء على اقتراح الجمعية العامة العادية وعلى ان يتم ذلك خصما من الارباح المرحلة للشركة البالغ قيمتها ٣٥,٥٥٥,٩٤٠ فى ٢٠٠٧/١٢/٣١

"حدد رأس مال الشركة بمبلغ ١٦,٩٦٥,٠٠٠ د.ك (ستة عشرة مليون وتسعمائة وخمسة وستون الف دينار كويتى) مقسمة الى عدد ١٦٩,٦٥٠,٠٠٠ سهم (مائة وتسعة وستون مليون وستمائة وخمسون الف سهم) قيمة كل سهم منها مائة فلس "

٢٠١٠ ١٠ ٧

مدير إدارة السجل التجاري

أحمد محمد عبدالله
مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة الخليج للتأمين (ش.م.ك) عامة

رقم القيد في السجل التجاري: ٩٣٩٠

بموجب مذكرة صادرة من إدارة الشركات المساهمة رقم ٢٠١١/٩١٣ بتاريخ ٢٠١١/٩/١٥ بناء على الجمعية العمومية الغير عادية المنعقدة بتاريخ ٢٠١١/٤/٦ فقد تمت الموافقة على ما يلي:

جرى التأشير بالسجل التجارى بالآتي :

١- تعديل المادة (٢٠) من النظام الأساسى للشركة ، حسب التالي :

" يتولى إدارة الشركة مجلس إدارة مؤلف من عشرة أعضاء تنتخبهم الجمعية العمومية بالتصويت السري"

٢- تعديل المادة (٢٢) من النظام الأساسي كالتالى :

يشترط في عضو مجلس الإدارة ان يكون مالكا بصفته الشخصية لعدد من الاسهم لا يقل عن خمسة وسبعون الف سهم من أسهم الشركة -فاذا كان العضو وقت انتخابية لا يملك هذا العدد من الاسهم وجب عليه خلال شهر من انتخابه ان يكون مالكا له والا سقطت عضويته

٣-تعديل المادة (٣٣) من النظام الأساسي للشركة :

" لمجلس الإدارة أوسع السلطات لإدارة الشركة وللقيام بجميع الأعمال التي تقتضيها إدارة الشركة وفقا لأغراضها ،ولا يحد من هذه السلطة إلا ما نص عليه القانون أو هذا النظام أو قرارات الجمعية العامة ويجوز لمجلس الإدارة بيع عقارات الشركة أو رهنها أو إعطاء الكفالات أو عقد القروض أ ومنح التبرعات أو الاقرار أو الصلح بمقتضى الشروط والقيود التى يقرها مجلس الإدارة من وقت لاخر مع مراعاة القواعد القانونية المتعلقة بذلك كما يجوز لمجلس الإدارة التوقيع على عقود الرهن والاقتراض والتسهيلات لائتمانية واجراء كافة المعاملات المصرفية والبنكية من سحب وايداع وخلافة ، وله حق توكيلا لغير في ذلك "

١٥ ٩ ٢٠١١

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة الخليج للتأمين (ش.م.ك) عامة

رقم القيد في السجل التجاري: ٩٣٩٠

بموجب مذكرة صادرة من إدارة الشركات المساهمة رقم ٢٠١١/٩١٤بتاريخ ٢٠١١/٩/١٥ بناء على الجمعية العمومية الغير عادية المنعقدة بتاريخ ٢٠١١/٤/٦فقد تمت الموافقة على ما يلي:

جرى التأشير بالسجل التجاري بالآتي :

أولا : الموافقة على توصية مجلس الإدارة بتوزيع أرباح نقدية للمساهمين بنسبة ٢٥% من القيمة الاسمية للسهم (بواقع خمسة وعشرون فلس للسهم الواحد) واسهم منحة بنسبة ٥ % (بواقع خمسة اسهم لكل مائة سهم) وذلك للمساهمين المسجلين فى سجلات الشركة

ثانيا : تعديل نص المادة (٥) من النظام الأساسي الشركة :

حدد رأس مال الشركة بمبلغ ١٧,٨١٣,٢٥٠ د.ك (سبعة عشرة مليون وثمانمائة وثلاثة عشرة الف ومائتان وخمسون دينار) مقسمة الى ١٧٨,١٣٢,٥٠٠ سهم (مائة وثمانية وسبعون مليون ومائة واثنان وثلاثون الف وخمسمائة سهما) قيمة كل سهم منها مائة فلس

١٥ ٩ ٢٠١١

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة الخليج للتأمين (ش.م.ك) عامة

رقم القيد في السجل التجاري: ٩٣٩٠

بموجب مذكرة صادرة من إدارة الشركات المساهمة رقم ٢٠١٢/١٦٤ بتاريخ ٢٠١٢/٥/١٣ بناء على قرار الجمعية الغير عادية شركة الخليج للتأمين المنعقدة بتاريخ ٢٠١٢/٤/٢ وتمت الموافقة على ما يلي:
جرى التأشير بالسجل التجاري بالاتي :-

١-الموافقة على زيادة رأس مال الشركة من (١٧,٨١٣,٢٥٠) د.ك إلى (١٨,٧٠٣,٩١٣) بتوزيع أسهم منحة مجانية بنسبة ٥%.
٢-الموافقة على تعديل المادة رقم (٦) من عقد التأسيس والمادة رقم (٥) من النظام الأساسي.

النص المقترح:

حدد رأس مال الشركة بمبلغ (١٨,٧٠٣,٩١٣) د.ك (ثمانية عشر مليون وسبعمائة وثلاثة ألف وتسعمائة وثلاثة عشر دينار كويتي) مقسمة إلى ١٨٧,٠٣٩,١٣٠ سهم (مائة وسبعة وثمانون مليون وتسعة وثلاثون ألف ومائة وثلاثون سهما) قيمة كل سهم مائة فلس.

١٣ ٥ ٢٠١٢

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة الخليج للتأمين (ش.م.ك) عامة

رقم القيد في السجل التجاري : ٩٣٩٠

بموجب مذكرة صادرة من إدارة الشركات المساهمة رقم ٧١ بتاريخ ٢٠١٣/١٢/٩ بناء على قرار الجمعية العمومية غير العادية المنعقدة بتاريخ ٢٠١٣/٦/٣٠ وبناء على القرار الوزاري رقم (٥٢٥) لسنة ٢٠١٣ فقد تمت الموافقة على ما يلي:

جرى التأشير بالسجل التجاري بالآتي :

تمت الموافقة على تعديل المادة (١) من النظام الأساسي والمادة (٢) من عقد التأسيس والمتعلق باسم الشركة لتصبح على النحو التالي :

مجموعة الخليج للتامين(ش.م.ك) عامة

٩ ١٢ ٢٠١٣

مدير إدارة السجل التجاري

وزارة التجارة والصناعة

إدارة السجل التجاري

قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : مجموعة الخليج لتأمين (ش٠م٠ك)عامة

رقم القيد في السجل التجاري : ٩٣٩٠

بموجب مذكرة صادره من إدارة الشركات المساهمة رقم ٧١٣ بتاريخ ٢٠١٤/١٢/٢٨ بناء على قرار الجمعية العمومية الغير عادية المنعقدة في ٢٠١٤/٤/٣ تمت الموافق على ما يلي:
جرى التأشير بالسجل التجاري بالاتي :-

أولا : تعديل نص المادة (١) من النظام الأساسي المادة (٢) من عقد التاسيس :

تأسست طبقا لأحكام قانون الشركات وتعديلاته ولائحته التنفيذية وهذا النظام الأساسي بين مالكي الأسهم المبينة أحكامها فيما بعد شركة مساهمة كويتية عامة تسمى مجموعة الخليج للتأمين شركة مساهمة كويتية عامة (ش.م.ك.ع) ويشار إليها فيما يلي بهذا العقد والنظام الاساسي الملحق به – بلفظ الشركة.

ثانيا : تعديل نص المادة (١٢) من النظام الأساسي :

تخضع الأوراق المالية المصدرة من الشركة لنظام الإيداع المركزي للأوراق المالية لدي وكالة المقاصة ، ويعتبر إيصال إيداع الأوراق المالية لدى وكالة المقاصة سندا لملكية الورقة ويسلم كل مالك إيصال بعدد ما يملكه من أوراق مالية .

ثالثا : تعديل نص المادة (١٥) من النظام الأساسي :

يكون للشركة سجل خاص يحفظ لدى وكالة مقاصة، وتقيد في السجل أسماء المساهمين وجنسياتهم وموطنهم وعدد الأسهم المملوكة لكل منهم ونوعها والقيمة المدفوعة عن كل سهم .

ويتم التأشير في سجل المساهمين بأي تغيرات تطرأ على البيانات المسجلة فيه وفقا لما تتلقاه الشركة أو وكالة المقاصة من بيانات ، ولكل ذي شأن أن يطلب من الشركة أو وكالة المقاصة تزويده ببيانات من هذا السجل.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **مجموعة الخليج لتأمين (ش.م.ك)عامة**

رقم القيد في السجل التجاري : **٩٣٩٠**

رابعا : تعديل نص المادة (١٧) من النظام الأساسي :
يقسم رأس مال الشركة إلى أسهم اسمية متساوية القيمة بحيث لا تقل القيمة الأسمية للسهم عن مائة فلس ولا يجوز تجزئة السهم ، وإنما يجوز أن يشترك فيه شخصان أو أكثر – على أن يمثلهم تجاه الشركة شخص واحد – ويعتبر الشركاء في السهم مسئولين بالتضامن عن الالتزامات المترتبة على هذه الملكية .

وتصدر الأسهم بالقيمة الأسمية ، ولا يجوز إصدارها بقيمة أدنى إلا إذا وافقت عليها الجهات الرقابية .

في حاله زيادة رأس المال لا يجوز لأي شخص أن يكتتب أكثر من مرة واحدة ، ويجب أن يكون الاكتتاب منجزا غير معلق على شرط وجديا ، ويحظر الاكتتاب الصوري أو الاكتتاب بأسماء وهمية أو تغيير الحقيقة في الاكتتاب بأي طريقة من الطرق .

ويجب على مجلس الإدارة قبل توزيع الأسهم فرز طلبات الاكتتاب بدقة للتحقق من عدم وقوع أي مخالفة وعليهم استبعاد الطلبات المخالفة للقانون.

يكون اكتتاب المساهم بطلب موقع منه أو من ينوب عنه، ويجب أن يشمل طلب الاكتتاب على بيان أسم الشركة وغرضها ورأسمالها ، وأسم المكتتب وموطنه في الكويت وعدد الأسهم المكتتب بها والأقساط المدفوعة ، وقبوله لحكام عقد الشركة ، أو أية بيانات أخرى تحددها هيئة أسواق المال .

ويجوز أن يكون الاكتتاب عبر الوسائل الالكترونية من خلال آليات توفرها البنوك لعملائها من أصحاب الحسابات المصرفية ، أو توفرها وكالات المقاصة لعملائها من أصحاب حسابات التداول ، ويعتبر استخدام المكتتب لأسم المستخدم والرقم السري الخاص به والمسلم له من البنك أو وكالة المقاصة في تمرير طلب الاكتتاب إلكترونيا بمثابة طلب اكتتاب موقع من المكتتب.

ويدفع المكتتب الأقساط الواجب دفعها نقدا بالدينار الكويتي لقاء ايصال موقع عليه من البنك يبين فيه اسم المكتتب وموطنه وتاريخ الاكتتاب وعدد الأسهم المكتتب بها والأقساط المدفوعة ، ويجوز للمكتتب أن يدفع الأقساط الواجب دفعها بموجب شيك أو تحويل بنكي ويقيد المبلغ المدفوع على حسابه ، ويعتبر الاكتتاب نهائياً عند تسلم المكتتب للإيصال المشار اليه أو عند قيد المبلغ على حسابه بشرط قيده لحساب الشركة .

يجوز أن يكون للشركة عند زيادة رأسمالها متعهد أو أكثر بالاكتتاب فيما لم يتم الاكتتاب فيه من أسهمها .

وفي حالة عدم الاكتتاب في جميع الأسهم المطروحة للاكتتاب خلال الميعاد المحدد له ، يلتزم متعهد الاكتتاب بشراء ما لم يتم الاكتتاب به من أسهم وله أن يعيد طرح ما اكتتب به للجمهور دون التقيد بإجراءات وقيود تداول الأسهم المنصوص عليها في قانون الشركات وذلك علي النحو المبين باللائحة التنفيذية لقانون الشركات .

٢٨	١٢	٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **مجموعة الخليج لتأمين (ش٠م٠ك)عامة**

رقم القيد في السجل التجاري : **٩٣٩٠**

خامسا : تعديل نص المادة (١٨) من النظام الأساسي :
ليس لورثة المساهم أو دائنيه أن يطلبوا لأي سبب من الاسباب وضع الأختام علي دفاتر الشركة أو أوراقها المالية او ممتلكاتها أو يطلبوا قسمتها او تصفيتها ولا أن يتدخلوا باي وجه في إدارة الشركة بل عليهم عند مباشرة ما لهم من حقوق أن يرجعوا إلى قوائم جرد الشركة وحساباتها الختامية وإلى قرارات الجمعية العمومية.

كما لا يجوز الحجز على أموال الشركة استيفاءً لديون مترتبة في ذمة أحد المساهمين، وإنما يجوز حجز أسهم المدين وأرباح هذه الأسهم ويؤشر بالحجز على السهم في سجل المساهمين، ويتم بيع الأسهم حتى ولو لم يقدم الدائن الحاجز أصل الإيصال الخاص بإيداعها، ويتم إجراء التعديلات اللازمة على سجل المساهمين لدى وكيل المقاصة وفقا لما تسفر عنه إجراءات البيع.

ويجوز رهن الأسهم حتى لو لم تكن قد دفعت قيمتها بالكامل ، ويقيد الرهن في سجل المساهمين بحضور الراهن والمرتهن او من ينوب عنهما.

ويجوز للمدين أن يتنازل للدائن المرتهن عن حقه في حضور الجمعيات العامة للشركة والتصويت فيها.

وتسري على الحاجز والمرتهن جميع القرارات التي تتخذها الجمعية العامة على النحو الذي تسري به على المساهم المحجوزة أسهمه أو الراهن.
سادسا : تعديل نص المادة (١٩) من النظام الأساسي :
عند زيادة رأس المال بإصدار أسهم جديدة يجوز للجمعية العامة غير العادية أن تقرر اضافة علاوة إصدار إلى القيمة الأسمية للأسهم الجديدة ، تخصص للوفاء بمصروفات الإصدار ثم تضاف الى الاحتياطي.

وإذا تقرر زيادة رأس المال عن طريق طرح أسهم للاكتتاب العام يكون للمساهمين حق الأولوية في الاكتتاب في الأسهم الجديدة بنسبة ما يملكه كل منهم من أسهم، وذلك خلال خمسة عشر يوما من تاريخ إخطارهم بذلك ، ويجوز للجمعية العامة أن تقرر تنازل المساهمين عن حق الاولوية أو تقيده بأي قيد.

وتستثنى من أحكام الفقرة السابقة زيادة رأس مال الشركة بغرض تطبيق نظام خيار شراء اسهمها لموظفيها ، إذ تكون أولوية الاكتتاب في أسهم زيادة رأس المال – في هذه الحالة – لهؤلاء الموظفين .

ويجوز للمساهم التنازل عن حق الأولوية لمساهم اخر أو للغير بمقابل مادي أو بدون مقابل وفقا لما يتم الاتفاق عليه بين المساهم والمتنازل إليه وذلك كله وفقاً للإجراءات المنصوص عليها باللائحة التنفيذية لقانون الشركات .

يجوز – بقرار يصدر من الجمعية العامة غير العادية – زيادة رأس مال الشركة المصرح به وذلك بناء علي اقتراح مسبب من مجلس الإدارة وتقرير من مراقب الحسابات في هذا الشأن ، على أن يتضمن القرار الصادر بزيادة رأس المال مقدار وطرق الزيادة.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : مجموعة الخليج لتأمين (ش.م.ك)عامة

رقم القيد في السجل التجاري : ٩٣٩٠

لا يجوز زيادة رأس المال المصرح به إلا إذا كانت قيمة الأسهم الأصلية قد دفعت كاملة، ويجوز للجمعية العامة غير العادية أن تفوض مجلس الإدارة في تحديد تاريخ تنفيذه.

تتم تغطية زيادة رأس المال بأسهم تسدد قيمتها بإحدى الطرق التالية :

١- طرح أسهم الزيادة للاكتتاب العام .
٢- تحويل أموال من الاحتياطي الاختياري أو من الأرباح المحتجزة أو مما زاد عن الحد الأدنى للاحتياطي القانوني الى أسهم .
٣- تحويل دين على الشركة أو السندات أو الصكوك الي أسهم .
٤- تقديم حصة عينية .
٥- إصدار أسهم جديدة تخصص لإدخال مساهم أو مساهمين جدد يعرضهم مجلس الإدارة وتوافق عليهم الجمعية العامة غير العادية.
٦- تمويل حصص الأرباح المنصوص عليها في المادة ١٧٧ من القانون الى أسهم .
٧- قيمة أصول الشركة المندمجة بالنسبة الى الشركة الدامجة وذلك في الاندماج بطريق الضم .
٨- إصدار أسهم جديدة لمقابلة تظلم خيار شراء الأسهم لموظفي الشركة .

وفي جميع الأحوال تكون القيمة الأسمية لأسهم الزيادة مساوية للقيمة الأسمية للأسهم الأصلية.

في حالة طرح أسهم زيادة رأس المال للاكتتاب العام تكون دعوة الجمهور للاكتتاب في أسهم الشركة بناء علي نشرة اكتتاب متضمنه البيانات ومستوفيه للإجراءات المنصوص عليها في القانون رقم ٧ لسنة ٢٠١٠ بشأن هيئة أسواق المال .

إذا لم تتم تغطية أسهم زيادة رأس المال جاز للجهة التي قررت الزيادة أن تقرر أما الرجوع عن الزيادة في رأس المال أو الاكتفاء بالقدر الذي تم الاكتتاب فيه .

إذا كانت أسهم زيادة رأس المال مقابل تقديم حصة عينية وجب أن يتم تقويمها وفقا لأحكام المادة ١١ من قانون الشركات، وتقوم الجمعية العامة العادية مقام الجمعية التأسيسية في هذا الشأن.

في حالة تغطية الزيادة في رأس المال عن طريق التحويل من الاحتياطي الاختياري أو من الأرباح المحتجزة أو ما زاد عن الحد الأدنى للاحتياطي القانوني، تقوم الشركة بإصدار أسهم مجانية بالقيمة الأسمية ودون علاوة إصدار وتوزع هذه الأسهم على المساهمين بنسبة ما يملكه كل منهم في رأس المال.

في حالة تغطية الزيادة في رأس المال عن طريق تحويل دين على الشركة أو السندات أو الصكوك إلى أسهم، يتبع في هذا الشأن الأحكام المنصوص عليها في قانون الشركات وتعديلاته ولائحته التنفيذية.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : مجموعة الخليج لتأمين (ش٠م٠ك)عامة

رقم القيد في السجل التجاري : ٩٣٩٠

للجمعية العامة غير العادية، بناء على اقتراح مسبب من مجلس الإدارة ، أن تقرر بعد موافقة هيئة أسواق المال تخفيض رأس مال الشركة وذلك في الحالات التالية :

١- إذا زاد رأس المال عن حاجة الشركة.
٢- إذا أصيبت الشركة بخسائر لا يحتمل تغطيتها من أرباح الشركة.
٣- الحالات الأخرى المحددة باللائحة التنفيذية لقانون الشركات.

إذا كان قرار التخفيض بسبب زيادة رأس المال عن حاجة الشركة ، يتعين على الشركة قبل تنفيذ قرار التخفيض أن تقوم بالوفاء بالديون الحالة وتقديم الضمانات الكافية للوفاء بالديون الآجلة، ويجوز لدائني الشركة في حالة عدم الوفاء بديونهم الحالة أو عدم كفاية ضمانات الديون الآجلة ، الاعتراض على قرار التخفيض أمام المحكمة المختصة وفقاً للمقرر باللائحة التنفيذية لقانون الشركات.

يتم تخفيض رأس المال بإحدى الطرق التالية:

١- تخفيض القيمة الأسمية للسهم بما لا يقل عن الحد الأدنى المقرر.
٢- إلغاء عدد من الأسهم بقيمة المبلغ المقرر تخفيضه من رأس المال.
٣- شراء الشركة لعدد من أسهمها بقيمة المبلغ الذي تريد تخفيضه من رأس المال.
٤- وتتبع الإجراءات الخاصة بذلك على النحو المبين باللائحة التنفيذية لقانون الشركات.

يخضع تداول الأسهم لأحكام القانون رقم ٧ لسنة ٢٠١٠ المشار إليه ولائحته التنفيذية وما تصدره هيئة أسواق المال من قواعد بهذا الشأن.

يجوز للشركة أن تشتري أسهمها لحسابها في الحالات الآتية:-

١- أن يكون ذلك بغرض المحافظة على استقرار سعر السهم، وبما لا يجاوز النسبة التي تحددها هيئة أسواق المال من مجموع أسهم الشركة.
٢- تخفيض رأس المال.
٣- عند استيفاء الشركة لدين مقابل هذه الأسهم.
٤- توزيعها كلها أو غيرها على العاملين في الشركة وذلك ضمن برنامج خيار الاسهم للموظفين ، بشرط موافقة الجمعية العامة ، ووفقاً للقواعد المنظمة لذلك والمعتمدة من قبل الجمعية العامة للشركة .
٥- أي حالات أخرى تحددها لدين مقابل هذه الاسهم.

ولا تدخل الأسهم المشتراة في مجموع أسهم الشركة في الأحوال التي تتطلب تملك المساهمين نسبة معينة من رأس المال.

وفي جميع المسائل الخاصة باحتساب النصاب اللازم لصحة اجتماع الجمعية العامة ، والتصويت على القرارات بالجمعية العامة على النحو الذي تنظمه هيئة أسواق المال.

تفوض الجمعية العامة العادية مجلس الادارة بشراء أو بيع أسهم الشركة بما لا يتجاوز ١٠% من عدد أسهمها وفقاً لأحكام القانون.

٢٠١٢ / ١٢ / ٣٨

مدير إدارة السجل التجاري

وزارة التجارة والصناعة

إدارة السجل التجاري

قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **مجموعة الخليج لتأمين (ش٠م٠ك)عامة**

رقم القيد في السجل التجاري : **٩٣٩٠**

يتمتع المساهم في الشركة بوجه خاص بالحقوق التالية:

١- قبض الأرباح والحصول على أسهم المنحة التي يتقرر توزيعها.
٢- المشاركة في إدارة الشركة عن طريق العضوية في مجلس الإدارة وحضور الجمعيات العامة والاشتراك في مداولاتها، وذلك طبقا لأحكام قانون الشركات وهذا النظام، ويقع باطلا أي اتفاق على خلاف ذلك.
٣- الحصول قبل اجتماع الجمعية العامة بسبعة أيام على الأقل على البيانات المالية للشركة عن الفترة المحاسبية المنقضية وتقرير مجلس الإدارة وتقرير مراقب الحسابات.
٤- التصرف في الأسهم المملوكة له والأولوية في الاكتتاب بالأسهم الجديدة والسندات والصكوك وفقا لأحكام قانون الشركات وهذا العقد.
٥- الحصول على نصيب من موجودات الشركة عند التصفية بعد الوفاء بما عليها من ديون.

يلتزم المساهم في الشركة بوجه خاص بما يلي:

١- تسديد الأقساط المستحقة على ما يملكه من أسهم عند حلول مواعيد الاستحقاق ودفع التعويض عن التأخير في السداد.
٢- دفع النفقات التي تكون الشركة قد تحملتها في سبيل استيفاء الأقساط غير المدفوعة من قيمة أسهمه، وللشركة التنفيذ على الأسهم استيفاء لحقوقها.
٣- تنفيذ القرارات التي تصدرها الجمعية العامة للشركة.
٤- الامتناع عن أي عمل يؤدي إلى الإضرار بالمصالح المالية أو الأدبية للشركة والالتزام بتعويض الأضرار التي تنشأ عن مخالفة ذلك.
٥- إتباع القواعد والإجراءات المقررة بشأن تداول الأسهم.

يجوز لكل مساهم إقامة الدعوى ببطلان أي قرار يصدر عن مجلس الإدارة أو الجمعية العامة العادية أو غير العادية مخالفا للقانون أو عقد تأسيس الشركة أو هذا النظام أو كان يقصد به الإضرار بمصالح الشركة، والمطالبة بالتعويض عند الاقتضاء.

كما يجوز الطعن على قرارات الجمعية العامة العادية وغير العادية التي يكون فيها إجحاف بحقوق الأقلية ويتم الطعن من قبل عدد من مساهمي الشركة يملكون خمسة عشر بالمائة من رأس مال الشركة المصدر، ولا يكونون ممن وافقوا على تلك القرارات.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : مجموعة الخليج لتأمين (ش٠م٠ك)عامة

رقم القيد في السجل التجاري : ٩٣٩٠

سابعا : تعديل نص المادة (٢٠) من النظام الأساسي :
يتولى ادارة الشركة مجلس ادارة مؤلف من عشرة أعضاء تنتخبهم الجمعية العامة بالتصويت السري .

يجوز لكل مساهم سواء كان شخصا طبيعيا او اعتباريا تعيين ممثلين له في مجلس ادارة الشركة بنسبة ما يملكه من أسهم فيها ، ويستنزل عدد أعضاء مجلس الادارة المختارين بهذه الطريقة من مجموع أعضاء مجلس الادارة الذين يتم انتخابهم ، ولا يجوز للمساهمين الذين لهم ممثلين في مجلس الادارة الاشتراك مع المساهمين الاخرين في انتخاب باقي أعضاء مجلس الادارة ، الا في حدود ما زاد عن النسبة المستخدمة في تعيين ممثليه في مجلس الادارة ، ويجوز لمجموعة من المساهمين ان يتحالفوا فيما بينهم لتعيين ممثل أو أكثر عنهم في مجلس الادارة وذلك بنسبة ملكيتهم مجتمعة .

ويكون لهؤلاء الممثلين ما للأعضاء المنتخبين من الحقوق والواجبات ، ويكون المساهم مسئولا عن أعمال ممثليه تجاه الشركة ودائنيها ومساهميها .

يجب أن يكون من بين اعضاء مجلس الادارة عضو أو أكثر من الاعضاء المستقلين من ذوي الخبرة والكفاءة تختارهم الجمعية العامة العادية وتحدد مكافآتهم وفقا لقواعد الحوكمة وعلي الا يزيد عددهم عن نصف أعضاء المجلس .

ويجوز اعادة انتخاب أو تعيين ذات الاعضاء لأكثر من دورة .

لمجلس الإدارة أن يوزع العمل بين أعضائه وفقا لطبيعة أعمال الشركة كما يجوز للمجلس أن يفوض أحد أعضائه و أو لجنة من بين أعضائه أو أحدا من الغير في القيام بعمل معين أو أكثر أو الإشراف على وجه من وجوه نشاط الشركة أو في ممارسة بعض السلطات أو الاختصاصات المنوطة بالمجلس.

ثامنا: تعديل نص المادة (٢٢) من النظام الأساسي :

يجب أن تتوافر في من يرشح لعضوية مجلس الإدارة الشروط التالية:

١- أن يكون متمتعا بأهلية التصرف.
٢- ألا يكون قد سبق الحكم عليه في جناية بعقوبة مقيدة للحرية أو في جريمة إفلاس بالتقصير أو التدليس أو جريمة مخلة بالشرف أو الأمانة أو بعقوبة مقيدة للحرية بسبب مخالفته لأحكام قانون الشركات ما لم يكن قد رد إليه اعتباره.
٣- فيما عدا أعضاء مجلس الادارة المستقلين ، يجب ان يكون مالكا بصفة شخصية أو يكون الشخص الذي يمثله مالكا لعدد من أسهم الشركة .

وإذا فقد عضو مجلس الإدارة أيا من الشروط المتقدمة زالت عنه صفة العضوية.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **مجموعة الخليج لتأمين (ش.م.ك)عامة**

رقم القيد في السجل التجاري : **٩٣٩٠**

تاسعا: تعديل نص المادة (٢٣) من النظام الأساسي :

لا يجوز لرئيس مجلس الإدارة أو لأي من أعضاء المجلس، أن يجمع بين عضوية مجلس إدارة شركتين متنافستين، أو أن يشترك في أي عمل من شأنه منافسة الشركة أو أن يتجر لحسابه أو لحساب غيره في أحد فروع النشاط الذي تزاوله الشركة، وإلا كان لها أن تطالبه بالتعويض أو باعتبار العمليات التي زاولها لحسابه كأنها أجريت لحساب الشركة. ما لم يكن ذلك بموافقة الجمعية العامة العادية.

لا يجوز للشخص، ولو كان ممثلاً لشخص طبيعي أو اعتباري، أن يكون عضوا في مجلس إدارة أكثر من خمس شركات مساهمة عامة مركزها في الكويت ولا أن يكون رئيساً لمجلس الإدارة في أكثر من شركة مساهمة واحدة مركزها في الكويت، ويترتب على مخالفة هذا الشرط بطلان عضويته في الشركات التي تزيد على العدد المقرر وفقاً لحداثة التعيين فيها، وما يترتب على ذلك من آثار، وذلك مع عدم الإخلال بحقوق الغير حسن النية، ويلتزم من يخالف هذا الشرط بأن يرد إلى الشركة التي أبطلت عضويته فيها ما يكون قد حصل عليه من مكافآت أو مزايا.

لا يجوز لرئيس أو عضو مجلس الإدارة، ولو كان ممثلاً لشخص طبيعي أو اعتباري، أن يستغل المعلومات التي وصلت إليه بحكم منصبه في الحصول على فائدة لنفسه أو لغيره، كما لا يجوز له التصرف بأي نوع من أنواع التصرفات في أسهم الشركة التي هو عضو في مجلس إدارتها طيلة مدة عضويته إلا بعد الحصول على موافقة هيئة أسواق المال.

لا يجوز لأعضاء مجلس الإدارة أن يفصحوا إلى المساهمين في غير اجتماعات الجمعية العامة أو إلى الغير عما وقفوا عليه من أسرار الشركة بسبب مباشرتهم لإدارتها وإلا وجب عزلهم ومساءلتهم عن تعويض الأضرار الناتجة عن المخالفة.

لا يجوز أن يكون لمن له ممثل في مجلس الإدارة أو لرئيس أو لأحد أعضاء مجلس الإدارة أو أحد أعضاء الإدارة التنفيذية أو أزواجهم أو أقاربهم من الدرجة الثانية مصلحة مباشرة أو غير مباشرة في العقود والتصرفات التي تبرم مع الشركة أو لحسابها إلا إذا كان ذلك بترخيص يصدر عن الجمعية العامة العادية.

لا يجوز للشركة أن تقرض أحد أعضاء مجلس إدارتها أو الرئيس التنفيذي أو أزواجهم أو أقاربهم حتى الدرجة الثانية أو الشركات التابعة لهم، مالم يكن هناك تفويض من الجمعية العامة العادية للشركة، وكل تصرف يتم بالمخالفة لذلك لا ينفذ في مواجهة الشركة، وذلك دون إخلال بحقوق الغير حسن النية.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : مجموعة الخليج لتأمين (ش٠م٠ك)عامة

رقم القيد في السجل التجاري : ٩٣٩٠

عاشرا: تعديل نص المادة (٢٥) من النظام الأساسي :

ينتخب مجلس الإدارة بالاقتراع السري رئيسا للمجلس ونائباً للرئيس ويمثل رئيس مجلس الإدارة الشركة في علاقاتها مع الغير وأمام القضاء إلى جانب الاختصاصات الأخرى المبينة بالعقد، ويعتبر توقيعه كتوقيع مجلس الإدارة في علاقة الشركة بالغير، وعليه تنفيذ قرارات المجلس وأن يتقيد بتوصياته، ويحل نائب الرئيس محل الرئيس عند غيابه، أو قيام مانع لدية من ممارسة اختصاصاته.

الحادي عشر : تعديل نص المادة (٢٦) من النظام الأساسي :

يكون للشركة رئيس تنفيذي أو أكثر يعينه مجلس الإدارة من أعضاء المجلس أو من غيرهم يناط به إدارة الشركة ويحدد المجلس مخصصاته وصلاحياته في التوقيع عن الشركة ولا يجوز الجمع بين منصبي رئيس مجلس الإدارة والرئيس التنفيذي.

الثاني عشر : تعديل نص المادة (٢٧) من النظام الأساسي :

يملك التوقيع عن الشركة علي انفراد كل من رئيس مجلس الادارة أو نائبه ، كما يملك الرئيس التنفيذي حق التوقيع عن الشركة وفقا للصلاحيات التي يحددها مجلس الادارة .

الثالث عشر : تعديل نص المادة (٢٨) من النظام الأساسي :

يجتمع مجلس الإدارة بناء علي دعوة من رئيسه أو بناء علي طلب مقدم من ثلاثة أعضاء علي الأقل و لا يكون اجتماع مجلس الإدارة صحيحا إلا اذا حضره نصف عدد الأعضاء علي الأقل ، ويجوز الاجتماع باستخدام وسائل الاتصال الحديثة كما يجوز اتخاذ قرارات بالتمرير بموافقة جميع أعضاء المجلس.

ولا يجوز الحضور بالوكالة في اجتماعات المجلس .

ويجب أن يجتمع مجلس الإدارة ست مرات علي الأقل خلال السنة الواحدة ، ويجب علي الاعضاء غير المستقلين حضور ما لا يقل عن أربع اجتماعات بالسنة ، ويجب علي العضو المستقل أن يحضر ما لا يقل عن ٧٥% من اجتماعات المجلس ، كما يجب علي أعضاء مجلس الإدارة المستقلين حضور كافة الاجتماعات التي سيتم فيها اتخاذ قرارات هامه وجوهرية قد تؤثر علي الشركة.

الرابع عشر : تعديل نص المادة (٣٠) من النظام الأساسي :

تدون محاضر اجتماعات مجلس الإدارة وتوقع من قبل الأعضاء الحاضرين وأمين سر المجلس ، وللعضو الذي لم يوافق علي قرار اتخذه المجلس ان يثبت اعتراضه في محضر الاجتماع.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : مجموعة الخليج للتأمين (ش٠م٠ك)عامة

رقم القيد في السجل التجاري : ٩٣٩٠

الخامس عشر : تعديل نص المادة (٣٢) من النظام الأساسي :

لا يجوز تقدير مجموع مكافآت رئيس وأعضاء مجلس الإدارة بأكثر من عشرة بالمائة من الربح الصافي بعد استنزال الاستهلاك والاحتياطيات وتوزيع ربح لا يقل عن خمسة بالمائة من رأس المال على المساهمين.

ويلتزم مجلس الإدارة بتقديم تقرير سنوي يعرض علي الجمعية العامة العادية للشركة للموافقة عليه علي ان يتضمن علي وجه دقيق بيانا مفصلا عن المبالغ والمنافع والمزايا التي حصل عليها مجلس الإدارة أيا كانت طبيعتها ومسماها .

السادس عشر : تعديل نص المادة (٣٤) من النظام الأساسي :
تكون المسئولية المنصوص عليها في المادة السابقة إما مسئولية شخصية تلحق عضوا بالذات ، وإما مشتركة فيما بين أعضاء مجلس الإدارة جميعا ، وفي الحالة الأخيرة يكون الأعضاء مسئولين جميعا علي وجه التضامن بأداء التعويض ، الا من اعترض علي القرار الذي رتب المسئولية وأثبت اعتراضه في المحضر .

السابع عشر : تعديل نص المادة (٣٥) من النظام الأساسي :

رئيس مجلس الإدارة وأعضاؤه مسئولون تجاه الشركة والمساهمين والغير عن جميع أعمال الغش وإساءة استعمال السلطة، وعن كل مخالفة لقانون الشركات أو لعقد الشركة ، وعن الخطأ في الإدارة.

ولا يحول دون إقامة دعوى المسئولية إقتراح من الجمعية العامة بإبراء ذمة مجلس الإدارة، ولا يجوز لأعضاء مجلس الإدارة الاشتراك في التصويت على قرارات الجمعية العامة الخاصة بإبراء ذمتهم من المسئولية عن إدارتهم أو التي تتعلق بمنفعة خاصة لهم أو لأزواجهم أو أقاربهم من الدرجة الأولى أو بخلاف قائم بينهم وبين الشركة.

للشركة أن ترفع دعوى المسئولية على أعضاء مجلس الإدارة بسبب الأخطاء التي تنشأ عنها أضرار للشركة، فإذا كانت الشركة في دور التصفية تولى المصفي رفع الدعوى.

لكل مساهم أن يرفع الدعوى منفرداً نيابة عن الشركة في حالة عدم قيام الشركة برفعها، وفي هذه الحالة يجب اختصام الشركة ليحكم لها بالتعويض إن كان له مقتض. ويجوز للمساهم رفع دعواه الشخصية بالتعويض إذا كان الخطأ قد ألحق به ضررا. ويقع باطلا كل اتفاق يقضي بغير ذلك.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **مجموعة الخليج لتأمين (ش٠م٠ك)عامة**

رقم القيد في السجل التجاري : **٩٣٩٠**

الثامن عشر : تعديل نص المادة (٣٨) من النظام الأساسي :
يجوز لمجلس الادارة دعوة الجمعية العامة كلما رأي ذلك او إذا طلب اليه عدد من المساهمين يملكون ما لا يقل عن عشر رأس المال.

يجوز بقرار يصدر عن الجمعية العامة العادية للشركة إقالة رئيس أوعضو أو أكثر من أعضاء مجلس الإدارة أو حل مجلس إدارة الشركة وانتخاب مجلس جديد وذلك بناء على اقتراح يقدم بذلك من عدد من المساهمين يملكون مالا يقل عن ربع رأس مال الشركة المصدر.

وعند صدور قرار بحل مجلس الإدارة، وتعذر انتخاب مجلس جديد في ذات الاجتماع يكون للجمعية أن تقرر إما أن يستمر هذا المجلس في تسيير أمور الشركة إلى حين انتخاب المجلس الجديد أو تعيين لجنة إدارية مؤقتة تكون مهمتها الأساسية دعوة الجمعية لانتخاب المجلس الجديد، وذلك خلال شهر من تعيينها.

التاسع عشر: تعديل نص المادة (٤٠) من النظام الأساسي :

لكل مساهم أيا كان عدد أسهمه حق حضور الجمعية العامة، ويكون له عدد من الأصوات يساوي عدد الأصوات المقررة لذات الفئة من الأسهم، ولا يجوز للمساهم التصويت عن نفسه أو عمن يمثله في المسائل التي تتعلق بمنفعة خاصة له، أو بخلاف قائم بينه وبين الشركة، ويقع باطلاً كل شرط أو قرار يخالف ذلك، ويجوز للمساهم أن يوكل غيره في الحضور عنه وذلك بمقتضى توكيل خاص أو تفويض تعده الشركة لهذا الغرض.

ويجوز لمن يدعي حقاً على الأسهم يتعارض مع ما هو ثابت في سجل مساهمي الشركة أن يتقدم إلى قاضي الأمور الوقتية لاستصدار أمر على عريضة بحرمان الأسهم المتنازع عليها من التصويت لمدة يحددها القاضي الآمر أو لحين الفصل في موضوع النزاع من قبل المحكمة المختصة وذلك وفقا للإجراءات المقررة في قانون المرافعات المدنية والتجارية.

العشرون: تعديل نص المادة (٤٣) من النظام الأساسي :

تجتمع الجمعية العامة غير العادية بناء على دعوة من مجلس الإدارة، أو بناء على طلب مسبب من مساهمين يمثلون خمسة عشر بالمائة من رأس مال الشركة المصدر أو من وزارة التجارة والصناعة، ويجب على مجلس الإدارة أن يدعو الجمعية العامة غير العادية للاجتماع خلال ثلاثين يوماً من تاريخ تقديم الطلب.

وإذا لم يقم مجلس الإدارة بدعوة الجمعية العامة خلال المدة المنصوص عليها بالفقرة السابقة تقوم وزارة التجارة والصناعة بالدعوة للاجتماع خلال مدة خمسة عشر يوماً من تاريخ انتهاء المدة المشار إليها في الفقرة السابقة.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **مجموعة الخليج لتأمين (ش٠م٠ك)عامة**

رقم القيد في السجل التجاري :

٩٣٩٠

الحادي والعشرون : تعديل نص المادة (٤٤) من النظام الأساسي :
تسري على النصاب الواجب توافره لصحة انعقاد الجمعية العامة بصفاتها المختلفة وعلى الأغلبية اللازمة لاتخاذ القرارات أحكام قانون الشركات .

الثاني والعشرون : تعديل نص المادة (٤٧) من النظام الأساسي :

مع مراعاة أحكام القانون تختص الجمعية العامة العادية في اجتماعها السنوي باتخاذ قرارات في المسائل التي تدخل في اختصاصاتها وعلى وجه الخصوص ما يلي:

١- تقرير مجلس الإدارة عن نشاط الشركة ومركزها المالي للسنة المالية المنتهية.
٢- تقرير مراقب الحسابات عن البيانات المالية للشركة.
٣- تقرير بأية مخالفات رصدتها الجهات الرقابية وأوقعت بشأنها جزاءات على الشركة.
٤- البيانات المالية للشركة.
٥- اقتراحات مجلس الإدارة بشأن توزيع الأرباح.
٦- إبراء ذمة أعضاء مجلس الإدارة.
٧- انتخاب أعضاء مجلس الإدارة أو عزلهم، وتحديد مكافآتهم.
٨- تعيين مراقب حسابات الشركة، وتحديد أتعابه أو تفويض مجلس الإدارة في ذلك.
٩- تقرير التعاملات التي تمت أو ستتم مع الأطراف ذات الصلة، وتعرف الأطراف ذات الصلة طبقاً لمبادئ المحاسبية الدولية.

لا يجوز للجمعية العامة مناقشة موضوعات غير مدرجة في جدول الأعمال إلا إذا كانت من الأمور العاجلة التي طرأت بعد إعداد الجدول أو تكشفت في أثناء الاجتماع، أو إذا طلبت ذلك إحدى الجهات الرقابية أو مراقب الحسابات أو عدد من المساهمين يملكون خمسة بالمائة من رأس مال الشركة، وإذا تبين أثناء المناقشة عدم كفاية المعلومات المتعلقة ببعض المسائل المعروضة، تعين تأجيل الاجتماع مدة لا تزيد عن عشرة أيام عمل إذا طلب ذلك عدد من المساهمين يمثلون ربع أسهم رأس المال المصدر، وينعقد الاجتماع المؤجل دون الحاجة إلى إجراءات جديدة للدعوة.

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري
تأشيرة في السجل التجاري

اسم الشركة ونوعها : مجموعة الخليج لتأمين (ش٠م٠ك)عامة

رقم القيد في السجل التجاري : ٩٣٩٠

الثالث والعشرون : تعديل نص المادة (٤٨) من النظام الأساسي :

مع مراعاة الاختصاصات الأخرى التي ينص عليها القانون تختص الجمعية العامة غير العادية بالمسائل التالية:

١- تعديل عقد الشركة.
٢- بيع كل المشروع الذي قامت من أجله الشركة أو التصرف فيه بأي وجه آخر.
٣- حل الشركة أو اندماجها أو تحولها أو انقسامها.
٤- زيادة رأس مال الشركة أو تخفيضه.

كل قرار يصدر عن الجمعية العامة غير العادية لا يكون نافذاً إلا بعد اتخاذ إجراءات الشهر.

ويجب الحصول على موافقة وزارة التجارة والصناعة إذا كان القرار متعلقاً باسم الشركة أو أغراضها أو رأس مالها.

على مجلس الإدارة تنفيذ قرارات الجمعية العامة ما لم تكن تلك القرارات مخالفة للقانون أو عقد التأسيس أو هذا النظام.

وعلى مجلس الإدارة إعادة عرض القرارات المخالفة على الجمعية العامة في اجتماع يتم الدعوة له لمناقشة أوجه المخالفة.

الرابع والعشرون: تعديل نص المادة (٤٩) من النظام الأساسي :
فيما يتعلق بمراقب الحسابات تطبق أحكام المواد من رقم (٢٥٨) حتى (٢٦٤) الواردة بقانون الشركات رقم (٢٥) لسنة ٢٠١٢ وتعديلاته ولائحته التنفيذية .

