

المؤسسة العربية لضمان  
الإستثمار وائتمان الصادرات  
The Arab Investment & Export  
Credit Guarantee Corporation



**Annual Report**

**2017**



المؤسسة العربية لضمان  
الإستثمار وائتمان الصادرات  
The Arab Investment & Export  
Credit Guarantee Corporation





The Arab Investment and Export Credit Guarantee Corporation (Dhaman) is an autonomous Arab regional organization established in 1974, in accordance with a multilateral convention signed by 21 Arab states, deposited with the Ministry of Foreign Affairs in the State of Kuwait. Current shareholding membership comprises of all Arab states, and four Arab international organizations. Dhaman commenced its operations in mid-1975, through its Headquarters in Kuwait and its regional office in Riyadh- Saudi Arabia.

## OBJECTIVES:

*In accordance with its establishment convention, Dhaman's two key objectives are:*

- To provide insurance coverage against non-commercial risks for inter-Arab and foreign investments in development projects, in the Arab countries. Furthermore, Dhaman provides insurance against commercial and non-commercial risks, for inter-Arab and worldwide Arab export credits.
- To raise awareness of investments in Arab countries by means of a group of complementary activities and ancillary services, aiming at enhancing the business environment & investment climate; identifying available investment opportunities, and developing human capital in Arab countries.

In order to meet its objectives, Dhaman provides cover against non-commercial risks for new and existing foreign direct investments in Arab countries. Both Arab and non-Arab investors are eligible for coverage. Dhaman also provides trade credit insurance products to protect Arab companies exporting worldwide against both non-commercial and commercial risks. Domestic sales are also eligible to cover against commercial risks. Non-Arab companies selling commodities, equipment and strategic goods to Arab countries can also apply for Dhaman's cover against political and commercial risks. Depending on the covered risk, Dhaman pays compensation varying between 80% and 100% of the loss within one to four months from the date of such loss. Dhaman also carries out research and studies, provides technical assistance and consultancy services in the fields of its competence.

In March, 2018, Standard & Poor's Rating Services reaffirmed its "AA" rating, of Dhaman with Stable Outlook, with respect to Dhaman's counterparty credit rating as well as its financial strength rating as an insurer, reflecting both Dhaman's very strong business profile and very strong financial profile Dhaman has obtained the same long- term rating originally in 2008.

---

## Headquarters

Arab Organizations Headquarters Building  
Jamal Abdul Nasser Street and Airport Road Intersection,  
Shuwaikh, Kuwait

P.O.Box: 23568 - Safat 13096

Tel: (+965) 24959555, Fax: (+965) 249595967

E-mail: [info@dhaman.org](mailto:info@dhaman.org)

Website: [www.dhaman.org](http://www.dhaman.org)



## Dhaman's Structure

The Arab Investment and Export Credit Guarantee Corporation (Dhaman) consists of the following organizational structure:

### 1. The Shareholder's Council (General Assembly)

The Shareholders Council is the highest authority of Dhaman. It represents all members (states and entities) and fully entitled to achieve Dhaman's objectives. The Council, among other things, formulates general policies governing Dhaman's activities, interprets and amends provisions of the establishment Convention, and appoints members of the Board of Directors and the Director-General.

### 2. The Board of Directors

The Board of Directors consists of nine part-time members, appointed by the Shareholders Council for a three-year term. The Board elects its Chairman from among its members.

Within its authorities provided in the Convention, the Board prepares the financial and administrative rules for Dhaman, approves the operations and research programs suggested by the Director-General, and pursues its implementation. It determines utilization of Dhaman's capital. It also sets the annual budget and presents the annual report including Dhaman's activities to the Shareholders' Council.

#### The current members of the Board of Directors:

1.	H.E. Mr. Ahmed Mohammed H. Al-Ghannam	Chairman
2.	H.E. Mr. Abdullah Ahmed AlSabeeh	Member
3.	H.E. Mr. Khalid Ali Abdulreda Al Bustani	Member
4.	H.E. Dr. Mukhtar Elhadi Eltaweel	Member
5.	H.E. Mr. Ahmed Hassan Al-Obaidly	Member
6.	H.E. Mr. Mohammed Ahmad Hassan	Member
7.	H.E. Mr. Musallam Mahad Ali Qatan	Member
8.	H.E. Dr. Nasser Saad Aldin A. Qatami	Member
9.	H.E. Mr. Mohammed Al-Amin Altar	Member

### 3. The Director-General

H.E. Mr. Fahad Rashid Al Ibrahim

### 4. Professional and Administrative Staff



His Excellency the Chairman of the 45<sup>th</sup> Session of the Shareholders' Council of the Arab Investment and Export Credit Guarantee Corporation,

In accordance with Article (12/1) (e) of the Arab Investment and Export Credit Guarantee Corporation's Convention, it is my pleasure to submit to your honorable Council for consideration the Annual Report of the Board of Directors on Dhaman's activity for the year 2017.