٢٨ ١٢ ٢٠١٤

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : مجموعة الخليج لتأمين (ش.م.ك)عامة

رقم القيد في السجل التجاري : ٩٣٩٠

الخامس والعشرون: تعديل نص المادة (٥٤) من النظام الأساسي :
يقتطع سنويا، بقرار يصدر من الجمعية العامة العادية بناء على اقتراح مجلس الإدارة، نسبة لا تقل عن عشرة بالمائة من الأرباح الصافية لتكوين احتياطي إجباري للشركة.

ويجوز للجمعية وقف هذا الاقتطاع إذا زاد الاحتياطي الإجباري على نصف رأس مال الشركة المصدر.

ولا يجوز استخدام الاحتياطي الإجباري إلا في تغطية خسائر الشركة أو لتأمين توزيع أرباح على المساهمين بنسبة لا تزيد على خمسة بالمائة من رأس المال المدفوع في السنوات التي لا تسمح فيها أرباح الشركة بتوزيع هذه النسبة، وذلك بسبب عدم وجود احتياطي اختياري يسمح بتوزيع هذه النسبة من الأرباح.

ويجب أن يعاد إلى الاحتياطي الإجباري ما اقتطع منه عندما تسمح بذلك ارباح السنوات التالية، مالم يكن هذا الاحتياطي يزيد على نصف رأس المال المصدر.

يجوز أن يقتطع سنويا ، بقرار يصدر من الجمعية العامة العادية بناء على اقتراح مجلس الإدارة، نسبة لا تزيد على عشرة بالمائة من الأرباح الصافية لتكوين احتياطي اختياري يخصص للأغراض التي تحددها الجمعية.

السادس والعشرون: تعديل نص المادة (٥٦) من النظام الأساسي :
يجوز للجمعية العامة العادية بناء على اقتراح مجلس الإدارة أن توزع في نهاية السنة المالية أرباحا على المساهمين، ويشترط لصحة هذا التوزيع أن يكون من أرباح حقيقية، ووفقا للمبادئ المحاسبية المتعارف عليها، وألا يمس هذا التوزيع رأس المال المدفوع للشركة.

السابع والعشرون: تعديل نص المادة (٥٩) من النظام الأساسي :
إذا بلغت خسائر الشركة ثلاثة أرباع رأس المال المدفوع وجب علي أعضاء مجلس الإدارة دعوة الجمعية العامة غير العادية للنظر في استمرار الشركة أو حلها قبل الأجل المعين في عقدها ، أو اتخاذ غير ذلك من التدابير المناسبة .

فاذا لم يقم مجلس الإدارة بدعوة الجمعية العامة غير العادية أو تعذر إصدار قرار في الموضوع جاز للوزارة ولكل ذي مصلحة أن يطلب من المحكمة المختصة حل الشركة.

الثامن والعشرون: نص المادة (٦١) من النظام الأساسي (مادة جديدة) :
تطبق أحكام قانون الشركات رقم (٢٥) لسنة ٢٠١٢ وتعديلاته ولائحته التنفيذية في كل مالم يرد بشأنه نص خاص في عقد التأسيس أو في هذا النظام.

٢٨ ١٢ ٢٠١٤

مدير ادارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

بموجب مذكرة صادرة من إدارة الشركات المساهمة رقم ٢/١٢ بتاريخ ٢٠١٧/٢/٩ بناء على الجمعية العمومية الغير عادية المنعقدة في ٢٠١٧/١/٨ فقد تمت الموافقة على ما يلي :

جرى التأشير بالسجل التجاري بالآتي :-

بندين بالمادة (٥) من عقد التأسيس و بالمادة (٤) من النظام الأساسي :

٢٩- استغلال الفوائض المالية المتوفرة لدي الشركة عن طريق استثمارها في محافظ مالية تدار من قبل شركات و جهات متخصصة داخل و خارج الكويت.

مادة (١٠) من عقد التأسيس:

يقرر الموقعون علي هذا بقبولهم احكام القانون رقم ١٥ ١٩٦٠ـ الصادر في ١٢-٥-١٩٦٠ و الملغي بموجب المرسوم بقانون رقم ٢٥ لسنة ٢٠١٢ و الملغي بموجب القانون رقم ١ لسنة ٢٠١٦ و لائحته التنفيذية و انهم يعتبرونه جزءا متمما لهذا العقد.

المادة (١٧) من النظام الأساسي:

يقسم رأس مال الشركة إلى أسهم اسمية متساوية القيمة بحيث لا تقل القيمة الأسمية للسهم عن مائة فلس ولا يجوز تجزئة السهم ، وإنما يجوز أن يشترك فيه شخصان أو أكثر –على أن يمثلهم تجاه الشركة شخص واحد –ويعتبر الشركاء في السهم مسئولين بالتضامن عن الالتزامات المترتبة علي هذه الملكية .

وتصدر الأسهم بالقيمة الأسمية ، ولا يجوز إصدارها بقيمة أدني إلا إذا وافقت عليها الجهات الرقابية ضمن الضوابط و الشروط المنصوص عليها في اللائحة التنفيذية و يجوز للشركة تقسيم اسهمها بشرط الا تقل القيمة الاسمية للسهم بعد التقسيم عن الحد الأدنى المنصوص عليه في القانون.

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

في حاله زيادة رأس المال لا يجوز لأي شخص أن يكتتب أكثر من مرة واحدة ، ويجب أن يكون الاكتتاب منجزا غير معلق على شرط وجدياً ، ويحظر الاكتتاب الصوري أو الاكتتاب بأسماء وهمية أو تغيير الحقيقة في الاكتتاب بأي طريقة من الطرق .
ويجب على مجلس الإدارة قبل توزيع الأسهم فرز طلبات الاكتتاب بدقة للتحقق من عدم وقوع أي مخالفة وعليهم استبعاد الطلبات المخالفة للقانون
يكون اكتتاب المساهم بطلب موقع منه أو من ينوب عنه ، ويجب أن يشمل طلب الاكتتاب على بيان أسم الشركة وغرضها ورأسمالها ، وأسم المكتتب وموطنه في الكويت وعدد الأسهم المكتتب بها والأقساط المدفوعة ، وقبوله أحكام عقد الشركة ، أو أية بيانات أخرى تحددها هيئة أسواق المال .
ويجوز أن يكون الاكتتاب عبر الوسائل الالكترونية من خلال آليات توفرها البنوك لعملائها من أصحاب الحسابات المصرفية ، أو توفرها وكالات المقاصة لعملائها من أصحاب حسابات التداول ، ويعتبر استخدام المكتتب لأسم المستخدم والرقم السري الخاص به والمسلم له من البنك أو وكالة المقاصة في تمرير طلب الاكتتاب إلكترونيا بمثابة طلب اكتتاب موقع من المكتتب.
ويدفع المكتتب الأقساط الواجب دفعها نقدا بالدينار الكويتي لقاء ايصال موقع عليه من البنك يبين فيه اسم المكتتب وموطنه وتاريخ الاكتتاب وعدد الأسهم المكتتب بها والأقساط المدفوعة ، ويجوز للمكتتب أن يدفع الأقساط الواجب دفعها بموجب شيك أو تحويل بنكي ويقيد المبلغ المدفوع على حسابه ، ويعتبر الاكتتاب نهائياً عند تسلم المكتتب للإيصال المشار اليه أو عند قيد المبلغ على حسابه بشرط قيده لحساب الشركة .
يجوز أن يكون للشركة عند زيادة رأسمالها متعهد أو أكثر بالاكتتاب فيما لم يتم الاكتتاب فيه من أسهمها.
وفي حالة عدم الاكتتاب في جميع الأسهم المطروحة للاكتتاب خلال الميعاد المحدد له ، يلتزم متعهد الاكتتاب بشراء ما لم يتم الاكتتاب به من أسهم وله أن يعيد طرح ما اكتتب به للجمهور دون التقيد بإجراءات وقيود تداول الأسهم المنصوص عليها في قانون الشركات وذلك على النحو المبين باللائحة التنفيذية لقانون الشركات.

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الخليج للتأمين (ش٠م٠ك.) عامة .

رقم القيد في السجل التجاري : ٩٣٩٠

المادة (١٨) من النظام الأساسي :

ليس لورثة المساهم أو دائنيه أن يطلبوا لأي سبب من الاسباب وضع الأختام على دفاتر الشركة أو أوراقها المالية أو ممتلكاتها أو يطلبوا قسمتها أو تصفيتها ولا أن يتدخلوا باي وجه في إدارة الشركة بل عليهم عند مباشرة ما لهم من حقوق أن يرجعوا إلى قوائم جرد الشركة وحساباتها الختامية وإلى قرارات الجمعية العمومية.
كما لا يجوز الحجز على أموال الشركة استيفاءً لديون مترتبة في ذمة أحد المساهمين، وإنما يجوز حجز أسهم المدين وأرباح هذه الأسهم ويؤشر بالحجز على السهم في سجل المساهمين، ويتم بيع الأسهم حتى ولو لم يقدم الدائن الحاجز أصل الإيصال الخاص بإيداعها، و يلتزم وكيل المقاصة بإجراء التعديلات اللازمة على سجل المساهمين لدى وكيل المقاصة وفقا لما تسفر عنه إجراءات البيع.
ويجوز رهن الأسهم حتى لو لم تكن قد دفعت قيمتها بالكامل ، ويقيد الرهن في سجل المساهمين بحضور الراهن والمرتهن أو من ينوب عنهما.
ويجوز للمدين أن يتنازل للدائن المرتهن عن حقه في حضور الجمعيات العامة للشركة والتصويت فيها.
وتسري على الحاجز والمرتهن جميع القرارات التي تتخذها الجمعية العامة على النحو الذي تسري به على المساهم المحجوزة أسهمه أو الراهن .
لا يجوز للجمعية العامة للمساهمين القيام بما يلي:
١. زيادة أعباء المساهم المالية أو زيادة قيمة السهم الاسمية .
٢. إنقاص النسبة المئوية الواجب توزيعها من الأرباح الصافية على المساهمين والمحددة في عقد الشركة .
٣. فرض شروط جديدة غير الشروط المذكورة في عقد الشركة تتعلق بأحقية المساهم في حضور الجمعيات العامة والتصويت فيها .
على أنه يجوز الخروج على هذه الأحكام بقبول جميع المساهمين كتابيا أو بتصويت إجماعي يشترك فيه جميع المساهمين وبعد موافقة الهيئة ، واستيفاء الإجراءات اللازمة لتعديل عقد الشركة.

المادة (١٩) من النظام الأساسي :

عند زيادة رأس المال بإصدار أسهم جديدة يجوز للجمعية العامة غير العادية أن تقرر اضافة علاوة إصدار إلى القيمة الأسمية للأسهم الجديدة ، تخصص للوفاء بمصروفات الإصدار ثم تضاف الى الاحتياطي .

٢٠١٧ ٢ ٩

(أ)"ط"

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش٠م٠ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

وإذا تقرر زيادة رأس المال عن طريق طرح أسهم للاكتتاب العام يكون للمساهمين حق الأولوية في الاكتتاب في الأسهم الجديدة بنسبة ما يملكه كل منهم من أسهم، وذلك خلال خمسة عشر يوماً من تاريخ إخطارهم بذلك ، ويجوز للجمعية العامة أن تقرر تنازل المساهمين عن حق الاولوية أو تقيده بأي قيد.
وتستثنى من أحكام الفقرة السابقة زيادة رأس مال الشركة بغرض تطبيق نظام خيار شراء اسهمها لموظفيها ، إذ تكون أولوية الاكتتاب في أسهم زيادة رأس المال –في هذه الحالة –لهؤلاء الموظفين .
ويجوز للمساهم التنازل عن حق الأولوية لمساهم اخر أو للغير بمقابل مادي أو بدون مقابل وفقا لما يتم الاتفاق عليه بين المساهم والمتنازل إليه وذلك كله وفقاً للإجراءات المنصوص عليها باللائحة التنفيذية لقانون الشركات .
يجوز – بقرار يصدر من الجمعية العامة غير العادية –زيادة راس مال الشركة المصرح به و ذلك بناء علي اقتراح مسبب من مجلس الادارة و تقرير من مراقب الحسابات في هذا الشأن ، علي ان يتضمن القرار الصادر بزيادة رأس المال مقدار و طرق الزيادة.لا يجوز زيادة راس المال المصرح به الا اذا كانت قيمة الاسهم الاصلية قد دفعت كاملة ، يجوز للجمعية العامة غير العادية ان تفوض مجلس الادارة في تحديد تاريخ تنفيذه.تتم تغطية زيادة رأس المال بأسهم تسدد قيمتها بإحدى الطرق التالية :
١- طرح أسهم الزيادة للاكتتاب العام .
٢- تحويل أموال من الاحتياطي الاختياري أو من الأرباح المحتجزة أو مما زاد عن الحد الأدنى للاحتياطي القانوني الى اسهم .
٣- تحويل دين على الشركة أو السندات أو الصكوك الي أسهم .
٤- تقديم حصة عينية .
٥- إصدار أسهم جديدة تخصص لإدخال مساهم أو مساهمين جدد يعرضهم مجلس الإدارة وتوافق عليهم الجمعية العامة غير العادية .
٦- تحويل حصص الأرباح المنصوص عليها في المادة (١٧٦) من القانون الى أسهم .
٧- اضافة اصول الشركة المندمجة بالنسبة الي الشركة الدامجة و ذلك في الاندماج بطريقة الضم.
٨- إصدار أسهم جديدة لمقابلة نظام خيار شراء الأسهم لموظفي الشركة.

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

وفي جميع الأحوال تكون القيمة الأسمية لأسهم الزيادة مساوية للقيمة الأسمية للأسهم الأصلية في حالة طرح أسهم زيادة رأس المال للاكتتاب العام تكون دعوة الجمهور للاكتتاب في اسهم الشركة بناء علي نشرة اكتتاب متضمنه البيانات ومستوفيه للإجراءات المنصوص عليها في القانون رقم ٧ لسنة ٢٠١٠ بشأن هيئة أسواق المال .

إذا لم تتم تغطية أسهم زيادة رأس المال جاز للجهة التي قررت الزيادة أن تقرر أما الرجوع عن الزيادة في رأس المال أو الاكتفاء بالقدر الذي تم الاكتتاب فيه .

إذا كانت أسهم زيادة رأس المال مقابل تقديم حصة عينية وجب أن يتم تقويمها وفقا لأحكام المادة ١١ من قانون الشركات، وتقوم الجمعية العامة العادية مقام الجمعية التأسيسية في هذا الشأن.

في حالة تغطية الزيادة في رأس المال عن طريق التحويل من الاحتياطي الاختياري أو من الأرباح المحتجزة أو ما زاد عن الحد الأدنى للاحتياطي القانوني، تقوم الشركة بإصدار أسهم مجانية بالقيمة الأسمية ودون علاوة إصدار وتوزع هذه الأسهم على المساهمين بنسبة ما يملكه كل منهم في رأس المال.

في حالة تغطية الزيادة في رأس المال عن طريق تحويل دين على الشركة أو المسندات أو الصكوك إلى أسهم، يتبع في هذا الشأن الأحكام المنصوص عليها في قانون الشركات وتعديلاته ولائحته التنفيذية.

للجمعية العامة غير العادية، بناء على اقتراح مسبب من مجلس الإدارة ، أن تقرر بعد موافقة هيئة أسواق المال تخفيض رأس مال الشركة وذلك في الحالات التالية :

١. إذا زاد رأس المال عن حاجة الشركة.
٢. إذا أصيبت الشركة بخسائر لا يحتمل تغطيتها من أرباح الشركة.
٣. الحالات الأخرى المحددة باللائحة التنفيذية لقانون الشركات.

إذا كان قرار التخفيض بسبب زيادة رأس المال عن حاجة الشركة ، يتعين على الشركة قبل تنفيذ قرار التخفيض أن تقوم بالوفاء بالديون الحالة وتقديم الضمانات الكافية للوفاء بالديون الآجلة، ويجوز لدائني الشركة في حالة عدم الوفاء بديونهم الحالة أو عدم كفاية ضمانات الديون الآجلة ، الاعتراض على قرار التخفيض أمام المحكمة المختصة وفقاً للمقرر باللائحة التنفيذية لقانون الشركات.

يتم تخفيض رأس المال بإحدى الطرق التالية:

١ ـ تخفيض القيمة الأسمية للسهم بما لا يقل عن الحد الأدنى المقرر.

٩ ٢ ٢٠١٧

"ط"/أ

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

٢- إلغاء عدد من الأسهم بقيمة المبلغ المقرر تخفيضه من رأس المال.
٣- شراء الشركة لعدد من أسهمها بقيمة المبلغ الذي تريد تخفيضه من رأس المال.
وتتبع الإجراءات الخاصة بذلك على النحو المبين باللائحة التنفيذية لقانون الشركات.

يخضع تداول الأسهم لأحكام القانون رقم ٧ لسنة ٢٠١٠ المشار إليه ولائحته التنفيذية وما تصدره هيئة أسواق المال من قواعد بهذا الشأن.

يجوز للشركة أن تشتري أسهمها لحسابها - في الحدود ووفقا للشروط و الاحكام المقررة بموجب قانون و لوائح و تعليمات هيئة أسواق المال- في الحالات التالية :-

١- أن يكون ذلك بغرض المحافظة على استقرار سعر السهم، وبما لا يجاوز النسبة التي تحددها هيئة أسواق المال من مجموع أسهم الشركة.
٢- تخفيض رأس المال.
٣- عند استيفاء الشركة لدين مقابل هذه الأسهم.
٤- سداد دين قائم علي الشركة لصالح الغير
٥- توزيعها علي مساهمي الشركة كاسهم منحة دون ان يترتب علي ذلك زيادة في راس المال او زيادة عدد الاسهم المصدرة.
٦- عمليات المبادلة في حالات الاندماج او الاستحواذ علي شركات اخري
٧- توزيعها كلها أو غيرها علي العاملين في الشركة وذلك ضمن برنامج خيار الاسهم للموظفين ، بشرط موافقة الجمعية العامة ، ووفقاً للقواعد المنظمة لذلك والمعتمدة من قبل الجمعية العامة للشركة .
٨- أي حالات أخري تحددها هيئة اسواق المال.

ولا تدخل الأسهم المشتراة في مجموع أسهم الشركة في الأحوال التي تتطلب تملك المساهمين نسبة معينة من رأس المال.

وفي جميع المسائل الخاصة باحتساب النصاب اللازم لصحة اجتماع الجمعية العامة ، والتصويت على القرارات بالجمعية العامة.

على النحو الذي تنظمه هيئة أسواق المال.

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

تفوض الجمعية العامة العادية مجلس الادارة بشراء أو بيع أسهم الشركة بما لا يتجاوز ١٠% من عدد أسهمها وفقا لأحكام القانون .
يعتبر المساهمون اعضاء في الشركة ، و يتمتعون بحقوق متساوية و يخضعون لالتزامات واحدة ، مع مراعاة احكام القانون.
يتمتع المساهم في الشركة بوجه خاص بالحقوق التالية:
١- قبض الأرباح والحصول على أسهم المنحة التي يتقرر توزيعها.
٢- المشاركة في إدارة الشركة عن طريق العضوية في مجلس الإدارة وحضور الجمعيات العامة والاشتراك في مداولاتها، وذلك طبقا لأحكام قانون الشركات وهذا النظام، ويقع باطلا أي اتفاق على خلاف ذلك.
٣- الحصول قبل اجتماع الجمعية العامة بسبعة أيام على الأقل على البيانات المالية للشركة عن الفترة المحاسبية المنقضية وتقرير مجلس الإدارة وتقرير مراقب الحسابات.
٤- التصرف في الأسهم المملوكة له والأولوية في الاكتتاب بالأسهم الجديدة والسندات والصكوك وفقا لأحكام قانون الشركات وهذا العقد.
٥- الحصول على نصيب من موجودات الشركة عند التصفية بعد الوفاء بما عليها من ديون.
يلتزم المساهم في الشركة بوجه خاص بما يلي :
١- تسديد الأقساط المستحقة على ما يملكه من أسهم عند حلول مواعيد الاستحقاق ودفع التعويض عن التأخير في السداد.
٢- دفع النفقات التي تكون الشركة قد تحملتها في سبيل استيفاء الأقساط غير المدفوعة من قيمة أسهمه، وللشركة التنفيذ على الأسهم استيفاء لحقوقها.
٣- تنفيذ القرارات التي تصدرها الجمعية العامة للشركة.
٤- الامتناع عن أي عمل يؤدي إلى الإضرار بالمصالح المالية أو الأدبية للشركة والالتزام بتعويض الأضرار التي تنشأ عن مخالفة ذلك.
٥- إتباع القواعد والإجراءات المقررة بشأن تداول الأسهم.
يجوز لكل مساهم اقامة الدعوي ببطلان أي قرار يصدر عن مجلس الادارة او الجمعية العامة العدية او غير العادية

٢٠١٧ ٢ ٩

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الخليج للتأمين (ش٠م٠ك.) عامة .

رقم القيد في السجل التجاري : ٩٣٩٠

مخالفا للقانون او عقد تأسيس الشركة او هذا النظام او كان يقصد به الاضرار بمصالح الشركة ، و المطالبة بالتعويض عند الاقتضاء، و تسقط دعوة البطلان بمضي شهرين من تاريخ صدور قرار الجمعية او علم المساهم بقرار مجلس الادارة.

كما يجوز الطعن على قرارات الجمعية العامة العادية و الغير عادية التي يكون فيها اجحاف بحقوق الاقلية و يتم الطعن من قبل عدد من مساهمي الشركة يملكون خمسة عشر بالمائة من راس مال الشركة المصدر ، و لا يكونون ممن وافقوا على تلك القرارات ، وتسقط هذه الدعوة بمضي شهرين من تاريخ قرار الجمعية ، وللمحكمة في هذه الحالة أن تؤيد القرارات أو تعدلها أو تلغيها ، أو أن ترجئ تنفيذها حتى تجرى التسوية المناسبة لشراء أسهم المعترضين بشرط ألا يتم شراء هذه الأسهم من رأس مال الشركة.

المادة (٢٠) من النظام الأساسي :

يتولى ادارة الشركة مجلس ادارة مؤلف من عشرة أعضاء تنتخبهم الجمعية العامة بالتصويت السري.

يجوز لكل مساهم سواء كان شخصا طبيعيا او اعتباريا تعيين ممثلين له في مجلس ادارة الشركة بنسبة ما يملكه من أسهم فيها ، ويستنزل عدد أعضاء مجلس الادارة المختارين بهذه الطريقة من مجموع أعضاء مجلس الادارة الذين يتم انتخابهم ، ولا يجوز للمساهمين الذين لهم ممثلين في مجلس الادارة الاشتراك مع المساهمين الاخرين في انتخاب باقي أعضاء مجلس الادارة ، الا في حدود ما زاد عن النسبة المستخدمة في تعيين ممثليه في مجلس الادارة ، ويجوز لمجموعة من المساهمين ان يتحالفوا فيما بينهم لتعيين ممثل أو أكثر عنهم في مجلس الادارة وذلك بنسبة ملكيتهم مجتمعة .

ويكون لهؤلاء الممثلين ما للأعضاء المنتخبين من الحقوق والواجبات ، ويكون المساهم مسئولا عن أعمال ممثليه تجاه الشركة ودائنيها ومساهميها .

يجب أن يكون من بين اعضاء مجلس الادارة عضو أو أكثر من الاعضاء المستقلين من ذوى الخبرة والكفاءة تختارهم الجمعية العامة العادية وتحدد مكافاتهم وفقا لقواعد الحوكمة وعلى الا يزيد عددهم عن نصف أعضاء المجلس ، و لا يشترط ان يكون العضو المستقل من بين المساهمين بالشركة.

ويجوز اعادة انتخاب أو تعيين ذات الاعضاء لأكثر من دورة .

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش٠م٠ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

المادة (٢٢) من النظام الأساسي :
يجب أن تتوافر في من يرشح لعضوية مجلس الإدارة الشروط التالية:
١ - أن يكون متمتعاً بأهلية التصرف.
٢ - ألا يكون قد سبق الحكم عليه في جناية بعقوبة مقيدة للحرية أو في جريمة إفلاس بالتقصير أو التدليس أو جريمة مخلة بالشرف أو الأمانة أو بعقوبة مقيدة للحرية بسبب مخالفته لأحكام قانون الشركات ما لم يكن قد رد إليه اعتباره.
٣ - فيما عدا أعضاء مجلس الادارة المستقلين ، يجب ان يكون مالكا بصفة شخصية أو يكون الشخص الذي يمثله مالكا لعدد من أسهم الشركة .
وإذا فقد عضو مجلس الإدارة أيا من الشروط المتقدمة او غيرها من الشروط الواردة بالمادة (٢٨) من هذا النظام او قانون الشركات او القوانين الأخرى زالت عنه صفة العضوية من تاريخ فقدان ذلك الشرط.

المادة (٢٨) من النظام الاساسي:
يجتمع مجلس الإدارة بناء علي دعوة من رئيسه أو بناء علي طلب كتابي مقدم من عضوين متي طلب منه ذلك و لا يكون اجتماع مجلس الإدارة صحيحا إلا اذا حضره نصف عدد الأعضاء علي الأقل ، ويجوز الاجتماع باستخدام وسائل الاتصال الحديثة كما يجوز اتخاذ قرارات بالتمرير بموافقة جميع أعضاء المجلس.
ولا يجوز الحضور بالوكالة في اجتماعات المجلس.
ويجب أن يجتمع مجلس الإدارة ست مرات علي الأقل خلال السنة الواحدة ،علي ان يعقد اجتماعا واحدا كل ربع سنة علي الاقل .
و يفقد العضو بمجلس الادارة مركزه و تزول عنه صفة العضوية في اي من الحالات التالية:
١. اذا تخلف العضو بدون عذر مقبول عن المشاركة في اربع اجتماعات متتالية لمجلس الادارة ، اما بالنسبة للعضو المستقل فتزول عنه العضوية اذا تخلف عن حضور ٢٥% من عدد الجلسات ، كما يجب علي أعضاء مجلس الإدارة المستقلين حضور كافة الاجتماعات التي سيتم فيها اتخاذ قرارات هامه وجوهرية قد تؤثر علي الشركة.
٢. ما عدا عضو مجلس الادارة المستقل ، اذا لم يعد مالكا لعدد من الاسهم.
٣. اذا حكم عليه في جناية لعقوبة مقيدة للحرية او في جريمة مخلة بالشرف او الامانة .
٤. اذا اشهر إفلاسه .
٥. اذا فقد اهلية التصرف .

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .

رقم القيد في السجل التجاري : ٩٣٩٠

٦. اذا استقال من عضوية مجلس الادارة بموجب اشعار خطي .
٧. اذا قبل العضوية في مجلس ادارة شركة منافسة او اشترك في عمل من شانه منافسة او مضاربة الشركة ، او اتجر لحسابه او لحساب غيره في احد فروع النشاط الذي تزاوله الشركة ، ما لم يكن ذلك بموافقة الجمعية العامة العادية او اساء الي سمعة الشركة.

المادة (٣٥) من النظام الأساسي :

رئيس مجلس الإدارة وأعضاؤه مسئولون تجاه الشركة والمساهمين والغير عن جميع أعمال الغش وإساءة استعمال السلطة، وعن كل مخالفة لقانون الشركات أو لعقد الشركة، وعن الخطأ في الإدارة.
ولا يحول دون إقامة دعوى المسئولية إقتراع من الجمعية العامة بإبراء ذمة مجلس الإدارة، ولا يجوز لأعضاء مجلس الإدارة الاشتراك في التصويت على قرارات الجمعية العامة الخاصة بإبراء ذمتهم من المسؤولية عن إدارتهم أو التي تتعلق بمنفعة خاصة لهم او لأزواجهم أو أقاربهم من الدرجة الأولى أو بخلاف قائم بينهم وبين الشركة.
للشركة أن ترفع دعوى المسئولية على أعضاء مجلس الإدارة بسبب الأخطاء التي تنشأ عنها أضرار للشركة، فإذا كانت الشركة في دور التصفية تولى المصفى رفع الدعوى.
لكل مساهم أن يرفع الدعوى منفرداً نيابة عن الشركة في حالة عدم قيام الشركة برفعها، وفي هذه الحالة يجب اختصام الشركة ليحكم لها بالتعويض إن كان له مقتض. ويجوز للمساهم رفع دعواه الشخصية بالتعويض إذا كان الخطأ قد ألحق به ضررا. ويقع باطلا كل اتفاق يقضي بغير ذلك
تسقط دعوي المسؤولية بمضي خمس سنوات من تاريخ انعقاد اجتماع الجمعية العامة العادية التي اصدرت قراراها بإبراء ذمة المجلس او بثبوت خطئه، و مع ذلك اذا كان الفعل المنسوب الي اعضاء مجلس الادارة يكون جريمة جزائية فلا تسقط الدعوي الا بسقوط الدعوي الجزائية.

المادة (٣٦) من النظام الأساسي :

تنعقد الجمعية العامة العادية السنوية بناء على دعوة من مجلس الإدارة خلال الثلاثة أشهر التالية لانتهاء السنة المالية، وذلك في الزمان والمكان اللذين تعينهما الدعوة للحضور، وللمجلس أن يدعو الجمعية للاجتماع كلما دعت الضرورة إلى ذلك ، وعلى مجلس الإدارة أن يوجه دعوة الجمعية للاجتماع بناء على طلب مسبب من عدد من المساهمين يملكون

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

عشرة بالمئة من رأس مال الشركة، أو بناء على طلب مراقب الحسابات، وذلك خلال خمسة عشر يوما من تاريخ الطلب، وتعد جدول الأعمال الجهة التي تدعو إلى الاجتماع، على الوزارة أن تدعو الجمعية العامة للاجتماع خلال خمسة عشرة يوما ، إذا لم توجه الدعوة لاجتماع الجمعية من قبل مجلس الإدارة لأي سبب من الأسباب في الحالات التي يتعين فيها على المجلس دعوة الجمعية للاجتماع.
وتحل الوزارة محل مجلس الإدارة في اتخاذ الإجراءات اللازمة لعقد الاجتماع، ولها أن تترأس الاجتماع، ما لم تنتخب الجمعية أحد المساهمين لهذا الغرض.
المادة (٣٧) من النظام الأساسي :
توجه الدعوة إلى حضور اجتماع الجمعية العامة العادية متضمنة جدول الأعمال وزمان ومكان انعقاد الاجتماع مرتين عن طريق الإعلان أو عن طريق وسائل الاتصال التالية :
١ - خطابات مسجلة ترسل إلى جميع المساهمين قبل الموعد المحدد لانعقادها بأسبوع على الأقل.
٢ - إعلان في صحفيتين يوميتين على الأقل تصدران باللغة العربية ويجب أن يحصل الإعلان مرتين, على أن يتم الإعلان في المرة الثانية بعد مضي مدة لا تقل عن أسبوع من نشر الإعلان الأول وقبل انعقاد الجمعية العامة بأسبوع على الأقل مع نشر الإعلان الثاني في الجريدة الرسمية بالإضافة إلى الصحيفتين اليوميتين, ويجب أن تتضمن الدعوة جدول الأعمال.
٣ - البريد الالكتروني .
٤ - الفاكس .
على أن يتم الإعلان في المرة الثانية بعد مضي مدة لا تقل عن سبعة أيام من تاريخ نشر الإعلان الأول وقبل انعقاد الاجتماع بسبعة أيام على الأقل.
ويجب إخطار الوزارة كتابيا بجدول الأعمال وبميعاد ومكان الاجتماع قبل انعقاده بسبعة أيام على الأقل ، وذلك لحضور ممثلها ولا يترتب على عدم حضور ممثل الوزارة بعد إخطارها بطلان الاجتماع.
يشترط لصحة الإعلان بالوسائل المشار إليها في اعلاه في النقطتين الثالثة و الرابعة أن يكون المساهم قد زود الشركة أو وكالة المقاصة ببيانات عنوان بريده الالكتروني أو رقم الفاكس الخاص به ، ووافق على إعلانه من خلال هذه الوسائل .

٩   ٢   ٢٠١٧

"ط"/أ

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .**

رقم القيد في السجل التجاري : **٩٣٩٠**

ولا يعتد باي تغيير من قبل المساهم لأي من البيانات المشار إليها في الفقرة السابقة ما لم يكن قد اخطر الشركة أو وكالة المقاصة بهذا التغيير قبل اعلانه بخمسة ايام علي الاقل.
و في حالة النزاع حول تسلم الاعلان فانه يعتد في هذا الشأن بشهادة تصدر من مشغل خدمة البريد الإلكتروني.

المادة (٣٨) من النظام الأساسي :

وعلى مجلس الإدارة أن يوجه دعوة الجمعية للاجتماع بناء على طلب مسبب من عدد من المساهمين يملكون عشرة بالمئة من رأس مال الشركة، أو بناء على طلب مراقب الحسابات، وذلك خلال خمسة عشر يوما من تاريخ الطلب، وتعد جدول الأعمال الجهة التي تدعو إلى الاجتماع.
يجوز بقرار يصدر عن الجمعية العلمة العادية للشركة إقالة رئيس أو عضو او أكثر من أعضاء مجلس الإدارة أو حل مجلس إدارة الشركة وانتخاب مجلس جديد وذلك بناء على اقتراح يقدم بذلك من عدد من المساهمين يملكون مالا يقل عن ربع رأس مال الشركة المصدر.
وعند صدور قرار بحل مجلس الإدارة، وتعذر انتخاب مجلس جديد في ذات الاجتماع يكون للجمعية أن تقرر إما أن يستمر هذا المجلس في تسيير أمور الشركة إلى حين انتخاب المجلس الجديد أو تعيين لجنة إدارية مؤقتة تكون مهمتها الأساسية دعوة الجمعية لانتخاب المجلس الجديد، وذلك خلال شهر من تعيينها.

المادة (٤١) من النظام الأساسي :

يرأس اجتماع الجمعية العامة رئيس مجلس الادارة او نائبه او من ينتدبه مجلس الادارة لهذا الغرض او من تنتخبه الجمعية العامة من المساهمين او من غيرهم و لا يكون الاجتماع صحيحا الا اذا حضره عدد من المساهمين يملكون اكثر من نصف الاسهم فإذا لم يتوافر هذا النصاب وجب دعوة الجمعية إلى اجتماع ثان لذات جدول الأعمال يعقد خلال مدة لا تقل عن سبعة أيام ولا تزيد عن ثلاثين يوما من تاريخ الاجتماع الأول ، ويكون الاجتماع الثاني صحيحا أيا كان عدد الحاضرين. ويجوز ألا توجه دعوة جديدة للاجتماع الثاني إذا كان قد حدد تاريخه في الدعوة إلى الاجتماع الأول.
وتصدر القرارات بالأغلبية المطلقة للأسهم الحاضرة في الاجتماع.

المادة (٤٢) من النظام الأساسي :

تجتمع الجمعية العامة غير العادية بناء على دعوة من مجلس الإدارة، أو بناء على طلب مسبب من مساهمين يمثلون

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش.م.ك.) عامة .**

رقم القيد في السجل التجاري : ٩٣٩٠

خمسة عشر بالمائة من رأس مال الشركة المصدر أو من وزارة التجارة والصناعة، ويجب على مجلس الإدارة أن يدعو الجمعية العامة غير العادية للاجتماع خلال ثلاثين يوماً من تاريخ تقديم الطلب.
وإذا لم يقم مجلس الإدارة بدعوة الجمعية العامة خلال المدة المنصوص عليها بالفقرة السابقة تقوم وزارة التجارة والصناعة بالدعوة للاجتماع خلال مدة خمسة عشر يوماً من تاريخ انتهاء المدة المشار إليها في الفقرة السابقة.
لا يكون اجتماع الجمعية العامة غير العادية صحيحا ما لم يحضره مساهمون يمثلون ثلاثة أرباع رأس مال الشركة المصدر. فإذا لم يتوافر هذا النصاب وجهت الدعوة إلى اجتماع ثان يكون صحيحا إذا حضره من يمثل أكثر من نصف رأس المال المصدر. وتصدر القرارات بأغلبية تزيد على نصف مجموع أسهم رأس مال الشركة المصدر.
المادة (٤٤) من النظام الأساسي :
يسري علي اجراءات دعوة الجمعية العامة بصفاتها المختلفة و نصاب الحضور و التصويت احكام قانون الشركات رقم (١) لسنة ٢٠١٦ و لائحته التنفيذية و تعديلاتهما اللاحقة.
المادة (٤٨) من النظام الأساسي :
مع مراعاة الاختصاصات الأخرى التي ينص عليها القانون تختص الجمعية العامة غير العادية بالمسائل التالية:
١- تعديل عقد الشركة.
٢- بيع كل المشروع الذي قامت من أجله الشركة أو التصرف فيه بأي وجه آخر.
٣- حل الشركة أو اندماجها أو تحولها أو انقسامها.
٤- زيادة رأس مال الشركة أو تخفيضه.
كل قرار يصدر عن الجمعية العامة غير العادية لا يكون نافذاً إلا بعد اتخاذ إجراءات الشهر.
يجب الحصول على موافقة وزارة التجارة والصناعة إذا كان القرار متعلقاً باسم الشركة أو أغراضها أو رأس مالها ، فيما عدا زيادة رأس المال عن طريق اصدار اسهم مقابل ارباح حققتها الشركة او نتيجة اضافة احتياطاتها – الجائز استعمالها –الي رأس المال.
المادة (٤٩) من النظام الأساسي :
تطبيق احكام المواد الخاصة بمراقب الحسابات الواردة بقانون الشركات رقم (١) لسنة ٢٠١٦ و لائحته التنفيذية .

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

وزارة التجارة والصناعة
إدارة السجل التجاري
قسم السجل التجاري

تأشيرة في السجل التجاري

اسم الشركة ونوعها : **شركة مجموعة الخليج للتأمين (ش٠م٠ك.) عامة .**

رقم القيد في السجل التجاري : ٩٣٩٠

المادة (٥٢) من النظام الأساسي :
تبدأ السنة المالية للشركة من اول يناير و تنتهي في ٣١ ديسمبر من كل سنة . و يستثني من ذلك السنة المالية الاولي للشركة فتبدأ من تاريخ قيام الشركة نهائيا و تنتهي في ٣١ ديسمبر من السنة التالية و تعقد الجمعية العامة العادية الأولي عقب انقضاء هذه المدة.
و يعد مجلس الادارة تقريرا سنويا عن السنة المالية المنتهية ، و تبين اللائحة التنفيذية تفصيلات ذلك.
المادة (٥٣) من النظام الأساسي :
يقتطع سنويا من الأرباح غير الصافية نسبة مئوية مجلس الإدارة ، بعد اخذ راي مراقب الحسابات ، لاستهلاك موجودات الشركة أو التعويض عن نزول قيمتها، وتستعمل هذه الأموال لشراء المواد والآلات والمنشآت اللازمة أو لإصلاحها .
كما يقتطع جزء من الأرباح تقره الجمعية العامة لمواجهة الالتزامات المترتبة على الشركة بموجب قوانين العمل .
و لا يجوز توزيع هذه الاموال علي المساهمين.
المادة (٦١) من النظام الأساسي :
تطبق أحكام قانون الشركات رقم ١ لسنة ٢٠١٦ ولائحته التنفيذية وتعديلاتهما اللاحقة في كل مالم يرد بشأنه نص خاص في عقد التأسيس أو في هذا النظام.

٩ ٢ ٢٠١٧

"ط"(أ)

مدير إدارة السجل التجاري

27.12. **Financial Statements**

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

EY
Building a better working world

Ernst & Young
Al Alban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

BAKER TILLY KUWAIT
Audit, tax and consulting
P.O.Box 1486 Safat 13015
Kuwait

T: +965 1887799
F: +965 22942651

info@bakertillykuwait.com
www.bakertillykuwait.com

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

EY
Building a better working world

BAKER TILLY KUWAIT

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

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

Key Audit Matters (continued)

a) Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts are significant to the Group's consolidated financial statements at 31 December 2017. The determination as to whether a receivable is collectable involves management judgment. Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

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

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

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

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

Further, we assessed the adequacy of the disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 11 and 12 to the consolidated financial statements.

EY
Building a better working world

BAKER TILLY KUWAIT

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

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

Key Audit Matters (continued)

b) Impairment of Goodwill

The impairment testing of goodwill performed by the management is significant to our audit because assessment of the recoverable amount of cash generating unit (CGU) under the value-in-use basis is complex and requires considerable judgment on the part of management. As disclosed in Note 2.3 and 8 to the consolidated financial statements, management's impairment assessment process is highly judgmental and is carried out using various variables and assumptions, including interest margin, discount rates, market share assumptions, projected growth rates and inflation rates, which are affected by expected future market or economic conditions. Given the high level of management judgment in their impairment assessment, we considered this area to be a key audit matter.

Our audit procedures included an assessment of the management's estimates, evaluation and testing the assumptions, methodologies, cash generating unit (CGU) determination, discount rates and data used by the Group. We evaluated the basis of preparing those forecasts taking into account the appropriateness of forecasts and the evidence supporting underlying assumptions. Future cashflows assumptions were evaluated through comparison of current performance, seeking corroborative evidence and enquiry with management in respect of key growth and performance assumptions. We further evaluated the reasonableness of other key assumptions such as interest margin, discount rates, market share assumptions, projected growth rates and inflation rates used in the value in use model. We further assessed the adequacy of disclosures in Note 8 of the consolidated financial statements.

c) Insurance and Reinsurance Technical Reserves

Insurance and reinsurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred But Not Reported reserve ("IBNR"). As at 31 December 2017, the insurance and reinsurance technical reserves are significant to the Groups total liabilities. As disclosed in Notes 2.3 and 12 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities. The Group uses different models to calculate the insurance and reinsurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.

EY
Building a better working world

BAKER TILLY KUWAIT

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

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

Key Audit Matters (continued)

c) Insurance and Reinsurance Technical Reserves (continued)

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

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

For non-life insurance technical reserves, the management uses the work of their internal specialist to assess the liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's specialist and evaluating their work. In addition, we have performed test of controls in place, checked the design and the operating effectiveness and assessed the validity of management's liability adequacy testing to obtain reasonable assurance that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessing the accuracy of the historical data used, and evaluating the projected cashflows and assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features. Further, we assessed the adequacy of the disclosures relating to these reserves given in Note 12 to the consolidated financial statements.

EY
Building a better working world

BAKER TILLY KUWAIT

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

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

Other information included in the Group's 2017 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2017 Annual Report after the date of our auditors' report.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

EY

Building a better working world

BAKER TILLY KUWAIT

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

EY
Building a better working world

BAKER TILLY
KUWAIT

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

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

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

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

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

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

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

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

EY
Building a better working world

BAKER TILLY KUWAIT

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

MOHAMMED HAMED AL SULTAN
LICENSE NO. 100 A
AL SULTAN AND PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

27 February 2018
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Revenue:			
Premiums written		**304,778,604**	213,207,489
Reinsurance premiums ceded		**(170,222,664)**	(109,089,437)
Net premiums written		**134,555,940**	104,118,052
Movement in unearned premiums reserve		**(7,367,671)**	1,837,675
Movement in life mathematical reserve		**(1,225,597)**	(549,567)
Net premiums earned		**125,962,672**	105,406,160
Commission received on ceded reinsurance		**17,332,668**	15,142,356
Policy issuance fees		**3,464,856**	3,346,876
Net investment income from designated life and medical insurance	4	**1,702,931**	609,414
		148,463,127	124,504,806
Expenses:			
Claims incurred	12	**95,685,014**	76,286,158
Commission and discounts		**15,461,462**	12,746,770
Maturity and cancellations of life insurance policies		**2,402,188**	2,204,969
General and administrative expenses		**26,661,194**	19,819,385
		140,209,858	111,057,282
Net underwriting income		**8,253,269**	13,447,524
Net investment income	4	**6,460,089**	8,045,086
Finance costs		**(1,515,741)**	(953,765)
Share of results of associates	7	**4,145,623**	2,341,013
Net sundry income		**1,371,565**	651,983
		18,714,805	23,531,841
Other charges:			
Unallocated general and administrative expenses		**(7,057,340)**	(8,476,456)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' REMUNERATION		**11,657,465**	15,055,385
Provision for contribution to Kuwait Foundation for advancement of science (KFAS)		**(193,055)**	(191,797)
Provision for National Labour Support Tax (NLST)		**(168,982)**	(182,644)
Provision for Zakat		**(122,098)**	(86,566)
Directors' remuneration		**(185,000)**	(185,000)
PROFIT FOR THE YEAR		**10,988,330**	14,409,378
Attributable to:			
Equity holders of the Parent Company		**10,289,492**	12,001,722
Non-controlling interests		**698,838**	2,407,656
		10,988,330	14,409,378
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	**57.48 fils**	67.02 fils

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	2017 KD	2016 KD
Profit for the year		**10,988,330**	14,409,378
Other comprehensive loss			
Other comprehensive loss to be reclassified to consolidated statement of income in subsequent periods:			
- Financial assets available for sale:			
Net unrealised gain (loss) on investments available for sale		**335,137**	(133,328)
Net realised gain transferred to consolidated statement of income on sale of investments available for sale	4	**(1,173,221)**	(1,089,845)
Transfer to consolidated statement of income on impairment of investments available for sale	4	**1,144,900**	573,412
- Share of other comprehensive income (loss) of associates	7	**215,911**	(31,694)
- Exchange differences on translation of foreign operations		**(988,035)**	(11,365,396)
Other comprehensive loss for the year		**(465,308)**	(12,046,851)
Total comprehensive income for the year		**10,523,022**	2,362,527
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**9,404,251**	(45,129)
Non-controlling interests		**1,118,771**	2,407,656
		10,523,022	2,362,527

The attached notes 1 to 31 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 KD	2016 KD
ASSETS			
Property and equipment	6	**17,880,111**	14,961,776
Investment in associates	7	**40,850,904**	39,958,891
Goodwill	8	**15,104,460**	14,093,553
Financial instruments:			
Investments held to maturity		**19,509,904**	19,654,769
Debt securities (loans)		**18,329,989**	14,489,750
Investments available for sale	9	**36,168,453**	17,027,588
Investments carried at fair value through profit or loss	10	**26,421,139**	24,088,901
Loans secured by life insurance policies		**1,604,035**	1,655,396
Premiums and insurance balances receivable	11	**93,470,873**	58,385,367
Reinsurance recoverable on outstanding claims	12	**104,529,303**	51,265,374
Investment properties		**2,878,466**	3,167,163
Other assets	13	**23,328,927**	18,442,312
Time deposits	14	**38,438,911**	25,618,550
Cash and cash equivalents	15	**55,581,425**	73,069,509
TOTAL ASSETS		**494,096,900**	375,878,899
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS			
Share capital	16	**18,703,913**	18,703,913
Share premium		**3,600,000**	3,600,000
Treasury shares	17	**(4,203,067)**	(4,195,301)
Treasury shares reserve		**2,051,215**	2,051,215
Statutory reserve	18	**18,703,913**	18,703,913
Voluntary reserve	19	**24,888,125**	23,792,262
Other reserve		**(3,062,725)**	(3,062,725)
Cumulative changes in fair values		**(754,256)**	(1,074,550)
Foreign currency translation adjustments		**(16,590,050)**	(15,384,515)
Revaluation reserve		**2,559,760**	2,559,760
Retained earnings		**38,652,932**	36,619,761
Equity attributable to equity holders of the Parent Company		**84,549,760**	82,313,733
Non-controlling interests		**20,979,887**	19,456,694
Total equity		**105,529,647**	101,770,427
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve	12	**156,687,629**	103,869,440
Unearned premiums reserve	12	**49,362,565**	33,203,178
Life mathematical reserve	12	**20,186,446**	18,962,899
Incurred but not reported reserve	12	**1,650,000**	1,650,000
Total liabilities arising from insurance contracts		**227,886,640**	157,685,517
Premiums received in advance		**4,430,319**	9,761,288
Insurance payable	20	**66,729,198**	59,881,348
Other liabilities	21	**34,139,439**	22,024,301
Bank overdrafts	15	**55,381,657**	24,756,018
TOTAL LIABILITIES		**388,567,253**	274,108,472
TOTAL EQUITY AND LIABILITIES		**494,096,900**	375,878,899

Farqad A. Al-Sane
Chairman

The attached notes 1 to 31 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Parent Company													
	Share capital KD	Share premium KD	Treasury shares KD	Treasury share reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2017	18,703,913	3,600,000	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,074,550)	(15,384,515)	2,559,760	36,619,761	82,313,733	19,456,694	101,770,427
Profit for the year	-	-	-	-	-	-	-	-	-	-	10,289,492	10,289,492	698,838	10,588,330
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	320,294	(1,205,535)	-	-	(885,241)	419,933	(465,308)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	320,294	(1,205,535)	-	10,289,492	9,404,251	1,118,771	10,523,022
Dividend for 2016 (Note 16)	-	-	-	-	-	-	-	-	-	-	(7,160,458)	(7,160,458)	-	(7,160,458)
Purchase of treasury Shares	-	-	(7,766)	-	-	-	-	-	-	-	-	(7,766)	-	(7,766)
Change in ownership of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	1,565,769	1,565,769
Transfer to voluntary reserve (Note 19)	-	-	-	-	-	1,095,863	-	-	-	-	(1,095,863)	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,161,347)	(1,161,347)
As at 31 December 2017	**18,703,913**	**3,600,000**	**(4,203,067)**	**2,051,215**	**18,703,913**	**24,888,125**	**(3,062,725)**	**(754,256)**	**(16,590,050)**	**2,559,760**	**38,652,932**	**84,549,760**	**20,979,887**	**105,529,647**

The attached notes 1 to 31 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2017

	Attributable to equity holders of the Parent Company													
	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Treasury share reserve KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Other reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation adjustments KD*	*Revaluation reserve KD*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interests KD*	*Total equity KD*
Balance at 1 January 2016	18,703,913	3,600,000	(4,136,617)	2,051,215	18,574,076	22,527,489	(3,061,226)	(393,095)	(4,019,119)	2,559,760	33,176,581	89,582,977	21,426,945	111,009,922
Profit for the year	-	-	-	-	-	-	-	-	-	-	12,001,722	12,001,722	2,407,656	14,409,378
Other comprehensive loss for the year	-	-	-	-	-	-	-	(681,455)	(11,365,396)	-	-	(12,046,851)	-	(12,046,851)
Total comprehensive (loss) income for the Year	-	-	-	-	-	-	-	(681,455)	(11,365,396)	-	12,001,722	(45,129)	2,407,656	2,362,527
Dividend for 2015 (Note 16)	-	-	-	-	-	-	-	-	-	-	(7,163,932)	(7,163,932)	-	(7,163,932)
Purchase of treasury Shares	-	-	(58,684)	-	-	-	-	-	-	-	-	(58,684)	-	(58,684)
Change in ownership of a subsidiary	-	-	-	-	-	-	(1,499)	-	-	-	-	(1,499)	-	(1,499)
Non-controlling interest arising on acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	124,474	124,474
Transfer to reserves (Note 18 & 19)	-	-	-	-	129,837	1,264,773	-	-	-	-	(1,394,610)	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,502,381)	(4,502,381)
Balance at 31 December 2016	18,703,913	3,600,000	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,074,550)	(15,384,515)	2,559,760	36,619,761	82,313,733	19,456,694	101,770,427

The attached notes 1 to 31 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		11,657,465	15,055,385
Adjustments for:			
Depreciation	6	2,122,472	1,096,030
Net investment income		(9,307,920)	(8,274,147)
Impairment losses	4	1,144,900	573,412
Share of results of associates	7	(4,145,623)	(2,341,013)
		1,471,294	6,109,667
Changes in operating assets and liabilities:			
Investments carried at fair value through profit or loss		(1,382,779)	3,502,612
Premiums and insurance balances receivable		(18,726,379)	3,879,307
Reinsurance recoverable on outstanding claims		(45,918,596)	(8,394,850)
Other assets		3,995,289	563,234
Liabilities arising from insurance contracts		42,040,386	1,887,624
Premiums received in advance		(5,330,969)	5,814,857
Insurance payable		(7,554,390)	10,653,586
Other liabilities		4,869,478	(2,536,558)
Cash flows (used in) from operations		(26,536,666)	21,479,479
Paid to KFAS		(112,963)	(53,367)
Paid to NLST		(80,367)	(221,446)
Zakat paid		(68,132)	(67,508)
Paid to directors		(185,000)	(155,000)
Net cash flows (used in) from operating activities		(26,983,128)	20,982,158
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(4,257,484)	(1,472,540)
Proceeds from sale of property and equipment		288,164	317,546
Acquisition of a subsidiary, net of cash acquired	3	(1,536,314)	(853,998)
Dividend received from associates	7	1,278,143	1,034,200
Movement in investment held to maturity		144,865	6,225,702
Movement in debt securities (loans)		(3,840,239)	3,557,871
Net movement on investments available for sale		1,773,184	4,645,682
Movement in loans secured by life insurance policies		51,361	(308,297)
Other assets	13	(1,443,737)	-
Time deposits (placed) withdrawn		(12,820,361)	9,042,370
Interest income received	4	5,991,872	5,756,384
Dividend income received	4	1,749,040	1,691,069
Net cash flows (used in) from investing activities		(12,621,506)	29,635,989
FINANCING ACTIVITIES			
Dividends paid		(7,160,458)	(7,163,932)
Purchase of treasury shares		(7,766)	(58,684)
Dividends to non-controlling interests		(1,161,347)	(4,502,381)
Net cash flows used in financing activities		(8,329,571)	(11,724,997)
Foreign currency translation adjustments		(179,518)	(8,170,687)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(48,113,723)	30,722,463
Cash and cash equivalents at beginning of the year		48,313,491	17,591,028
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	199,768	48,313,491

The attached notes 1 to 31 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 18 February 2018. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 44.04% (31 December 2016: 44.04%) owned by Kuwait Projects Company Holding K.S.C. and 41.42% (31 December 2016: 41.42%) by Fairfax Middle East Limited Company.

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

The Group employs 1,995 employees as at 31 December 2017 (31 December 2016: 1,676 employees).

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost convention modified to include the measurement at fair value of investments carried at fair value through profit or loss, investments available for sale, investment properties and land and buildings. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2017.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Product classification

Insurance contracts

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

Investment contracts

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of
the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Revenue recognition

Premiums earned

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

Commissions earned and paid

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

Policy issuance fees

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

Interest income

Interest income is recognised using the effective interest rate method.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

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

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

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

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account of that year.

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The Deferred policy Acquisition Costs (DAC) are subsequently amortised over the term of the insurance contracts to which they relate as premiums are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the consolidated statement of income. DAC is also considered in the liability adequacy test for each reporting period.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held

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

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

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

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

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

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

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

Taxation

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

Property and equipment

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings	20 – 50	years
Leasehold improvements	Up to 7	years
Computers	3 – 5	Years
Furniture and fixtures	1 – 2	years
Motor vehicles	1 – 4	years

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

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post acquisition charges in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

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

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

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

Financial assets

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

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

Investments held to maturity

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

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Investments available for sale

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

Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss include financial assets held for trading and those designated at fair value through consolidated statement of income at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through consolidated statement of income, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated statement of income.

Receivables

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

Cash and cash equivalents

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

De-recognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Impairment of financial assets

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

Investments available for sale

For investments available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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

Fair values of financial instruments and further details as to how they are measured are provided in Note 30.

Financial liabilities

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

Initial recognition and measurement

Financial liabilities are initially recognised at fair value.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Insurance payables

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

De-recognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments

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

Fair values

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Outstanding claims reserve

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

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

Unearned premium reserve

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

Life mathematical reserve

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

Incurred but not reported reserve

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

End of service indemnity

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

Treasury shares

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

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

Non-life insurance contract liabilities (Insurance technical reserves)

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

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

Life insurance contract liabilities (Life mathematical reserve)

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

Reinsurance

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

Impairment of goodwill

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

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

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

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

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

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

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Annual Improvements Cycle - 2014-2016
Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12. The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and revised IASB Standards issued but not yet effective

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2017, the Group performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

The Group meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

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

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

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

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

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group expects to apply IFRS 15 fully retrospective. Given insurance contracts are scoped out of IFRS 15. The Group does not expect the impact to be significant.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

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

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

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

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

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

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

Transfers of Investment Property — Amendments to IAS 40
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight.

Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that:
An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity. associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

3 BUSINESS COMBINATION

On 28 April 2017, the Group acquired 100% equity interest of AIG Sigorta Anonim Şirketi ("AIG"), a company incorporated in Turkey from a non-related party. The Group determined that it exercises control over AIG at the date of acquisition and consequently started consolidating AIG from that date in accordance with the requirements of IFRS 3 "Business Combination".

The acquisition has been accounted based on the provisional values assigned to the identifiable assets and liabilities of AIG as on the financial statements preceding the acquisition date and the management of the Parent Company is in the process of determining the fair values of assets acquired and liabilities assumed.

The following table summarise the consideration paid to acquire AIG with the amounts of identified provisional assets acquired and liabilities assumed at the acquisition date.

	Provisional fair value recognised on acquisition *KD*
Assets	
Property and equipment (Note 6)	349,798
Financial assets available for sale	16,784,324
Investments carried at fair value through profit or loss	191,836
Premiums and insurance balances receivable	6,152,217
Other assets	3,639,384
Cash and cash equivalents	8,559,184
Total assets	**35,676,743**
Liabilities	
Outstanding claims reserve	3,575,105
Unearned premiums reserve	7,131,703
Insurance payable	6,238,969
Other Liabilities	5,152,209
Total liabilities	**22,097,986**
Total identifiable net assets	**13,578,757**
Purchase consideration transferred	**14,589,664**
Provisional goodwill on acquisition	**1,010,907**
Cash flow on acquisition:	
Net asset acquired at the date of acquisition	13,578,757
Less: Net cash acquired in the subsidiary	(8,559,182)
Net cash outflow on acquisition	**5,019,575**

From the date of acquisition till the reporting date, AIG has contributed premium written and incurred loss of KD 16,100,125 and KD 144,428 respectively to the consolidated statement of income of the Group.

3 BUSINESS COMBINATION (continued)

In addition, on 2 April 2017, the Group increased its holding in the share capital of Takaful International B.S.C. (Takaful), a listed Company on the Bahrain Bourse, to 63.6% (31 December 2016: 40.9%). As a result, Takaful became a subsidiary of the Group and has been consolidated from that date. On 28 June 2017, the Group further increased its shareholding ownership from 63.6% to 67.3% in Takaful.

The acquisition has been accounted based on the provisional values assigned to the identifiable assets and liabilities of Takaful as on the financial statements preceding the acquisition date and the management of the Group is in the process of determining the fair values of assets acquired and liabilities assumed.

	Provisional fair value recognised on acquisition ***KD***
Property and equipment (Note 6)	1,795,436
Investments available for sale	3,997,021
Premiums and insurance balances receivable	10,206,910
Other assets	3,798,782
Time deposits	100,731
Cash and cash equivalents	4,671,519
Total assets	**24,570,399**
Insurance payable	8,163,272
Other liabilities	11,615,538
Total liabilities	**19,778,810**
Total identifiable net assets	4,791,589
Cash consideration for the acquisition	(1,288,988)
Non-controlling interests share in the acquiree's identifiable net assets	(1,565,769)
Provisional value of acquirer's previously held equity interests	(1,936,832)
Net gain arising on business combination	-
Cash flow on acquisition:	
Consideration paid	1,288,988
Less: Net cash acquired in the subsidiary	(4,772,249)
Net cash inflow on acquisition	**(3,483,261)**

From the date of acquisition till the reporting date, Takaful contributed premium written and net profit of KD 6,946,141 and KD 45,978 respectively to the consolidated statement of income of the Group.

4 NET INVESTMENT INCOME

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

	Debt securities (loans) KD	*Investments carried at fair value through consolidated statement of income KD*	*Time and call deposits KD*	*2017 Total KD*	*2016 Total KD*
Realised loss	-	-	-	-	(11,341)
Unrealised gain	-	1,199,643	-	1,199,643	184,742
Dividend income	-	39,609	-	39,609	34,821
Interest income	305,761	-	21,348	327,109	277,669
Other investment income	-	141,007	-	141,007	131,526
Total investment income	**305,761**	**1,380,259**	**21,348**	**1,707,368**	617,417
Financial charges and other expenses	-	(4,437)	-	(4,437)	(8,003)
Total investment expense	-	(4,437)	-	(4,437)	(8,003)
Net investment income	**305,761**	**1,375,822**	**21,348**	**1,702,931**	609,414

4 NET INVESTMENT INCOME (continued)

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

	Investments held to maturity KD	*Investments available for sale KD*	*Investments carried at fair value through consolidated statement of income KD*	*Investment properties KD*	*Time and call deposits KD*	*Other investment income KD*	*2017 Total KD*	*2016 Total KD*
Realised gain	-	1,173,221	12,588	-	-	-	1,185,809	1,526,737
Unrealised (loss) gain	-	-	(454,608)	-	-	-	(454,608)	1,116,394
Dividend income	-	1,078,078	631,353	-	-	-	1,709,431	1,656,248
Interest income	2,939,131	-	-	-	2,725,632	-	5,664,763	5,516,110
Rental income	-	-	-	8,360	-	-	8,360	32,743
Other investment income	-	-	-	-	-	311,225	311,225	2,421,451
Total investment income	2,939,131	2,251,299	189,333	8,360	2,725,632	311,225	8,424,980	12,269,683
Impairment loss (Note 9)	-	(1,144,900)	-	-	-	-	(1,144,900)	(573,412)
Other investment expenses	(323,141)	(428,039)	(37,350)	-	-	(31,461)	(819,991)	(3,651,185)
Total investment expense	(323,141)	(1,572,939)	(37,350)	-	-	(31,461)	(1,964,891)	(4,224,597)
Net investment income	2,615,990	678,360	151,983	8,360	2,725,632	279,764	6,460,089	8,045,086

5 BASIC AND DILUTED EARNINGS PER

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

The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2017	*2016*
Profit for the year attributable to equity holders of the Parent Company (KD)	**10,289,492**	12,001,722
	Shares	*Shares*
Number of shares outstanding at the beginning of the year	**187,039,125**	187,039,125
Weighted average number of treasury shares	**(8,028,679)**	(7,965,700)
Weighted average number of shares outstanding during the year	**179,010,446**	179,073,425
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**57.48 fils**	67.02 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

6 PROPERTY AND EQUIPMENT

	Land KD	*Buildings KD*	*Leasehold improvements KD*	*Computers KD*	*Furniture And Fixtures KD*	*Motor vehicles KD*	*Total KD*
Cost:							
At 1 January 2017	7,190,975	7,714,453	1,532,795	5,711,459	3,936,408	617,922	26,704,012
Additions	385,359	1,070,942	193,493	1,573,319	914,814	119,557	4,257,484
Arising on acquisition of subsidiary (Note 3)	863,057	674,226	74,818	299,878	198,686	34,569	2,145,234
Disposals	-	-	(403,416)	(93,326)	(60,982)	(120,096)	(677,820)
Foreign currency translation adjustment	(26,772)	(80,489)	562,806	1,759,894	238,639	75,945	2,530,023
At 31 December 2017	8,412,619	9,379,132	1,960,496	9,251,224	5,227,565	727,897	34,958,933
Accumulated depreciation:							
At 1 January 2017	-	2,295,128	1,105,570	4,803,100	3,136,621	401,817	11,742,236
Charge for the year	-	355,176	69,036	1,000,462	588,615	109,183	2,122,472
On disposals	-	-	(217,811)	(33,331)	(45,315)	(93,200)	(389,657)
Foreign currency translation adjustment	-	246,432	393,177	2,325,851	522,085	116,226	3,603,771
At 31 December 2017	-	2,896,736	1,349,972	8,096,082	4,202,006	534,026	17,078,822
Net carrying amount:							
At 31 December 2017	8,412,619	6,482,396	610,524	1,155,142	1,025,559	193,871	17,880,111

Part of the Parent Company's premises with net carrying amount of KD 1,260,000 (2016: KD 1,260,000) have been mortgaged with the Ministry of Commerce and Industry.

6 PROPERTY AND EQUIPMENT (continued)

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

7 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership* 2017	2016	*Principal Activity*
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj")	Kingdom of Saudi Arabia	**27%**	27%	Insurance
Al-Argan International Real Estate Company K.S.C.P. (Al-Argan)	State of Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	State of Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC")	Algeria	**42.5%**	42.5%	Insurance
Takaful International Insurance Company*	Bahrain	-	41%	Takaful Insurance

Carrying amount of investment in associates

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

	2017 KD	*2016 KD*
Carrying value at 1 January	**39,958,891**	39,633,670
Disposals *	**(2,090,295)**	-
Dividends received	**(1,278,143)**	(1,034,200)
Share of results of associates	**4,145,623**	2,341,013
Share of other comprehensive income (loss) of associates	**215,911**	(31,694)
Foreign currency translation adjustments	**(101,083)**	(949,898)
Carrying value at 31 December	**40,850,904**	39,958,891

* On 2 April 2017, the Group increased its holding in the share capital of Takaful International B.S.C. (Takaful), a listed Company on the Bahrain Bourse, to 63.6% (31 December 2016: 41%). As a result, Takaful became a subsidiary of the Group and has been consolidated from that date (Note 3).

Summarised financial information of material associates of the Group is as follows:

	Al-Buruj KD	*Al-Argan KD*	*Others KD*	*2017 KD*	*2016 KD*
Share of associates' financial position:					
Assets	**9,343,978**	**33,474,857**	**28,355,042**	**71,173,877**	69,624,036
Liabilities	**(630,885)**	**(15,356,988)**	**(16,934,806)**	**(32,922,679)**	(32,264,851)
Net assets	**8,713,093**	**18,117,869**	**11,420,236**	**38,251,198**	37,359,185
Goodwill	**640,164**	-	**1,959,542**	**2,599,706**	2,599,706
Net assets	**9,353,257**	**18,117,869**	**13,379,778**	**40,850,904**	39,958,891
Share of associates' revenues and net profit:					
Revenues	**2,238,635**	**1,796,590**	**1,848,199**	**5,883,424**	5,488,717
Net profit	**1,904,695**	**1,150,397**	**1,090,531**	**4,145,623**	2,341,013

7 INVESTMENT IN ASSOCIATES (continued)

Investment in associates include quoted associate with a carrying value of KD 36,998,913 (2016: KD 36,193,561) having a market value of KD 32,695,311 (2016: KD 30,340,285).

8 GOODWILL

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

	2017 KD	2016 KD
Arab Misr Insurance Group Company S.A.E.	**308,340**	308,340
Bahrain Kuwaiti Insurance Company B.S.C.	**2,625,935**	2,625,935
Arab Orient Insurance Company J.S.C.	**5,292,099**	5,292,099
Dar Al-Salam Insurance Company	**604,073**	604,073
Egypt Life Takaful Insurance Company S.A.E.	**167,904**	167,904
L'Algerienne Des Assurance (2a)	**3,932,981**	3,932,981
Gulf Sigorta A.Ş.	**2,173,128**	1,162,221
	15,104,460	14,093,553

Movement on goodwill during the year is as follows:

	2017 KD	2016 KD
As at I January	**14,093,553**	12,931,332
Provisional goodwill on acquisition of a subsidiary	**1,010,907**	1,162,221
As at 31 December	**15,104,460**	14,093,553

The recoverable amount of each segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The average discount rate used was 22.37% (2016: 15%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 3% (2016: 3%).

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

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

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

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

8 GOODWILL (continued)

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

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

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

9 INVESTMENTS AVAILABLE FOR SALE

	2017 *KD*	*2016* *KD*
Quoted equity securities	**30,187,221**	12,238,195
Unquoted equity securities	**5,156,956**	4,501,640
Unquoted managed funds	**824,276**	287,753
	36,168,453	17,027,588

Included in investments available for sale unquoted equity securities with a value of KD 10,545 (2016: KD 98,298) which are carried at cost as the fair value could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments. Based on the latest financial information available in respect of these investments and their operations, management is of the view that the value of these investments is not impaired.

Impairment loss of KD 1,144,900 (2016: KD 573,412) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

10 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *KD*	*2016* *KD*
Held for trading:		
Quoted securities	**10,723,931**	10,645,056
Designated upon initial recognition:		
Managed funds of quoted securities	**15,697,208**	13,443,845
	26,421,139	24,088,901

11 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2017 KD	2016 KD
Policyholders' accounts receivable		
Premiums receivable	95,356,336	60,141,869
Insured debts receivable	290,531	296,015
	95,646,867	60,437,884
Provision for doubtful debts	(8,874,577)	(7,587,153)
Net policyholders' accounts receivable	86,772,290	52,850,731

	2017 KD	2016 KD
Insurance and reinsurers' accounts receivable		
Reinsures' receivables	7,901,450	6,406,527
Provision for doubtful debts	(1,202,867)	(871,891)
Net insurance and reinsurers' accounts receivable	6,698,583	5,534,636
Total premiums and insurance balances receivable	93,470,873	58,385,367

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

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

	2017 KD	2016 KD
As at 1 January	7,587,153	6,592,181
Charge for the year	1,387,012	1,395,436
Amounts written off	(99,588)	(400,464)
As at 31 December	8,874,577	7,587,153

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

	2017 KD	2016 KD
As at 1 January	871,891	770,421
Charge for the year	330,976	101,470
As at 31 December	1,202,867	871,891

Gulf Insurance Group K.S.C.P. and its Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2017

12 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2017	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	3,398,194	26,038,208	13,866,153	8,367,772	5,472,339	19,413,666	27,313,108	103,869,440
Reinsurance recoverable on outstanding claims	(2,752,444)	(8,073,073)	(12,096,461)	(6,766,197)	(1,629,378)	(3,204,470)	(16,743,351)	(51,265,374)
Net balance at beginning of the year	645,750	17,965,135	1,769,692	1,601,575	3,842,961	16,209,196	10,569,757	52,604,066
Arising from acquisition of a subsidiary	368,387	387,523	213,452	315,624	2,258,433	-	31,686	3,575,105
Foreign currency translation difference	(762,670)	875,355	(223,493)	(332,622)	71,117	64,507	(16,594)	(324,400)
Incurred during the year (net)	555,155	33,546,359	1,219,019	1,535,760	1,802,122	2,733,180	54,293,419	95,685,014
Paid during the year (net)	(449,477)	(32,568,686)	(1,170,745)	(1,764,814)	(1,391,067)	(9,242,260)	(52,794,410)	(99,381,459)
NET BALANCE AT END OF THE YEAR	357,145	20,205,686	1,807,925	1,355,523	6,583,566	9,764,623	12,083,858	52,158,326
Represented in:								
Gross balance at end of the year	5,749,005	27,449,463	42,094,011	12,716,306	24,291,176	13,034,460	31,353,208	156,687,629
Reinsurance recoverable	(5,391,860)	(7,243,777)	(40,286,086)	(11,360,783)	(17,707,610)	(3,269,837)	(19,269,350)	(104,529,303)
NET BALANCE AT END OF THE YEAR	357,145	20,205,686	1,807,925	1,355,523	6,583,566	9,764,623	12,083,858	52,158,326
Unearned premiums reserve (net)	674,006	20,107,356	2,714,656	7,583,418	5,470,861	1,008,869	11,803,399	49,362,565
Life mathematical reserve (net)	-	-	-	-	-	20,060,463	125,983	20,186,446
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

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

12 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2016	Marine and aviation KD	Motor vehicles KD	Property KD	Engineering KD	General accidents KD	Life KD	Medical KD	Total KD
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	3,575,053	26,946,615	10,982,453	15,987,864	6,823,676	19,258,042	13,886,407	97,460,110
Reinsurance recoverable on outstanding claims	(2,805,197)	(5,042,551)	(9,024,290)	(13,917,200)	(2,109,695)	(3,398,338)	(6,541,630)	(42,838,901)
Net balance at beginning of the year	769,856	21,904,064	1,958,163	2,070,664	4,713,981	15,859,704	7,344,777	54,621,209
Foreign currency translation difference	(60,846)	(4,197,420)	(12,436)	84,304	(863,611)	(2,336)	(61,235)	(5,113,580)
Arising on acquisition of subsidiary	43	24,485	2,212	371	169,422	-	(376)	196,157
Incurred during the year (net)	305,414	31,322,770	403,248	104,441	952,106	12,162,230	31,035,949	76,286,158
Paid during the year (net)	(368,717)	(31,088,764)	(581,495)	(658,205)	(1,128,937)	(11,810,402)	(27,749,358)	(73,385,878)
NET BALANCE AT END OF THE YEAR	645,750	17,965,135	1,769,692	1,601,575	3,842,961	16,209,196	10,569,757	52,604,066
Represented in:								
Gross balance at end of the year	3,398,194	26,038,208	13,866,153	8,367,772	5,472,339	19,413,666	27,313,108	103,869,440
Reinsurance recoverable	(2,752,444)	(8,073,073)	(12,096,461)	(6,766,197)	(1,629,378)	(3,204,470)	(16,743,351)	(51,265,374)
NET BALANCE AT END OF THE YEAR	645,750	17,965,135	1,769,692	1,601,575	3,842,961	16,209,196	10,569,757	52,604,066
Unearned premiums reserve (net)	479,798	16,142,815	1,277,776	1,172,720	2,190,045	1,244,021	10,696,003	33,203,178
Life mathematical reserve (net)	-	-	-	-	-	18,870,019	92,880	18,962,899
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

13 OTHER ASSETS

	2017 *KD*	*2016* *KD*
Accrued interest income	**2,059,981**	1,249,322
Inward reinsurance retentions	**53,081**	56,614
Refundable claims	**165,758**	557,085
Advances towards acquisition of investment	**1,443,737**	-
Amounts due from related parties (Note 27)	**1,402,689**	1,402,689
Prepaid expenses and others	**18,203,681**	15,176,602
	23,328,927	18,442,312

14 TIME DEPOSITS

Time deposits of KD 38,438,911 (2016: KD 25,618,550) are placed with local and foreign banks and carry an average effective interest rate of 4.25% (2016: 4.5%) per annum. Time deposits mature within one year.

15 CASH AND CASH EQUIVALENTS

	2017 *KD*	*2016* *KD*
Cash on hand and at banks	**16,698,303**	27,881,801
Short term deposits and call accounts	**38,883,122**	45,187,708
Cash and cash equivalents in the consolidated statement of financial position	**55,581,425**	73,069,509
Bank overdrafts	**(55,381,657)**	(24,756,018)
Cash and cash equivalents in the consolidated statement of cash flows	**199,768**	48,313,491

Bank overdrafts represents a facility obtained from a local bank and carries an average interest rate of 1.125% (2016: 1.125%).

16 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 187,039,125 shares of 100 fils each (2016: 187,039,125 shares) which was fully paid in cash.

Cash dividends, bonus shares and directors' remuneration

The Ordinary Annual General Assembly of the Parent Company's shareholders held on 30 March 2017 approved the payment of cash dividends amounting to KD 7,160,458 for the year ended 31 December 2016 (2015: KD 7,163,932), which represents 38% of paid up share capital (2015: 40%).

The Board of Directors of the Parent Company have proposed cash dividend of 30 fils per share for 2017 (2016: 40 fils). This proposal is subject to the approval by Annual General Meeting of the shareholders of the Parent Company.

Directors' remuneration of KD 185,000 for the year ended 31 December 2017 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' remuneration of KD 185,000 for the year ended 31 December 2016 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 30 March 2017.

17 TREASURY SHARES

	2017	*2016*
Number of shares (share)	**8,038,740**	8,027,645
Percentage of issued shares (%)	**4.29%**	4.29%
Market value (KD)	**6,615,883**	5,378,522

18 STATUTORY RESERVE

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

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

19 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat tax and directors' fees has been transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of shareholders' General Assembly upon a recommendation by the board of directors. Voluntary reserve is available for distribution.

20 INSURANCE PAYABLE

	2017 *KD*	*2016* *KD*
Policyholders and agencies payables	**18,531,926**	16,039,602
Insurance and reinsurance payables	**48,739,296**	44,663,341
Amounts due from policyholders of Takaful unit (Note 29)	**(542,024)**	(821,595)
	66,729,198	59,881,348

21 OTHER LIABILITIES

	2017 *KD*	*2016* *KD*
Accrued expenses and others	**24,716,025**	13,776,121
Reserve for reinsurance premiums	**1,282,278**	1,313,703
KFAS, NLST and Zakat payables	**484,135**	461,007
Provision for end of service benefits	**7,472,001**	6,288,470
Proposed directors' remuneration	**185,000**	185,000
	34,139,439	22,024,301

22 SEGMENT INFORMATION

a) Segmental consolidated statement of income

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

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offers savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2017

22 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

Year ended 31 December 2017:	General risk insurance						Life and medical insurance			
	Marine and aviation KD	Motor vehicles KD	Property KD	Engineering KD	General accidents KD	Total general risk insurance KD	Life KD	Medical KD	Total life and medical insurance KD	Total KD
Revenue:										
Premiums written	8,688,300	31,309,417	50,840,025	22,422,627	20,648,974	133,909,343	9,796,254	161,073,007	170,869,261	304,778,604
Reinsurance premiums ceded	(6,399,571)	(28,403,663)	(3,148,164)	(13,722,164)	(11,999,549)	(63,673,111)	(3,222,144)	(103,327,409)	(106,549,553)	(170,222,664)
Net premiums written	2,288,729	2,905,754	47,691,861	8,700,463	8,649,425	70,236,232	6,574,110	57,745,598	64,319,708	134,555,940
Movement in unearned premiums reserve	(177,095)	(605,926)	(4,064,205)	(3,803,155)	(676,906)	(9,327,287)	233,488	1,726,128	1,959,616	(7,367,671)
Movement in life mathematical reserve	-	-	-	-	-	-	(1,192,495)	(33,102)	(1,225,597)	(1,225,597)
Net premiums earned	2,111,634	2,299,828	43,627,656	4,897,308	7,972,519	60,908,945	5,615,103	59,438,624	65,053,727	125,962,672
Commission received on ceded reinsurance	1,942,881	4,717,963	575,431	2,045,011	3,488,735	12,770,021	1,472,844	3,089,803	4,562,647	17,332,668
Policy issuance fees	191,677	162,806	1,570,418	70,214	150,640	2,145,755	19,018	1,300,083	1,319,101	3,464,856
Net investment income from designated life and medical insurance	-	-	-	-	-	-	1,694,908	8,023	1,702,931	1,702,931
Total revenue	4,246,192	7,180,597	45,773,505	7,012,533	11,611,894	75,824,721	8,801,873	63,836,533	72,638,406	148,463,127
Expenses:										
Claims incurred	555,155	1,219,019	33,546,359	1,535,760	1,802,122	38,658,415	2,733,180	54,293,419	57,026,599	95,685,014
Commission and discounts	881,802	2,078,180	6,033,143	915,533	3,600,526	13,509,184	522,114	1,430,164	1,952,278	15,461,462
Maturity and cancellations of life insurance Policies	-	-	-	-	-	-	2,402,188	-	2,402,188	2,402,188
General and administrative expenses	1,281,045	2,685,857	7,046,633	3,143,669	3,164,053	17,321,257	1,767,982	7,571,955	9,339,937	26,661,194
Total expenses	2,718,002	5,983,056	46,626,135	5,594,962	8,566,701	69,488,856	7,425,464	63,295,538	70,721,002	140,209,858
Net underwriting income	1,528,190	1,197,541	(852,630)	1,417,571	3,045,193	6,335,865	1,376,409	540,995	1,917,404	8,253,269
Net investment income						6,460,089			-	6,460,089
Finance costs						(1,515,741)			-	(1,515,741)
Share of results of associates						4,145,623			-	4,145,623
Net sundry income						330,242			1,041,323	1,371,565
Unallocated general and administrative expenses						(4,014,595)			(3,042,745)	(7,057,340)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' remuneration						11,741,483			(84,018)	11,657,465

22 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						Life and medical insurance			
Year ended 31 December 2016:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	8,331,351	45,874,326	25,606,471	17,668,217	12,030,631	109,510,996	20,146,475	83,550,018	103,696,493	213,207,489
Reinsurance premiums ceded	(6,524,711)	(2,974,408)	(23,204,442)	(15,389,608)	(8,103,500)	(56,196,669)	(3,461,692)	(49,431,076)	(52,892,768)	(109,089,437)
Net premiums written	1,806,640	42,899,918	2,402,029	2,278,609	3,927,131	53,314,327	16,684,783	34,118,942	50,803,725	104,118,052
Movement in unearned premiums reserve	7,767	(124,040)	98,000	(149,055)	(8,432)	(175,760)	298,887	1,714,548	2,013,435	1,837,675
Movement in life mathematical reserve	-	-	-	-	-	-	(538,063)	(11,504)	(549,567)	(549,567)
Net premiums earned	1,814,407	42,775,878	2,500,029	2,129,554	3,918,699	53,138,567	16,445,607	35,821,986	52,267,593	105,406,160
Commission received on ceded reinsurance	1,943,090	401,185	3,678,705	1,986,871	2,052,022	10,061,873	1,291,314	3,789,169	5,080,483	15,142,356
Policy issuance fees	241,187	1,575,044	133,667	45,490	164,549	2,159,937	13,292	1,173,647	1,186,939	3,346,876
Net investment income from designated life and medical insurance	-	-	-	-	-	-	594,619	14,795	609,414	609,414
Total revenue	3,998,684	44,752,107	6,312,401	4,161,915	6,135,270	65,360,377	18,344,832	40,799,597	59,144,429	124,504,806
Expenses:										
Claims incurred	305,414	31,322,770	403,248	104,441	952,106	33,087,979	12,162,230	31,035,949	43,198,179	76,286,158
Commission and discounts	884,772	6,277,059	1,944,670	984,600	1,212,094	11,303,195	409,276	1,034,299	1,443,575	12,746,770
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	2,204,969	-	2,204,969	2,204,969
General and administrative expenses	1,069,978	6,562,624	1,952,815	1,549,241	1,262,782	12,397,440	1,578,874	5,843,071	7,421,945	19,819,385
Total expenses	2,260,164	44,162,453	4,300,733	2,638,282	3,426,982	56,788,614	16,355,349	37,913,319	54,268,668	111,057,282
Net underwriting income	1,738,520	589,654	2,011,668	1,523,633	2,708,288	8,571,763	1,989,483	2,886,278	4,875,761	13,447,524
Net investment income						8,045,086			-	8,045,086
Finance costs						(953,765)			-	(953,765)
Share of results of associates						2,341,013			-	2,341,013
Net sundry income						139,918			512,065	651,983
Unallocated general and administrative expenses						(4,488,986)			(3,987,470)	(8,476,456)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' remuneration						13,655,029			1,400,356	15,055,385

22 SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2017	*General risk Insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	**294,586,917**	**96,303,578**	**103,206,405**	**494,096,900**
Total liabilities	**227,596,787**	**102,513,426**	**58,457,040**	**388,567,253**

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

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

22 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		GCC Countries		Other ME Countries		Total	
	2017 KD	2016 KD	2017 KD	2016 KD	2017 KD	2016 KD	2017 KD	2016 KD
Segment revenue	**87,626,139**	70,768,547	**10,030,777**	7,665,714	**50,806,211**	46,070,545	**148,463,127**	124,504,806
Segment results (net underwriting income)	**9,933,059**	5,344,925	**721,450**	1,390,974	**(2,401,240)**	6,711,625	**8,253,269**	13,447,524
Profit for the year attributable to equity holders of the Parent Company	**11,282,657**	5,481,068	**608,758**	1,100,857	**(1,601,923)**	5,419,797	**10,289,492**	12,001,722
Total assets	**266,614,554**	240,664,575	**66,524,411**	34,142,076	**160,957,935**	101,072,248	**494,096,900**	375,878,899
Total liabilities	**232,539,724**	191,020,588	**49,208,944**	19,758,706	**106,818,585**	63,329,178	**388,567,253**	274,108,472

23 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:

	2017 *KD*	*2016* *KD*
Current accounts and deposits at banks	**20,438,079**	20,475,701
Loans secured by life insurance policies	**1,647,205**	1,341,161
	22,085,284	21,816,862

Statutory guarantees of KD 28,329,001 (2016: KD 24,841,373) are held outside the State of Kuwait as security for the subsidiary companies' activities.

24 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 17,333,994 (2016: KD 17,042,587).

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

25 COMMITMENTS

The Group does not have future commitments with respect to purchase of financial instruments (2016: Nil).

26 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities . Risk management also protects policyholders' fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers.

26 RISK MANAGEMENT (continued)

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

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

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

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

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

(c) Capital management objectives, policies and approach

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

Capital management objectives

The capital management objectives are:

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

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

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

26 RISK MANAGEMENT (continued)

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

Capital management policies

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Capital management approach

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

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

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

(d) Insurance risk

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

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

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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

(1) Life and medical insurance contracts

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

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

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

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

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

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

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

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

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

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimise the risk of default.

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

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2017			2016		
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	5,964	1,812	4,152	4,406	-	4,406
Term insurance	367,752	31,892	335,860	304,119	53,922	250,197
Pure endowment	1,460,469	-	1,460,469	1,310,725	-	1,310,725
Group life and disability	-	-	-	-	-	-
Group medical including TPA	-	-	-	-	-	-
Credit life (Banks)	-	-	-	-	-	-
Preferred global health	50,182	-	50,182	51,097	-	51,097
Balsam	252,669	176,868	75,801	139,278	97,494	41,784
Misk individual policies	-	-	-	110,000	-	110,000
Total life insurance contract	2,137,036	210,572	1,926,464	1,919,625	151,416	1,768,209
Unitised pensions (Misk individual policies)	18,259,982	-	18,259,982	17,194,690	-	17,194,690
Total investments contracts	18,259,982	-	18,259,982	17,194,690	-	17,194,690
Total life insurance and investment contracts	20,397,018	210,572	20,186,446	19,114,315	151,416	18,962,899
Other life insurance contract liabilities	81,888,319	47,227,570	34,660,749	83,032,232	44,313,254	38,718,978

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.

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2017			*2016*		
	Gross liabilities KD	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	**2,137,036**	**210,572**	**1,926,464**	1,919,625	151,416	1,768,209

Investment contracts

	2017			*2016*		
	Gross liabilities KD	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	**6,472,713**	**-**	**6,472,713**	5,987,373	-	5,987,373
Europe	**11,787,269**	**-**	**11,787,269**	11,207,317	-	11,207,317
Total	**18,259,982**	**-**	**18,259,982**	17,194,690	-	17,194,690

The assumptions that have been provided by an external independent actuarial are as follows:

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

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

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

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

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Key assumptions (continued)

• Longevity

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

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

• Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

• Expenses

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

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

• Lapse and surrender rates

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

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

• Discount rate

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

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

Portfolio assumptions by type of business impacting net liabilities	***Mortality and morbidity rates***		***Investment return***		***Lapse and surrender rates***		***Discount rates***		***Renewal expenses***		***Inflation rate***	
	2017	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**"5% of AP+1% of SA"**	"5% of AP+1% of SA"	**2%**	2%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Life term assurance:												
Males	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Females	**A49/52-3yr**	A49/52 3yr	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(i) Life and medical insurance contracts (continued)

Sensitivities

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

Life insurance contracts

31 December 2017

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

31 December 2016

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

Investment contracts

31 December 2017

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	**-**	**-**	**(53,000)**
Expenses	**10%**	**60,000**	**60,000**	**(60,000)**
Discount rate	**-1%**	**65,000**	**65,000**	**(65,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2016

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

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

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

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

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

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

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

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management.

In additions; the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

26 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:	*2017*			*2016*		
	Gross liabilities KD	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**7,338,217**	**6,207,065**	**1,131,152**	5,010,919	3,785,371	1,225,548
Motor vehicles	**49,302,137**	**7,889,097**	**41,413,040**	44,042,641	8,834,692	35,207,949
Property	**56,020,661**	**51,348,080**	**4,672,581**	23,915,078	20,717,610	3,197,468
Engineering	**30,992,497**	**21,853,556**	**9,138,941**	18,895,537	15,921,242	2,974,295
General Accidents	**34,278,614**	**22,124,186**	**12,154,428**	10,123,334	3,990,329	6,133,005
Total	**177,932,126**	**109,421,984**	**68,510,142**	101,987,509	53,249,244	48,738,265

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:	*2017*			*2016*		
	Gross liabilities KD	***Reinsurer's share of liabilities KD***	***Net liabilities KD***	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Kuwait	**45,935,251**	**23,573,211**	**22,362,040**	40,186,610	18,079,221	22,107,389
GCC and Middle East countries	**131,996,875**	**85,848,773**	**46,148,102**	61,800,899	35,170,023	26,630,876
Total	**177,932,126**	**109,421,984**	**68,510,142**	101,987,509	53,249,244	48,738,255

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

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

Sensitivities
The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before contribution to KFAS, NLST, Zakat tax and directors' fees.