**Please accept my highest consideration,**

**Ahmed Mohammed H. Al-Ghannam**

Chairman of the Board of Directors

Hashemite kingdom of Jordan, , April 2018.



## Table of contents

Independent Auditor's Report.....	7
Statement of Financial Position .....	9
Statement of Income .....	10
Statement of Comprehensive Income .....	11
Statement of Changes in Equity .....	12
Statement of Cash Flows.....	13
Notes To The financial Statements.....	14



المؤسسة العربية لضمان  
الإستثمار وائتمان الصادرات  
The Arab Investment & Export  
Credit Guarantee Corporation



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Financial Statements and Independent Auditor's Report**  
**For the year ended 31 December 2017**



# Deloitte.

## **Deloitte & Touche Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq  
Dar Al-Awadi Complex, Floors 7 & 9  
P.O. Box 20174, Safat 13062  
Kuwait

Tel : +965 22408844, 22438060  
Fax : +965 22408855, 22452080  
www.deloitte.com

### **The Arab Investment & Export Credit Guarantee Corporation**

### **An Arab Corporation with a Special Independent Legal Status**

### **Independent Auditor's Report to the Chairman and Members of the Corporation's Shareholders Council**

#### **Opinion**

We have audited the financial statements of The Arab Investment & Export Credit Guarantee Corporation ("the corporation"), which comprise the statement of financial position as at 31 December 2017, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the corporation as at 31 December 2017, and its financial performance and its 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 Financial Statements section of our report. We are independent of the Corporation 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.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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.



# Deloitte.

## The Arab Investment & Export Credit Guarantee Corporation

### An Arab Corporation with a Special Independent Legal Status

### Independent Auditor's Report to the Chairman and Members of the Corporation's Shareholders Council (continued)

#### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**Bader A. Al-Wazzan**

License No. 62A

Deloitte & Touche - Al Wazzan & Co.

Kuwait, 5 March 2018



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Statement of Financial Position as at 31 December 2017**

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
<b>Assets</b>			
Cash and cash equivalents	5	15,910,650	11,646,988
Deposits and Wakala with financial institutions	6	35,567,157	20,094,042
Investments at fair value through profit or loss	7	18,481,654	17,754,409
Available for sale investments	8	79,442,854	88,075,201
Recoverable claims		405,640	-
Accounts receivable and other assets		1,490,024	1,252,582
Property and equipment	9	1,091,253	1,168,632
<b>Total assets</b>		<b>152,389,232</b>	<b>139,991,854</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Payables and other liabilities		722,805	705,338
Insurance technical reserves	10	2,234,148	1,633,131
Obligations under finance lease	9	1,696,777	1,753,639
Due to insurance and reinsurance companies		835,389	835,389
Employee savings and end of service benefits		3,175,587	2,977,276
<b>Total liabilities</b>		<b>8,664,706</b>	<b>7,904,773</b>
<b>Equity</b>			
Paid-up capital	11	90,474,637	86,518,994
General reserve	12	51,460,508	46,352,620
Cumulative changes in fair value		1,789,381	(784,533)
<b>Total equity</b>		<b>143,724,526</b>	<b>132,087,081</b>
<b>Total liabilities and equity</b>		<b>152,389,232</b>	<b>139,991,854</b>

■ The accompanying notes form an integral part of these financial statements.



The Arab Investment & Export Credit Guarantee Corporation  
An Arab Corporation with a Special Independent Legal Status

## Statement of Income for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
<b>Revenue:</b>			
Gross guarantee premiums subscribed		2,134,523	1,615,241
Less: net technical charges		(175,142)	(367,748)
Gross guarantee premiums		1,959,381	1,247,493
Less: guarantee premiums ceded		(718,468)	(450,616)
Net guarantee premiums		<b>1,240,913</b>	<b>796,877</b>
Unearned premiums reserve	10	(62,154)	(41,516)
Outstanding claims reserve	10	(659,015)	(563,417)
Net guarantee premiums earned		519,744	191,944
Revenues and other commissions		27,385	1,879
Guarantee results		<b>547,129</b>	<b>193,823</b>
Banks and bonds interest income		3,170,254	2,914,268
Net investments income	13	4,411,643	2,041,911
Gains/ (losses) from foreign currency differences		204,950	(27,820)
Other miscellaneous income		-	10,027
<b>Total revenue</b>		<b>8,333,976</b>	<b>5,132,209</b>
<b>Expenses:</b>			
Salaries, wages and benefits		(2,102,401)	(2,046,087)
Administration expense		(800,190)	(819,628)
Depreciation expense		(80,527)	(85,291)
Provisions and others		(28,007)	(31,578)
<b>Total expenses</b>		<b>(3,011,125)</b>	<b>(2,982,584)</b>
<b>Net profit for the year</b>		<b>5,322,851</b>	<b>2,149,625</b>