31 December 2017	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	**±15%**	**7,719,160**	**3,418,044**	**3,418,044**
Average number of claim	**±15%**	**37,016**	**31,317**	**584,581**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**5,146,107**	**2,774,398**	**226,209**

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

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

31 December 2017

	2009 *KD*	*2010* *KD*	*2011* *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	***Total*** ***KD***
At end of accident year	561,769,662	51,524,295	56,453,283	78,679,477	94,021,887	94,021,887	89,026,900	90,713,406	119,129,160	
One year later	224,476,240	62,274,940	62,537,820	88,608,977	105,195,239	124,327,941	115,875,081	105,183,743	-	
Two years later	220,327,993	60,629,928	61,694,751	89,267,969	107,201,035	123,428,641	110,479,639	-	-	
Three years later	217,466,846	59,255,519	59,771,804	88,721,791	106,953,782	115,378,170	-	-	-	
Four years later	212,341,014	58,005,287	60,129,601	89,266,285	103,153,760	-	-	-	-	
Five years later	207,908,081	57,879,038	60,839,502	86,344,899	-	-	-	-	-	
Six years later	208,440,025	58,450,899	57,974,358	-	-	-	-	-	-	
Seven years later	208,621,687	55,757,898	-	-	-	-	-	-	-	
Eight years later	201,476,478	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	201,476,478	55,757,898	57,974,858	86,344,899	103,153,760	115,378,170	110,479,639	105,183,743	119,129,160	954,878,605

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2009 *KD*	*2010* *KD*	*2011* *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	*Total* *KD*
At end of accident year	(377,450,902)	(28,437,389)	(31,673,465)	(47,023,925)	(53,687,293)	(56,598,561)	(56,835,392)	(56,656,953)	(66,991,620)	
One year later	(182,937,187)	(48,591,990)	(52,137,003)	(76,915,167)	(88,634,425)	(99,173,397)	(102,836,758)	(92,873,464)	-	
Two years later	(189,831,977)	(51,712,332)	(55,660,155)	(81,932,884)	(95,011,089)	(108,521,013)	(103,826,845)	-	-	
Three years later	(196,103,588)	(53,057,120)	(55,776,822)	(84,675,656)	(100,895,578)	(110,847,294)	-	-	-	
Four years later	(198,047,148)	(52,706,483)	(57,350,073)	(86,187,060)	(99,327,214)	-	-	-	-	
Five years later	(196,626,375)	(53,657,889)	(58,547,030)	(83,941,492)	-	-	-	-	-	
Six years later	(199,210,062)	(54,417,744)	(56,722,204)	-	-	-	-	-	-	
Seven years later	(201,789,752)	(52,185,341)	-	-	-	-	-	-	-	
Eight years later	(195,880,388)	-	-	-	-	-	-	-	-	
Cumulative payment to date	(195,880,388)	(52,185,341)	(56,722,204)	(83,941,492)	(99,327,214)	(110,847,294)	(103,826,845)	(92,873,464)	(66,991,620)	(862,595,862)
Gross insurance contract outstanding claims at 31 December 2017	5,596,090	3,572,557	1,252,654	2,403,407	3,826,546	4,530,876	6,652,794	12,310,279	52,137,540	92,282,743
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2017									11,586,697	11,586,697
Total gross insurance outstanding claims provision per consolidated statement of financial position at 31 December 2016	5,596,090	3,572,557	1,252,654	2,403,407	3,826,546	4,530,876	6,652,794	12,310,279	63,724,237	103,869,440

26 RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

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

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

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

Exposure to credit risk by classifying financial assets according to type of insurance	**31 December 2017**			
	General KD	***Life KD***	***Unit linked KD***	***Total KD***
Investments held to maturity	19,509,904	-	-	19,509,904
Debt securities (loans)	2,925,989	10,120,895	5,283,105	18,329,989
Loans secured by life insurance policies	-	4,347	1,599,688	1,604,035
Policyholders' accounts receivable (gross)	81,767,271	13,879,596	-	95,646,867
Reinsurers' accounts receivable (gross)	7,764,322	137,128	-	7,901,450
Reinsurance recoverable on outstanding claims	85,737,909	18,782,565	8,829	104,529,303
Other assets	1,649,206	-	-	1,649,206
Time deposits	26,942,614	11,496,297	-	38,438,911
Cash and cash equivalents	55,086,116	495,309	-	55,581,425
Total credit risk exposure	281,383,331	54,916,137	6,891,622	343,191,090

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

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

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2017 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies *31 December 2017*	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD*	*Total KD*
Investments held to maturity	-	244,496	1,357,766	639,236	17,267,980	426	19,509,904
Debt securities (loans)	-	-	1,509,000	10,784,989	6,036,000	-	18,329,989
Loans secured by life insurance policies	-	-	-	-	-	1,604,035	1,604,035
Policyholders' accounts receivable (gross)	-	34,025,787	10,185,395	19,220,459	11,149,862	21,065,364	95,646,867
Reinsurers accounts receivable (gross)	-	108,425	1,840,324	1,443,914	2,147,408	2,361,379	7,901,450
Reinsurance recoverable on outstanding claims	1,272,017	20,220,892	68,701,160	3,121,241	4,835,400	6,378,593	104,529,303
Other assets	-	-	-	-	-	1,649,206	1,649,206
Time Deposits	-	33,087	21,996,793	12,044,241	3,956,952	407,838	38,438,911
Cash and cash equivalents	-	1,471,889	34,504,263	8,327,761	10,003,489	1,274,023	55,581,425
Total credit risk exposure	1,272,017	56,104,576	140,094,701	55,581,841	55,397,091	34,740,864	343,191,090

Unrated responses are classified as follows using internal credit ratings.

31 December 2017	*Neither past due nor impaired* High grade KD	*Neither past due nor impaired* Standard grade KD	*Past due or impaired KD*	*Total KD*
Investments held to maturity	426	-	-	426
Loan secured by life insurance policy	1,599,688	4,347	-	1,604,035
Policyholders' accounts receivable (gross)	14,408,475	4,478,311	2,178,578	21,065,364
Reinsurance accounts receivable (gross)	930,592	642,386	788,401	2,361,379
Reinsurance recoverable on outstanding claims	6,378,593	-	-	6,378,593
Other assets	1,649,206	-	-	1,649,206
Time deposits	407,838	-	-	407,838
Cash and cash equivalents	1,010,846	249,039	14,138	1,274,023
	26,385,664	5,374,083	2,981,117	34,740,864

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2016 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

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

Unrated responses are classified as follows using internal credit ratings.

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

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

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

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2017:					
Policyholders' accounts receivable (net)	15,690,513	10,868,138	59,382,122	831,517	86,772,290
Reinsurance receivables (net)	1,378,101	1,612,618	2,740,220	967,644	6,698,583
Total	17,068,614	12,480,756	62,122,342	1,799,161	93,470,873

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

(2) Liquidity risk

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

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

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
31 December 2017						
Insurance payable	26,114,563	15,054,018	17,963,558	5,348,678	2,248,381	66,729,198
Other liabilities	5,798,516	7,432,602	13,951,825	6,956,496	-	34,139,439
Bank overdrafts	-	-	55,381,657	-	-	55,381,657
	31,913,079	22,486,620	87,297,040	12,305,174	2,248,381	156,250,294

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2016	*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*
Insurance payable	16,991,207	19,298,997	14,875,271	6,475,007	2,240,866	59,881,348
Other liabilities	4,220,948	2,568,050	7,942,766	7,020,795	271,742	22,024,301
Bank overdrafts	16,296,885	-	8,459,133	-	-	24,756,018
	37,509,040	21,867,047	31,277,170	13,495,802	2,512,608	106,661,667

(3) Market risk

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

Market risk comprises three types of risk: currency risk, interest rate risk and commodity and equity rate price risk.

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

(i) Currency risk

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

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

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

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

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2017: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Property and equipment	5,863,252	904,654	4,163,345	2,517,662	2,498,016	-	-	1,933,182	17,880,111
Investments in associates	19,641,858	-	-	1,251,040	-	-	-	19,958,006	40,850,904
Goodwill	15,104,460	-	-	-	-	-	-	-	15,104,460
Investments held to maturity	499,799	1,202,466	539,234	12,365,060	1,055,665	-	-	3,847,680	19,509,904
Debt securities (loans)	6,850,000	11,479,989	-	-	-	-	-	-	18,329,989
Investments available for sale	4,504,719	7,584,462	3,388,233	141,393	4,676,322	-	-	15,873,324	36,168,453
Investments carried at fair value through statement of income	5,335,564	7,606,632	-	1,164,698	3,850,422	-	-	8,463,823	26,421,139
Loans secured by life insurance policies	1,599,688	-	-	-	-	-	-	4,347	1,604,035
Premium and insurance balances receivable	55,951,835	5,395,960	6,271,764	2,023,199	14,470,019	1,462,578	43,561	7,851,957	93,470,873
Reinsurance recoverable on outstanding claims	32,023,300	15,452,358	30,797,490	2,402,197	4,673,699	5,639,891	559,379	12,980,989	104,529,303
Investment properties	-	-	-	20,830	-	-	-	2,857,636	2,878,466
Other assets	8,946,838	234,331	1,430,648	2,128,153	5,114,537	-	-	5,474,420	23,328,927
Cash and cash equivalents and time deposits	37,566,837	12,310,380	8,257,530	4,315,557	18,703,372	1,969,084	452,649	10,444,927	94,020,336
Total assets	193,888,150	62,171,232	54,848,244	28,329,789	55,042,052	9,071,553	1,055,589	89,690,291	494,096,900

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2017	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
LIABILITIES									
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	71,761,863	7,010,970	36,111,288	4,178,277	13,360,680	6,081,530	490,705	17,692,316	156,687,629
Unearned premiums reserve (net)	18,686,847	7,411	4,107,052	3,236,899	7,032,027	-	-	16,292,329	49,362,565
Life mathematical reserve (net)	11,792,744	6,219	-	-	-	-	-	8,387,483	20,186,446
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	-	1,650,000
Total liabilities arising from insurance contracts	103,891,454	7,024,600	40,218,340	7,415,176	20,392,707	6,081,530	490,705	42,372,128	227,886,640
Premiums received in advance	3,931,623	18,619	480,077	-	-	-	-	-	4,430,319
Insurance payable	34,337,834	7,679,827	4,457,018	1,104,205	12,393,888	1,008,480	(15,827)	5,763,773	66,729,198
Other liabilities	23,965,148	178,383	1,485,277	3,091,262	693,389	25,291	2,371	4,698,318	34,139,439
Bank overdrafts	30,649,439	24,732,218	-	-	-	-	-	-	55,381,657
Total liabilities	196,775,498	39,633,647	46,640,712	11,610,643	33,479,984	7,115,301	477,249	52,834,219	388,567,253

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

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

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

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

150009.1

26 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).

		2017		2016	
	Change in variables	*Impact on profit KD*	*Impact on equity KD*	*Impact on profit KD*	*Impact on equity KD*
USD	±5%	**747,656**	**379,223**	912,718	109,536
BD	±5%	**240,965**	**169,412**	563,622	277,689
EGP	±5%	**766,336**	**69,622**	569,442	50,238
JD	±5%	**844,287**	**233,816**	1,043,898	230,257

(ii) Interest rate risk

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

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

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

	2017		2016	
Currency	*Change in variables*	*Impact on profit before tax KD*	*Change in variables*	*Impact on profit before tax KD*
KD	**±50 bps**	**154,258**	±50 bps	81,245
USD	**±50 bps**	**91,347**	±50 bps	107,807
BD	**±50 bps**	**37,059**	±50 bps	30,168
Others	**±50 bps**	**165,483**	±50 bps	147,010

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

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk

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

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

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

	2017	*2016*
	%	*%*
Kuwait market	**3%**	(6%)
Rest of GCC market	**(15%)**	(1%)
MENA	**54%**	53%
Other international markets	**12%**	5%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2017 and 2016. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2017	*2016*	*2017*	*2016*
	KD	*KD*	*KD*	*KD*
Investment carried at fair value through income statement	**4,057,819**	4,598,593	**3,164,816**	4,598,593

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

31 December 2017	*GCC*	*MENA*	*Europe*	*Total*
	KD	*KD*	*KD*	*KD*
Investments available for sale	**11,283,588**	**5,207,232**	**13,696,401**	**30,187,221**
Investments carried at fair value through statement of income	**3,378,152**	**7,345,779**	**-**	**10,723,931**
	14,661,740	**12,553,011**	**13,696,401**	**40,911,152**

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(ii) Equity price risk (continued)

31 December 2016	*GCC KD*	*MENA KD*	*Europe KD*	*Total KD*
Investments available for sale	10,579,980	1,658,215	-	12,238,195
Investments carried at fair value through Statement of income	7,401,669	3,243,387	-	10,645,056
	17,981,649	4,901,602	-	22,883,251

27 RELATED PARTY TRANSACTIONS

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

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

	2017		*2016*	
	Premiums KD	***Claims KD***	*Premiums KD*	*Claims KD*
Directors and key management personnel	**291,926**	**215,643**	149,357	25,510
Other related parties	**2,424,839**	**432,300**	3,874,502	593,989
	2,716,765	**647,943**	4,023,859	619,499

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

	2017		*2016*	
	Amounts owed by related parties KD	***Amounts owed to related parties KD***	*Amounts owed by related Parties KD*	*Amounts owed to related parties KD*
Directors and key management personnel	**156,225**	**7,000**	84,986	13,920
Other related parties	**1,182,592**	**674,610**	827,143	212,114
	1,338,817	**681,610**	912,129	226,034

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

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 5,392,479 (2016: KD 14,913,756). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 9,577,000 (2016: KD 6,577,750).

b) Included under other assets an amount of KD 1,402,689 (2016: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

27 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2017 *KD*	*2016* *KD*
Salaries and other short term benefits	**565,953**	927,603
Employees' end of service benefits	**71,192**	130,881
	637,145	1,058,484

28 SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

Entity	Country of incorporation	% ownership 2017			% ownership 2016			Nature of operation
		Direct	In-direct	Total %	Direct	In-direct	Total %	
Gulf Insurance and Reinsurance Company K.S.C.(closed)	Kuwait	**99.80%**	-	**99.80%**	99.80%	-	99.80%	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	Lebanon	**92.51%**	**0.18%**	**92.69%**	92.51%	0.18%	92.69%	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	Egypt	**94.85%**	-	**94.85%**	94.85%	-	94.85%	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	Syria	**38.96%**	**15.39%**	**54.35%**	38.96%	15.39%	54.35%	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C.	Bahrain	**56.12%**	-	**56.12%**	56.12%	-	56.12%	General risk insurance
Arab Orient Insurance Company J.S.C.	Jordan	**90.44%**	-	**90.44%**	90.44%	-	90.44%	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	Egypt	**8.75%**	**50.75%**	**59.50%**	8.75%	50.75%	59.50%	Life Takaful insurance
Dar Al-Salam Insurance Company	Iraq	**59.83%**	-	**59.83%**	51.00%	-	51.00%	General risk & life insurance
L'Algerienne Des Assurance (2a)	Algeria	**49.00%**	**2.00%**	**51.00%**	49.00%	2.00%	51.00%	General risk insurance
AIG Sigorta Anonim Şirketi ("AIG") *	Turkey	**100%**	-	**100%**	-	-	-	General risk insurance

* On 28 April 2017, the Group acquired 100% equity interest of AIG Sigorta Anonim Şirketi ("AIG"), a company incorporated in Turkey from a non-related party (Note 3).

28 SUBSIDIARIES COMPANIES (continued)

Material partly owned subsidiary:
The Group has concluded that Bahrain Kuwaiti Insurance Company B.S.C. ("BKIC") and L'Algerienne Des Assurance (2a) ("2A") are the only subsidiaries with non-controlling interests that are material to the consolidated finanical statements. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2017	*2016*
	KD	*KD*
Bahrain Kuwaiti Insurance Company B.S.C.	**13,744,290**	12,022,521
L'Algerienne Des Assurance (2a)	**3,072,959**	3,186,779

Profit allocated to material non-controlling interests:

	2017	*2016*
	KD	*KD*
Bahrain Kuwaiti Insurance Company B.S.C.	**910,108**	1,005,094
L'Algerienne Des Assurance (2a)	**238,762**	317,037

Summarised financial information of these subsidiaries is provided below. This information is based on amounts before eliminating intra Group transactions and consolidation related adjustments.

	2017		*2016*	
	BKIC	*2A*	*BKIC*	*2A*
	KD	*KD*	*KD*	*KD*
Statement of income				
Income	**6,575,232**	**1,494,804**	8,312,628	(4,784,006)
Expenses	**5,305,003**	**857,878**	4,359,745	4,444,570
Profit for the year	**1,270,229**	**636,926**	3,952,883	(9,228,576)
Total comprehensive income	**1,311,278**	**676,901**	3,952,624	(9,276,182)
Statement of financial position				
Total assets	**98,023,810**	**16,725,767**	65,595,529	15,113,164
Total liabilities	**(68,777,889)**	**(10,454,421)**	(38,195,644)	(8,609,533)
Total equity	**29,245,921**	**6,271,346**	27,399,885	6,503,631

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

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations. Since such assets and liabilities together with the results of policyholders' lines of business are contractually related to specific policyholders, the related amounts are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed below.

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

Policyholders' result by line of business:

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

For the year ended 31 December 2017:

	Marine and aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General accidents KD*	*Life and medical KD*	*Total KD*
Premium written	**356,030**	**1,103,478**	**4,596,375**	**589,806**	**1,280,586**	**11,723,163**	**19,649,438**
Surplus (deficit) from insurance operations	**37,051**	**58,509**	**(136,137)**	**(52,032)**	**107,235**	**49,111**	**63,737**

For the year ended 31 December 2016:

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

	2017 KD	*2016 KD*
Amounts due from policyholders (Note 20)	**(542,024)**	(821,595)

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2017:

			Fair value measurement using		
	Date of valuation	**Total** *KD*	**Quoted prices in active markets (Level 1)** *KD*	**Significant observable inputs (Level 2)** *KD*	**Significant unobservable inputs (Level 3)** *KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2017	30,187,222	30,187,222	-	-
Unquoted equity securities	31 December 2017	5,146,411	-	-	5,146,411
Unquoted managed funds	31 December 2017	824,276	-	786,370	37,906
Investments carried at fair value through income statements:					
Held for trading:					
Quoted securities	31 December 2017	10,723,931	10,723,931	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2017	15,697,208	15,697,208	-	-
		62,579,048	56,608,361	786,370	5,184,317

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	At 1 January 2017 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2017 KD*
Financial assets available for sale:						
Unquoted equity securities	4,403,342	-	-	472,108	270,961	5,146,411
Unquoted managed funds	37,906	-	-	-	-	37,906
	4,441,248	-	-	472,108	270,961	5,184,317

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

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

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

31 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016. The Group monitors its capital at the Group level and at each of its subsidiaries.

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

The Group's gearing ratio as at 31 December was as follows:

	2017 *KD*	*2016* *KD*
Credit facilities:		
Bank overdrafts	**55,381,657**	24,756,018
Net debt	**55,381,657**	24,756,018
Equity attributable to the equity holders of the Parent Company	**84,549,760**	82,313,733
Total capital and net debt	**139,931,417**	107,069,751
Gearing ratio	**39.6%**	23.1%

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

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2 295 5000
Fax: +965 2 245 6419
kuwait@kw.ey.com
ey.com/mena

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY
Building a better working world

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

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

Key Audit Matters (continued)

a) Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts are significant to the Group's consolidated financial statements at 31 December 2018. The determination as to whether a receivable is collectable involves significant management judgment. Management considers specific factors including the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

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

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

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

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

Further, we assessed the adequacy of the disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 11 and 12 to the consolidated financial statements.

EY
Building a better working world

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

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

Key Audit Matters (continued)

b) Impairment of Goodwill

The impairment testing of goodwill performed by the management is significant to our audit because assessment of the recoverable amount of cash generating unit (CGU) under the value-in-use basis is complex and requires considerable judgment on the part of management. As disclosed in Note 2.3 and 8 to the consolidated financial statements, management's impairment assessment process is highly judgmental and is carried out using various variables and assumptions, including estimated future cashflows, terminal growth rate and discount rates, which are affected by expected future market or economic conditions. Given the high level of management judgment in their impairment assessment, we considered this area to be a key audit matter.

Our audit procedures included an assessment of the management's estimates, evaluation and testing the assumptions, methodologies, cash generating unit (CGU) determination, discount rates and data used by the Group. We evaluated the basis of preparing those forecasts taking into account the appropriateness of forecasts and the evidence supporting underlying assumptions. Future cashflows assumptions were evaluated through comparison of current performance, seeking corroborative evidence and enquiry with management in respect of key growth and performance assumptions. We further evaluated the reasonableness of other key assumptions such as the discount rate and long-term growth rate in the value in use model. We also performed procedures in relation to the mathematical integrity of management's model and carried out audit procedures on management's sensitivity calculations, which are disclosed in Note 8 of the consolidated financial statements.

c) Insurance and Reinsurance Technical Reserves

Insurance and reinsurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred But Not Reported reserve ("IBNR"). As at 31 December 2018, the insurance and reinsurance technical reserves are significant to the Groups total liabilities. As disclosed in Notes 2.3 and 12 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities. The Group uses valuation models to support the calculations of the insurance and reinsurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.

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

Building a better
working world

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

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

Key Audit Matters (continued)

c) Insurance and Reinsurance Technical Reserves (continued)

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

For non-life insurance technical reserves, the management uses the work of their internal specialist to assess the liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's specialist and evaluating their work. In addition, we have performed test of controls in place, checked the design and the operating effectiveness of key controls and assessed the validity of management's liability adequacy testing are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessing the accuracy of the historical data used, and evaluating the projected cashflows and assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features. Further, we assessed the adequacy of the disclosures relating to these reserves given in Note 12 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report

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

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

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

Building a better
working world

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

EY
Building a better working world

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

4 March 2019
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	2018 KD	(Restated)* 2017 KD
Revenue			
Premiums written		**335,745,249**	304,778,604
Reinsurance premiums ceded		**(184,702,155)**	(170,222,664)
Net premiums written		**151,043,094**	134,555,940
Movement in unearned premiums reserve		**(6,170,376)**	(7,367,671)
Movement in life mathematical reserve		**2,747,167**	(1,225,597)
Net premiums earned		**147,619,885**	125,962,672
Commission received on ceded reinsurance		**16,121,513**	17,332,668
Policy issuance fees		**3,368,130**	3,464,856
Net investment (loss) income from designated life and medical insurance	4	**(388,980)**	1,702,931
		166,720,548	148,463,127
Expenses			
Claims incurred	12	**107,384,797**	95,685,014
Commission and discounts		**17,591,806**	15,461,462
Maturity and cancellations of life insurance policies		**4,132,368**	2,402,188
General and administrative expenses		**25,634,649**	26,661,194
		154,743,620	140,209,858
Net underwriting income		**11,976,928**	8,253,269
Net investment income	4	**9,795,597**	6,460,089
Finance costs		**(2,921,089)**	(1,515,741)
Share of results of associates	7	**2,887,119**	4,145,623
Net sundry income		**3,530,405**	1,371,565
		25,268,960	18,714,805
Other charges:			
Unallocated general and administrative expenses		**(9,892,675)**	(7,281,084)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' REMUNERATION		**15,376,285**	11,433,721
Provision for contribution to Kuwait Foundation for advancement of science (KFAS)		**(122,112)**	(193,055)
Provision for National Labour Support Tax (NLST)		**(308,404)**	(168,982)
Provision for Zakat		**(98,043)**	(122,098)
Directors' remuneration		**(185,000)**	(185,000)
PROFIT FOR THE YEAR		**14,662,726**	10,764,586
Attributable to:			
Equity holders of the Parent Company		**11,901,838**	10,067,494
Non-controlling interests		**2,760,888**	697,092
		14,662,726	10,764,586
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	**66.49 fils**	56.24 fils

* Certain numbers shown here do not correspond to the 31 December 2017 consolidated financial statements and reflect adjustments made as explained in Note 32.

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	*2018* *KD*	*(Restated)** *2017* *KD*
Profit for the year		**14,662,726**	10,764,586
Other comprehensive income (loss)			
Other comprehensive loss to be reclassified to consolidated statement of income in subsequent periods:			
- Financial assets available for sale:			
Net unrealised (loss) gain on investments available for sale		**(1,103,206)**	335,137
Net realised gain transferred to consolidated statement of income on sale of investments available for sale	4	**(2,570,683)**	(1,173,221)
Transfer to consolidated statement of income on impairment of investment available for sale	4	**2,586,559**	1,144,900
		(1,087,330)	306,816
- Share of other comprehensive (loss) income of associates	7	**(77,589)**	215,911
- Exchange differences on translation of foreign operations		**(4,309,229)**	(988,035)
		(5,474,148)	(465,308)
Other comprehensive income that will not to be reclassified subsequently to consolidated statement of income:			
Revaluation of property and equipment	6	**9,763,130**	-
Other comprehensive income (loss) for the year		**4,288,982**	(465,308)
Total comprehensive income for the year		**18,951,708**	10,299,278
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**12,943,872**	9,182,253
Non-controlling interests		**6,007,836**	1,117,025
		18,951,708	10,299,278

* Certain numbers shown here do not correspond to the 31 December 2017 consolidated financial statements and reflect adjustments made as explained in Note 32.

The attached notes 1 to 32 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 KD	(Restated)* 2017 KD	(Restated)* As at 1 January 2017 KD
ASSETS				
Property and equipment	6	**29,270,773**	18,049,538	15,131,203
Investment in associates	7	**43,269,439**	40,850,904	39,958,891
Goodwill	8	**15,104,460**	15,104,460	14,093,553
Financial instruments:				
Investments held to maturity		**21,793,233**	19,509,904	19,654,769
Debt securities (loans)		**16,651,860**	18,329,989	14,489,750
Investments available for sale	9	**38,400,265**	36,168,453	17,027,588
Investments carried at fair value through profit or loss	10	**19,369,175**	26,421,139	24,088,901
Loans secured by life insurance policies		**1,266,637**	1,604,035	1,655,396
Premiums and insurance balances receivable	11	**99,497,076**	93,247,129	58,385,367
Reinsurance recoverable on outstanding claims	12	**123,620,660**	103,303,313	50,039,384
Investment properties		**4,522,780**	2,878,466	3,167,163
Other assets	13	**24,219,696**	23,328,927	18,442,312
Time deposits	14	**29,488,863**	38,438,911	25,618,550
Cash and cash equivalents	15	**62,785,001**	55,581,425	73,069,509
TOTAL ASSETS		**529,259,918**	492,816,593	374,822,336
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS				
Share capital	16	**18,703,913**	18,703,913	18,703,913
Share premium		**3,600,000**	3,600,000	3,600,000
Treasury shares	17	**(4,203,067)**	(4,203,067)	(4,195,301)
Treasury shares reserve		**2,051,215**	2,051,215	2,051,215
Statutory reserve	18	**18,703,913**	18,703,913	18,703,913
Voluntary reserve	19	**26,149,664**	24,888,125	23,792,262
Other reserve		**(3,101,138)**	(3,062,725)	(3,062,725)
Cumulative changes in fair values		**(1,778,260)**	(754,256)	(1,074,550)
Foreign currency translation adjustments		**(20,903,698)**	(16,590,050)	(15,384,515)
Revaluation reserve		**8,939,446**	2,559,760	2,559,760
Retained earnings		**40,978,391**	35,708,096	33,896,923
Equity attributable to equity holders of the Parent Company		**89,140,379**	81,604,924	79,590,895
Non-controlling interests		**23,282,933**	18,363,679	16,842,232
Total equity		**112,423,312**	99,968,603	96,433,127
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve	12	**184,137,808**	159,174,925	106,356,736
Unearned premiums reserve	12	**52,143,506**	51,156,006	34,996,619
Life mathematical reserve	12	**17,443,014**	20,186,446	18,962,899
Incurred but not reported reserve	12	**1,650,000**	1,650,000	1,650,000
Total liabilities arising from insurance contracts		**255,374,328**	232,167,377	161,966,254
Premiums received in advance		**4,376,713**	4,430,319	9,761,288
Insurance payable	20	**66,200,677**	66,729,198	59,881,348
Other liabilities	21	**44,211,712**	34,139,439	22,024,301
Bank overdrafts	15	**46,673,176**	55,381,657	24,756,018
TOTAL LIABILITIES		**416,836,606**	392,847,990	278,389,209
TOTAL EQUITY AND LIABILITIES		**529,259,918**	492,816,593	374,822,336

* Certain numbers shown here do not correspond to the 31 December 2017 and 2016 consolidated financial statements and reflect adjustments made as explained in Note 32.

Farqad A. Al-Sane
Chairman

The attached notes 1 to 32 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company												
	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Treasury share reserve KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Other reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation adjustments KD*	*Revaluation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2018 *(Restated)*	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(754,256)	(16,590,050)	2,559,760	35,708,096	81,604,924	18,363,679	99,968,603
Profit for the year	-	-	-	-	-	-	-	-	-	-	11,901,838	11,901,838	2,760,888	14,662,726
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(1,024,004)	(4,313,648)	6,379,686	-	1,042,034	3,246,948	4,288,982
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(1,024,004)	(4,313,648)	6,379,686	11,901,838	12,943,872	6,007,836	18,951,708
Dividend for 2017 (Note 16)	-	-	-	-	-	-	-	-	-	-	(5,370,004)	(5,370,004)	-	(5,370,004)
Change in ownership of a subsidiary	-	-	-	-	-	-	(38,413)	-	-	-	-	(38,413)	(425,863)	(464,276)
Transfer to voluntary reserve	-	-	-	-	-	1,261,539	-	-	-	-	(1,261,539)	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(662,719)	(662,719)
As at 31 December 2018	**18,703,913**	**3,600,000**	**(4,203,067)**	**2,051,215**	**18,703,913**	**26,149,664**	**(3,101,138)**	**(1,778,260)**	**(20,903,698)**	**8,939,446**	**40,978,391**	**89,140,379**	**23,282,933**	**112,423,312**

* Certain numbers shown here do not correspond to the 31 December 2017 consolidated financial statements and reflect adjustments made as explained in Note 32.

The attached notes 1 to 32 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2018

	Share capital KD	Share premium KD	Treasury shares KD	Treasury share reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
	Attributable to equity holders of the Parent Company													
As at 1 January 2017 (*As previously reported*)	18,703,913	3,600,000	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,074,550)	(15,384,515)	2,559,760	36,619,761	82,313,733	19,456,694	101,770,427
Effect of restatement (Note 32)	-	-	-	-	-	-	-	-	-	-	(2,722,838)	(2,722,838)	(2,614,462)	(5,337,300)
As at 1 January 2017 (*Restated*)	18,703,913	3,600,000	(4,195,301)	2,051,215	18,703,913	23,792,262	(3,062,725)	(1,074,550)	(15,384,515)	2,559,760	33,896,923	79,590,895	16,842,232	96,433,127
Profit for the year	-	-	-	-	-	-	-	-	-	-	10,067,494	10,067,494	697,092	10,764,586
Other comprehensive income (loss) for the year	-	-	-	-	-	-	-	320,294	(1,205,535)	-	-	(885,241)	419,933	(465,308)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	320,294	(1,205,535)	-	10,067,494	9,182,253	1,117,025	10,299,278
Dividend for 2016 (Note 16)	-	-	-	-	-	-	-	-	-	-	(7,160,458)	(7,160,458)	-	(7,160,458)
Purchase of treasury shares	-	-	(7,766)	-	-	-	-	-	-	-	-	(7,766)	-	(7,766)
Change in ownership of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	-	-	-	1,565,769	1,565,769
Transfer to voluntary reserve (Note 19)	-	-	-	-	-	1,095,863	-	-	-	-	(1,095,863)	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,161,347)	(1,161,347)
As at 31 December 2017	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(754,256)	(16,590,050)	2,559,760	35,708,096	81,604,924	18,363,679	99,968,603

* Certain numbers shown here do not correspond to the 31 December 2017 consolidated financial statements and reflect adjustments made as explained in Note 32.

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 KD	(Restated)* 2017 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**15,376,285**	11,433,721
Adjustments for:			
Depreciation	6	**2,265,837**	2,122,472
Net investment income		**(9,296,766)**	(9,307,920)
Impairment losses	4	**2,586,559**	1,144,900
Share of results of associates	7	**(2,887,119)**	(4,145,623)
Change in fair value of investment properties	4	**(2,867,211)**	-
Finance costs		**2,921,089**	1,515,741
		8,098,674	2,763,291
Changes in operating assets and liabilities:			
Investments carried at fair value through profit or loss		**4,609,934**	(1,382,779)
Premiums and insurance balances receivable		**(6,502,654)**	(18,502,635)
Reinsurance recoverable on outstanding claims		**(21,216,270)**	(45,918,596)
Other assets		**1,058,303**	3,995,289
Liabilities arising from insurance contracts		**21,442,267**	42,040,386
Premiums received in advance		**(53,606)**	(5,330,969)
Insurance payable		**(528,521)**	(7,554,390)
Other liabilities		**9,972,816**	4,869,478
		16,880,943	(25,020,925)
Paid to KFAS		**(101,026)**	(112,963)
Paid to NLST		**(215,764)**	(80,367)
Zakat paid		**(112,312)**	(68,132)
Paid to directors		**(185,000)**	(185,000)
Net cash flows from (used in) operating activities		**16,266,841**	(25,467,387)
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(3,073,807)**	(4,257,484)
Proceeds from sale of property and equipment		**106,424**	288,164
Acquisition of a subsidiary, net of cash acquired	3	**-**	(1,536,314)
Dividend received from associates	7	**552,578**	1,278,143
Movement in investment held to maturity		**(2,283,329)**	144,865
Movement in debt securities (loans)		**1,678,129**	(3,840,239)
Net movement on investments available for sale		**(3,940,988)**	1,773,184
Movement in loans secured by life insurance policies		**337,398**	51,361
Other assets		**(1,851,524)**	(1,443,737)
Time deposits withdrawn (placed)		**8,950,048**	(12,820,361)
Interest income received		**7,233,096**	5,991,872
Dividend income received		**1,837,469**	1,749,040
Net cash flows from (used in) investing activities		**9,545,494**	(12,621,506)
FINANCING ACTIVITIES			
Dividends paid	16	**(5,370,004)**	(7,160,458)
Purchase of treasury shares		**-**	(7,766)
Dividends to non-controlling interests		**(662,719)**	(1,161,347)
Finance costs paid		**(2,921,089)**	(1,515,741)
Acquisition of non-controlling interests		**(464,276)**	-
Net cash flows used in financing activities		**(9,418,088)**	(9,845,312)
Foreign currency translation adjustments		**(482,190)**	(179,518)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**15,912,057**	(48,113,723)
Cash and cash equivalents at beginning of the year		**199,768**	48,313,491
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	15	**16,111,825**	199,768

* Certain numbers shown here do not correspond to the 31 December 2017 consolidated financial statements and reflect adjustments made as explained in Note 32.

The attached notes 1 to 32 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 20 February 2019. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 44.04% (31 December 2017: 44.04%) owned by Kuwait Projects Company Holding K.S.C. and 41.42% (31 December 2017: 41.42%) by Fairfax Middle East Limited Company.

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

The Group employs 2,555 employees as at 31 December 2018 (31 December 2017: 1,995 employees).

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost convention modified to include the measurement at fair value of investments carried at fair value through profit or loss, investments available for sale, investment properties and land and buildings. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended accounting policies, standards and interpretations (continued)
IFRS 9 Financial Instruments (continued)
During 2018, the Group performed an impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its consolidated statement of financial position, consolidated statement of income or consolidated statement of comprehensive income except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Group meets the eligibility criteria of the temporary exemption of IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) for annual reporting periods beginning on or after 1 January 2022, to applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

Key requirements of IFRS 9:
All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding (the SPPI criterion) are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended accounting policies, standards and interpretations (continued)
IFRS 9 Financial Instruments (continued)

a) Classification and measurement

	Carrying value at 31 December 2018 KD	*IAS 39 classification*	*IFRS 9 classification*
Investments held to maturity	20,987,582	Held to maturity	Amortized cost
Debt securities (loans)	16,651,860	Loans and receivable	FVOCI
Investments available for sale	23,826,973	Available for sale	FVOCI
Total financial assets that meet the SPPI test	**61,466,415**		
Investments held to maturity	805,651	Held to maturity	FVTPL
Investments available for sale	774,990	Available for sale	FVTPL
Total other financial assets	**1,580,641**		

All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended accounting policies, standards and interpretations (continued)
IFRS 9 Financial Instruments (continued)
b) Impairment
Financial assets measured at amortised cost, receivables arising from reinsurance contracts and premium accruals, reinsurance recoverable on outstanding claims and other receivables will be subject to the impairment provisions of IFRS 9.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its receivables as permitted by IFRS 9.

The Group anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

Hedge accounting
IFRS 9's hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.

The new hedge accounting requirements will align more closely with the Group's risk management policies. When initially applying IFRS 9, the Group has the option to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. However, the Group determined that any hedge relationships that would currently be designated in effective hedging relationships would continue to qualify for hedge accounting under IFRS 9. The Group does not anticipate that the application of the IFRS 9 hedge accounting requirements will have a material impact on the Group's consolidated financial statements.

c) Disclosure
IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previous revenue guidance. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied IFRS 15 using the modified retrospective application. Given that the insurance contracts are scoped out of IFRS 15; the Group concluded that it has insignificant impact from the application of IFRS 15.

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2018 do have a significant impact on these consolidated financial statements. The Group does not expect the proposed amendments which will become mandatory for the consolidated financial statements for the year 2018 or thereafter, to have a significant impact on the consolidated financial statements.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised IASB Standards issued but not yet effective
Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16: Leases
IFRS 16 was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IASB Standards issued but not yet effective (continued)
IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of combinations and goodwill (continued)
Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

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

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

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

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

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

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

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

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account of that year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The Deferred policy Acquisition Costs (DAC) are subsequently amortised over the term of the insurance contracts to which they relate as premiums are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the consolidated statement of income. DAC is also considered in the liability adequacy test for each reporting period.

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the period when determining the contribution.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and related resolutions at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Property and equipment

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

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

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

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Buildings	20 – 50	years
Leasehold improvements	Up to 7	years
Computers	3 - 5	Years
Furniture and fixtures	1 – 2	years
Motor vehicles	1 – 4	years

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in associates is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

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

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

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

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.
The Group's financial assets include investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans and other receivables time deposits and cash and cash equivalents.

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

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

Loans and other receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Investments available for sale

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

Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss include financial assets held for trading and those designated at fair value through consolidated statement of income at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through consolidated statement of income, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated statement of income.

Receivables

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

Cash and cash equivalents

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

De-recognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

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

Investments available for sale

For investments available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

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

Fair values of financial instruments and further details as to how they are measured are provided in Note 30.

Financial liabilities

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

Initial recognition and measurement

Financial liabilities are initially recognised at fair value.

Subsequent measurement

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

Insurance payables

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

De-recognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Non-life insurance contract liabilities (Insurance technical reserves)
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)

Non-life insurance contract liabilities (Insurance technical reserves) (continued)

Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

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

Life insurance contract liabilities (Life mathematical reserve)

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

Reinsurance

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

Impairment of goodwill

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

Impairment of receivables

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

Judgment

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

Classification of investments

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

Impairment of investments

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

Classification of real estate

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

3 BUSINESS COMBINATION

On 28 April 2017, the Group acquired 100% equity interest of AIG Sigorta Anonim Şirketi ("AIG"), a company incorporated in Turkey from a non-related party. The Group determined that it exercises control over AIG at the date of acquisition and consequently started consolidating AIG from that date in accordance with the requirements of IFRS 3 "Business Combination".

The consideration paid and the fair values of the assets acquired and liabilities assumed recognised at the acquisition date, are summarised as follows:

	Provisional fair value recognised on acquisition
	KD
Assets	
Property and equipment (Note 6)	349,798
Financial assets available for sale	16,784,324
Investments carried at fair value through profit or loss	191,836
Premiums and insurance balances receivable	6,152,217
Other assets	3,639,384
Cash and cash equivalents	8,559,184
Total assets	**35,676,743**
Liabilities	
Outstanding claims reserve	3,575,105
Unearned premiums reserve	7,131,703
Insurance payable	6,238,969
Other liabilities	6,163,116
Total liabilities	**23,108,893**
Total identifiable net assets	**12,567,850**
Purchase consideration transferred	**13,578,757**
Goodwill on acquisition	**1,010,907**

Cash flow on acquisition:

Cash consideration for the acquisition	13,578,757
Less: Net cash acquired in the subsidiary	(8,559,182)
Net cash outflow on acquisition	**5,019,575**

From the date of acquisition upto 31 December 2017, AIG has contributed premium written and incurred loss of KD 16,100,125 and KD 144,428 respectively to the consolidated statement of income of the Group.

3 BUSINESS COMBINATION (continued)

In addition, on 2 April 2017, the Group increased its holding in the share capital of Takaful International B.S.C. (Takaful), a listed Company on the Bahrain Bourse, to 63.6% (31 December 2016: 40.9%). As a result, Takaful became a subsidiary of the Group and has been consolidated from that date. On 28 June 2017, the Group further increased its shareholding ownership from 63.6% to 67.3% in Takaful.

The consideration paid and the fair values of the assets acquired and liabilities assumed recognised at the acquisition date, are summarised as follows:

	Provisional fair value recognised on acquisition
	KD
Property and equipment (Note 6)	1,795,436
Investments available for sale	3,997,021
Premiums and insurance balances receivable	10,206,910
Other assets	3,798,782
Time deposits	100,731
Cash and cash equivalents	4,671,519
Total assets	**24,570,399**
Insurance payable	8,163,272
Other liabilities	11,615,538
Total liabilities	**19,778,810**
Total identifiable net assets	**4,791,589**
Cash consideration for the acquisition	(1,288,988)
Non-controlling interests share in the acquiree's identifiable net assets	(1,565,769)
Fair value of acquirer's previously held equity interests	(1,936,832)
Net gain arising on business combination	-
Cash flow on acquisition:	
Consideration paid	1,288,988
Less: Net cash acquired in the subsidiary	(4,772,249)
Net cash inflow on acquisition	**(3,483,261)**

From the date of acquisition upto 31 December 2017, Takaful contributed premium written and net profit of KD 6,946,141 and KD 45,978 respectively to the consolidated statement of income of the Group.

4 NET INVESTMENT (LOSS) INCOME

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

	Debt securities (loans) KD	*Investments carried at fair value through profit or loss KD*	*Time and call deposits KD*	*2018 Total KD*	*2017 Total KD*
Realised loss	-	**(48,650)**	-	**(48,650)**	-
Unrealised (loss) gain	-	**(889,540)**	-	**(889,540)**	1,199,643
Dividend income	-	**51,865**	-	**51,865**	39,609
Interest income	**327,555**	-	**40,414**	**367,969**	327,109
Other investment income	-	**134,309**	-	**134,309**	141,007
Total investment income (loss)	**327,555**	**(752,016)**	**40,414**	**(384,047)**	1,707,368
Financial charges and other expenses	-	**(4,933)**	-	**(4,933)**	(4,437)
Total investment expense	-	**(4,933)**	-	**(4,933)**	(4,437)
Net investment income (loss)	**327,555**	**(756,949)**	**40,414**	**(388,980)**	1,702,931

4 NET INVESTMENT (LOSS) INCOME (continued)

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

	Investments held to maturity KD	*Investments available for sale KD*	*Investments carried at fair value through profit or loss KD*	*Investment properties KD*	*Time and call deposits KD*	*Other investment income KD*	*2018 Total KD*	*2017 Total KD*
Realised gain	-	2,570,683	380,842	-	-	-	2,951,525	1,185,809
Unrealised loss	-	-	(1,884,682)	-	-	-	(1,884,682)	(454,608)
Dividend income	-	1,330,690	454,914	-	-	-	1,785,604	1,709,431
Interest income	3,171,125	-	-	-	3,590,974	103,028	6,865,127	5,664,763
Rental income	-	-	-	24,295	-	-	24,295	8,360
Change in fair value of investment properties	-	-	-	2,867,211	-	-	2,867,211	-
Other investment income	-	-	-	-	-	505,508	505,508	311,225
Total investment income (loss)	3,171,125	3,901,373	(1,048,926)	2,891,506	3,590,974	608,536	13,114,588	8,424,980
Impairment loss (Note 9)	-	(2,586,559)	-	-	-	-	(2,586,559)	(1,144,900)
Other investment expenses	-	(370,088)	-	-	-	(362,344)	(732,432)	(819,991)
Total investment expense	-	(2,956,647)	-	-	-	(362,344)	(3,318,991)	(1,964,891)
Net investment income	3,171,125	944,726	(1,048,926)	2,891,506	3,590,974	246,192	9,795,597	6,460,089

5 BASIC AND DILUTED EARNINGS PER SHARE

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

The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2018	*(Restated) 2017*
Profit for the year attributable to equity holders of the Parent Company (KD)	**11,901,838**	10,067,494
	Shares	*Shares*
Number of shares outstanding at the beginning of the year	**187,039,125**	187,039,125
Weighted average number of treasury shares	**(8,038,979)**	(8,028,679)
Weighted average number of shares outstanding during the year	**179,000,146**	179,010,446
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**66.49 fils**	56.24 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

6 PROPERTY AND EQUIPMENT

	Land KD	Buildings KD	Leasehold improvements KD	Computers KD	Furniture and Fixtures KD	Motor vehicles KD	Total KD
Cost:							
As at 1 January 2018 *(Restated)*	8,582,046	9,379,132	1,960,496	9,251,224	5,227,565	727,897	35,128,360
Additions	921,918	1,008,600	107,054	684,514	184,455	167,266	3,073,807
Disposals	-	-	(16,687)	(230,209)	(326,857)	(152,428)	(726,181)
Transfer from investment properties	296,916	1,449,647	-	-	-	-	1,746,563
Transfer to investment properties	(89,830)	(584,506)	-	-	-	-	(674,336)
Revaluation adjustment	3,195,042	6,568,088	-	-	-	-	9,763,130
Exchange differences	(167,225)	26,894	(111,667)	(557,569)	(100,245)	(27,674)	(937,486)
As at 31 December 2018	12,738,867	17,847,855	1,939,196	9,147,960	4,984,918	715,061	47,373,857
Accumulated depreciation:							
As at 1 January 2018	-	2,896,736	1,349,972	8,096,082	4,202,006	534,026	17,078,822
Charge for the year	-	983,042	137,155	715,590	266,398	163,652	2,265,837
On disposals	-	-	(21,839)	(203,817)	(253,388)	(140,713)	(619,757)
Exchange differences	-	8,703	(46,927)	(498,728)	(60,677)	(24,189)	(621,818)
As at 31 December 2018	-	3,888,481	1,418,361	8,109,127	4,154,339	532,776	18,103,084
Net carrying amount:							
As at 31 December 2018	12,738,867	13,959,374	520,835	1,038,833	830,579	182,285	29,270,773

Part of the Group's buildings with net carrying amount of KD 1,260,000 (2017: KD 1,260,000) have been mortgaged with the Ministry of Commerce and Industry.

6 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Buildings* *KD*	*Leasehold improvements* *KD*	*Computers* *KD*	*Furniture and Fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:							
As at 1 January 2017 *(Restated)*	7,360,402	7,714,453	1,532,795	5,711,459	3,936,408	617,922	26,873,439
Additions	385,359	1,070,942	193,493	1,573,319	914,814	119,557	4,257,484
Arising on acquisition of subsidiary (Note 3)	863,057	674,226	74,818	299,878	198,686	34,569	2,145,234
Disposals	-	-	(403,416)	(93,326)	(60,982)	(120,096)	(677,820)
Exchange differences	(26,772)	(80,489)	562,806	1,759,894	238,639	75,945	2,530,023
As at 31 December 2017 *(Restated)*	8,582,046	9,379,132	1,960,496	9,251,224	5,227,565	727,897	35,128,360
Accumulated depreciation:							
At 1 January 2017	-	2,295,128	1,105,570	4,803,100	3,136,621	401,817	11,742,236
Charge for the year	-	355,176	69,036	1,000,462	588,615	109,183	2,122,472
On disposals	-	-	(217,811)	(33,331)	(45,315)	(93,200)	(389,657)
Exchange differences	-	246,432	393,177	2,325,851	522,085	116,226	3,603,771
As at 31 December 2017	-	2,896,736	1,349,972	8,096,082	4,202,006	534,026	17,078,822
Net carrying amount:							
As at 31 December 2017 *(Restated)*	8,582,046	6,482,396	610,524	1,155,142	1,025,559	193,871	18,049,538
Net carrying amount:							
As at 31 December 2016 *(As previously reported)*	7,190,975	5,419,325	427,225	908,359	799,787	216,105	14,961,776
Effect of restatement (Note 32)	169,427	-	-	-	-	-	169,427
As at 31 December 2016 *(Restated)*	7,360,402	5,419,325	427,225	908,359	799,787	216,105	15,131,203

7 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership 2018*	*2017*	*Principal Activity*
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj")	Kingdom of Saudi Arabia	**27%**	27%	Insurance
Al-Argan International Real Estate Company K.S.C.P. (Al-Argan)	State of Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	State of Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC")	Algeria	**42.5%**	42.5%	Insurance

Carrying amount of investment in associates

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

	2018 KD	*2017 KD*
Carrying value at 1 January	**40,850,904**	39,958,891
Disposals *	**-**	(2,090,295)
Dividends received	**(552,578)**	(1,278,143)
Share of results of associates	**2,887,119**	4,145,623
Share of other comprehensive (loss) income of associates	**(77,589)**	215,911
Foreign currency translation adjustments	**161,583**	(101,083)
Carrying value at 31 December	**43,269,439**	40,850,904

* During the year ended 31 December 2017, the Group increased its holding in the share capital of Takaful International B.S.C. (Takaful), a listed Company on the Bahrain Bourse, to 63.6%. As a result, Takaful became a subsidiary of the Group and has been consolidated from that date (Note 3).

Summarised financial information of material associates of the Group is as follows:

	Al-Buruj KD	*Al-Argan KD*	*Others KD*	***2018 KD***	*2017 KD*
Share of associates' financial position:					
Assets	21,273,891	33,912,287	29,350,738	**84,536,916**	71,173,877
Liabilities	(11,269,739)	(15,575,206)	(17,022,238)	**(43,867,183)**	(32,922,679)
Net assets	10,004,152	18,337,081	12,328,500	**40,669,733**	38,251,198
Goodwill	640,164	-	1,959,542	**2,599,706**	2,599,706
Net assets	10,644,316	18,337,081	14,288,042	**43,269,439**	40,850,904
Share of associates' revenues and net profit:					
Revenues	7,837,951	1,601,877	6,317,774	**15,757,602**	5,883,424
Net profit	1,327,690	55,948	1,503,481	**2,887,119**	4,145,623

7 INVESTMENT IN ASSOCIATES (continued)

Investment in associates include quoted associate with a carrying value of KD 38,876,149 (2017: KD 36,998,913) having a market value of KD 27,430,559 (2017: KD 32,695,311).

8 GOODWILL

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

	2018 ***KD***	*2017* *KD*
Arab Misr Insurance Group Company S.A.E.	**308,340**	308,340
Bahrain Kuwaiti Insurance Company B.S.C.	**2,625,935**	2,625,935
Arab Orient Insurance Company J.S.C.	**5,292,099**	5,292,099
Dar Al-Salam Insurance Company	**604,073**	604,073
Egypt Life Takaful Insurance Company S.A.E.	**167,904**	167,904
L'Algerienne Des Assurance (2a)	**3,932,981**	3,932,981
Gulf Sigorta A.Ş.	**2,173,128**	2,173,128
	15,104,460	15,104,460

Movement on goodwill during the year is as follows:

	2018 ***KD***	*2017* *KD*
As at 1 January	**15,104,460**	14,093,553
Goodwill on acquisition of a subsidiary	-	1,010,907
As at 31 December	**15,104,460**	15,104,460

The recoverable amount of each segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The average discount rate used was 24.63% (2017: 22.37%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 3% (2017: 3%).

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

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

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

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

8 GOODWILL (continued)

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

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

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

9 INVESTMENTS AVAILABLE FOR SALE

	2018 ***KD***	*2017* *KD*
Quoted equity securities	**11,451,612**	12,179,490
Unquoted equity securities	**5,499,180**	5,309,895
Quoted managed funds	**212,109**	221,425
Quoted Bonds	**20,674,483**	17,983,673
Unquoted managed funds	**562,881**	473,970
	38,400,265	36,168,453

Impairment loss of KD 2,586,559 (2017: KD 1,144,900) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

10 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 ***KD***	*2017* *KD*
Held for trading:		
Quoted securities	**6,241,582**	10,723,931
Designated upon initial recognition:		
Managed funds of quoted securities	**13,127,593**	15,697,208
	19,369,175	26,421,139

11 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2018 KD	(Restated) 2017 KD
Policyholders' accounts receivable		
Premiums receivable	**102,718,253**	95,356,336
Insured debts receivable	**255,633**	290,531
	102,973,886	95,646,867
Provision for doubtful debts	**(10,201,813)**	(8,874,577)
Net policyholders' accounts receivable	**92,772,073**	86,772,290

	2018 KD	2017 KD
Insurance and reinsurers' accounts receivable		
Reinsures' receivables	**8,797,356**	7,901,450
Provision for doubtful debts	**(2,072,353)**	(1,426,611)
Net insurance and reinsurers' accounts receivable	**6,725,003**	6,474,839
Total premiums and insurance balances receivable	**99,497,076**	93,247,129

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

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

	2018 KD	(Restated) 2017 KD
As at 1 January	**8,874,577**	7,587,153
Charge for the year	**1,467,538**	1,387,012
Amounts written off	**(140,302)**	(99,588)
As at 31 December	**10,201,813**	8,874,577

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

	2018 KD	2017 KD
As at 1 January	**1,426,611**	871,891
Charge for the year	**645,742**	554,720
As at 31 December	**2,072,353**	1,426,611

12 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2018	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year *(Restated)*	5,763,751	29,798,930	42,201,518	12,720,480	24,302,578	13,034,460	31,353,208	159,174,925
Reinsurance recoverable on outstanding claims *(Restated)*	(5,391,860)	(6,802,035)	(40,274,638)	(10,587,983)	(17,707,610)	(3,269,837)	(19,269,350)	(103,303,313)
Net balance at beginning of the year	371,891	22,996,895	1,926,880	2,132,497	6,594,968	9,764,623	12,083,858	55,871,612
Foreign currency translation difference	441,812	292,050	248,148	(586,346)	(1,283,136)	(1,868)	(8,021)	(897,361)
Incurred during the year (net)	964,693	38,859,540	2,428,801	5,391,525	2,409,271	2,554,942	54,776,025	107,384,797
Paid during the year (net)	(579,630)	(36,376,207)	(1,532,352)	(3,539,428)	(1,595,751)	(3,729,424)	(54,489,108)	(101,841,900)
NET BALANCE AT END OF THE YEAR	1,198,766	25,772,278	3,071,477	3,398,248	6,125,352	8,588,273	12,362,754	60,517,148
Represented in:								
Gross balance at end of the year	10,343,360	31,680,045	37,915,645	30,885,867	29,945,093	12,003,952	31,363,846	184,137,808
Reinsurance recoverable	(9,144,594)	(5,907,767)	(34,844,168)	(27,487,619)	(23,819,741)	(3,415,679)	(19,001,092)	(123,620,660)
NET BALANCE AT END OF THE YEAR	1,198,766	25,772,278	3,071,477	3,398,248	6,125,352	8,588,273	12,362,754	60,517,148
Unearned premiums reserve (net)	672,615	21,802,098	2,795,944	8,066,671	4,825,802	868,530	13,111,846	52,143,506
Life mathematical reserve (net)	-	-	-	-	-	17,217,457	225,557	17,443,014
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

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

12 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2017 *(Restated)*	*Marine and aviation KD (Restated)*	*Motor vehicles KD (Restated)*	*Property KD (Restated)*	*Engineering KD (Restated)*	*General accidents KD (Restated)*	*Life KD*	*Medical KD*	*Total KD (Restated)*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	3,412,940	28,387,675	13,973,660	8,371,946	5,483,741	19,413,666	27,313,108	106,356,736
Reinsurance recoverable on outstanding claims	(2,752,444)	(7,631,331)	(12,085,013)	(5,993,397)	(1,629,378)	(3,204,470)	(16,743,351)	(50,039,384)
Net balance at beginning of the year	660,496	20,756,344	1,888,647	2,378,549	3,854,363	16,209,196	10,569,757	56,317,352
Arising from acquisition of a subsidiary	368,387	387,523	213,452	315,624	2,258,433	-	31,686	3,575,105
Foreign currency translation difference	(762,670)	875,355	(223,493)	(332,622)	71,117	64,507	(16,594)	(324,400)
Incurred during the year (net)	555,155	33,546,359	1,219,019	1,535,760	1,802,122	2,733,180	54,293,419	95,685,014
Paid during the year (net)	(449,477)	(32,568,686)	(1,170,745)	(1,764,814)	(1,391,067)	(9,242,260)	(52,794,410)	(99,381,459)
NET BALANCE AT END OF THE YEAR	371,891	22,996,895	1,926,880	2,132,497	6,594,968	9,764,623	12,083,858	55,871,612
Represented in:								
Gross balance at end of the year	5,763,751	29,798,930	42,201,518	12,720,480	24,302,578	13,034,460	31,353,208	159,174,925
Reinsurance recoverable	(5,391,860)	(6,802,035)	(40,274,638)	(10,587,983)	(17,707,610)	(3,269,837)	(19,269,350)	(103,303,313)
NET BALANCE AT END OF THE YEAR	371,891	22,996,895	1,926,880	2,132,497	6,594,968	9,764,623	12,083,858	55,871,612
Unearned premiums reserve (net)	674,006	20,330,564	2,714,656	9,153,651	5,470,861	1,008,869	11,803,399	51,156,006
Life mathematical reserve (net)	-	-	-	-	-	20,060,463	125,983	20,186,446
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

13 OTHER ASSETS

	2018 *KD*	*2017* *KD*
Accrued interest income	**1,969,483**	2,059,981
Inward reinsurance retentions	**231,028**	53,081
Refundable claims	**292,648**	165,758
Advances towards acquisition of investment	**3,295,261**	1,443,737
Amounts due from related parties	**-**	1,402,689
Prepaid expenses and others	**18,431,276**	18,203,681
	24,219,696	23,328,927

14 TIME DEPOSITS

Time deposits of KD 29,488,863 (2017: KD 38,438,911) are placed with local and foreign banks and carry an average effective interest rate of 12.5% (2017: 10.7%) per annum. Time deposits mature within one year.

15 CASH AND CASH EQUIVALENTS

	2018 *KD*	*2017* *KD*
Cash on hand and at banks	**13,373,028**	16,698,303
Short term deposits and call accounts	**49,411,973**	38,883,122
Cash and cash equivalents in the consolidated statement of financial position	**62,785,001**	55,581,425
Bank overdrafts	**(46,673,176)**	(55,381,657)
Cash and cash equivalents in the consolidated statement of cash flows	**16,111,825**	199,768

Bank overdrafts represents a facility obtained from a local bank and carries an average interest rate of 1.34% (2017: 1.125%).

16 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 187,039,125 shares of 100 fils each (2016: 187,039,125 shares) which was fully paid in cash.

Cash dividends, bonus shares and directors' remuneration
At the Board of Directors meeting held on 20 February 2019, the directors of the Parent Company proposed distribution of a cash dividend of 36 fils (2017: 30 fils) per share for the year ended 31 December 2018. The proposed dividend is subject to the approval of the shareholders at the General Assembly meeting.

The Ordinary Annual General Assembly of the Parent Company's shareholders held on 29 March 2018 approved the payment of cash dividends amounting to KD 5,370,004 for the year ended 31 December 2017 (2016: KD 7,160,458), which represents 29% of paid up share capital (2016: 38%).

Directors' remuneration of KD 185,000 for the year ended 31 December 2018 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' remuneration of KD 185,000 for the year ended 31 December 2017 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 29 March 2018.

17 TREASURY SHARES

	2018	*2017*
Number of shares (share)	**8,038,979**	8,038,740
Percentage of issued shares (%)	**4.30%**	4.29%
Market value (KD)	5,233,375	6,615,883

18 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. The Parent Company discontinued the annual transfer since the reserve has reached 100% of the share capital.

19 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

20 INSURANCE PAYABLE

	2018 *KD*	*2017* *KD*
Policyholders and agencies payables	**18,041,672**	18,531,926
Insurance and reinsurance payables	**43,734,957**	48,739,296
Amounts due to (from) policyholders of Takaful unit (Note 29)	**4,424,048**	(542,024)
	66,200,677	66,729,198

21 OTHER LIABILITIES

	2018 *KD*	*2017* *KD*
Accrued expenses and others	**33,571,618**	24,716,025
Reserve for reinsurance premiums	**2,395,838**	1,282,278
KFAS, NLST and Zakat payables	**528,559**	484,135
Provision for end of service benefits	**7,530,697**	7,472,001
Proposed directors' remuneration	**185,000**	185,000
	44,211,712	34,139,439

22 SEGMENT INFORMATION

a) Segmental consolidated statement of income

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

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offers savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and FAY products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

22 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
Year ended 31 December 2018:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	10,174,024	51,149,819	38,844,811	31,927,330	22,360,957	154,456,941	8.784,752	172,503,556	181,288,308	335,745,249
Reinsurance premiums ceded	(7,201,643)	(2,723,261)	(34,416,858)	(22,447,179)	(12,574,775)	(79,363,716)	(3,332,420)	(102,006,019)	(105,338,439)	(184,702,155)
Net premiums written	2,972,381	48,426,558	4,427,953	9,480,151	9,786,182	75,093,225	5,452,332	70,497,537	75,949,869	151,043,094
Movement in unearned premiums reserve	(69,389)	(1,945,888)	(1,632,646)	(1,033,771)	(300,062)	(4,981,756)	141,365	(1,329,985)	(1,188,620)	(6,170,376)
Movement in life mathematical reserve	-	-	-	-	4,181	4,181	2,842,560	(99,574)	2,742,986	2,747,167
Net premiums earned	2,902,992	46,480,670	2,795,307	8,446,380	9,490,301	70,115,650	8,436,257	69,067,978	77,504,235	147,619,885
Commission received on ceded reinsurance	1,908,209	521,676	4,474,629	2,415,264	2,731,763	12,051,541	1,513,232	2,556,740	4,069,972	16,121,513
Policy issuance fees	173,558	1,334,172	285,270	45,251	181,516	2,019,767	8,705	1,339,658	1,348,363	3,368,130
Net investment (loss) income from designated life and medical insurance	-	-	-	-	-	-	(396,511)	7,531	(388,980)	(388,980)
Total revenue	4,984,759	48,336,518	7,555,206	10,906,895	12,403.580	84,186,958	9,561,683	72,971,907	82,533,590	166,720,548
Expenses:										
Claims incurred	964,693	38,859,540	2,428,801	5,391,525	2,409,271	50,053,830	2,554,942	54,776,025	57,330,967	107,384,797
Commission and discounts	1,092,492	6,982,126	2,515,277	1,386,996	3,421,088	15,397,979	669,240	1,524,587	2,193,827	17,591,806
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	4,132,368	-	4,132,368	4,132,368
General and administrative expenses	1,349,859	6,424,590	2,681,086	1,870,077	3,255,791	15,581,403	1,395,143	8,658,103	10,053,246	25,634,649
Total expenses	3,407,044	52,266,256	7,625,164	8,648,598	9,086,150	81,033,212	8,751,693	64,958,715	73,710,408	154,743,620
Net underwriting income	1,577,715	(3,929,738)	(69,958)	2,258,297	3,317,430	3,153,746	809,990	8,013,192	8,823,182	11,976,928
Net investment income						9,795,597			-	9,795,597
Finance costs						(2,916,156)			(4,933)	(2,921,089)
Share of results of associates						2,887,119			-	2,887,119
Net sundry income						2,345,223			1,185,182	3,530,405
Unallocated general and administrative expenses						(5,436,413)			(4,456,262)	(9,892,675)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' remuneration						9,829,116			5,547,169	15,376,285

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

22 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						Life and medical insurance			
Year ended 31 December 2017:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD (Restated)*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD (Restated)*
Revenue:										
Premiums written	8,688,300	50,840,025	31,309,417	22,422,627	20,648,974	133,909,343	9,796,254	161,073,007	170,869,261	304,778,604
Reinsurance premiums ceded	(6,399,571)	(3,148,164)	(28,403,663)	(13,722,164)	(11,999,549)	(63,673,111)	(3,222,144)	(103,327,409)	(106,549,553)	(170,222,664)
Net premiums written	2,288,729	47,691,861	2,905,754	8,700,463	8,649,425	70,236,232	6,574,110	57,745,598	64,319,708	134,555,940
Movement in unearned premiums reserve	(177,095)	(4,064,205)	(605,926)	(3,803,155)	(676,906)	(9,327,287)	233,488	1,726,128	1,959,616	(7,367,671)
Movement in life mathematical reserve	-	-	-	-	-	-	(1,192,495)	(33,102)	(1,225,597)	(1,225,597)
Net premiums earned	2,111,634	43,627,656	2,299,828	4,897,308	7,972,519	60,908,945	5,615,103	59,438,624	65,053,727	125,962,672
Commission received on ceded reinsurance	1,942,881	575,431	4,717,963	2,045,011	3,488,735	12,770,021	1,472,844	3,089,803	4,562,647	17,332,668
Policy issuance fees	191,677	1,570,418	162,806	70,214	150,640	2,145,755	19,018	1,300,083	1,319,101	3,464,856
Net investment income from designated life and medical insurance	-	-	-	-	-	-	1,694,908	8,023	1,702,931	1,702,931
Total revenue	4,246,192	45,773,505	7,180,597	7,012,533	11,611,894	75,824,721	8,801,873	63,836,533	72,638,406	148,463,127
Expenses:										
Claims incurred	555,155	33,546,359	1,219,019	1,535,760	1,802,122	38,658,415	2,733,180	54,293,419	57,026,599	95,685,014
Commission and discounts	881,802	6,033,143	2,078,180	915,533	3,600,526	13,509,184	522,114	1,430,164	1,952,278	15,461,462
Maturity and cancellations of life insurance Policies	-	-	-	-	-	-	2,402,188	-	2,402,188	2,402,188
General and administrative expenses	1,281,045	7,046,633	2,685,857	3,143,669	3,164,053	17,321,257	1,767,982	7,571,955	9,339,937	26,661,194
Total expenses	2,718,002	46,626,135	5,983,056	5,594,962	8,566,701	69,488,856	7,425,464	63,295,538	70,721,002	140,209,858
Net underwriting income	1,528,190	(852,630)	1,197,541	1,417,571	3,045,193	6,335,865	1,376,409	540,995	1,917,404	8,253,269
Net investment income						6,460,089			-	6,460,089
Finance costs						(1,515,741)			-	(1,515,741)
Share of results of associates						4,145,623			-	4,145,623
Net sundry income						330,242			1,041,323	1,371,565
Unallocated general and administrative expenses						(4,238,339)			(3,042,745)	(7,281,084)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' remuneration						11,517,739			(84,018)	11,433,721

48

22 SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2018	*General risk Insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	**336,093,937**	**94,715,320**	**98,450,661**	**529,259,918**
Total liabilities	**264,512,149**	**97,460,547**	**54,863,910**	**416,836,606**

31 December 2017	*General risk Insurance KD (Restated)*	*Life and medical insurance KD*	*Un-allocated KD (Restated)*	*Total KD (Restated)*
Total assets	293,306,610	96,303,578	103,206,405	492,816,593
Total liabilities	231,877,524	102,513,426	58,457,040	392,847,990

31 December 2016	*General risk Insurance KD (Restated)*	*Life and medical insurance KD*	*Un-allocated KD (Restated)*	*Total KD (Restated)*
Total assets	201,375,173	92,171,719	81,275,444	374,822,336
Total liabilities	151,211,956	94,184,743	32,992,510	278,389,209

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

22 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		GCC Countries		Other ME Countries		Total	
	2018 KD	2017 KD	2018 KD	2017 KD	2018 KD	2017 KD (Restated)	2018 KD	2017 KD (Restated)
Segment revenue	**98,072,606**	87,626,139	**11,892,110**	10,030,777	**56,755,832**	50,806,211	**166,720,548**	148,463,127
Segment results (net underwriting income)	**9,885,505**	9,933,059	**776,292**	721,450	**1,315,131**	(2,401,240)	**11,976,928**	8,253,269
Profit (loss) for the year attributable to equity holders of the Parent Company	**4,799,841**	11,282,657	**811,338**	608,758	**6,290,659**	(1,823,921)	**11,901,838**	10,067,494

	Kuwait			GCC Countries			Other ME Countries			Total		
	2018 KD	2017 KD	2016 KD	2018 KD	2017 KD	2016 KD	2018 KD	2017 KD (Restated)	2016 KD (Restated)	2018 KD	2017 KD (Restated)	2016 KD (Restated)
Total assets	**283,762,173**	266,614,554	240,664,575	**77,650,191**	66,524,411	34,142,076	**167,847,554**	159,677,628	100,015,685	**529,259,918**	492,816,593	374,822,336
Total liabilities	**247,098,575**	232,539,724	191,020,588	**59,951,644**	49,208,944	19,758,706	**109,786,387**	111,099,322	67,609,915	**416,836,606**	392,847,990	278,389,209

23 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:

	2018 *KD*	*2017* *KD*
Current accounts and deposits at banks	**20,710,333**	20,438,079
Loans secured by life insurance policies	**1,599,688**	1,647,205
	22,310,021	22,085,284

Statutory guarantees of KD 32,865,541 (2017: KD 28,329,001) are held outside the State of Kuwait as security for the subsidiary companies' activities.

24 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 16,393,283 (2017: KD 17,333,994).

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

25 COMMITMENTS

The Group does not have future commitments with respect to purchase of financial instruments (2017: Nil).

26 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities . Risk management also protects policyholders' fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers.

26 RISK MANAGEMENT (continued)

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

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

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

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

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

(c) Capital management objectives, policies and approach

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

Capital management objectives

The capital management objectives are:

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

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

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

26 RISK MANAGEMENT (continued)

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

Capital management policies
The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

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

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

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

(d) Insurance risk

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

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

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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

(1) Life and medical insurance contracts

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

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

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

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

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

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

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

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

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

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimise the risk of default.

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

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2018			2017		
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	56,839	48,826	8,013	5,964	1,812	4,152
Term insurance	97,363	1,806	95,557	367,752	31,892	335,860
Pure endowment	1,563,873	-	1,563,873	1,460,469	-	1,460,469
Preferred global health	55,477	-	55,477	50,182	-	50,182
FAY	340,160	170,080	170,080	252,669	176,868	75,801
Misk individual policies	-	-	-	-	-	-
Total life insurance contract	2,113,712	220,712	1,893,000	2,137,036	210,572	1,926,464
Unitised pensions (Misk individual policies)	15,550,014	-	15,550,014	18,259,982	-	18,259,982
Total investments contracts	15,550,014	-	15,550,014	18,259,982	-	18,259,982
Total life insurance and investment contracts	17,663,726	220,712	17,443,014	20,397,018	210,572	20,186,446
Other life insurance contract liabilities	62,816,379	27,884,975	34,931,404	81,888,319	47,227,570	34,660,749

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.

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2018			2017		
	Gross liabilities KD	*Reinsurers' share of liabilities KD*	*Net liabilities KD*	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	**2,113,712**	**220,712**	**1,893,000**	2,137,036	210,572	1,926,464

Investment contracts

	2018			2017		
	Gross liabilities KD	*Reinsurers' share of liabilities KD*	*Net liabilities KD*	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Kuwait	**6,009,616**	**-**	**6,009,616**	6,472,713	-	6,472,713
Europe	**9,540,398**	**-**	**9,540,398**	11,787,269	-	11,787,269
Total	**15,550,014**	**-**	**15,550,014**	18,259,982	-	18,259,982

The assumptions that have been provided by an external independent actuarial are as follows:

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

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

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

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

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Key assumptions (continued)

• Longevity

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

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

• Investment return

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

• Expenses

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

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

• Lapse and surrender rates

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

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

• Discount rate

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

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

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse and surrender rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2018	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*	***2018***	*2017*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**3.5%**	4%	**N/A**	N/A	**3%**	3%	**"5% of AP+1% of SA"**	"5% of AP+1% of SA"	**2%**	2%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Life term assurance:												
Males	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Females	**A49/52-3yr**	A49/52-3yr	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Sensitivities

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

Life insurance contracts

31 December 2018

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	-	-	**(27,000)**
Expenses	**10%**	**248,000**	**248,000**	**(248,000)**
Discount rate	**-1%**	**72,000**	**72,000**	**(72,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2017

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

Investment contracts

31 December 2018

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	-	-	**(46,000)**
Expenses	**10%**	**50,000**	**50,000**	**(50,000)**
Discount rate	**-1%**	**60,000**	**60,000**	**(60,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2017

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(53,000)
Expenses	10%	60,000	60,000	(60,000)
Discount rate	-1%	65,000	65,000	(65,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

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

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

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

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

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

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

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management.

In additions; the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

26 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:	***2018*** Gross liabilities KD	***2018*** Reinsurer's share of liabilities KD	***2018*** Net liabilities KD	*2017* Gross liabilities (Restated) KD	*2017* Reinsurer's share of liabilities (Restated) KD	*2017* Net liabilities (Restated) KD	*2016* Net liabilities (Restated) KD
Marine and Aviation	**12,017,619**	**10,046,238**	**1,971,381**	7,352,963	6,207,065	1,145,898	1,240,294
Motor vehicles	**55,049,066**	**6,374,690**	**48,674,376**	51,874,815	8,330,839	43,543,976	38,222,369
Property	**56,035,147**	**50,017,726**	**6,017,421**	56,128,168	51,359,528	4,768,640	3,316,423
Engineering	**56,910,306**	**45,245,388**	**11,664,918**	32,566,901	22,626,356	9,940,545	5,321,499
General Accidents	**38,712,469**	**27,661,315**	**11,051,154**	34,290,016	22,124,186	12,165,830	6,144,407
Total	**218,724,607**	**139,345,357**	**79,379,250**	182,212,863	110,647,974	71,564,889	54,244,992

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:	***2018*** Gross liabilities KD	***2018*** Reinsurer's share of liabilities KD	***2018*** Net liabilities KD	*2017* Gross liabilities (Restated) KD	*2017* Reinsurer's share of liabilities (Restated) KD	*2017* Net Liabilities (Restated) KD	*2016* Net Liabilities (Restated) KD
Kuwait	**68,928,432**	**45,732,764**	**23,195,668**	45,935,251	23,573,211	22,362,040	22,107,389
GCC and Middle East countries	**149,796,175**	**93,612,593**	**56,183,582**	136,277,612	87,074,763	49,202,849	32,137,603
Total	**218,724,607**	**139,345,357**	**79,379,250**	182,212,863	110,647,974	71,564,889	54,244,992

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

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

Sensitivities
The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before contribution to KFAS, NLST, Zakat tax and directors' fees.

31 December 2018	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	**±15%**	**10,656,502**	**4,797,920**	**4,797,920**
Average number of claim	**±15%**	**39,239**	**33,198**	**619,687**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**7,104,335**	**3,830,129**	**312,287**

31 December 2017	*Change in assumption*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	±15%	7,719,160	3,418,044	3,418,044
Average number of claim	±15%	37,016	31,317	584,581
Average claim settlement paid	Reduce from 18 months to 12 months	5,146,107	2,774,398	226,209

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

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

31 December 2018

	2010 KD	*2011 KD*	*2012 KD*	*2013 KD*	*2014 KD*	*2015 KD*	*2016 KD*	*2017 KD*	*2018 KD*	***Total KD***
At end of accident year	1,179,335,445	78,679,477	89,555,565	94,021,887	89,026,900	90,713,406	115,767,181	238,320,212	255,471,027	
One year later	344,727,558	88,608,723	105,451,833	123,049,429	115,028,898	107,262,772	126,453,059	247,717,822	-	
Two years later	338,614,695	89,908,552	106,243,283	120,765,501	113,348,740	110,122,254	127,039,952	-	-	
Three years later	334,785,708	88,309,858	104,881,994	115,594,283	116,039,580	110,259,331	-	-	-	
Four years later	332,252,691	87,967,006	103,932,073	117,928,059	116,640,217	-	-	-	-	
Five years later	330,229,851	88,024,652	106,636,211	118,293,459	-	-	-	-	-	
Six years later	328,176,982	88,322,880	107,644,093	-	-	-	-	-	-	
Seven years later	332,066,255	88,319,605	-	-	-	-	-	-	-	
Eight years later	333,338,505	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	333,338,505	88,319,605	107,644,093	118,293,459	116,640,217	110,259,331	127,039,952	247,717,822	255,471,027	1,504,724,011

26 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2010 KD	*2011 KD*	*2012 KD*	*2013 KD*	*2014 KD*	*2015 KD*	*2016 KD*	*2017 KD*	*2018 KD*	*Total KD*
At end of accident year	(861,431,944)	(47,023,925)	(53,687,293)	(56,598,561)	(56,835,392)	(56,656,953)	(66,991,620)	(157,856,387)	(159,030,549)	
One year later	(304,045,887)	(76,914,914)	(88,891,018)	(97,894,885)	(101,990,575)	(94,952,494)	(108,464,895)	(226,848,691)	-	
Two years later	(312,087,834)	(82,573,468)	(94,053,337)	(105,857,873)	(106,695,945)	(99,651,928)	(115,876,615)	-	-	
Three years later	(314,210,217)	(84,263,723)	(98,823,789)	(111,063,406)	(108,289,763)	(101,702,109)	-	-	-	
Four years later	(316,022,052)	(84,887,781)	(100,105,528)	(112,244,491)	(109,725,151)	-	-	-	-	
Five years later	(317,072,290)	(85,621,245)	(100,618,883)	(113,061,455)	-	-	-	-	-	
Six years later	(317,755,681)	(86,192,536)	(100,966,494)	-	-	-	-	-	-	
Seven years later	(318,388,319)	(86,693,820)	-	-	-	-	-	-	-	
Eight years later	(324,235,090)	-	-	-	-	-	-	-	-	
Cumulative payment to date	(324,235,090)	(86,693,820)	(100,966,494)	(113,061,455)	(109,725,151)	(101,702,109)	(115,876,615)	(226,848,691)	(159,030,549)	(1,338,139,974)
Gross insurance contract outstanding claims at 31 December 2018	9,103,415	1,625,785	6,677,599	5,232,004	6,915,066	8,557,222	11,163,337	20,869,131	96,440,478	166,584,037
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2018									19,203,771	19,203,771
Total gross insurance outstanding claims provision per consolidated statement of financial position at 31 December 2018	9,103,415	1,625,785	6,677,599	5,232,004	6,915,066	8,557,222	11,163,337	20,869,131	115,644,249	185,787,808

26 RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

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

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

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

Exposure to credit risk by classifying financial assets according to type of insurance	31 December 2018			
	General *KD*	*Life* *KD*	*Unit linked* *KD*	*Total* *KD*
Investments held to maturity	21,793,233	-	-	21,793,233
Debt securities (loans)	2,940,860	9,137,200	4,573,800	16,651,860
Loans secured by life insurance policies	-	3,946	1,262,691	1,266,637
Policyholders' accounts receivable (gross)	86,972,833	16,001,053	-	102,973,886
Reinsurers' accounts receivable (gross)	8,307,381	489,975	-	8,797,356
Reinsurance recoverable on outstanding claims	103,826,725	19,793,935	-	123,620,660
Other assets	577,078	-	-	577,078
Time deposits	29,425,251	63,612	-	29,488,863
Cash and cash equivalents	50,992,476	11,792,525	-	62,785,001
Total credit risk exposure	304,835,837	57,282,246	5,836,491	367,954,574

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to type of insurance	31 December 2017			
	General KD (Restated)	*Life KD*	*Unit linked KD*	*Total KD (Restated)*
Investments held to maturity	19,509,904	-	-	19,509,904
Debt securities (loans)	2,925,989	10,120,895	5,283,105	18,329,989
Loans secured by life insurance policies	-	4,347	1,599,688	1,604,035
Policyholders' accounts receivable (gross)	81,767,271	13,879,596	-	95,646,867
Reinsurers' accounts receivable (gross)	7,764,322	137,128	-	7,901,450
Reinsurance recoverable on outstanding claims	84,511,919	18,782,565	8,829	103,303,313
Other assets	1,649,206	-	-	1,649,206
Time deposits	26,942,614	11,496,297	-	38,438,911
Cash and cash equivalents	55,086,116	495,309	-	55,581,425
Total credit risk exposure	280,157,341	54,916,137	6,891,622	341,965,100

Exposure to credit risk by classifying financial assets according to type of insurance	31 December 2016			
	General KD (Restated)	*Life KD*	*Unit linked KD*	*Total KD (Restated)*
Investments held to maturity	19,654,769	-	-	19,654,769
Debt securities (loans)	2,027,750	7,162,000	5,300,000	14,489,750
Loans secured by life insurance policies	-	8,191	1,647,205	1,655,396
Policyholders' accounts receivable (gross)	49,079,250	11,358,634	-	60,437,884
Reinsurers' accounts receivable (gross)	6,256,737	149,790	-	6,406,527
Reinsurance recoverable on outstanding claims	35,362,730	14,676,654	-	50,039,384
Other assets	1,663,134	-	-	1,663,134
Time deposits	25,518,202	100,348	-	25,618,550
Cash and cash equivalents	50,672,474	22,397,035	-	73,069,509
Total credit risk exposure	190,235,046	55,852,652	6,947,205	253,034,903

26 RISK MANAGEMENT (continued)

(c) Financial risks (continued)

(I) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2018 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies *31 December 2018*	*AAA* *KD*	*AA* *KD*	*A* *KD*	*BBB* *KD*	*BB and below* *KD*	*Not rated* *KD*	*Total* *KD*
Investments held to maturity	-	-	1,457,256	2,460,480	17,875,069	428	21,793,233
Debt securities (loans)	-	-	-	10,572,860	6,079,000	-	16,651,860
Loans secured by life insurance policies	-	-	-	-	-	1,266,637	1,266,637
Policyholders' accounts receivable (gross)	-	12,319,333	35,431,134	1,026,987	8,604,645	45,591,787	102,973,886
Reinsurers accounts receivable (gross)	165,301	32,044	2,901,760	66,762	2,959,842	2,671,647	8,797,356
Reinsurance recoverable on outstanding claims	1,161,545	24,800,398	75,797,424	3,734,944	9,681,876	8,444,473	123,620,660
Other assets	-	-	-	-	-	577,078	577,078
Time Deposits	-	-	16,198,715	8,736,075	4,015,132	538,941	29,488,863
Cash and cash equivalents	-	1,048,463	40,836,236	13,519,553	6,766,208	614,541	62,785,001
Total credit risk exposure	1,326,846	38,200,238	172,622,525	40,117,661	55,981,772	59,705,532	367,954,574

Unrated responses are classified as follows using internal credit ratings.

31 December 2018	*Neither past due nor impaired* *High grade* *KD*	*Standard grade* *KD*	*Past due or impaired* *KD*	*Total* *KD*
Investments held to maturity	-	-	428	428
Loan secured by life insurance policy	-	1,266,637	-	1,266,637
Policyholders' accounts receivable (gross)	25,694,357	13,832,607	6,064,823	45,591,787
Reinsurance accounts receivable (gross)	1,917,846	705,344	48,457	2,671,647
Reinsurance recoverable on outstanding claims	5,705,637	2,738,836	-	8,444,473
Other assets	577,078	-	-	577,078
Time deposits	538,941	-	-	538,941
Cash and cash equivalents	596,601	-	17,940	614,541
	35,030,460	18,543,424	6,131,648	59,705,532

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2017 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD (Restated)*	*Total KD (Restated)*
31 December 2017							
Investments held to maturity	-	244,496	1,357,766	639,236	17,267,980	426	19,509,904
Debt securities (loans)	-	-	1,509,000	10,784,989	6,036,000	-	18,329,989
Loans secured by life insurance policies	-	-	-	-	-	1,604,035	1,604,035
Policyholders' accounts receivable (gross)	-	34,025,787	13,128,938	3,387,032	11,149,862	33,955,248	95,646,867
Reinsurers accounts receivable (gross)	-	108,425	1,840,324	1,443,914	2,147,408	2,361,379	7,901,450
Reinsurance recoverable on outstanding claims	1,272,017	20,801,382	68,155,366	3,209,547	3,338,901	6,526,100	103,303,313
Other assets	-	-	-	-	-	1,649,206	1,649,206
Time Deposits	-	33,087	21,996,793	12,044,241	3,956,952	407,838	38,438,911
Cash and cash equivalents	-	1,471,889	34,504,263	8,327,761	10,003,489	1,274,023	55,581,425
Total credit risk exposure	1,272,017	56,685,066	142,492,450	39,836,720	53,900,592	47,778,255	341,965,100

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
	High grade KD	*Standard grade KD*	*Past due or impaired KD*	*Total KD*
31 December 2017				
Investments held to maturity	-	-	426	426
Loan secured by life insurance policy	1,599,688	4,347	-	1,604,035
Policyholders' accounts receivable (gross)	23,099,043	5,559,594	5,296,611	33,955,248
Reinsurance accounts receivable (gross)	930,592	642,386	788,401	2,361,379
Reinsurance recoverable on outstanding claims	6,526,100	-	-	6,526,100
Other assets	1,649,206	-	-	1,649,206
Time deposits	407,838	-	-	407,838
Cash and cash equivalents	1,010,846	249,039	14,138	1,274,023
	35,223,313	6,455,366	6,099,576	47,778,255

26 RISK MANAGEMENT (continued)

(c) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2016 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD (Restated)*	*Total KD (Restated)*
31 December 2016							
Investments held to maturity	-	247,567	2,908,445	10,720,097	5,778,229	431	19,654,769
Debt securities (loans)	-	-	-	14,489,750	-	-	14,489,750
Loans secured by life insurance policies	-	-	-	-	-	1,655,396	1,655,396
Policyholders' accounts receivable (gross)	-	679,564	9,006,515	24,930,205	464	25,821,136	60,437,884
Reinsurers accounts receivable (gross)	93,715	120,145	994,177	1,413,072	1,345,265	2,440,153	6,406,527
Reinsurance recoverable on outstanding claims	240,328	14,653,745	22,176,989	5,183,771	3,615,208	4,169,343	50,039,384
Other assets	-	-	-	-	-	1,663,134	1,663,134
Time Deposits	-	-	14,853,029	7,589,287	852,368	2,323,866	25,618,550
Cash and cash equivalents	-	4,452,635	46,809,940	18,294,903	2,302,316	1,209,715	73,069,509
Total credit risk exposure	334,043	20,153,656	96,749,095	82,621,085	13,893,850	39,283,174	253,034,903

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
31 December 2016	*High grade KD (Restated)*	*Standard Grade KD*	*Past due or impaired KD*	*Total KD (Restated)*
Investments held to maturity	431	-	-	431
Loan secured by life insurance policy	8,191	1,647,205	-	1,655,396
Policyholders' accounts receivable (gross)	14,051,586	8,713,562	3,055,988	25,821,136
Reinsurance accounts receivable (gross)	907,212	1,161,583	371,358	2,440,153
Reinsurance recoverable on outstanding claims	4,130,462	38,881	-	4,169,343
Other assets	1,663,134	-	-	1,663,134
Time deposits	680,323	1,643,543	-	2,323,866
Cash and cash equivalents	952,961	215,182	41,572	1,209,715
	22,394,300	13,419,956	3,468,918	39,283,174

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

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

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2018:					
Policyholders' accounts receivable (net)	21,007,737	13,825,515	57,271,211	667,610	92,772,073
Reinsurance receivables (net)	4,495,311	-	1,581,374	648,318	6,725,003
Total	25,503,048	13,825,515	58,852,585	1,315,928	99,497,076

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD (Restated)*	*Total KD (Restated)*
31 December 2017:					
Policyholders' accounts receivable (net)	15,690,513	10,868,138	59,382,122	831,517	86,772,290
Reinsurance receivables (net)	1,378,101	1,612,618	2,740,220	743,900	6,474,839
Total	17,068,614	12,480,756	62,122,342	1,575,417	93,247,129

(2) Liquidity risk

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

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

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
31 December 2018						
Insurance payable	34,837,954	9,704,630	13,126,083	6,267,677	2,264,333	66,200,677
Other liabilities	9,330,842	8,921,844	12,042,145	13,916,881	-	44,211,712
Bank overdrafts	2,826	28,039,632	18,630,718	-	-	46,673,176
	44,171,622	46,666,106	43,798,946	20,184,558	2,264,333	157,085,565

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
31 December 2017						
Insurance payable	26,114,563	15,054,018	17,963,558	5,348,678	2,248,381	66,729,198
Other liabilities	5,798,516	7,432,602	13,951,825	6,956,496	-	34,139,439
Bank overdrafts	-	-	55,381,657	-	-	55,381,657
	31,913,079	22,486,620	87,297,040	12,305,174	2,248,381	156,250,294

(3) Market risk

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

Market risk comprises three types of risk: currency risk, interest rate risk and commodity and equity rate price risk.

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

(i) Currency risk

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

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

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

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

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2018:	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
ASSETS									
Property and equipment	15,386,497	896,343	3,980,558	3,227,320	2,333,694	-	-	3,446,361	29,270,773
Investments in associates	20,078,099	-	-	1,533,064	-	-	-	21,658,276	43,269,439
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	6,710,182	15,104,460
Investments held to maturity	500,310	1,115,649	2,198,205	14,442,220	1,057,523	-	-	2,479,326	21,793,233
Debt securities (loans)	5,100,000	11,551,860	-	-	-	-	-	-	16,651,860
Investments available for sale	4,292,889	7,003,833	2,456,527	136,389	3,078,216	-	-	21,432,411	38,400,265
Investments carried at fair value through profit or loss	4,645,268	4,834,127	-	968,564	2,161,490	-	-	6,759,726	19,369,175
Loans secured by life insurance policies	1,262,691	-	-	-	-	-	-	3,946	1,266,637
Premium and insurance balances receivable	57,769,866	16,021,820	3,635,437	2,549,346	11,194,034	867,541	74,389	7,384,643	99,497,076
Reinsurance recoverable on outstanding claims	47,927,583	23,971,941	28,508,765	2,403,528	3,749,145	4,713,008	2,364,073	9,982,617	123,620,660
Investment properties	3,035,857	60,016	-	376,121	-	-	-	1,050,786	4,522,780
Other assets	8,366,031	518,873	3,116,820	2,111,630	4,854,047	-	-	5,252,295	24,219,696
Cash and cash equivalents and time deposits	36,843,372	13,505,837	5,022,522	3,357,960	21,179,176	1,082,563	541,838	10,740,596	92,273,864
Total assets	205,208,463	79,480,299	51,544,769	31,582,386	54,899,424	6,663,112	2,980,300	96,901,165	529,259,918

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2018	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
LIABILITIES									
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	92,923,747	12,435,673	34,249,044	4,525,561	11,785,564	5,387,308	69,100	22,761,811	184,137,808
Unearned premiums reserve (net)	19,981,670	-	4,302,249	4,168,869	6,727,750	-	-	16,962,968	52,143,506
Life mathematical reserve (net)	17,384,021	130	-	-	-	-	-	58,863	17,443,014
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	-	1,650,000
Total liabilities arising from insurance contracts	131,939,438	12,435,803	38,551,293	8,694,430	18,513,314	5,387,308	69,100	39,783,642	255,374,328
Premiums received in advance	3,966,876	-	396,939	-	-	-	-	12,898	4,376,713
Insurance payable	26,719,933	20,774,253	3,136,538	1,093,652	12,168,907	481,790	(5,985)	1,831,589	66,200,677
Other liabilities	31,324,369	7,813	3,408,479	4,059,411	839,718	-	-	4,571,922	44,211,712
Bank overdrafts	23,424,703	23,152,722	-	-	-	-	-	95,751	46,673,176
Total liabilities	217,375,319	56,370,591	45,493,249	13,847,493	31,521,939	5,869,098	63,115	46,295,802	416,836,606

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2017: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent (Restated)*	*Total KD (Restated)*
Property and equipment	5,863,252	904,654	4,163,345	2,517,662	2,498,016	-	-	2,102,609	18,049,538
Investments in associates	19,641,858	-	-	1,251,040	-	-	-	19,958,006	40,850,904
Goodwill	15,104,460	-	-	-	-	-	-	-	15,104,460
Investments held to maturity	499,799	1,202,466	539,234	12,365,060	1,055,665	-	-	3,847,680	19,509,904
Debt securities (loans)	6,850,000	11,479,989	-	-	-	-	-	-	18,329,989
Investments available for sale	4,504,719	7,584,462	3,388,233	141,393	4,676,322	-	-	15,873,324	36,168,453
Investments carried at fair value through profit or loss	5,335,564	7,606,632	-	1,164,698	3,850,422	-	-	8,463,823	26,421,139
Loans secured by life insurance policies	1,599,688	-	-	-	-	-	-	4,347	1,604,035
Premium and insurance balances Receivable	55,951,835	5,395,960	6,271,764	2,023,199	14,470,019	1,462,578	43,561	7,628,213	93,247,129
Reinsurance recoverable on outstanding claims	32,023,300	15,452,358	30,797,490	2,402,197	4,673,699	5,639,891	559,379	11,754,999	103,303,313
Investment properties	-	-	-	20,830	-	-	-	2,857,636	2,878,466
Other assets	8,946,838	234,331	1,430,648	2,128,153	5,114,537	-	-	5,474,420	23,328,927
Cash and cash equivalents and time deposits	37,566,837	12,310,380	8,257,530	4,315,557	18,703,372	1,969,084	452,649	10,444,927	94,020,336
Total assets	193,888,150	62,171,232	54,848,244	28,329,789	55,042,052	9,071,553	1,055,589	88,409,984	492,816,593

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2017	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent (Restated)*	*Total KD (Restated)*
LIABILITIES									
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	71,761,863	7,010,970	36,111,288	4,178,277	13,360,680	6,081,530	490,705	20,179,612	159,174,925
Unearned premiums reserve (net)	18,686,847	7,411	4,107,052	3,236,899	7,032,027	-	-	18,085,770	51,156,006
Life mathematical reserve (net)	11,792,744	6,219	-	-	-	-	-	8,387,483	20,186,446
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	-	1,650,000
Total liabilities arising from insurance contracts	103,891,454	7,024,600	40,218,340	7,415,176	20,392,707	6,081,530	490,705	46,652,865	232,167,377
Premiums received in advance	3,931,623	18,619	480,077	-	-	-	-	-	4,430,319
Insurance payable	34,337,834	7,679,827	4,457,018	1,104,205	12,393,888	1,008,480	(15,827)	5,763,773	66,729,198
Other liabilities	23,965,148	178,383	1,485,277	3,091,262	693,389	25,291	2,371	4,698,318	34,139,439
Bank overdrafts	30,649,439	24,732,218	-	-	-	-	-	-	55,381,657
Total liabilities	196,775,498	39,633,647	46,640,712	11,610,643	33,479,984	7,115,301	477,249	57,114,956	392,847,990

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2016: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent (Restated)*	*Total KD (Restated)*
Property and equipment	6,092,616	-	2,585,822	1,727,145	2,413,329	-	-	2,312,291	15,131,203
Investments in associates	19,039,624	-	1,936,832	1,004,753	-	-	-	17,977,682	39,958,891
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	5,699,275	14,093,553
Investments held to maturity	499,999	1,217,569	2,085,710	11,775,737	432,004	-	-	3,643,750	19,654,769
Debt securities (loans)	6,850,000	7,639,750	-	-	-	-	-	-	14,489,750
Investments available for sale	5,461,469	2,190,728	3,616,952	211,648	4,605,145	-	-	941,646	17,027,588
Investments carried at fair value through profit or loss	9,105,506	3,694,319	-	906,577	2,834,991	-	-	7,547,508	24,088,901
Loans secured by life insurance policies	1,647,205	-	-	-	-	-	-	8,191	1,655,396
Premium and insurance balances receivable	23,943,057	4,178,057	5,330,009	1,651,890	19,688,405	235,623	17,467	3,340,859	58,385,367
Reinsurance recoverable on outstanding Claims	24,454,652	8,497,394	3,785,180	1,858,532	9,481,572	-	70,907	1,891,147	50,039,384
Investment properties	-	60,313	-	21,196	-	-	-	3,085,654	3,167,163
Other assets	7,869,698	1,760,044	669,524	2,140,662	4,463,558	11	4	1,538,811	18,442,312
Cash and cash equivalents and time Deposits	59,744,017	8,075,286	9,244,373	1,505,544	15,609,588	712,601	41,785	3,754,865	98,688,059
Total assets	164,707,843	37,313,460	31,880,337	23,279,928	64,820,691	948,235	130,163	51,741,679	374,822,336

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(ii) Currency risk (continued)

31 December 2016	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent (Restated)*	*Total KD (Restated)*
LIABILITIES									
Liabilities arising from insurance Contracts									
Outstanding claims reserve (gross)	66,910,071	1,741,095	7,819,799	4,507,147	17,923,473	26,769	10,657	7,417,725	106,356,736
Unearned premiums reserve (net)	17,797,929	-	2,499,596	2,486,704	7,439,873	-	-	4,772,517	34,996,619
Life mathematical reserve (net)	8,038,524	3,332,087	-	-	-	-	-	7,592,288	18,962,899
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	-	1,650,000
Total liabilities arising from insurance contracts	94,396,524	5,073,182	10,319,395	6,993,851	25,363,346	26,769	10,657	19,782,530	161,966,254
Premiums received in advance	9,394,480	-	335,962	-	-	-	-	30,846	9,761,288
Insurance payable	31,992,740	9,080,837	2,779,689	1,308,054	12,796,891	25,469	(11,829)	1,909,497	59,881,348
Other liabilities	14,935,736	269,546	1,619,063	2,372,780	1,177,351	47,077	1,730	1,601,018	22,024,301
Bank overdrafts	22,311,218	2,444,800	-	-	-	-	-	-	24,756,018
Total liabilities	173,030,698	16,868,365	15,054,109	10,674,685	39,337,588	99,315	558	23,323,891	278,389,209

26 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).

		2018		*2017*	
	Change in variables	***Impact on profit KD***	***Impact on equity KD***	*Impact on profit KD*	*Impact on equity KD*
USD	**±5%**	**801,928**	**350,192**	747,656	379,223
BD	**±5%**	**196,770**	**122,826**	240,965	169,412
EGP	**±5%**	**772,611**	**83,473**	766,336	69,622
JD	**±5%**	**891,351**	**261,985**	844,287	233,816

(ii) Interest rate risk

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

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

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

	2018		*2017*	
Currency	***Change in variables***	***Impact on profit before tax KD***	*Change in variables*	*Impact on profit before tax KD*
KD	**±50 bps**	**135,777**	±50 bps	154,258
USD	**±50 bps**	**150,839**	±50 bps	91,347
BD	**±50 bps**	**37,635**	±50 bps	37,059
Others	**±50 bps**	**239,418**	±50 bps	165,483

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

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk

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

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

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

	2018	*2017*
	%	*%*
Kuwait market	**8%**	3%
Rest of GCC market	**(14%)**	(15%)
MENA	**14%**	54%
Other international markets	**5%**	12%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2018 and 2017. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2018	*2017*	***2018***	*2017*
	KD	*KD*	***KD***	*KD*
Investment available for sale	-	-	**(588,228)**	3,164,816
Investment carried at fair value through profit or loss	**789,122**	4,057,819	-	-

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

31 December 2018	***GCC***	***MENA***	***Europe***	***Total***
	KD	***KD***	***KD***	***KD***
Investments available for sale	**7,844,409**	**3,578,662**	**28,541**	**11,451,612**
Investments carried at fair value through profit or loss	**1,038,666**	**5,202,916**	**-**	**6,241,582**
	8,883,075	**8,781,578**	**28,541**	**17,693,194**

26 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2017	*GCC KD*	*MENA KD*	*Europe KD*	*Total KD*
Investments available for sale	6,937,766	5,207,232	34,492	12,179,490
Investments carried at fair value through profit or loss	3,378,152	7,345,779	-	10,723,931
	10,315,918	12,553,011	34,492	22,903,421

27 RELATED PARTY TRANSACTIONS

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

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

	2018		*2017*	
	Premiums KD	***Claims KD***	*Premiums KD*	*Claims KD*
Directors and key management personnel	**292,177**	**27,945**	291,926	215,643
Other related parties	**3,916,968**	**871,617**	2,424,839	432,300
	4,209,145	**899,562**	2,716,765	647,943

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

	2018		*2017*	
	Amounts owed by related parties KD	***Amounts owed to related parties KD***	*Amounts owed by related Parties KD*	*Amounts owed to related parties KD*
Directors and key management personnel	**163,696**	**20,703**	156,225	7,000
Other related parties	**1,158,652**	**667,900**	1,182,592	674,610
	1,322,348	**688,603**	1,338,817	681,610

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

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 4,987,605 (2017: KD 5,392,479). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 7,855,250 (2017: KD 9,577,000).

27 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2018 *KD*	*2017* *KD*
Salaries and other short term benefits	**572,392**	565,953
Employees' end of service benefits	**267,413**	71,192
	839,805	637,145

28 SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

Entity	Country of incorporation	% ownership 2018			% ownership 2017			Nature of operation
		Direct	*In-direct*	*Total %*	*Direct*	*In-direct*	*Total %*	
Gulf Insurance and Reinsurance Company K.S.C.(closed)	Kuwait	99.80%	-	99.80%	99.80%	-	99.80%	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	Lebanon	92.51%	0.18%	92.69%	92.51%	0.18%	92.69%	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	Egypt	94.85%	-	94.85%	94.85%	-	94.85%	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	Syria	38.96%	15.39%	54.35%	38.96%	15.39%	54.35%	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C.	Bahrain	56.12%	-	56.12%	56.12%	-	56.12%	General risk insurance
Arab Orient Insurance Company J.S.C.	Jordan	90.44%	-	90.44%	90.44%	-	90.44%	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	Egypt	10.56%	50.75%	61.31%	8.75%	50.75%	59.50%	Life Takaful insurance
Dar Al-Salam Insurance Company	Iraq	71.81%		71.81%	59.83%	-	59.83%	General risk & life insurance
L'Algerienne Des Assurance (2a)	Algeria	49.00%	2.00%	51.00%	49.00%	2.00%	51.00%	General risk insurance
Gulf Sigorta A.S.	Turkey	99.22%	-	99.22%	99.22%	-	99.22%	General risk insurance

28 SUBSIDIARIES COMPANIES (continued)

Material partly owned subsidiary:
The Group has concluded that Bahrain Kuwaiti Insurance Company B.S.C. ("BKIC") and L'Algerienne Des Assurance (2a) ("2A") are the only subsidiaries with non-controlling interests that are material to the consolidated financial statements. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2018	2017	2016
	KD	KD	KD
Bahrain Kuwaiti Insurance Company B.S.C.	**14,678,898**	13,744,290	12,022,521

	2018	2017	2016
	KD	KD	KD
		(Restated)	(Restated)
L'Algerienne Des Assurance (2a)	**2,998,929**	458,497	572,317

Profit allocated to material non-controlling interests:

	2018	2017
	KD	KD
Bahrain Kuwaiti Insurance Company B.S.C.	**1,222,462**	910,108
L'Algerienne Des Assurance (2a)	**1,107,321**	238,762

Summarised financial information of these subsidiaries is provided below. This information is based on amounts before eliminating intra Group transactions and consolidation related adjustments.

	2018		2017		2016	
	BKIC	**2A**	BKIC	2A	BKIC	2A
	KD	**KD**	KD	KD	KD	KD
				(Restated)		(Restated)
Statement of income						
Income	**17,333,662**	**7,823,395**	15,432,279	8,431,325	13,150,926	8,543,328
Expenses	**14,547,741**	**5,563,556**	13,358,195	7,944,056	10,860,269	7,896,315
Profit for the year	**2,785,921**	**2,259,839**	2,074,084	487,269	2,290,657	647,013
Total comprehensive income	**2,437,691**	**2,259,839**	2,091,468	487,269	1,546,269	647,013
Statement of financial position						
Total assets	**123,181,731**	**20,929,854**	98,023,810	16,725,767	65,595,529	15,113,164
Total liabilities	**(89,729,365)**	**(14,809,589)**	(66,701,362)	(10,454,421)	(38,196,894)	(8,609,533)
Total equity	**33,452,366**	**6,120,265**	31,322,448	6,271,346	27,398,635	6,503,631

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

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations. Since such assets and liabilities together with the results of policyholders' lines of business are contractually related to specific policyholders, the related amounts are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed below.

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

Policyholders' result by line of business:

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

For the year ended 31 December 2018:

	Marine and aviation KD	***Property KD***	***Motor KD***	***Engineering KD***	***General accidents KD***	***Life and medical KD***	***Total KD***
Premium written	**462,104**	**2,224,246**	**7,104,425**	**803,185**	**1,521,360**	**16,743,284**	**28,858,604**
Surplus (deficit) from insurance operations	**86,979**	**353,889**	**(76,499)**	**(38,134)**	**87,199**	**174,184**	**587,618**

For the year ended 31 December 2017:

	Marine and aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General accidents KD*	*Life and medical KD*	*Total KD*
Premium written	356,030	1,103,478	4,596,375	589,806	1,280,586	11,723,163	19,649,438
Surplus (deficit) from insurance operations	37,051	58,509	(136,137)	(52,032)	107,235	49,111	63,737

	2018 KD	*2017 KD*
Amounts due to (from) policyholders (Note 20)	**4,424,048**	(542,024)

30 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets carried at fair value.

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2018:

			Fair value measurement using		
	Date of valuation	**Total** *KD*	**Quoted prices in active markets (Level 1)** *KD*	**Significant observable inputs (Level 2)** *KD*	**Significant unobservable inputs (Level 3)** *KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2018	**11,451,612**	11,451,612	-	-
Unquoted equity securities	31 December 2018	**5,499,180**	-	20,504	5,478,676
Quoted managed funds	31 December 2018	**212,109**	212,109	-	-
Quoted bonds	31 December 2018	**20,674,483**	20,674,483	-	-
Unquoted managed funds	31 December 2018	**562,881**	-	507,231	55,650
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2018	**6,241,582**	6,241,582	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2018	**13,127,593**	13,127,593	-	-
Property and equipment					
Land	31 December 2018	**12,738,867**	-	12,738,867	-
Buildings	31 December 2018	**13,959,374**	-	13,959,374	-
Investment properties	31 December 2018	**4,522,780**	-	4,522,780	-
		88,990,461	51,707,379	31,748,756	5,534,326

30 FAIR VALUE MEASUREMENT (continued)

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2017:

	Date of valuation	Total *KD*	*Fair value measurement using* Quoted prices in active markets (Level 1) *KD*	Significant observable inputs (Level 2) *KD*	Significant unobservable inputs (Level 3) *KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2017	12,179,490	12,179,490	-	-
Unquoted equity securities	31 December 2017	5,309,895	-	20,504	5,289,391
Quoted managed funds	31 December 2017	221,425	221,425	-	-
Quoted bonds	31 December 2017	17,983,673	17,983,673	-	-
Unquoted managed funds	31 December 2017	473,970	-	436,064	37,906
Investments carried at fair value through income statements:					
Held for trading:					
Quoted securities	31 December 2017	10,723,931	10,723,931	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2017	15,697,208	15,697,208	-	-
Property and equipment					
Land	31 December 2017	8,582,046	-	8,582,046	-
Buildings	31 December 2017	6,482,396	-	6,482,396	-
Investment properties	31 December 2017	2,878,466	-	2,878,466	-
		80,532,500	56,805,727	18,399,476	5,327,297

30 FAIR VALUE MEASUREMENT (continued)

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

	At 1 January 2018 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2017 KD*
Financial assets available for sale:						
Unquoted equity securities	5,289,391	-	-	189,285	-	5,478,676
Unquoted managed funds	37,906	-	-	17,744	-	55,650
	5,327,297	-	-	207,029	-	5,534,326

	At 1 January 2017 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2017 KD*
Financial assets available for sale:						
Unquoted equity securities	4,403,342	-	-	615,088	270,961	5,289,391
Unquoted managed funds	37,906	-	-	-	-	37,906
	4,441,248	-	-	615,088	270,961	5,327,297

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

Unquoted managed funds are valued based on net assets value method using latest available financial statements of the funds, wherein the underlying assets are fair valued.

31 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017. The Group monitors its capital at the Group level and at each of its subsidiaries.

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

The Group's gearing ratio as at 31 December was as follows:

	2018 ***KD***	*2017* *KD* *(Restated)*	*2016* *KD* *(Restated)*
Credit facilities:			
Bank overdrafts	**46,673,176**	55,381,657	24,756,018
Net debt	**46,673,176**	55,381,657	24,756,018
Equity attributable to the equity holders of the Parent Company	**89,140,379**	81,604,924	79,590,895
Total capital and net debt	**135,813,555**	136,986,581	104,346,913
Gearing ratio	**34.4%**	40.4%	23.7%

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

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

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

32 RESTATEMENT OF COMPARATIVE INFORMATION

The comparative information presented in the consolidated financial statements have been restated in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* to rectify the effect of the error related to overstatement of premiums and insurance balances receivable for the year ended 31 December 2017 and overstatement of reinsurance recoverable on outstanding claims and understatement of property and equipment, outstanding claims reserve and unearned premium reserve for the year ended 31 December 2016 and 2015 of two of the Group's subsidiaries. These were due to improper calculation of reinsurance recoverable on outstanding claims and unearned premium reserve and the depreciation expenses that were charged erroneously on the one of the Group subsidiary's property and equipment as at that period.

	As previously reported KD	*Effect of restatement KD*	*After restatement KD*
Consolidated statement of financial position			
As at 31 December 2017			
ASSETS			
Property and equipment	**17,880,111**	**169,427**	**18,049,538**
Premiums and insurance balances receivable	**93,470,873**	**(223,744)**	**93,247,129**
Reinsurance recoverable on outstanding claims	**104,529,303**	**(1,225,990)**	**103,303,313**
LIABILITIES			
Outstanding claims reserve	**156,687,629**	**2,487,296**	**159,174,925**
Unearned premiums reserve (net)	**49,362,565**	**1,793,441**	**51,156,006**
TOTAL EQUITY			
Retained earnings	**38,652,932**	**(2,944,836)**	**35,708,096**
Non-controlling interests	**20,979,887**	**(2,616,208)**	**18,363,679**

	As previously reported KD	*Effect of restatement KD*	*After restatement KD*
Consolidated statement of income			
As at 31 December 2017			
Profit for the year	**10,988,330**	**(223,744)**	**10,764,586**
Basic and diluted earnings per share attributable to equity holders of the parent company	57.48	**(1.24)**	**56.24**

	As previously reported KD	*Effect of restatement KD*	*After restatement KD*
Consolidated statement of financial position			
As at 31 December 2016			
ASSETS			
Property and equipment	**14,961,776**	**169,427**	**15,131,203**
Reinsurance recoverable on outstanding claims	**51,265,374**	**(1,225,990)**	**50,039,384**
LIABILITIES			
Outstanding claims reserve	**103,869,440**	**2,487,296**	**106,356,736**
Unearned premiums reserve (net)	**33,203,178**	**1,793,441**	**34,996,619**
TOTAL EQUITY			
Retained earnings	**36,619,761**	**(2,722,838)**	**33,896,923**
Non-controlling interests	**19,456,694**	**(2,614,462)**	**16,842,232**

Consolidated financial statements for year ended 31 December 2019

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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2 295 5000
Fax: +965 2 245 6419
kuwait@kw.ey.com
ey.com/mena

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (Collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY
Building a better working world

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

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

Key Audit Matters (continued)

a) Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts are significant to the Group's consolidated financial statements at 31 December 2019. The determination as to whether a receivable is collectable involves significant management judgment. Management considers specific factors including the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

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

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

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

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

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

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

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

Key Audit Matters (continued)

b) Impairment of Goodwill

The impairment testing of goodwill performed by the management is significant to our audit because assessment of the recoverable amount of cash generating unit (CGU) under the value-in-use basis is complex and requires considerable judgment on the part of management. As disclosed in Note 2.6 and 7 to the consolidated financial statements, management's impairment assessment process is highly judgmental and is carried out using various variables and assumptions, including estimated future cashflows, terminal growth rate and discount rates, which are affected by expected future market or economic conditions. Given the high level of management judgment in their impairment assessment, we considered this area to be a key audit matter.

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

c) Insurance and Reinsurance Technical Reserves

Insurance and reinsurance technical reserves include Outstanding Claims reserve ("OCR"), Unearned Premiums Reserve ("UPR"), Life Mathematical Reserve ("LMR") and Incurred But Not Reported reserve ("IBNR"). As at 31 December 2019, the insurance and reinsurance technical reserves are significant to the Groups total liabilities. As disclosed in Notes 2.6 and 11 to the consolidated financial statements, the determination of these reserves involves significant judgment over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities. The Group uses valuation models to support the calculations of the insurance and reinsurance technical reserves. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.

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

Building a better working world

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

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

Key Audit Matters (continued)

c) Insurance and Reinsurance Technical Reserves (continued)

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

For non-life insurance technical reserves, the management uses the work of their internal specialist to assess the liabilities. Our audit procedures focused on evaluating the competence, capabilities and objectivity of the management's specialist and evaluating their work. In addition, we have performed test of controls in place, checked the design and the operating effectiveness of key controls and assessed the validity of management's liability adequacy testing are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessing the accuracy of the historical data used, and evaluating the projected cashflows and assumptions adopted, and recalculating the non-life insurance technical reserves on a sample basis, in the context of both the Group and industry experience and specific product features. Further, we assessed the adequacy of the disclosures relating to these reserves given in Note 11 to the consolidated financial statements.

Other information included in the Group's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

EY
Building a better working world

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

EY
Building a better working world

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

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

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

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

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

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

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

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

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

EY
Building a better working world

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

EY ERNST & YOUNG
Al Aiban, Al Osaimi & Partners

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

23 February 2020
Kuwait

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
Revenue			
Premiums written		**394,059,184**	364,603,854
Reinsurance premiums ceded		**(211,383,044)**	(193,452,873)
Net premiums written		**182,676,140**	171,150,981
Movement in unearned premiums reserve		**(345,093)**	(7,634,132)
Movement in life mathematical reserve		**(1,033,654)**	1,518,954
Net premiums earned		**181,297,393**	165,035,803
Commission received on ceded reinsurance		**17,761,978**	17,122,015
Policy issuance fees		**3,175,220**	3,576,823
Net investment income from designated life and medical insurance	3	**3,085,361**	278,611
		205,319,952	186,013,252
Expenses			
Claims incurred	11	**128,654,217**	119,118,160
Commission and discounts		**22,501,316**	20,637,163
Maturity and cancellations of life insurance policies		**5,368,202**	4,132,368
General and administrative expenses		**27,155,982**	26,421,782
		183,679,717	170,309,473
Net underwriting income		**21,640,235**	15,703,779
Net investment income	3	**10,474,468**	10,140,997
Finance costs		**(3,444,736)**	(2,921,089)
Share of results of associates	6	**1,534,412**	2,887,119
Net sundry income		**2,477,819**	3,530,405
		32,682,198	29,341,211
Other charges:			
Unallocated general and administrative expenses		**(13,457,439)**	(12,731,399)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' REMUNERATION		**19,224,759**	16,609,812
Provision for contribution to Kuwait Foundation for advancement of science (KFAS)		**(110,883)**	(122,112)
Provision for National Labour Support Tax (NLST)		**(337,570)**	(308,404)
Provision for Zakat		**(102,603)**	(98,043)
Directors' remuneration		**(185,000)**	(185,000)
Taxation from subsidiaries		**(3,205,904)**	(1,233,527)
PROFIT FOR THE YEAR		**15,282,799**	14,662,726
Attributable to:			
Equity holders of the Parent Company		**13,348,281**	11,901,838
Non-controlling interests		**1,934,518**	2,760,888
		15,282,799	14,662,726
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**73.65 fils**	66.49 fils

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
Profit for the year		**15,282,799**	14,662,726
Other comprehensive income			
Other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods:			
- Financial assets available for sale:			
Net unrealised gain (loss) on investments available for sale		**4,903,677**	(1,103,206)
Net realised gain transferred to consolidated statement of income on sale of investments available for sale	3	**(2,974,507)**	(2,570,683)
Transfer to consolidated statement of income on impairment of investment available for sale	3	**1,852,012**	2,586,559
		3,781,182	(1,087,330)
- Share of other comprehensive income (loss) of associates	6	**27,287**	(77,589)
- Exchange differences on translation of foreign operations		**1,502,283**	(4,309,229)
		5,310,752	(5,474,148)
Other comprehensive income that will not to be reclassified subsequently to consolidated statement of income:			
Revaluation of property and equipment	5	**4,270,048**	9,763,130
Other comprehensive income for the year		**9,580,800**	4,288,982
Total comprehensive income for the year		**24,863,599**	18,951,708
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**21,019,886**	12,943,872
Non-controlling interests		**3,843,713**	6,007,836
		24,863,599	18,951,708

The attached notes 1 to 31 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 KD	2018 KD
ASSETS			
Property and equipment	5	**35,215,083**	29,270,773
Right-of-use assets	2.3	**2,213,395**	-
Investment in associates	6	**43,437,290**	43,269,439
Goodwill	7	**15,104,460**	15,104,460
Financial instruments:			
Investments held to maturity		**29,687,204**	23,229,055
Debt securities (loans)		**13,604,047**	16,651,860
Investments available for sale	8	**44,951,045**	41,426,526
Investments carried at fair value through profit or loss	9	**26,329,719**	24,618,304
Loans secured by life insurance policies		**1,104,147**	1,266,637
Premiums and insurance balances receivable	10	**142,633,886**	109,854,177
Reinsurance recoverable on outstanding claims	11	**247,320,982**	130,968,572
Investment properties		**6,166,079**	4,978,330
Other assets	12	**28,457,095**	28,880,275
Time deposits	13	**39,280,244**	32,678,083
Cash and cash equivalents	14	**87,661,768**	64,943,762
TOTAL ASSETS		**763,166,444**	567,140,253
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS			
Share capital	15	**18,703,913**	18,703,913
Share premium		**3,600,000**	3,600,000
Treasury shares	16	**(429,455)**	(4,203,067)
Treasury shares reserve		**3,099,292**	2,051,215
Statutory reserve	17	**18,703,913**	18,703,913
Voluntary reserve	18	**27,558,098**	26,149,664
Other reserve		**(2,836,728)**	(3,101,138)
Cumulative changes in fair values		**1,529,248**	(1,778,260)
Foreign currency translation adjustments		**(19,841,408)**	(20,903,698)
Revaluation reserve		**12,241,253**	8,939,446
Retained earnings		**46,474,233**	40,978,391
Equity attributable to equity holders of the Parent Company		**108,802,359**	89,140,379
Non-controlling interests		**26,044,031**	23,282,933
Total equity		**134,846,390**	112,423,312
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve	11	**319,935,216**	195,390,920
Unearned premiums reserve	11	**59,508,501**	59,467,577
Life mathematical reserve	11	**26,370,500**	24,507,131
Incurred but not reported reserve	11	**2,586,940**	1,650,000
Total liabilities arising from insurance contracts		**408,401,157**	281,015,628
Premiums received in advance		**5,751,229**	4,376,713
Insurance payable	19	**125,719,810**	75,301,741
Other liabilities	20	**51,379,273**	47,349,683
Long term loans	14	**35,333,500**	-
Bank overdrafts	14	**1,735,085**	46,673,176
TOTAL LIABILITIES		**628,320,054**	454,716,941
TOTAL EQUITY AND LIABILITIES		**763,166,444**	567,140,253

Farqad A. Al-Sane
Chairman

The attached notes 1 to 31 form part of these consolidated financial statements.

150009.1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Parent Company													
	Share Capital KD	*Share premium KD*	*Treasury shares KD*	*Treasury share reserve KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Other reserve KD*	*Cumulative changes in fair values KD*	*Foreign currency translation adjustments KD*	*Revaluation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	26,149,664	(3,101,138)	(1,778,260)	(20,903,698)	8,939,446	40,978,391	89,140,379	23,282,933	112,423,312
Profit for the year	-	-	-	-	-	-	-	-	-	-	13,348,281	13,348,281	1,934,518	15,282,799
Other comprehensive income for the year	-	-	-	-	-	-	-	3,307,508	1,062,290	3,301,807	-	7,671,605	1,909,195	9,580,800
Total comprehensive income for the year	-	-	-	-	-	-	-	3,307,508	1,062,290	3,301,807	13,348,281	21,019,886	3,843,713	24,863,599
Dividend for 2018 (Note 15)	-	-	-	-	-	-	-	-	-	-	(6,444,005)	(6,444,005)	-	(6,444,005)
Change in ownership of a subsidiary	-	-	-	-	-	-	264,410	-	-	-	-	264,410	(617,194)	(352,784)
Transfer to voluntary reserve	-	-	-	-	-	1,408,434	-	-	-	-	(1,408,434)	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(465,421)	(465,421)
Sale of Treasury Shares	-	-	3,773,612	1,048,077	-	-	-	-	-	-	-	4,821,689	-	4,821,689
As at 31 December 2019	**18,703,913**	**3,600,000**	**(429,455)**	**3,099,292**	**18,703,913**	**27,558,098**	**(2,836,728)**	**1,529,248**	**(19,841,408)**	**12,241,253**	**46,474,233**	**108,802,359**	**26,044,031**	**134,846,390**

The attached notes 1 to 31 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2019

	Attributable to equity holders of the Parent Company													
	Share Capital KD	Share premium KD	Treasury shares KD	Treasury share reserve KD	Statutory reserve KD	Voluntary reserve KD	Other reserve KD	Cumulative changes in fair values KD	Foreign currency translation adjustments KD	Revaluation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2018	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	24,888,125	(3,062,725)	(754,256)	(16,590,050)	2,559,760	35,708,096	81,604,924	18,363,679	99,968,603
Profit for the year	-	-	-	-	-	-	-	-	-	-	11,901,838	11,901,838	2,760,888	14,662,726
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(1,024,004)	(4,313,648)	6,379,686	-	1,042,034	3,246,948	4,288,982
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(1,024,004)	(4,313,648)	6,379,686	11,901,838	12,943,872	6,007,836	18,951,708
Dividend for 2017 (Note 15)	-	-	-	-	-	-	-	-	-	-	(5,370,004)	(5,370,004)	-	(5,370,004)
Change in ownership of a subsidiary	-	-	-	-	-	-	(38,413)	-	-	-	-	(38,413)	(425,863)	(464,276)
Transfer to voluntary reserve	-	-	-	-	-	1,261,539	-	-	-	-	(1,261,539)	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(662,719)	(662,719)
As at 31 December 2018	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	26,149,664	(3,101,138)	(1,778,260)	(20,903,698)	8,939,446	40,978,391	89,140,379	23,282,933	112,423,312

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		19,224,759	16,609,812
Adjustments for:			
Depreciation	5	1,734,493	2,265,837
Depreciation of right of use	2.3	812,784	-
Net investment income		(14,560,136)	(10,251,170)
Impairment losses	3	1,852,012	2,618,856
Share of results of associates	6	(1,534,412)	(2,887,119)
Change in fair value of investment properties	3	(754,581)	(2,867,211)
Finance costs		3,444,736	2,921,089
		10,219,655	8,410,094
Changes in operating assets and liabilities:			
Investments carried at fair value through profit or loss		(94,595)	(68,191)
Premiums and insurance balances receivable		(32,779,709)	(16,607,048)
Reinsurance recoverable on outstanding claims		(116,352,410)	(27,665,259)
Other assets		3,351,037	(3,637,437)
Liabilities arising from insurance contracts		127,385,529	48,848,251
Premiums received in advance		1,374,516	(53,606)
Insurance payable		50,418,065	8,572,543
Other liabilities		1,654,900	11,877,260
		45,176,988	29,676,607
Paid to KFAS		(132,861)	(101,026)
Paid to NLST		(340,333)	(215,764)
Zakat paid		(93,637)	(112,312)
Paid to directors		(185,000)	(185,000)
Net cash flows from operating activities		44,425,157	29,062,505
INVESTING ACTIVITIES			
Purchase of property and equipment	5	(4,098,789)	(3,073,807)
Proceeds from sale of property and equipment		1,641,246	106,424
Dividend received from associates	6	1,518,891	552,578
Movement in investment held to maturity		(6,458,149)	(3,719,151)
Movement in debt securities (loans)		3,047,813	1,678,129
Net movement on investments available for sale		1,043,244	(6,315,424)
Movement in loans secured by life insurance policies		162,490	337,398
Other assets		(2,511,803)	(1,851,524)
Time deposits (placed) withdrawn		(6,602,161)	5,760,828
Interest income received		8,370,390	7,533,810
Purchase of investment in associate		(125,043)	-
Dividend income received		1,182,365	1,940,490
Net cash flows (used in) from investing activities		(2,829,506)	2,949,751
FINANCING ACTIVITIES			
Term loan		35,333,500	-
Proceeds from sale of treasury shares		4,821,689	-
Payment of lease liability		(928,385)	-
Dividends paid	15	(6,444,005)	(5,370,004)
Dividends to non-controlling interests		(465,421)	(662,719)
Finance costs paid		(3,331,786)	(2,921,089)
Acquisition of non-controlling interests		(352,784)	(464,276)
Net cash flows from (used in) financing activities		28,632,808	(9,418,088)
Foreign currency translation adjustments		(2,572,362)	(4,523,350)
NET INCREASE IN CASH AND CASH EQUIVALENTS		67,656,097	18,070,818
Cash and cash equivalents at beginning of the year		18,270,586	199,768
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	85,926,683	18,270,586

The attached notes 1 to 31 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 23 February 2020. The Shareholders' General Assembly has the power to amend the consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 45.99% (31 December 2018: 44.04%) owned by Kuwait Projects Company Holding K.S.C. and 43.43% (31 December 2018: 41.42%) by Fairfax Middle East Limited Company.

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

The Group employs 2,447 employees as at 31 December 2019 (31 December 2018: 2,555 employees).

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost convention modified to include the measurement at fair value of investments carried at fair value through profit or loss, investments available for sale, investment properties and land and buildings. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

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

Certain comparative figures have been reclassified/ represented to conform to current year's presentation. Such reclassifications/ representations have no effect on previously reported profit or total equity of the Group (Note 31).

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2019.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the consolidated statement of income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies adopted in the preparation of the consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 'Leases'
IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended accounting policies, standards and interpretations (continued)

IFRS 16 'Leases' (continued)

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/ (decrease)) is as follows:

	KD
Assets	
Right-of-use assets	2,686,450
Prepayments	(38,854)
	2,647,596
Liabilities	
Lease liabilities (included under other liabilities)	2,647,596

a) Nature of the effect of adoption of IFRS 16

Before the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended accounting policies, standards and interpretations (continued)

IFRS 16 'Leases' (continued)

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended accounting policies, standards and interpretations (continued)

IFRS 16 'Leases' (continued)

c) Amounts recognised in the consolidated statement of financial position and statement of income

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets KD	*Lease liabilities KD*
As at 1 January 2019	**2,686,450**	**2,647,596**
Additions	**339,729**	**339,729**
Depreciation expense	**(812,784)**	-
Finance cost	-	**112,950**
Payment	-	**(928,385)**
As at 31 December 2019	**2,213,395**	**2,171,890**

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised IASB Standards issued but not yet effective
Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Product classification

Insurance contracts

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

Investment contracts

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

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

Basis of combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured.

Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Premiums earned

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

Commissions earned and paid

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

Policy issuance fees

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

Interest income

Interest income is recognised using the effective interest rate method.

Dividend income

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

Rental income

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

Realised gains and losses

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

Claims

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

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account of that year.

Policy acquisition costs

Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The Deferred policy Acquisition Costs (DAC) are subsequently amortised over the term of the insurance contracts to which they relate as premiums are earned.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the consolidated statement of income. DAC is also considered in the liability adequacy test for each reporting period.

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

Segment reporting

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability adequacy test

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

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

Reinsurance contracts held

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

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

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

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

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

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

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

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the period when determining the contribution.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and related resolutions at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

Buildings	20 – 50	years
Leasehold improvements	Up to 7	years
Computers	3 – 5	Years
Furniture and fixtures	1 – 2	years
Motor vehicles	1 4	years

Leases accounting policies applied from 1 January 2019
Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases accounting policies applied up to 31 December 2018
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

Investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in associates is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets

Initial recognition and measurement

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

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

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

The Group's financial assets include investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans and other receivables time deposits and cash and cash equivalents.

Subsequent measurement

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

Investments held to maturity

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

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Investments available for sale

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

Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss include financial assets held for trading and those designated at fair value through consolidated statement of income at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through consolidated statement of income, the following criteria must be met:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Subsequent measurement (continued)
Investments carried at fair value through profit or loss (continued)

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated statement of income.

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

Cash and cash equivalents
For the purpose of the consolidated statement of cash flow, cash and cash equivalent consist of cash on hand and at banks, short term deposits and call accounts net of bank overdrafts.

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

Investments available for sale
For investments available for sale, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Investments available for sale (continued)

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

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

Financial liabilities

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

Initial recognition and measurement

Financial liabilities are initially recognised at fair value.

Subsequent measurement

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

Insurance payables

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

De-recognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Offsetting of financial instruments

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

Fair values

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)

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

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Non-life insurance contract liabilities (Insurance technical reserves)
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)

Non-life insurance contract liabilities (Insurance technical reserves) (continued)

Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

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

Life insurance contract liabilities (Life mathematical reserve)

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

Reinsurance

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

Impairment of goodwill

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

Impairment of receivables

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

Judgment

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

Classification of investments

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

Impairment of investments

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

Classification of real estate

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

3 NET INVESTMENT INCOME

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

	Debt securities (loans) KD	*Investments carried at fair value through profit or loss KD*	*Time and call deposits KD*	*2019 Total KD*	*2018 Total KD*
Realised gain	-	1,036,269	-	1,036,269	527,466
Unrealised gain (loss)	-	1,504,874	-	1,504,874	(889,540)
Dividend income	-	58,091	-	58,091	51,865
Interest income	361,999	-	104,132	466,131	436,366
Other investment income	-	132,814	-	132,814	157,387
Total investment income	361,999	2,732,048	104,132	3,198,179	283,544
Financial charges and other expenses	-	(112,818)	-	(112,818)	(4,933)
Total investment expense	-	(112,818)	-	(112,818)	(4,933)
Net investment income	361,999	2,619,230	104,132	3,085,361	278,611

3 NET INVESTMENT INCOME (continued)

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

	Investments held to maturity KD	*Investments available for sale KD*	*Investments carried at fair value through profit or loss KD*	*Investment properties KD*	*Time and call deposits KD*	*Other investment income KD*	*2019 Total KD*	*2018 Total KD*
Realised gain	-	2,974,507	65,741	-	-	-	3,040,248	2,965,487
Unrealised loss	-	-	(990,064)	-	-	-	(990,064)	(1,888,931)
Dividend income	-	843,523	280,751	-	-	-	1,124,274	1,888,625
Interest income	4,093,114	-	-	-	3,666,942	144,203	7,904,259	7,097,442
Rental income	-	-	-	97,124	-	-	97,124	44,857
Change in fair value of investment properties	-	-	-	754,581	-	-	754,581	2,867,211
Other investment income	-	-	-	-	-	1,946,309	1,946,309	523,046
Total investment income (loss)	4,093,114	3,818,030	(643,572)	851,705	3,666,942	2,090,512	13,876,731	13,497,737
Impairment loss (Note 8)	-	(1,852,012)	-	-	-	-	(1,852,012)	(2,618,856)
Other investment expenses	-	(418,645)	-	-	-	(1,131,606)	(1,550,251)	(737,884)
Total investment expense	-	(2,270,657)	-	-	-	(1,131,606)	(3,402,263)	(3,356,740)
Net investment income (loss)	4,093,114	1,547,373	(643,572)	851,705	3,666,942	958,906	10,474,468	10,140,997

4 BASIC AND DILUTED EARNINGS PER SHARE

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

The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2019	*2018*
Profit for the year attributable to equity holders of the Parent Company (KD)	**13,348,281**	11,901,838
	Shares	*Shares*
Number of shares outstanding at the beginning of the year	**187,039,125**	187,039,125
Weighted average number of treasury shares	**(5,801,392)**	(8,038,979)
Weighted average number of shares outstanding during the year	**181,237,733**	179,000,146
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**73.65 fils**	66.49 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

5 PROPERTY AND EQUIPMENT

	Land KD	*Buildings KD*	*Leasehold improvements KD*	*Computers KD*	*Furniture and Fixtures KD*	*Motor vehicles KD*	*Total KD*
Cost:							
As at 1 January 2019	12,738,867	17,847,855	1,939,196	9,147,960	4,984,918	715,061	47,373,857
Additions	1,298,249	1,008,675	491,627	678,927	327,043	294,268	4,098,789
Disposals	(1,014,004)	(532,857)	(6,882)	(128,005)	(108,550)	(130,390)	(1,920,688)
Revaluation adjustment	2,454,176	1,815,872	-	-	-	-	4,270,048
Exchange differences	436,431	519,843	(972)	(114,862)	(9,200)	10,398	841,638
As at 31 December 2019	15,913,719	20,659,388	2,422,969	9,584,020	5,194,211	889,337	54,663,644
Accumulated depreciation:							
As at 1 January 2019	-	3,888,481	1,418,361	8,109,127	4,154,339	532,776	18,103,084
Charge for the year	-	594,198	241,723	550,468	238,567	109,537	1,734,493
On disposals	-	(16,991)	(4,961)	(77,194)	(62,331)	(117,965)	(279,442)
Exchange differences	-	(5,634)	3,070	(104,185)	(5,162)	2,337	(109,574)
As at 31 December 2019	-	4,460,054	1,658,193	8,478,216	4,325,413	526,685	19,448,561
Net carrying amount:							
As at 31 December 2019	15,913,719	16,199,334	764,776	1,105,804	868,798	362,652	35,215,083

Part of the Group's buildings with net carrying amount of KD 1,260,000 (2018: KD 1,260,000) have been mortgaged with the Ministry of Commerce and Industry.

5 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Buildings* *KD*	*Leasehold improvements* *KD*	*Computers* *KD*	*Furniture and Fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:							
As at 1 January 2018	8,582,046	9,379,132	1,960,496	9,251,224	5,227,565	727,897	35,128,360
Additions	921,918	1,008,600	107,054	684,514	184,455	167,266	3,073,807
Disposals	-	-	(16,687)	(230,209)	(326,857)	(152,428)	(726,181)
Transfer from investment properties	296,916	1,449,647	-	-	-	-	1,746,563
Transfer to investment properties	(89,830)	(584,506)	-	-	-	-	(674,336)
Revaluation adjustment	3,195,042	6,568,088	-	-	-	-	9,763,130
Exchange differences	(167,225)	26,894	(111,667)	(557,569)	(100,245)	(27,674)	(937,486)
As at 31 December 2018	12,738,867	17,847,855	1,939,196	9,147,960	4,984,918	715,061	47,373,857
Accumulated depreciation:							
As at 1 January 2018	-	2,896,736	1,349,972	8,096,082	4,202,006	534,026	17,078,822
Charge for the year	-	983,042	137,155	715,590	266,398	163,652	2,265,837
On disposals	-	-	(21,839)	(203,817)	(253,388)	(140,713)	(619,757)
Exchange differences	-	8,703	(46,927)	(498,728)	(60,677)	(24,189)	(621,818)
As at 31 December 2018	-	3,888,481	1,418,361	8,109,127	4,154,339	532,776	18,103,084
Net carrying amount:							
As at 31 December 2018	12,738,867	13,959,374	520,835	1,038,833	830,579	182,285	29,270,773

6 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership*		*Principal Activity*
		2019	*2018*	
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj)	Kingdom of Saudi Arabia	**27%**	27%	Insurance
Al-Argan International Real Estate Company K.S.C.P. (Al-Argan)	State of Kuwait	**20%**	20%	Real Estate
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance
Egyptian Takaful Property and Liability S.A.E.	Egypt	**25%**	25%	Insurance
United Networks Company K.S.C. (Closed)	State of Kuwait	**17%**	17%	Communication & Broadcasting
Algeria Gulf Life Insurance Company ("AGLIC")	Algeria	**42.5%**	42.5%	Insurance
Health 360 Ancillary Service Company W.L.L. ("H-360") *	Bahrain	**41%**	-	Third party administration - Claims

Carrying amount of investment in associates

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

	2019 ***KD***	*2018* *KD*
Carrying value at 1 January	**43,269,439**	40,850,904
Additions	**125,043**	-
Dividends received	**(1,518,891)**	(552,578)
Share of results of associates	**1,534,412**	2,887,119
Share of other comprehensive loss of associates	**(137,760)**	(77,589)
Foreign currency translation adjustments	**165,047**	161,583
Carrying value at 31 December	**43,437,290**	43,269,439

* As at 31 December 2018, Bahrain Kuwait Insurance Company B.S.C. ("BKIC" or "the Subsidiary") owned 60% of Health 360 Ancillary Service Co W.L.L. ("H-360"). During the year, H-360 offered a rights issue to which the Subsidiary did not subscribe. As a result, of not subscribing to this right issue, the Subsidiary's effective ownership in H-360 has decreased to 40.5% and the Subsidiary has also lost the power to govern the operating and financial policies of H-360.

H-360 has thus been deconsolidated with effect from 16 July 2019 ("the date of loss of control"). The remaining investment in H-360 has been classified as investment in associate as the Subsidiary still exercises significant influence over the investee.

6 INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates of the Group is as follows:

	Al-Buruj *KD*	*Al-Argan* *KD*	*Others* *KD*	***2019*** ***KD***	*2018* *KD*
Share of associates' financial position:					
Assets	23,997,799	45,440,485	32,804,509	**102,242,793**	84,536,916
Liabilities	(14,333,012)	(27,580,963)	(19,491,234)	**(61,405,209)**	(43,867,183)
Net assets	9,664,787	17,859,522	13,313,275	**40,837,584**	40,669,733
Goodwill	640,164	-	1,959,542	**2,599,706**	2,599,706
Net assets	10,304,951	17,859,522	15,272,817	**43,437,290**	43,269,439
Share of associates' revenues and net profit:					
Revenues	6,522,215	1,602,601	5,608,192	**13,733,008**	15,757,602
Net profit	95,682	98,551	1,340,179	**1,534,412**	2,887,119

Investment in associates includes a quoted associate with a carrying value of KD 38,294,367 (2018: KD 38,876,149) having a market value of KD 24,435,557 (2018: KD 27,430,559).

7 GOODWILL

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

	2019 ***KD***	*2018* *KD*
Arab Misr Insurance Group Company S.A.E.	**308,340**	308,340
Bahrain Kuwaiti Insurance Company B.S.C.	**2,625,935**	2,625,935
Arab Orient Insurance Company J.S.C.	**5,292,099**	5,292,099
Dar Al-Salam Insurance Company	**604,073**	604,073
Egypt Life Takaful Insurance Company S.A.E.	**167,904**	167,904
L'Algerienne Des Assurance (2a)	**3,932,981**	3,932,981
Gulf Sigorta A.Ş.	**2,173,128**	2,173,128
	15,104,460	15,104,460

Movement on goodwill during the year is as follows:

	2019 ***KD***	*2018* *KD*
As at 1 January	**15,104,460**	15,104,460
As at 31 December	**15,104,460**	15,104,460

The recoverable amount of each segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The average discount rate used was 25.18% (2018: 24.63%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 2.74% (2018: 3%).

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

7 GOODWILL (continued)

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

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

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

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

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

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

8 INVESTMENTS AVAILABLE FOR SALE

	2019 *KD*	*2018* *KD*
Quoted equity securities	**11,433,900**	12,340,983
Unquoted equity securities	**5,893,209**	5,791,305
Quoted managed funds	**221,438**	212,109
Quoted bonds	**26,725,541**	22,140,790
Unquoted managed funds	**676,957**	941,339
	44,951,045	41,426,526

Impairment loss of KD 1,852,012 (2018: KD 2,618,856) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *KD*	*2018* *KD*
Held for trading:		
Quoted securities	**4,844,468**	6,317,282
Designated upon initial recognition:		
Managed funds of quoted securities	**21,485,251**	18,301,022
	26,329,719	24,618,304

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2019 KD	2018 KD
Policyholders' accounts receivable		
Premiums receivable	**138,618,677**	110,549,215
Insured debts receivable	**323,012**	255,633
	138,941,689	110,804,848
Provision for doubtful debts	**(11,100,398)**	(11,098,364)
Net policyholders' accounts receivable	**127,841,291**	99,706,484

	2019 KD	2018 KD
Insurance and reinsurers' accounts receivable		
Reinsures' receivables	**18,014,615**	12,366,284
Provision for doubtful debts	**(3,222,020)**	(2,218,591)
Net insurance and reinsurers' accounts receivable	**14,792,595**	10,147,693
Total premiums and insurance balances receivable	**142,633,886**	109,854,177

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

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

	2019 KD	2018 KD
As at 1 January	**11,098,364**	9,689,954
Charge for the year	**349,446**	1,629,857
Amounts written off	**(347,412)**	(221,447)
As at 31 December	**11,100,398**	11,098,364

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

	2019 KD	2018 KD
As at 1 January	**2,218,591**	1,202,867
Charge for the year	**1,003,429**	1,015,724
As at 31 December	**3,222,020**	2,218,591

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2019	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	10,458,453	34,170,660	41,076,397	33,720,183	30,694,562	12,621,358	32,649,307	195,390,920
Reinsurance recoverable on outstanding claims	(9,213,230)	(6,654,930)	(37,730,651)	(30,014,411)	(24,416,880)	(3,781,873)	(19,156,597)	(130,968,572)
Net balance at beginning of the year	1,245,223	27,515,730	3,345,746	3,705,772	6,277,682	8,839,485	13,492,710	64,422,348
Foreign currency translation difference	124,025	532,143	(612,667)	(778,769)	(408,367)	(40,170)	(50,204)	(1,234,009)
Incurred during the year (net)	354,474	46,028,750	1,106,063	4,544,727	3,644,507	2,949,527	70,026,169	128,654,217
Paid during the year (net)	(401,657)	(41,524,370)	(1,787,048)	(4,650,540)	(1,658,303)	(3,178,868)	(66,027,536)	(119,228,322)
NET BALANCE AT END OF THE YEAR	1,322,065	32,552,253	2,052,094	2,821,190	7,855,519	8,569,974	17,441,139	72,614,234
Represented in:								
Gross balance at end of the year	9,263,788	40,012,032	17,457,755	162,514,543	34,839,239	12,456,460	43,391,399	319,935,216
Reinsurance recoverable	(7,941,723)	(7,459,779)	(15,405,661)	(159,693,353)	(26,983,720)	(3,886,486)	(25,950,260)	(247,320,982)
NET BALANCE AT END OF THE YEAR	1,322,065	32,552,253	2,052,094	2,821,190	7,855,519	8,569,974	17,441,139	72,614,234
Unearned premiums reserve (net)	761,947	26,367,949	2,975,864	8,552,556	5,032,547	1,544,906	14,272,732	59,508,501
Life mathematical reserve (net)	-	-	-	-	-	26,142,855	227,645	26,370,500
Incurred but not reported reserve (net)	109,502	1,274,377	874,987	225,215	102,859	-	-	2,586,940

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

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2018	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	5,796,260	30,331,914	44,572,689	14,599,777	25,003,065	13,945,384	32,016,340	166,265,429
Reinsurance recoverable on outstanding claims	(5,419,209)	(8,311,544)	(42,586,534)	(12,871,309)	(18,237,882)	(3,944,038)	(19,269,350)	(110,639,866)
Net balance at beginning of the year	377,051	22,020,370	1,986,155	1,728,468	6,765,183	10,001,346	12,746,990	55,625,563
Foreign currency translation difference	456,629	3,093,047	368,512	192,412	(1,271,494)	(13,199)	9,332	2,835,239
Incurred during the year (net)	1,003,715	43,542,088	2,445,238	5,477,409	2,424,757	3,974,307	60,250,646	119,118,160
Paid during the year (net)	(592,172)	(41,139,775)	(1,454,159)	(3,692,517)	(1,640,764)	(5,122,969)	(59,514,258)	(113,156,614)
NET BALANCE AT END OF THE YEAR	1,245,223	27,515,730	3,345,746	3,705,772	6,277,682	8,839,485	13,492,710	64,422,348
Represented in:								
Gross balance at end of the year	10,458,453	34,170,660	41,076,397	33,720,183	30,694,562	12,621,358	32,649,307	195,390,920
Reinsurance recoverable	(9,213,230)	(6,654,930)	(37,730,651)	(30,014,411)	(24,416,880)	(3,781,873)	(19,156,597)	(130,968,572)
NET BALANCE AT END OF THE YEAR	1,245,223	27,515,730	3,345,746	3,705,772	6,277,682	8,839,485	13,492,710	64,422,348
Unearned premiums reserve (net)	710,657	25,432,104	2,985,221	8,123,103	4,944,455	1,517,844	15,754,193	59,467,577
Life mathematical reserve (net)	-	-	-	-	-	24,281,574	225,557	24,507,131
Incurred but not reported reserve (net)	100,000	1,100,000	150,000	200,000	100,000	-	-	1,650,000

12 OTHER ASSETS

	2019 KD	2018 KD
Accrued interest income	**2,359,605**	2,203,381
Inward reinsurance retentions	**217,667**	231,028
Refundable claims	**1,252,009**	292,648
Advances towards acquisition of investment	**5,807,064**	3,295,261
Prepaid expenses and others	**18,820,750**	22,857,957
	28,457,095	28,880,275

13 TIME DEPOSITS

Time deposits of KD 39,280,244 (2018: KD 32,678,083) are placed with local and foreign banks and carry an average effective interest rate of 10% (2018: 12.5%) per annum. Time deposits mature within one year.

14 CASH AND CASH EQUIVALENTS

	2019 KD	2018 KD
Cash on hand and at banks	**15,054,336**	15,188,446
Short term deposits and call accounts	**72,607,432**	49,755,316
Cash and cash equivalents in the consolidated statement of financial position	**87,661,768**	64,943,762
Bank overdrafts	**(1,735,085)**	(46,673,176)
Cash and cash equivalents in the consolidated statement of cash flows	**85,926,683**	18,270,586

Bank overdrafts represents a facility obtained from a local bank and carries an average interest rate of 1.24% (2018: 1.34%).

During the current year, the Parent Company obtained two bank loans from local banks to be payables as follows:

a) First loan is payable six annual installments beginning on 1 January 2020 and carry interest rate of 4.25% per annum and the last installment is due on 31 January 2025.

b) Second loan is payable five annual installments beginning on 31 March 2020 and carry interest rate of 4.25% per annum and the last installment is due on 31 March 2024.

15 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 187,039,125 shares of 100 fils each (2018: 187,039,125 shares) which was fully paid in cash.

Cash dividends, bonus shares and directors' remuneration
At the Board of Directors meeting held on 23 February 2020, the directors of the Parent Company proposed distribution of a cash dividend of 38 fils (2018: 36 fils) per share for the year ended 31 December 2019. The proposed dividend is subject to the approval of the shareholders at the General Assembly meeting.

The Ordinary Annual General Assembly of the Parent Company's shareholders held on 29 March 2019 approved the payment of cash dividends amounting to KD 6,444,005 for the year ended 31 December 2018 (2017: KD 5,370,004), which represents 36% of paid up share capital (2017: 29%).

Directors' remuneration of KD 185,000 for the year ended 31 December 2019 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' remuneration of KD 185,000 for the year ended 31 December 2018 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 29 March 2019.

16 TREASURY SHARES

	2019	2018
Number of shares (share)	**821,396**	8,038,979
Percentage of issued shares (%)	**0.44%**	4.30%
Market value (KD)	**492,838**	5,233,375

17 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. The Parent Company discontinued the annual transfer since the reserve has reached 100% of the share capital.

18 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

19 INSURANCE PAYABLE

	2019 *KD*	*2018* *KD*
Policyholders and agencies payables	**35,214,788**	21,774,132
Insurance and reinsurance payables	**89,513,487**	49,103,561
Amounts due to policyholders of Takaful unit (Note 28)	**991,535**	4,424,048
	125,719,810	75,301,741

20 OTHER LIABILITIES

	2019 *KD*	*2018* *KD*
Accrued expenses and others	**36,185,132**	36,206,292
Lease liability	**2,171,890**	-
Reserve for reinsurance premiums	**2,403,325**	2,395,838
KFAS, NLST and Zakat payables	**551,056**	528,559
Provision for end of service benefits	**9,882,870**	8,033,994
Proposed directors' remuneration	**185,000**	185,000
	51,379,273	47,349,683

21 SEGMENT INFORMATION

a) Segmental consolidated statement of income

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

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offers savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and FAY products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

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

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

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

Year ended 31 December 2019:	General risk insurance						Life and medical insurance			
	Marine and aviation KD	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	10,806,185	60,336,347	49,331,722	29,882,904	26,199,076	176,556,234	19,169,236	198,333,714	217,502,950	394,059,184
Reinsurance premiums ceded	(7,773,014)	(3,257,041)	(43,993,402)	(21,649,037)	(15,533,236)	(92,205,730)	(6,005,326)	(113,171,988)	(119,177,314)	(211,383,044)
Net premiums written	3,033,171	57,079,306	5,338,320	8,233,867	10,665,840	84,350,504	13,163,910	85,161,726	98,325,636	182,676,140
Movement in unearned premiums reserve	5,895	(995,292)	450,533	(931,242)	(462,261)	(1,932,367)	45,119	1,542,155	1,587,274	(345,093)
Movement in life mathematical reserve	-	-	-	-	-	-	(1,030,534)	(3,120)	(1,033,654)	(1,033,654)
Net premiums earned	3,039,066	56,084,014	5,788,853	7,302,625	10,203,579	82,418,137	12,178,495	86,700,761	98,879,256	181,297,393
Commission received on ceded reinsurance	1,980,603	460,996	5,044,661	2,581,633	2,505,236	12,573,129	946,272	4,242,577	5,188,849	17,761,978
Policy issuance fees	189,851	1,205,025	293,265	30,225	189,967	1,908,333	30,688	1,236,199	1,266,887	3,175,220
Net investment income from designated life and medical insurance	-	-	-	-	-	-	3,027,128	58,233	3,085,361	3,085,361
Total revenue	5,209,520	57,750,035	11,126,779	9,914,483	12,898,782	96,899,599	16,182,583	92,237,770	108,420,353	205,319,952
Expenses:										
Claims incurred	354,474	46,028,750	1,106,063	4,544,727	3,644,507	55,678,521	2,949,527	70,026,169	72,975,696	128,654,217
Commission and discounts	1,102,396	7,960,442	2,816,057	1,461,323	3,571,773	16,911,991	2,962,734	2,626,591	5,589,325	22,501,316
Maturity and cancellations of life insurance policies	-	-	-	-	-	-	5,368,202	-	5,368,202	5,368,202
General and administrative expenses	1,365,454	6,761,282	2,685,838	2,207,280	2,819,816	15,839,670	1,653,433	9,662,879	11,316,312	27,155,982
Total expenses	2,822,324	60,750,474	6,607,958	8,213,330	10,036,096	88,430,182	12,933,896	82,315,639	95,249,535	183,679,717
Net underwriting income	2,387,196	(3,000,439)	4,518,821	1,701,153	2,862,686	8,469,417	3,248,687	9,922,131	13,170,818	21,640,235
Net investment income						10,474,468			-	10,474,468
Finance costs						(3,444,736)			-	(3,444,736)
Share of results of associates						1,534,412			-	1,534,412
Net sundry income						1,070,827			1,406,992	2,477,819
Unallocated general and administrative expenses						(8,322,419)			(5,135,020)	(13,457,439)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' remuneration						9,781,969			9,442,790	19,224,759

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
Year ended 31 December 2018:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	10,636,127	58,254,244	41,069,058	32,730,515	23,882,318	166,572,262	16,256,655	181,774,937	198,031,592	364,603,854
Reinsurance premiums ceded	(7,549,486)	(3,145,634)	(36,275,185)	(23,122,409)	(13,861,636)	(83,954,350)	(5,785,444)	(103,713,079)	(109,498,523)	(193,452,873)
Net premiums written	3,086,641	55,108,610	4,793,873	9,608,106	10,020,682	82,617,912	10,471,211	78,061,858	88,533,069	171,150,981
Movement in unearned premiums reserve	(63,001)	(2,630,953)	(1,585,091)	(1,065,828)	(264,224)	(5,609,097)	(283,627)	(1,741,408)	(2,025,035)	(7,634,132)
Movement in life mathematical reserve	-	-	-	-	4,181	4,181	1,639,998	(125,225)	1,514,773	1,518,954
Net premiums earned	3,023,640	52,477,657	3,208,782	8,542,278	9,760,639	77,012,996	11,827,582	76,195,225	88,022,807	165,035,803
Commission received on ceded reinsurance	2,019,935	521,676	4,836,604	2,577,808	2,909,123	12,865,146	1,594,246	2,662,623	4,256,869	17,122,015
Policy issuance fees	174,586	1,337,667	458,087	45,266	181,915	2,197,521	16,356	1,362,946	1,379,302	3,576,823
Net investment income from designated life and medical insurance	-	-	-	-	-	-	211,204	67,407	278,611	278,611
Total revenue	5,218,161	54,337,000	8,503,473	11,165,352	12,851,677	92,075,663	13,649,388	80,288,201	93,937,589	186,013,252
Expenses:										
Claims incurred	1,003,716	43,542,088	2,445,238	5,477,409	2,424,757	54,893,208	3,974,307	60,250,645	64,224,952	119,118,160
Commission and discounts	1,142,309	7,293,575	2,730,775	1,478,149	3,503,738	16,148,546	2,211,113	2,277,504	4,488,617	20,637,163
Maturity and cancellations of life insurance Policies	-	-	-	-	-	-	4,132,368	-	4,132,368	4,132,368
General and administrative expenses	1,349,858	6,648,510	2,681,932	1,875,988	3,255,791	15,812,079	1,743,498	8,866,205	10,609,703	26,421,782
Total expenses	3,495,883	57,484,173	7,857,945	8,831,546	9,184,286	86,853,833	12,061,286	71,394,354	83,455,640	170,309,473
Net underwriting income	1,722,278	(3,147,173)	645,528	2,333,806	3,667,391	5,221,830	1,588,102	8,893,847	10,481,949	15,703,779
Net investment income						10,140,997			-	10,140,997
Finance costs						(2,916,156)			(4,933)	(2,921,089)
Share of results of associates						2,887,119			-	2,887,119
Net sundry income						2,345,223			1,185,182	3,530,405
Unallocated general and administrative expenses						(7,293,190)			(5,438,209)	(12,731,399)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' remuneration						10,385,823			6,223,989	16,609,812

21 SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2019	*General risk Insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	**514,591,829**	**111,169,809**	**137,404,806**	**763,166,444**
Total liabilities	**424,470,438**	**121,868,788**	**81,980,828**	**628,320,054**

31 December 2018	*General risk Insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	356,641,802	103,109,862	107,388,589	567,140,253
Total liabilities	285,060,014	105,855,088	63,801,839	454,716,941

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

21 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*	***2019 KD***	*2018 KD*	***2019 KD***	*2018 KD*
Segment revenue	**116,518,891**	104,013,759	**21,219,669**	20,089,976	**67,581,392**	61,909,517	**205,319,952**	186,013,252
Segment results (net underwriting income)	**12,240,751**	11,656,901	**2,176,245**	1,681,922	**7,223,239**	2,364,956	**21,640,235**	15,703,779
Profit for the year attributable to equity holders of the Parent Company	**4,316,466**	4,727,023	**859,141**	884,155	**8,172,674**	6,290,660	**13,348,281**	11,901,838

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2019 KD	*2018 KD*	***2019 KD***	***2018 KD***	***2019 KD***	*2018 KD*	***2019 KD***	*2018 KD*
Total assets	**480,081,232**	300,285,381	**74,969,025**	90,612,777	**208,116,187**	176,242,095	**763,166,444**	567,140,253
Total liabilities	**440,100,903**	263,139,504	**53,871,324**	73,396,508	**134,347,827**	118,180,929	**628,320,054**	454,716,941

22 STATUTORY GUARANTEES

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

	2019 *KD*	*2018* *KD*
Current accounts and deposits at banks	**20,618,677**	20,710,333
Loans secured by life insurance policies	**1,262,691**	1,599,688
	21,881,368	22,310,021

Statutory guarantees of KD 36,374,466 (2018: KD 32,865,541) are held outside the State of Kuwait as security for the subsidiary companies' activities.

23 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 55,335,102 (2018: KD 16,393,283).

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

24 COMMITMENTS

The Group does not have future commitments with respect to purchase of financial instruments (2018: Nil).

25 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Risk management also protects policyholders' fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers.

25 RISK MANAGEMENT (continued)

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

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

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

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

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

(c) Capital management objectives, policies and approach

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

Capital management objectives

The capital management objectives are:

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

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

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

25 RISK MANAGEMENT (continued)

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

Capital management policies
The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

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

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

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

(d) Insurance risk

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

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

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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

(1) Life and medical insurance contracts

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

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

Pensions are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

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

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

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

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

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

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

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

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimise the risk of default.

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

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

25 **RISK MANAGEMENT (continued)**

(d) **Insurance risk (continued)**

(1) **Life and medical insurance contracts (continued)**

	2019			2018		
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	**42,957**	**36,692**	**6,265**	56,839	48,826	8,013
Term insurance	**6,258,475**	**3,067**	**6,255,408**	3,729,018	1,806	3,727,212
Pure endowment	**1,452,837**	-	**1,452,837**	1,563,873	-	1,563,873
Group life and disability	**1,791,514**	**458,712**	**1,332,802**	-	-	-
Preferred global health	**52,516**	-	**52,516**	-	-	-
FAY	**350,257**	**175,128**	**175,129**	340,160	170,080	170,080
Total life insurance contract	**9,948,556**	**673,599**	**9,274,957**	5,689,890	220,712	5,469,178
Unitised pensions (Misk individual policies)	**17,095,543**	-	**17,095,543**	19,288,742	250,789	19,037,953
Total investments contracts	**17,095,543**	-	**17,095,543**	19,288,742	250,789	19,037,953
Total life insurance and investment contracts	**27,044,099**	**673,599**	**26,370,500**	24,978,632	471,501	24,507,131
Other life insurance contract liabilities	**77,796,427**	**35,967,678**	**41,828,749**	62,816,379	27,884,975	34,931,404

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

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

	2019			2018		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	9,948,556	673,599	9,274,957	5,689,890	220,712	5,469,178

Investment contracts

	2019			2018		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	14,185,526	-	14,185,526	15,550,014	-	15,550,014
Europe	2,910,017	-	2,910,017	3,738,728	250,789	3,487,939
Total	17,095,543	-	17,095,543	19,288,742	250,789	19,037,953

The assumptions that have been provided by an external independent actuarial are as follows:

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

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

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

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

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

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Key assumptions (continued)
• Longevity
Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

• Investment return
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

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

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

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

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

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

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

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

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

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse and surrender rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**3.5%**	3.5%	**N/A**	N/A	**3%**	3%	**"5% of AP+1% of SA"**	"5% of AP+1% of SA"	**2%**	2%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Life term assurance:												
Males	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%
Females	**A49/52-3yr**	A49/52-3yr	**4%**	4%	**N/A**	N/A	**3%**	3%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	2%

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life and medical insurance contracts (continued)

Sensitivities

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

Life insurance contracts

31 December 2019

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	-	-	**(41,000)**
Expenses	**10%**	**233,000**	**233,000**	**(233,000)**
Discount rate	**-1%**	**71,000**	**71,000**	**(71,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2018

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(27,000)
Expenses	10%	248,000	248,000	(248,000)
Discount rate	-1%	72,000	72,000	(72,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

Investment contracts

31 December 2019

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	**Conservative**	**Reduction**	**Reduction**	**Positive**
Investment return	**-1%**	-	-	**(40,000)**
Expenses	**10%**	**47,000**	**47,000**	**(47,000)**
Discount rate	**-1%**	**55,000**	**55,000**	**(55,000)**
Longevity	**N/A**	**N/A**	**N/A**	**N/A**
Lapse and surrenders rate	**N/A**	**N/A**	**N/A**	**N/A**

31 December 2018

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(46,000)
Expenses	10%	50,000	50,000	(50,000)
Discount rate	-1%	60,000	60,000	(60,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

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

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

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

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

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

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

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Group's risk appetite as decided by management.

In additions; the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

	2019			2018		
Concentration of insurance contract liabilities by type of contract:	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**11,057,253**	**8,918,376**	**2,138,877**	12,017,619	10,046,238	1,971,381
Motor vehicles	**61,202,072**	**7,085,287**	**54,116,785**	55,049,066	6,374,690	48,674,376
Property	**39,044,996**	**33,458,414**	**5,586,582**	56,035,147	50,017,726	6,017,421
Engineering	**187,433,141**	**176,085,205**	**11,347,936**	56,910,306	45,245,388	11,664,918
General Accidents	**43,766,202**	**31,022,283**	**12,743,919**	38,712,469	27,661,315	11,051,154
Total	**342,503,664**	**256,569,565**	**85,934,099**	218,724,607	139,345,357	79,379,250

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.

	2019			2018		
Geographical concentration of insurance contract liabilities:	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net liabilities KD*	*Gross liabilities KD*	*Reinsurer's share of liabilities KD*	*Net Liabilities KD*
Kuwait	**200,714,116**	**175,257,214**	**25,456,902**	71,241,907	47,318,623	23,923,284
GCC and Middle East countries	**141,789,548**	**81,312,351**	**60,477,197**	147,482,700	92,026,734	55,455,966
Total	**342,503,664**	**256,569,565**	**85,934,099**	218,724,607	139,345,357	79,379,250

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

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

Sensitivities
The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before contribution to KFAS, NLST, Zakat tax and directors' fees.

31 December 2019	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	**±15%**	**9,429,951**	**4,583,324**	**4,583,324**
Average number of claim	**±15%**	**18,083**	**15,299**	**285,577**
Average claim settlement paid	**Reduce from 18 months to 12 months**	**6,286,634**	**3,389,285**	**276,344**
31 December 2018				
Average claim cost	±15%	10,656,502	4,797,920	4,797,920
Average number of claim	±15%	39,239	33,198	619,687
Average claim settlement paid	Reduce from 18 months to 12 months	7,104,335	3,830,129	312,287

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

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

31 December 2019

	2011 KD	*2012 KD*	*2013 KD*	*2014 KD*	*2015 KD*	*2016 KD*	*2017 KD*	*2018 KD*	*2019 KD*	***Total KD***
At end of accident year	**1,602,742,480**	**89,555,565**	**94,021,887**	**89,026,900**	**90,713,406**	**115,767,181**	**238,320,212**	**255,471,027**	**267,596,994**	
One year later	**427,223,418**	**105,451,833**	**123,049,429**	**115,028,898**	**107,262,772**	**126,453,059**	**247,717,822**	**417,969,342**	-	
Two years later	**424,694,260**	**106,243,283**	**120,765,501**	**113,348,740**	**110,122,254**	**127,039,952**	**249,880,515**	-	-	
Three years later	**420,562,549**	**104,881,994**	**115,594,283**	**116,039,580**	**110,259,331**	**129,815,385**	-	-	-	
Four years later	**418,196,857**	**103,932,073**	**117,928,059**	**116,640,216**	**110,153,936**	-	-	-	-	
Five years later	**416,201,634**	**106,636,211**	**118,293,459**	**116,230,971**	-	-	-	-	-	
Six years later	**420,389,135**	**107,644,093**	**117,173,256**	-	-	-	-	-	-	
Seven years later	**421,658,110**	**104,984,209**	-	-	-	-	-	-	-	
Eight years later	**422,917,287**	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**422,917,287**	**104,984,209**	**117,173,256**	**116,230,971**	**110,153,936**	**129,815,385**	**249,880,515**	**417,969,342**	**267,596,994**	**1,936,721,895**

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2011 *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	*2015* *KD*	*2016* *KD*	*2017* *KD*	*2018* *KD*	*2019* *KD*	*Total* *KD*
At end of accident year	(1,212,501,755)	(53,687,293)	(56,598,561)	(56,835,392)	(56,656,953)	(66,991,620)	(157,856,387)	(159,030,549)	(186,462,756)	
One year later	(389,002,748)	(88,891,018)	(97,894,885)	(101,990,575)	(94,952,494)	(108,464,895)	(226,848,691)	(250,709,128)	-	
Two years later	(396,783,685)	(94,053,337)	(105,857,873)	(106,695,945)	(99,651,928)	(115,876,615)	(237,902,572)	-	-	
Three years later	(400,285,774)	(98,823,789)	(111,063,406)	(108,289,763)	(101,702,109)	(120,419,609)	-	-	-	
Four years later	(401,960,070)	(100,105,528)	(112,244,491)	(109,725,151)	(103,123,921)	-	-	-	-	
Five years later	(403,376,925)	(100,618,883)	(113,061,455)	(110,695,546)	-	-	-	-	-	
Six years later	(404,580,855)	(100,966,494)	(113,436,423)	-	-	-	-	-	-	
Seven years later	(410,928,910)	(101,272,810)	-	-	-	-	-	-	-	
Eight years later	(413,275,836)	-	-	-	-	-	-	-	-	
Cumulative payment to date	(413,275,836)	(101,272,810)	(113,436,423)	(110,695,546)	(103,123,921)	(120,419,609)	(237,902,572)	(250,709,128)	(186,462,756)	(1,637,298,601)
Gross insurance contract outstanding claims at 31 December 2019	9,641,451	3,711,399	3,736,833	5,535,425	7,030,015	9,395,776	11,977,943	167,260,214	81,134,238	299,423,294
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2019									23,098,862	23,098,862
Total gross insurance outstanding claims provision per consolidated statement of financial position at 31 December 2019	9,641,451	3,711,399	3,736,833	5,535,425	7,030,015	9,395,776	11,977,943	167,260,214	104,233,100	322,522,156

25 RISK MANAGEMENT (continued)

(e) Financial risks

(1) Credit risk

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

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

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

	31 December 2019			
Exposure to credit risk by classifying financial assets according to type of insurance	*General KD*	*Life KD*	*Unit linked KD*	*Total KD*
Investments held to maturity	28,656,894	1,030,310	-	29,687,204
Debt securities (loans)	2,938,047	6,800,605	3,865,395	13,604,047
Loans secured by life insurance policies	-	3,571	1,100,576	1,104,147
Policyholders' accounts receivable (gross)	122,769,661	16,172,028	-	138,941,689
Reinsurers' accounts receivable (gross)	16,609,052	1,405,563	-	18,014,615
Reinsurance recoverable on outstanding claims	220,353,666	26,967,316	-	247,320,982
Other assets	548,257	-	-	548,257
Time deposits	25,011,306	14,268,938	-	39,280,244
Cash and cash equivalents	85,956,251	1,705,517	-	87,661,768
Total credit risk exposure	502,843,134	68,353,848	4,965,971	576,162,953

25 RISK MANAGEMENT (continued)
(c) Financial risks (continued)
(I) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to type of insurance	31 December 2018			
	General *KD*	*Life* *KD*	*Unit linked* *KD*	*Total* *KD*
Investments held to maturity	22,856,182	372,873	-	23,229,055
Debt securities (loans)	2,940,860	9,137,200	4,573,800	16,651,860
Loans secured by life insurance policies	-	3,946	1,262,691	1,266,637
Policyholders' accounts receivable (gross)	92,189,606	18,615,242	-	110,804,848
Reinsurers' accounts receivable (gross)	11,692,518	673,766	-	12,366,284
Reinsurance recoverable on outstanding claims	110,808,442	20,160,130	-	130,968,572
Other assets	577,078	-	-	577,078
Time deposits	32,367,406	310,677	-	32,678,083
Cash and cash equivalents	51,963,934	12,979,828	-	64,943,762
Total credit risk exposure	325,396,026	62,253,662	5,836,491	393,486,179

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2019 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies *31 December 2019*	*AAA* *KD*	*AA* *KD*	*A* *KD*	*BBB* *KD*	*BB and below* *KD*	*Not rated* *KD*	*Total* *KD*
Investments held to maturity	-	-	1,061,550	24,577,347	3,243,476	804,831	29,687,204
Debt securities (loans)	-	-	7,866,000	5,738,047	-	-	13,604,047
Loans secured by life insurance policies	-	-	-	-	-	1,104,147	1,104,147
Policyholders' accounts receivable (gross)	1,826	54,799,453	12,445,454	3,561,207	9,445,092	58,688,657	138,941,689
Reinsurers accounts receivable (gross)	10,143	377,103	8,852,077	1,708,617	2,592,929	4,473,746	18,014,615
Reinsurance recoverable on outstanding claims	1,760,452	80,564,659	146,005,392	2,343,088	7,631,457	9,015,934	247,320,982
Other assets	-	-	-	-	-	548,257	548,257
Time Deposits	-	-	13,453,250	11,276,478	4,213,992	10,336,524	39,280,244
Cash and cash equivalents	-	574,904	33,218,089	32,161,828	17,887,409	3,819,538	87,661,768
Total credit risk exposure	1,772,421	136,316,119	222,901,812	81,366,612	45,014,355	88,791,634	576,162,953

Unrated responses are classified as follows using internal credit ratings.

31 December 2019	*Neither past due nor impaired* *High grade* *KD*	*Standard grade* *KD*	*Past due or impaired* *KD*	*Total* *KD*
Investments held to maturity	804,403	-	428	804,831
Loan secured by life insurance policy	1,100,576	3,571	-	1,104,147
Policyholders' accounts receivable (gross)	46,528,301	6,234,729	5,925,627	58,688,657
Reinsurance accounts receivable (gross)	2,906,642	1,567,104	-	4,473,746
Reinsurance recoverable on outstanding claims	4,027,810	4,988,124	-	9,015,934
Other assets	-	548,257	-	548,257
Time deposits	8,908,878	1,427,646	-	10,336,524
Cash and cash equivalents	26,794,616	24,922	-	26,819,538
	91,071,226	14,794,353	5,926,055	111,791,634

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(I) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2018 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA* *KD*	*AA* *KD*	*A* *KD*	*BBB* *KD*	*BB and below* *KD*	*Not rated* *KD*	*Total* *KD*
31 December 2018							
Investments held to maturity	1,062,950	-	651,606	2,460,480	18,247,940	806,079	23,229,055
Debt securities (loans)	-	-	-	10,572,860	6,079,000	-	16,651,860
Loans secured by life insurance policies	-	-	-	-	-	1,266,637	1,266,637
Policyholders' accounts receivable (gross)	-	12,319,333	35,431,135	1,276,987	10,792,277	50,985,116	110,804,848
Reinsurers accounts receivable (gross)	165,301	32,044	4,636,392	1,006,135	2,981,065	3,545,347	12,366,284
Reinsurance recoverable on outstanding claims	1,161,545	24,800,398	79,199,850	6,226,716	9,681,874	9,898,189	130,968,572
Other assets	-	-	-	-	-	577,078	577,078
Time Deposits	-	-	16,792,479	8,312,977	2,358,985	5,213,642	32,678,083
Cash and cash equivalents	204,368	1,048,461	39,772,201	13,150,897	7,347,538	3,420,297	64,943,762
Total credit risk exposure	2,594,164	38,200,236	176,483,663	43,007,052	57,488,679	75,712,385	393,486,179

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
	High grade *KD*	*Standard grade* *KD*	*Past due or impaired* *KD*	*Total* *KD*
31 December 2018				
Investments held to maturity	805,651	-	428	806,079
Loan secured by life insurance policy	-	1,266,637	-	1,266,637
Policyholders' accounts receivable (gross)	30,811,139	13,832,609	6,341,368	50,985,116
Reinsurance accounts receivable (gross)	2,791,546	705,344	48,457	3,545,347
Reinsurance recoverable on outstanding claims	7,089,218	2,808,971	-	9,898,189
Other assets	-	577,078	-	577,078
Time deposits	3,637,253	1,576,389	-	5,213,642
Cash and cash equivalents	3,353,480	48,877	17,940	3,420,297
	48,488,287	20,815,905	6,408,193	75,712,385

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

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

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2019:					
Policyholders' accounts receivable (net)	**31,484,503**	**50,653,881**	**40,264,017**	**5,438,890**	**127,841,291**
Reinsurance receivables (net)	**(322,974)**	**2,262,615**	**4,837,049**	**8,015,905**	**14,792,595**
Total	**31,161,529**	**52,916,496**	**45,101,066**	**13,454,795**	**142,633,886**

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2018:					
Policyholders' accounts receivable (net)	21,934,536	15,256,813	60,314,923	2,200,212	99,706,484
Reinsurance receivables (net)	7,329,943	(2,128,017)	2,558,429	2,387,338	10,147,693
Total	29,264,479	13,128,796	62,873,352	4,587,550	109,854,177

(2) Liquidity risk

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

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

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
31 December 2019						
Premiums received in advance	-	**1,995,227**	**2,474,011**	**1,281,991**	-	**5,751,229**
Insurance payable	**34,819,913**	**14,552,201**	**17,356,169**	**56,556,051**	**2,435,476**	**125,719,810**
Other liabilities	**17,389,267**	**8,804,126**	**12,232,911**	**12,697,291**	**255,678**	**51,379,273**
Long term loan	-	-	-	**36,906,000**	-	**36,906,000**
Bank overdrafts	**1,254,659**	**13,976**	**453,769**	**12,681**	-	**1,735,085**
	53,463,839	**25,365,530**	**32,516,860**	**107,454,014**	**2,691,154**	**221,491,397**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
31 December 2018						
Premiums received in advance	599,412	632,876	2,133,387	1,011,038	-	4,376,713
Insurance payable	34,837,954	12,523,721	14,289,456	10,923,607	2,727,003	75,301,741
Other liabilities	10,710,001	9,043,665	12,118,282	15,043,745	433,990	47,349,683
Bank overdrafts	2,826	28,039,632	18,630,718	-	-	46,673,176
	46,150,193	50,239,894	47,171,843	26,978,390	3,160,993	173,701,313

(3) Market risk

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

Market risk comprises three types of risk: currency risk, interest rate risk and commodity and equity rate price risk.

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

(i) Currency risk

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

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

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

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

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2019:	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
ASSETS									
Property and equipment	20,919,981	-	3,539,082	4,308,253	2,240,129	-	-	4,207,638	35,215,083
Right-of-use assets	1,187,615	-	274,803	134,136	208,231	-	-	408,610	2,213,395
Investments in associates	19,656,211	-	166,220	2,226,936	-	-	-	21,387,923	43,437,290
Goodwill	15,104,460	-	-	-	-	-	-	-	15,104,460
Investments held to maturity	498,328	2,114,379	1,767,262	18,737,993	428	-	-	6,568,814	29,687,204
Debt securities (loans)	5,100,000	8,504,047	-	-	-	-	-	-	13,604,047
Investments available for sale	6,193,618	10,916,856	3,718,856	148,238	2,418,378	-	-	21,555,099	44,951,045
Investments carried at fair value through profit or loss	1,929,845	8,111,625	-	11,140,595	1,423,330	-	-	3,724,324	26,329,719
Loans secured by life insurance policies	1,100,576	-	-	-	-	-	-	3,571	1,104,147
Premium and insurance balances receivable	78,586,376	27,461,025	10,490,980	5,235,769	11,926,771	2,129,424	49,635	6,753,906	142,633,886
Reinsurance recoverable on outstanding claims	115,571,771	96,435,291	10,933,479	4,154,083	5,793,132	4,465,580	48,424	9,919,222	247,320,982
Investment properties	3,753,330	606,600	-	418,871	70,071	-	-	1,317,207	6,166,079
Other assets	11,473,787	1,021,792	2,682,405	3,903,941	4,732,669	10,639	-	4,631,862	28,457,095
Cash and cash equivalents and time deposits	58,817,290	13,645,168	15,402,424	3,728,989	24,743,715	786,258	680,676	9,137,492	126,942,012
Total assets	339,893,188	168,816,783	48,975,511	54,137,804	53,556,854	7,391,901	778,735	89,615,668	763,166,444

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2019	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
LIABILITIES									
Liabilities arising from insurance Contracts									
Outstanding claims reserve (gross)	233,725,037	11,553,873	22,173,754	7,320,793	14,805,408	4,848,444	93,821	25,414,086	319,935,216
Unearned premiums reserve (net)	20,615,301	-	9,927,131	5,728,632	7,869,870	-	-	15,367,567	59,508,501
Life mathematical reserve (net)	1,871,116	9,729,773	1,745,341	8,514,737	-	-	-	4,509,533	26,370,500
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	936,940	2,586,940
Total liabilities arising from insurance Contracts	257,861,454	21,283,646	33,846,226	21,564,162	22,675,278	4,848,444	93,821	46,228,126	408,401,157
Premiums received in advance	5,420,733	-	320,452	-	-	-	-	10,044	5,751,229
Insurance payable	36,947,987	63,273,613	6,364,042	2,348,650	12,654,692	1,112,995	(15,321)	3,033,152	125,719,810
Other liabilities	34,638,755	1,245,906	3,633,772	6,306,641	1,193,763	8,990	-	4,351,446	51,379,273
Long Term Loans	35,333,500	-	-	-	-	-	-	-	35,333,500
Bank overdrafts	1,666,500	-	-	-	-	-	-	68,585	1,735,085
Total liabilities	371,868,929	85,803,165	44,164,492	30,219,453	36,523,733	5,970,429	78,500	53,691,353	628,320,054

25 RISK MANAGEMENT (continued)

(c) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2018: ASSETS	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Property and equipment	15,386,501	896,343	3,980,558	3,227,320	2,333,694	-	-	3,446,357	29,270,773
Investments in associates	20,078,099	-	-	1,533,064	-	-	-	21,658,276	43,269,439
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	6,710,182	15,104,460
Investments held to maturity	500,310	2,178,599	2,198,205	14,815,093	1,057,523	-	-	2,479,325	23,229,055
Debt securities (loans)	5,100,000	11,551,860	-	-	-	-	-	-	16,651,860
Investments available for sale	5,006,100	8,338,865	3,455,680	136,389	3,078,216	-	-	21,411,276	41,426,526
Investments carried at fair value through profit or loss	4,720,968	5,264,136	-	5,711,984	2,161,490	-	-	6,759,726	24,618,304
Loans secured by life insurance policies	1,262,691	-	-	-	-	-	-	3,946	1,266,637
Premium and insurance balances Receivable	58,673,022	17,371,501	10,340,193	3,948,853	11,194,035	867,541	74,389	7,384,643	109,854,177
Reinsurance recoverable on outstanding Claims	49,653,202	26,514,048	31,588,951	2,403,528	3,749,145	4,713,008	2,364,073	9,982,617	130,968,572
Investment properties	3,035,857	515,566	-	376,121	-	-	-	1,050,786	4,978,330
Other assets	12,163,404	518,873	3,403,193	2,688,463	4,854,047	-	-	5,252,295	28,880,275
Cash and cash equivalents and time Deposits	36,943,871	13,769,662	9,014,497	4,229,859	21,179,176	1,082,563	541,838	10,860,379	97,621,845
Total assets	212,524,025	86,919,453	66,607,212	39,546,918	54,899,425	6,663,112	2,980,300	96,999,808	567,140,253

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2018 LIABILITIES	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance Contracts									
Outstanding claims reserve (gross)	95,384,271	12,576,225	42,584,687	4,841,954	11,785,564	5,387,308	69,100	22,761,811	195,390,920
Unearned premiums reserve (net)	20,645,415	-	10,235,960	4,895,484	6,727,750	-	-	16,962,968	59,467,577
Life mathematical reserve (net)	17,384,021	130	1,700,116	5,364,001	-	-	-	58,863	24,507,131
Incurred but not reported reserve (net)	1,650,000	-	-	-	-	-	-	-	1,650,000
Total liabilities arising from insurance Contracts	135,063,707	12,576,355	54,520,763	15,101,439	18,513,314	5,387,308	69,100	39,783,642	281,015,628
Premiums received in advance	3,966,876	-	396,939	-	-	-	-	12,898	4,376,713
Insurance payable	27,127,554	25,867,380	5,821,110	1,999,582	12,168,906	481,790	(5,985)	1,841,404	75,301,741
Other liabilities	32,425,489	7,813	4,363,727	5,141,013	839,718	-	-	4,571,923	47,349,683
Bank overdrafts	23,424,703	23,152,722	-	-	-	-	-	95,751	46,673,176
Total liabilities	222,008,329	61,604,270	65,102,539	22,242,034	31,521,938	5,869,098	63,115	46,305,618	454,716,941

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

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

		2019		2018	
	Change in variables	***Impact on profit KD***	***Impact on equity KD***	*Impact on profit KD*	*Impact on equity KD*
USD	**±5%**	**3,604,838**	**545,843**	801,928	350,192
BD	**±5%**	**46,838**	**194,254**	196,770	122,826
EGP	**±5%**	**1,077,159**	**118,759**	772,611	83,473
JD	**±5%**	**730,737**	**120,919**	891,351	261,985

(ii) Interest rate risk

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

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

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

	2019		2018	
Currency	***Change in variables***	***Impact on profit before tax KD***	*Change in variables*	*Impact on profit before tax KD*
KD	**±50 bps**	**123,821**	±50 bps	135,777
USD	**±50 bps**	**181,333**	±50 bps	150,839
BD	**±50 bps**	**58,711**	±50 bps	37,635
Others	**±50 bps**	**275,863**	±50 bps	239,418

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

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk

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

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

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

	2019 %	*2018* %
Kuwait market	**16%**	8%
Rest of GCC market	**12%**	(14%)
MENA	**(2%)**	14%
Other international markets	**15%**	5%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2019 and 2018. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2019 KD	*2018* KD	*2019* KD	*2018* KD
Investment available for sale	-	-	**1,044,648**	(588,228)
Investment carried at fair value through profit or loss	**(45,253)**	789,122	-	-

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

31 December 2019	*GCC* KD	*MENA* KD	*Europe* KD	*Total* KD
Investments available for sale	**8,430,354**	**2,972,637**	**30,917**	**11,433,908**
Investments carried at fair value through profit or loss	**358,717**	**4,466,853**	-	**4,825,570**
	8,789,071	**7,439,490**	**30,917**	**16,259,478**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(ii) Equity price risk (continued)

31 December 2018	*GCC KD*	*MENA KD*	*Europe KD*	*Total KD*
Investments available for sale	7,844,409	3,578,662	28,541	11,451,612
Investments carried at fair value through profit or loss	1,038,666	5,202,916	-	6,241,582
	8,883,075	8,781,578	28,541	17,693,194

26 RELATED PARTY TRANSACTIONS

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

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

	2019		*2018*	
	Premiums KD	***Claims KD***	*Premiums KD*	*Claims KD*
Directors and key management personnel	**296,896**	**13,100**	292,177	27,945
Other related parties	**3,381,297**	**1,254,900**	3,916,968	871,617
	3,678,193	**1,268,000**	4,209,145	899,562

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

	2019		*2018*	
	Amounts owed by related parties KD	***Amounts owed to related parties KD***	*Amounts owed by related Parties KD*	*Amounts owed to related parties KD*
Directors and key management personnel	**330,964**	**150**	163,696	20,703
Other related parties	**1,042,903**	**1,108,589**	1,158,652	667,900
	1,373,867	**1,108,739**	1,322,348	688,603

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

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 29,194,150 (2018: KD 4,987,605). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 4,816,500 (2018: KD 7,855,250).

26 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation:

	2019 *KD*	*2018* *KD*
Salaries and other short term benefits	**584,892**	572,392
Employees' end of service benefits	**154,301**	267,413
	739,193	839,805

27 SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

Entity	Country of incorporation	% ownership 2019 Direct	In-direct	Total %	% ownership 2018 Direct	In-direct	Total %	Nature of operation
Gulf Insurance and Reinsurance Company K.S.C.(closed)	Kuwait	**99.80%**	-	**99.80%**	99.80%	-	99.80%	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	Lebanon	**92.51%**	**0.18%**	**92.69%**	92.51%	0.18%	92.69%	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	Egypt	**99.00%**	-	**99.00%**	94.85%	-	94.85%	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	Syria	**38.96%**	**15.39%**	**54.35%**	38.96%	15.39%	54.35%	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C.	Bahrain	**56.12%**	-	**56.12%**	56.12%	-	56.12%	General risk insurance
Arab Orient Insurance Company J.S.C.	Jordan	**90.44%**	-	**90.44%**	90.44%	-	90.44%	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	Egypt	**10.56%**	**50.75%**	**61.31%**	10.56%	50.75%	61.31%	Life Takaful insurance
Dar Al-Salam Insurance Company	Iraq	**79.87%**	-	**79.87%**	71.81%	-	71.81%	General risk & life insurance
L'Algerienne Des Assurance (2a)	Algeria	**49.00%**	**2.00%**	**51.00%**	49.00%	2.00%	51.00%	General risk insurance
Gulf Sigorta A.S.	Turkey	**99.22%**	-	**99.22%**	99.22%	-	99.22%	General risk insurance

27 SUBSIDIARIES COMPANIES (continued)

Material partly owned subsidiary:
The Group has concluded that Bahrain Kuwaiti Insurance Company B.S.C. ("BKIC") and L'Algerienne Des Assurance (2a) ("2A") are the only subsidiaries with non-controlling interests that are material to the consolidated financial statements. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2019	*2018*
	KD	*KD*
Bahrain Kuwaiti Insurance Company B.S.C.	**15,444,507**	14,678,898

	2019	*2018*
	KD	*KD*
L'Algerienne Des Assurance (2a)	**3,975,140**	2,998,929

Profit allocated to material non-controlling interests:

	2019	*2018*
	KD	*KD*
Bahrain Kuwaiti Insurance Company B.S.C.	**1,056,098**	1,222,462
L'Algerienne Des Assurance (2a)	**474,349**	1,107,321

Summarised financial information of these subsidiaries is provided below. This information is based on amounts before eliminating intra Group transactions and consolidation related adjustments.

	2019		*2018*	
	BKIC	***2A***	*BKIC*	*2A*
	KD	***KD***	*KD*	*KD*
Statement of income				
Income	**30,675,493**	**7,882,444**	29,719,926	7,823,395
Expenses	**28,268,706**	**6,914,384**	26,934,006	5,563,556
Profit for the year	**2,406,787**	**968,060**	2,785,921	2,259,839
Total comprehensive income	**2,122,727**	**968,060**	2,437,691	2,259,839
Statement of financial position				
Total assets	**167,192,326**	**23,358,232**	143,729,595	20,929,854
Total liabilities	**(134,437,964)**	**(15,245,701)**	(110,277,229)	(14,809,589)
Total equity	**32,754,362**	**8,112,531**	33,452,366	6,120,265

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

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations. Since such assets and liabilities together with the results of policyholders' lines of business are contractually related to specific policyholders, the related amounts are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed below.

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

Policyholders' result by line of business:

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

For the year ended 31 December 2019:

	Marine and aviation KD	***Property KD***	***Motor KD***	***Engineering KD***	***General accidents KD***	***Life and medical KD***	***Total KD***
Premium written	**421,653**	**2,336,917**	**7,026,574**	**897,253**	**1,880,464**	**20,289,889**	**32,852,750**
Surplus (deficit) from insurance operations	**85,664**	**692,324**	**14,868**	**48,336**	**43,562**	**574,796**	**1,459,550**

For the year ended 31 December 2018:

	Marine and aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General accidents KD*	*Life and medical KD*	*Total KD*
Premium written	462,104	2,224,246	7,104,425	803,185	1,521,360	16,743,284	28,858,604
Surplus (deficit) from insurance operations	86,979	353,889	(76,499)	(38,134)	87,199	174,184	587,618

	2019 KD	*2018 KD*
Amounts due to policyholders (Note 19)	**991,535**	4,424,048

29 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets carried at fair value.

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2019:

			Fair value measurement using		
	Date of valuation	**Total** *KD*	**Quoted prices in active markets (Level 1)** *KD*	**Significant observable inputs (Level 2)** *KD*	**Significant unobservable inputs (Level 3)** *KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2019	**11,433,900**	11,433,900	-	-
Unquoted equity securities	31 December 2019	**5,893,209**	240,990	20,192	5,632,027
Quoted managed funds	31 December 2019	**221,438**	221,438	-	-
Quoted bonds	31 December 2019	**26,725,541**	26,725,541	-	-
Unquoted managed funds	31 December 2019	**676,957**	-	654,514	22,443
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2019	**4,844,468**	4,844,468	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2019	**21,485,251**	21,485,251	-	-
Property and equipment					
Land	31 December 2019	**15,913,719**	-	15,913,719	-
Buildings	31 December 2019	**16,882,747**	-	16,882,747	-
Investment properties	31 December 2019	**6,166,079**	-	6,166,079	-
		110,243,309	**64,951,588**	**39,637,251**	**5,654,470**

29 FAIR VALUE MEASUREMENT (continued)

Quantitative disclosures fair value measurement hierarchy for financial assets as at 31 December 2018:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		KD	*KD*	*KD*	*KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2018	12,340,983	12,340,983	-	-
Unquoted equity securities	31 December 2018	5,791,305	-	20,504	5,770,801
Quoted managed funds	31 December 2018	212,109	212,109	-	-
Quoted bonds	31 December 2018	22,140,790	22,140,790	-	-
Unquoted managed funds	31 December 2018	941,339	-	885,689	55,650
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2018	6,317,282	6,317,282	-	-
Designated upon initial recognition:					
Managed funds of quoted Securities	31 December 2018	18,301,022	18,301,022	-	-
Property and equipment					
Land	31 December 2018	12,738,867	-	12,738,867	-
Buildings	31 December 2018	13,959,374	-	13,959,374	-
Investment properties	31 December 2018	4,522,780	-	4,522,780	-
		97,265,851	59,312,186	32,127,214	5,826,451

29 FAIR VALUE MEASUREMENT (continued)

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

	At 1 January 2019 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2019 KD*
Investments available for sale:						
Unquoted equity securities	**5,770,801**	-	-	-	**(138,774)**	**5,632,027**
Unquoted managed funds	**55,650**	-	**(14,836)**	-	**(18,371)**	**22,443**
	5,826,451	-	**(14,836)**	-	**(157,145)**	**5,654,470**

	At 1 January 2018 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2018 KD*
Investments available for sale:						
Unquoted equity securities	5,581,516	-	-	189,285	-	5,770,801
Unquoted managed funds	37,906	-	-	17,744	-	55,650
	5,619,422	-	-	207,029	-	5,826,451

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

Unquoted managed funds are valued based on net assets value method using latest available financial statements of the funds, wherein the underlying assets are fair valued.

30 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018. The Group monitors its capital at the Group level and at each of its subsidiaries.

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

The Group's gearing ratio as at 31 December was as follows:

	2019 *KD*	*2018* *KD*
Credit facilities:		
Bank overdrafts and long-term loans	**37,068,585**	46,673,176
Net debt	**37,068,585**	46,673,176
Equity attributable to the equity holders of the Parent Company	**108,802,359**	89,140,379
Total capital and net debt	**145,870,944**	135,813,555
Gearing ratio	**25.4%**	34.4%

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

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

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

31 COMPARATIVE INFORMATION

In the prior years, the Group has presented the net position of takaful policyholders as Qard Hasan under other assets. During the current year, the management has decided to present the balances and related results of takaful policyholders on gross basis.

Accordingly, the comparative figures in this consolidated financial statement have been represented to conform to the current year's presentation. This representation did not result in and change in previously reported profits and total equity. The impact of representation is summarised as follows:

	As previously reported *KD*	*Effect of representation* *KD*	*After representation* *KD*
Consolidated statement of financial position			
As at 31 December 2018			
ASSETS			
Investments held to maturity	21,793,233	1,435,822	23,229,055
Investments available for sale	38,400,265	3,026,261	41,426,526
Investments carried at fair value through profit or loss	19,369,175	5,249,129	24,618,304
Premiums and insurance balances receivable	99,497,076	10,357,101	109,854,177
Reinsurance recoverable on outstanding claims	123,620,660	7,347,912	130,968,572
Investment properties	4,522,780	455,550	4,978,330
Other assets	24,219,696	4,660,579	28,880,275
Time deposits	29,488,863	3,189,220	32,678,083
Cash and cash equivalents	62,785,001	2,158,761	64,943,762
LIABILITIES			
Outstanding claims reserve (gross)	184,137,808	11,253,112	195,390,920
Unearned premiums reserve (net)	52,143,506	7,324,071	59,467,577
Life mathematical reserve (net)	17,443,014	7,064,117	24,507,131
Insurance payable	66,200,677	9,101,064	75,301,741
Other liabilities	44,211,712	3,137,971	47,349,683

	As previously reported *KD*	*Effect of representation* *KD*	*After representation* *KD*
Consolidated statement of income			
As at 31 December 2018			
Revenue:			
Premiums written	335,745,249	28,858,605	364,603,854
Reinsurance premiums ceded	(184,702,155)	(8,750,718)	(193,452,873)
Movement in unearned premiums reserve	(6,170,376)	(1,463,756)	(7,634,132)
Movement in life mathematical reserve	2,747,167	(1,228,213)	1,518,954
Commission received on ceded reinsurance	16,121,513	1,000,502	17,122,015
Policy issuance fees	3,368,130	208,693	3,576,823
Net investment loss from designated life insurance	(388,980)	667,591	278,611
Expenses:			
Claims incurred	107,384,797	11,733,363	119,118,160
Commission and discounts	17,591,806	3,045,357	20,637,163
General and administrative expenses	25,634,649	787,133	26,421,782
Net investment income	9,795,597	345,400	10,140,997
Unallocated general and administrative expenses	(9,892,675)	(2,838,724)	(12,731,399)

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020 (UNAUDITED)

Building a better working world

Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF INSURANCE GROUP K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 June 2020, and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing; and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on review of other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the six months period ended 30 June 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

12 August 2020
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2020

		Three months ended 30 June		*Six months ended 30 June*	
		2020	*2019*	***2020***	*2019*
	Notes	***KD***	*KD*	***KD***	*KD*
Revenue:					
Premiums written		**122,777,719**	80,560,762	**230,657,440**	173,116,235
Reinsurance premiums ceded		**(71,800,953)**	(39,296,376)	**(126,861,092)**	(83,495,203)
Net premiums written		**50,976,766**	41,264,386	**103,796,348**	89,621,032
Movement in unearned premiums reserve		**(5,305,618)**	3,455,593	**(9,419,384)**	(1,640,258)
Movement in life mathematical reserve		**(1,831,664)**	(446,255)	**(1,506,840)**	119,048
Net premiums earned		**43,839,484**	44,273,724	**92,870,124**	88,099,822
Commission received on ceded reinsurance		**4,021,074**	3,683,028	**9,243,485**	9,288,898
Policy issuance fees		**729,916**	918,993	**1,433,092**	1,787,732
Net investment income from designated life insurance	3	**1,280,472**	625,103	**152,439**	1,630,811
		49,870,946	49,500,848	**103,699,140**	100,807,263
Expenses:					
Claims incurred		**29,651,859**	29,903,248	**61,534,576**	61,833,463
Commission and discounts		**4,821,032**	5,181,144	**10,883,579**	10,715,528
Maturity and cancellations of life insurance policies		**264,469**	1,484,494	**1,017,378**	3,750,556
General and administrative expenses		**6,225,683**	6,828,947	**13,556,149**	13,611,232
		40,963,043	43,397,833	**86,991,682**	89,910,779
Net underwriting income		**8,907,903**	6,103,015	**16,707,458**	10,896,484
Net investment income	3	**6,298,591**	3,165,137	**7,120,928**	6,118,264
Finance costs		**(492,730)**	(704,356)	**(1,233,882)**	(1,380,999)
Share of results of associates		**823,932**	362,873	**876,733**	1,057,323
Net sundry income		**725,630**	49,141	**1,119,709**	1,062,438
		16,263,326	8,975,810	**24,590,946**	17,753,510
Other charges:					
Unallocated general and administrative expenses		**(5,953,262)**	(3,143,984)	**(9,823,031)**	(6,560,688)
PROFIT FOR THE PERIOD BEFORE TAXATION		**10,310,064**	5,831,826	**14,767,915**	11,192,822
Contribution to KFAS		**(46,492)**	(44,091)	**(81,394)**	(57,140)
NLST		**(132,515)**	(113,606)	**(194,627)**	(195,415)
Zakat		**(33,522)**	(34,561)	**(65,191)**	(47,242)
Taxation from subsidiaries		**(1,210,046)**	(566,942)	**(2,007,852)**	(1,650,613)
PROFIT FOR THE PERIOD		**8,887,489**	5,072,626	**12,418,851**	9,242,412
Attributable to:					
Equity holders of the Parent Company		**6,787,719**	4,370,044	**9,843,324**	8,111,461
Non-controlling interests		**2,099,770**	702,582	**2,575,527**	1,130,951
		8,887,489	5,072,626	**12,418,851**	9,242,412
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**36.45 fils**	24.41 fils	**52.86 fils**	45.32 fils

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2020

		Three months ended 30 June		*Six months ended 30 June*	
		2020	*2019*	***2020***	*2019*
	Note	***KD***	*KD*	***KD***	*KD*
Profit for the period		**8,887,489**	5,072,626	**12,418,851**	9,242,412
Other comprehensive income (loss):					
Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:					
- Investments available for sale:					
Net unrealised gain		**3,430,602**	1,752,535	**1,059,562**	1,171,930
Net realised gain transferred to interim condensed consolidated statement of income on sale of investments available for sale	3	**(618,637)**	(921,875)	**(1,566,159)**	(1,585,589)
Impairment loss on investments available for sale	3	**72,458**	30,574	**1,367,941**	31,890
		2,884,423	861,234	**861,344**	(381,769)
- Share of other comprehensive (loss) income of associates		**(263,968)**	210,044	**362**	(166,050)
- Exchange differences on translation of foreign operations		**(2,856,768)**	1,064,304	**(2,012,056)**	649,309
Other comprehensive (loss) income for the period		**(236,313)**	2,135,582	**(1,150,350)**	101,490
Total comprehensive income for the period		**8,651,176**	7,208,208	**11,268,501**	9,343,902
Attributable to:					
Equity holders of the Parent Company		**6,469,942**	6,144,003	**8,911,680**	7,932,271
Non-controlling interests		**2,181,234**	1,064,205	**2,356,821**	1,411,631
		8,651,176	7,208,208	**11,268,501**	9,343,902

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	Notes	*30 June 2020 KD*	*(Audited) 31 December 2019 KD*	*30 June 2019 KD*
ASSETS				
Property and equipment		**35,337,315**	35,215,083	29,833,315
Right-of-use assets		**1,591,342**	2,213,395	2,323,330
Investments in associates		**43,724,151**	43,437,290	43,303,554
Goodwill		**15,104,460**	15,104,460	15,104,460
Financial instruments:				
Investments held to maturity		**34,558,499**	29,687,204	23,269,534
Debt securities (loans)		**14,016,273**	13,604,047	13,606,851
Investments available for sale		**49,600,440**	44,951,045	39,250,401
Investments carried at fair value through profit or loss		**27,507,381**	26,329,719	23,940,472
Loans secured by life insurance policies		**1,174,349**	1,104,147	1,086,039
Premiums and insurance balances receivable		**209,351,058**	142,633,886	129,482,173
Reinsurance recoverable on outstanding claims		**302,510,077**	247,320,982	154,360,743
Investment properties		**6,393,604**	6,166,079	5,232,119
Other assets		**31,066,837**	28,457,095	27,927,151
Time deposits		**39,462,652**	39,280,244	36,802,344
Cash and bank balances	5	**69,973,614**	87,661,768	99,211,508
TOTAL ASSETS		**881,372,052**	763,166,444	644,733,994
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY				
Share capital		**18,703,913**	18,703,913	18,703,913
Share premium		**3,600,000**	3,600,000	3,600,000
Treasury shares		**(429,455)**	(429,455)	(4,203,067)
Treasury shares reserve		**3,099,292**	3,099,292	2,051,215
Statutory reserve		**18,703,913**	18,703,913	18,703,913
Voluntary reserve		**27,558,098**	27,558,098	26,149,664
Other reserve		**(2,836,728)**	(2,836,728)	(2,836,728)
Cumulative changes in fair values		**2,110,378**	1,529,248	(2,429,683)
Foreign currency translation adjustments		**(21,354,182)**	(19,841,408)	(20,431,465)
Revaluation reserve		**12,241,253**	12,241,253	8,939,446
Retained earnings		**49,241,283**	46,474,233	42,645,847
Equity attributable to the equity holders of the Parent Company		**110,637,765**	108,802,359	90,893,055
Non-controlling interests		**27,398,962**	26,044,031	23,689,646
TOTAL EQUITY		**138,036,727**	134,846,390	114,582,701
LIABILITIES				
Liabilities arising from insurance contracts:				
Outstanding claims reserve (gross)		**386,840,650**	319,935,216	223,504,756
Unearned premiums reserve (net)		**67,814,114**	59,508,501	61,033,554
Life mathematical reserve (net)		**28,171,193**	26,370,500	24,471,734
Incurred but not reported reserve (net)		**968,551**	2,586,940	1,650,000
Total liabilities arising from insurance contracts		**483,794,508**	408,401,157	310,660,044
Premiums received in advance		**4,932,713**	5,751,229	4,445,012
Insurance payable		**151,994,236**	125,719,810	119,732,251
Long term loans	6	**38,333,500**	35,333,500	31,250,000
Other liabilities		**57,994,039**	51,379,273	42,719,729
Bank overdrafts	5	**6,286,329**	1,735,085	21,344,257
TOTAL LIABILITIES		**743,335,325**	628,320,054	530,151,293
TOTAL EQUITY AND LIABILITIES		**881,372,052**	763,166,444	644,733,994

Khaled Saoud Al-Hassan
Chief Executive Officer

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2020

	Attributable to equity holders of the Parent Company													
	Share capital KD	*Share Premium* KD	*Treasury shares* KD	*Treasury shares reserve* KD	*Statutory reserve* KD	*Voluntary reserve* KD	*Other reserve* KD	*Cumulative changes in fair values* KD	*Foreign currency translation adjustments* KD	*Revaluation reserve* KD	*Retained earnings* KD	*Sub-total* KD	*Non-controlling interests* KD	*Total equity* KD
As at 1 January 2020 *(Audited)*	18,703,913	3,600,000	(429,455)	3,099,292	18,703,913	27,558,098	(2,836,728)	1,529,248	(19,841,408)	12,241,253	46,474,233	108,802,359	26,044,031	134,846,390
Profit for the period	-	-	-	-	-	-	-	-	-	-	9,843,324	9,843,324	2,575,527	12,418,851
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	581,130	(1,512,774)	-	-	(931,644)	(218,706)	(1,150,350)
Total comprehensive income (loss) for the Period	-	-	-	-	-	-	-	581,130	(1,512,774)	-	9,843,324	8,911,680	2,356,821	11,268,501
Dividends payable (Note 1)	-	-	-	-	-	-	-	-	-	-	(7,076,274)	(7,076,274)	-	(7,076,274)
Dividends paid payable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,001,890)	(1,001,890)
As at 30 June 2020	**18,703,913**	**3,600,000**	**(429,455)**	**3,099,292**	**18,703,913**	**27,558,098**	**(2,836,728)**	**2,110,378**	**(21,354,182)**	**12,241,253**	**49,241,283**	**110,637,765**	**27,398,962**	**138,036,727**
As at 1 January 2019 *(Audited)*	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	26,149,664	(3,101,138)	(1,778,260)	(20,903,698)	8,939,446	40,978,391	89,140,379	23,282,933	112,423,312
Profit for the period	-	-	-	-	-	-	-	-	-	-	8,111,461	8,111,461	1,130,951	9,242,412
Other comprehensive (loss) income for the period	-	-	-	-	-	-	-	(651,423)	472,233	-	-	(179,190)	280,680	101,490
Total comprehensive (loss) income for the Period	-	-	-	-	-	-	-	(651,423)	472,233	-	8,111,461	7,932,271	1,411,631	9,343,902
Change in ownership of a subsidiary	-	-	-	-	-	-	264,410	-	-	-	-	264,410	(549,885)	(285,475)
Dividends paid (Note 1)	-	-	-	-	-	-	-	-	-	-	(6,444,005)	(6,444,005)	-	(6,444,005)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(455,033)	(455,033)
As at 30 June 2019	18,703,913	3,600,000	(4,203,067)	2,051,215	18,703,913	26,149,664	(2,836,728)	(2,429,683)	(20,431,465)	8,939,446	42,645,847	90,893,055	23,689,646	114,582,701

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2020

	Notes	*Six months ended 30 June* **2020** *KD*	*2019* *KD*
OPERATING ACTIVITIES			
Profit for the period before taxation		**14,767,915**	11,192,822
Adjustments for:			
Depreciation of property and equipment and right-of-use assets		**860,565**	1,081,410
Net investment income	3	**(4,792,159)**	(7,755,222)
Impairment loss on investments available for sale	3	**1,367,941**	31,890
Share of results of associates		**(876,733)**	(1,057,323)
Finance costs		**1,259,601**	6,140,413
		12,587,130	9,633,990
Changes in operating assets and liabilities:			
Investments carried at fair value through profit or loss		**(1,835,098)**	1,475,689
Premiums and insurance balances receivable		**(66,717,172)**	(19,627,996)
Reinsurance recoverable on outstanding claims		**(55,189,095)**	(23,392,171)
Other assets		**(3,071,107)**	1,361,807
Liabilities arising from insurance contracts		**75,393,351**	29,644,416
Premiums received in advance		**(818,516)**	68,299
Insurance payable		**26,274,426**	44,430,506
Other liabilities		**(2,015,973)**	(8,916,537)
		(15,392,054)	34,678,003
Paid to KFAS		**-**	(82,612)
Paid to Zakat		**-**	(93,637)
Remuneration paid to directors		**(185,000)**	(185,000)
Net cash flows (used in) from operating activities		**(15,577,054)**	34,316,754
INVESTING ACTIVITIES			
Purchase of property and equipment		**(1,539,051)**	(1,116,628)
Proceeds from sale of property and equipment		**170,836**	27,636
Purchase of investment properties		**(143,379)**	-
Net movement of investments held to maturity		**(4,871,295)**	(40,479)
Net movement of debt securities (loans)		**(412,226)**	3,045,009
Net movement of investments available for sale		**(3,626,040)**	3,078,401
Loans secured by life insurance policies		**(70,202)**	180,598
Movement in time deposits		**(182,408)**	(4,124,261)
Interest received		**4,052,927**	4,014,478
Dividends income received		**797,374**	948,615
Advance towards acquisition of investment		**(505,500)**	-
Dividends received from associates		**594,275**	857,158
Net cash flows (used in) from investing activities		**(5,734,689)**	6,870,527
FINANCING ACTIVITIES			
Term loan	6	**3,000,000**	31,250,000
Payment of lease liability		**(652,026)**	-
Finance cost paid		**(1,217,174)**	(6,140,413)
Dividends paid		**-**	(6,444,005)
Dividends paid to non-controlling interests		**(1,001,890)**	(455,033)
Net movement in non-controlling interest		**-**	(285,475)
Net cash flows from financing activities		**128,910**	17,925,074
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(21,182,833)**	59,112,355
Net foreign exchange difference		**(1,056,565)**	484,310
Cash and cash equivalents at 1 January		**85,926,683**	18,270,586
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	**63,687,285**	77,867,251

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (the "Group") were authorised for issue by the Board of Directors on 12 August 2020. The Ordinary Annual General Assembly meeting of the Parent Company's shareholders held on 23 March 2020 approved the consolidated financial statements for the year ended 31 December 2019 and approved the proposed distribution of cash dividends of 38 fils per share (2018: 36 fils per share).

The Parent Company is a Kuwaiti Shareholding Company incorporated in the State of Kuwait in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The address of the Parent Company's registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 42, Office No 1 & 2, Sharq, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 45.99% (31 December 2019: 45.99% and 30 June 2019: 44.04%) owned by Kuwait Project Company Holding K.S.C.P. and 43.43% (31 December 2019: 43.43% and 30 June 2019: 41.42%) by Fairfax Financial Holding Limited as at 30 June 2020.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting.

The interim condensed consolidated financial information are presented in Kuwaiti Dinars which is the functional currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six months period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations, and amendments adopted by the Group (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial information are listed below. The Group intends to adopt these standards when they become effective.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group will apply these amendments when they become effective.

3 NET INVESTMENT INCOME

	Three months ended 30 June		*Six months ended 30 June*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Net realised gain on sale of investments available for sale	**618,637**	921,875	**1,566,159**	1,585,589
Realised gain on sale of investments at fair value through profit or loss	**408,506**	418,116	**382,582**	436,229
Unrealised gain (loss) on investments at fair value through profit or loss	**1,717,195**	(742,225)	**(1,040,018)**	361,628
Dividend income	**444,558**	691,062	**797,374**	948,615
Interest on investments held to maturity	**1,047,219**	877,331	**1,968,123**	1,681,503
Interest on debt securities (loans)	**247,786**	276,847	**531,091**	558,101
Interest on time and call deposits	**675,467**	940,459	**1,553,713**	1,774,874
Foreign exchange gain	**3,411,872**	491,106	**3,849,149**	483,914
Other investment income	**245,542**	157,594	**420,119**	326,305
Impairment loss on investments available for sale	**(72,458)**	(30,574)	**(1,367,941)**	(31,890)
Other investment expenses	**(1,165,261)**	(211,351)	**(1,386,984)**	(375,793)
	7,579,063	3,790,240	**7,273,367**	7,749,075

Net investment income is presented in the interim condensed consolidated statement of income as follows:

	Three months ended 30 June		*Six months ended 30 June*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Net investment income from designated life insurance	**1,280,472**	625,103	**152,439**	1,630,811
Net investment income	**6,298,591**	3,165,137	**7,120,928**	6,118,264
	7,579,063	3,790,240	**7,273,367**	7,749,075

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

Basic and diluted earnings per share are calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less treasury shares, outstanding during the period.

	Three months ended 30 June		*Six months ended 30 June*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Profit attributable to equity holders of the Parent Company	**6,787,719**	4,370,044	**9,843,324**	8,111,461
	Shares	Shares	**Shares**	Shares
Weighted average number of shares, less treasury shares outstanding during the period	**186,217,729**	179,000,147	**186,217,729**	179,000,147
Basic and diluted earnings per share	**36.45 fils**	24.41 fils	**52.86 fils**	45.32 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following balances:

	30 June 2020 KD	*(Audited) 31 December 2019 KD*	*30 June 2019 KD*
Bank balances and cash	**19,154,141**	15,054,336	50,366,044
Short term and call deposits	**50,819,473**	72,607,432	48,845,464
Cash and bank balances	**69,973,614**	87,661,768	99,211,508
Bank overdrafts	**(6,286,329)**	(1,735,085)	(21,344,257)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	**63,687,285**	85,926,683	77,867,251

6 TERM LOAN

During the prior year, the Parent Company obtained two bank loans from local banks to be payables as follows:

a) First loan is payable six annual installments beginning on 1 January 2020 and carry interest rate of 2.75% per annum and the last installment is due on 31 January 2025.

b) Second loan is payable five annual installments beginning on 30 June 2020 and carry interest rate of 2.75% per annum and the last installment is due on 30 June 2024.

7 SEGMENT INFORMATION

For the management purpose, the Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. The following are the details of these two segments:

a) Segmental interim condensed consolidated statement of income:

	General risk insurance						*Life and medical*			
	Marine and aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General accidents KD*	***Sub-total KD***	*Life insurance KD*	*Medical insurance KD*	***Sub-total KD***	***Total KD***
Six months ended 30 June 2020										
Segment revenue	2,659,727	6,024,342	27,610,529	4,691,918	6,124,619	**47,111,135**	6,153,287	50,434,718	**56,588,005**	**103,699,140**
Segment results net underwriting income	920,784	1,228,296	2,286,492	1,435,487	1,622,786	**7,493,845**	545,384	8,668,229	**9,213,613**	**16,707,458**
Six months ended 30 June 2019										
Segment revenue	2,672,515	6,420,116	28,001,979	4,346,974	6,262,180	47,703,764	8,563,440	44,540,059	53,103,499	100,807,263
Segment results net underwriting income (loss)	1,294,683	3,406,483	(1,649,320)	736,024	1,038,900	4,826,770	800,656	5,269,058	6,069,714	10,896,484

7 SEGMENT INFORMATION (continued)

b) Segmental interim condensed consolidated statement of financial position:

As at 30 June 2020	***General risk insurance KD***	***Life and medical insurance KD***	***Un-allocated KD***	***Total KD***
Total assets	**524,697,907**	**121,166,357**	**235,507,788**	**881,372,052**
Total liabilities	**462,300,689**	**168,162,871**	**112,871,765**	**743,335,325**

As at 31 December 2019	*General risk Insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	514,591,829	111,169,809	137,404,806	763,166,444
Total liabilities	424,470,438	121,868,788	81,980,828	628,320,054

As at 30 June 2019	*General risk insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	*Total KD*
Total assets	410,192,702	95,399,806	139,141,486	644,733,994
Total liabilities	336,231,737	94,736,473	99,183,083	530,151,293

8 RELATED PARTY DISCLOSURES

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

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

	Six months ended 30 June 2020		*Six months ended 30 June 2019*	
	Premiums KD	*Claims* ***KD***	*Premiums KD*	*Claims KD*
Directors and key management Personnel	**199,173**	**3,216**	218,339	2,379
Other related parties	**3,301,245**	**136,841**	2,704,661	843,241
	3,500,418	**140,057**	2,923,000	845,620

8 RELATED PARTY DISCLOSURES (continued)

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

	30 June 2020		*(Audited) 31 December 2019*		*30 June 2019*	
	Amounts owed by related parties	***Amounts owed to related Parties***	*Amounts owed by related parties*	*Amounts owed to related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
	KD	***KD***	*KD*	*KD*	*KD*	*KD*
Directors and key management personnel	**222,402**	-	330,964	150	325,686	7,920
Other related parties	**1,970,021**	**78,192**	1,042,903	1,108,589	1,596,405	1,096,134
	2,192,423	**78,192**	1,373,867	1,108,739	1,922,091	1,104,054

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 6,904,768 (31 December 2019: KD 29,194,150 and 30 June 2019: KD 4,892,088). The Group also holds bonds issued by a major shareholder and other related companies amounting to KD 4,838,250 (31 December 2019: KD 4,816,500 and 30 June 2019: KD 4,817,000).

Compensation of key management personnel is as follows:

	Six months ended 30 June	
	2020	*2019*
	KD	*KD*
Salaries and other short-term benefits	**292,446**	292,446
Employees' end of service benefits	**123,296**	122,488
	415,742	414,934

9 CONTINGENT LIABILITIES

As at 30 June 2020, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 60,256,177 (31 December 2019: KD 55,335,102 and 30 June 2019: KD 57,548,440).

10 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans secured by life insurance policies, premiums and insurance balances receivable, reinsurance on outstanding claims, time deposits, bank balances and short term deposits. Financial liabilities consist of bank overdrafts, insurance payable and certain other liabilities.

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

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

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

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

10 FAIR VALUE MEASUREMENT (continued)

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

	Fair value measurement using			
	Level 1	Level 2	Level 3	**Total**
30 June 2020	*KD*	*KD*	*KD*	***KD***
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	14,653,246	-	-	**14,653,246**
Unquoted equity securities	-	20,048	6,214,550	**6,234,598**
Quoted managed funds	198,068	-	-	**198,068**
Quoted bonds	27,993,875	-	-	**27,993,875**
Unquoted managed funds	-	500,308	20,345	**520,653**
Investments carried at fair value through profit or loss:				
Held for trading:				
Quoted securities	4,727,408	-	-	**4,727,408**
Designated upon initial recognition:				
Managed funds of quoted securities	22,779,973	-	-	**22,779,973**
Property and equipment				
Land	-	15,747,846	-	**15,747,846**
Buildings	-	16,412,032	-	**16,412,032**
Investment properties	-	6,393,604	-	**6,393,604**
Total	70,352,570	39,073,838	6,234,895	**115,661,303**

	Fair value measurement using			
	Level 1	Level 2	Level 3	Total
31 December 2019	*KD*	*KD*	*KD*	*KD*
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	11,433,900	-	-	11,433,900
Unquoted equity securities	240,990	20,192	5,632,027	5,893,209
Quoted managed funds	221,438	-	-	221,438
Quoted bonds	26,725,541	-	-	26,725,541
Unquoted managed funds	-	654,514	22,443	676,957
Investments carried at fair value through profit or loss:				
Held for trading:				
Quoted securities	4,844,468	-	-	4,844,468
Designated upon initial recognition:				
Managed funds of quoted securities	21,485,251	-	-	21,485,251
Property and equipment				
Land	-	15,913,719	-	15,913,719
Buildings	-	16,882,747	-	16,882,747
Investment properties	-	6,166,079	-	6,166,079
	64,951,588	39,637,251	5,654,470	110,243,309

10 FAIR VALUE MEASUREMENT (continued)

	Fair value measurement using			
	Level 1	Level 2	Level 3	Total
30 June 2019	*KD*	*KD*	*KD*	*KD*
Assets measured at fair value				
Investments available for sale:				
Quoted equity securities	11,327,645	-	-	11,327,645
Unquoted equity securities	-	20,360	5,656,708	5,677,068
Quoted managed funds	222,902	-	-	222,902
Quoted bonds	21,326,662	-	-	21,326,662
Unquoted managed funds	-	673,681	22,443	696,124
Investments carried at fair value through profit or loss:				
Held for trading:				
Quoted securities	4,917,969	-	-	4,917,969
Designated upon initial recognition:				
Managed funds of quoted securities	19,022,503	-	-	19,022,503
Property and equipment				
Land	-	13,071,772	-	13,071,772
Buildings	-	14,723,219	-	14,723,219
Investment properties	-	5,232,119	-	5,232,119
Total	56,817,681	33,721,151	5,679,151	96,217,983

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

	As at 1 January 2020 KD	*Loss recorded in the interim condensed consolidated statement of income KD*	*Gain recorded in the interim condensed consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	***As at 30 June 2020 KD***
Financial assets available for sale:					
Unquoted equity securities	5,632,027	(808,500)	83,723	1,307,300	**6,214,550**
Unquoted managed funds	22,443	(2,098)	-	-	**20,345**
	5,654,470	(810,598)	83,723	1307,300	**6,234,895**

10 FAIR VALUE MEASUREMENT (continued)

	At 1 January 2019 KD	*Transfer from Level 3 to Level 2 KD*	*Loss recorded in the consolidated statement of income KD*	*Gain recorded in the consolidated statement of comprehensive income KD*	*Net purchases and disposals KD*	*At 31 December 2019 KD*
Investments available for sale:						
Unquoted equity securities	5,770,801	-	-	-	(138,774)	5,632,027
Unquoted managed funds	55,650	-	(14,836)	-	(18,371)	22,443
	5,826,451	-	(14,836)	-	(157,145)	5,654,470

	As at 1 January 2019 KD	*Loss recorded in the interim condensed consolidated statement of income KD*	*Gain (loss) recorded in the interim condensed consolidated statement of comprehensive income KD*	*As at 30 June 2019 KD*
Financial assets available for sale:				
Unquoted equity securities	5,770,801	-	(114,093)	5,656,708
Unquoted managed funds	55,650	(14,836)	(18,371)	22,443
	5,826,451	(14,836)	159,661	5,679,151

11 COVID-19 IMPACT

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

Recoverability of receivables
The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.
Based on management's, the Group has not identified a material impact to the recoverability of receivables for the period ended 30 June 2020.

Fair value measurement of financial instruments
COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets.
The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.
Based on management's, the Group has not identified a material impact to the fair values of financial assets and liabilities for the period ended 30 June 2020 except for what is disclosed in the condensed consolidated interim financial information under financial assets available for sale.

11 COVID-19 IMPACT (continued)

Fair value measurement of investment properties

As the real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

Based on management's, this is in early stages and there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Group has not identified any significant impact to the fair values of investment properties for the period ended 30 June 2020. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Outstanding claims

The Group expected that there is no material impact on its risk position and provision balances for outstanding claims for the period ended 30 June 2020. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

The Issuer

Gulf Insurance Group K.S.C.P.

Sharq - Khalid Bin Al Waleed Street - KIPCO Tower - 40th Floor - Kuwait

Subscription Agent

Kamco Investment Company K.S.C.P.

Sharq- Khalid Bin Al Waleed Street, Al-Shaheed Tower

P.O. Box 28873, Safat, 13149

Kuwait

Clearing and Depositary Agent

Kuwait Clearing Company K.S.C

Arabian Gulf Road, Ahmed Tower, Floor 5

P.O Box 22077, 13081 Safat

Kuwait

Legal Advisors

Meysan Partners Attorneys and Legal Consultants

Floor 17, Al Hamra Tower, Sharq

P.O box 298, 13003 Safat

Kuwait