■ The accompanying notes form an integral part of these financial statements.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Statement of Comprehensive Income for the year ended 31 December 2017** (All amounts are in Kuwaiti Dinars)

	2017	2016
<b>Net profit for the year</b>	5,322,851	2,149,625
<b>Other comprehensive income items</b>		
<i>:Items that may be reclassified subsequently to statement of income</i>		
Unrealized gains on available for sale investments	4,762,502	1,267,815
Transferred to statement of income on sale of available for sale investments	(2,857,710)	(850,948)
Impairment loss on available for sale investments	669,122	-
<b>Total other comprehensive income items</b>	<b>2,573,914</b>	<b>416,867</b>
<b>Total comprehensive income for the year</b>	<b>7,896,765</b>	<b>2,566,492</b>

■ The accompanying notes form an integral part of these financial statements.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Statement of Changes in Equity for the year ended 31 December 2017** (All amounts are in Kuwaiti Dinars)

	Paid-up capital	General reserve	Cumulative changes in fair value	Total
<b>Balance as at 1 January 2016</b>	82,229,594	44,252,995	(1,201,400)	125,281,189
Net profit for the year (Note 12)	-	2,149,625	-	2,149,625
Other comprehensive income items	-	-	416,867	416,867
Share capital increase	4,289,400	(50,000)	-	4,239,400
<b>Balance at 31 December 2016</b>	<b>86,518,994</b>	<b>46,352,620</b>	<b>(784,533)</b>	<b>132,087,081</b>
<b>Balance as at 1 January 2017</b>	86,518,994	46,352,620	(784,533)	132,087,081
Net profit for the year (Note 12)	-	5,322,851	-	5,322,851
Other comprehensive income items	-	-	2,573,914	2,573,914
Deduction based on the corporation's shareholders council decision (Note 11)	100,000	(214,963)	-	(114,963)
Share capital increase	3,855,643	-	-	3,855,643
<b>Balance at 31 December 2017</b>	<b>90,474,637</b>	<b>51,460,508</b>	<b>1,789,381</b>	<b>143,724,526</b>

■ The accompanying notes form an integral part of these financial statements.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Statement of Cash Flows for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars)

	Note	2017	2016
<b>Cash flows from operating activities</b>			
Net profit for the year		5,322,851	2,149,625
Adjustments for:			
Depreciation		80,527	85,291
Net investments income		(4,445,822)	(2,068,980)
Banks and bonds interest income		(3,170,254)	(2,914,268)
Employees savings and end of service benefits		424,504	415,492
Finance lease charges		122,755	126,475
Gains from sale of property and equipment		-	(1,210)
<b>Operating losses before changes in operating assets and liabilities</b>		<b>(1,665,439)</b>	<b>(2,207,575)</b>
Accounts receivable and other assets		(74,385)	(56,494)
Investments at fair value through profit or loss		2,308	(64,574)
Recoverable claims		(405,640)	909,625
Payables and other liabilities		17,467	272,059
Insurance technical reserves		601,017	184,788
Due to insurance and reinsurance companies		-	(431,974)
Cash used in operating activities		(1,524,672)	(1,394,145)
Paid of employees savings and end of service benefits		(226,193)	(155,308)
<b>Net cash flows used in operating activities</b>		<b>(1,750,865)</b>	<b>(1,549,453)</b>
<b>Cash flows from investing activities</b>			
Deposits and Wakala with financial institutions		(15,473,115)	3,905,958
Purchase of available for sale investments		(4,113,163)	(14,902,081)
Proceeds from sale of available for sale investments		17,562,360	4,596,232
Purchase of property and equipment		(3,148)	(2,611)
Proceeds from sale of property and equipment		-	1,210
Dividends income received		1,451,494	1,207,027
Banks and bonds interest income received		3,029,036	2,792,643
<b>Net cash flows generated from/ (used in) investing activities</b>		<b>2,453,464</b>	<b>(2,401,622)</b>
<b>Cash flows from financing activities</b>			
Share capital increase		3,855,643	4,239,400
Paid to support Palestine		(114,963)	-
Payment of finance lease obligations		(179,617)	(179,617)
<b>Net cash flows generated from financing activities</b>		<b>3,561,063</b>	<b>4,059,783</b>
<b>Change in cash and cash equivalents</b>		<b>4,263,662</b>	<b>108,708</b>
Cash and cash equivalents at beginning of the year		11,646,988	11,538,280
<b>Cash and cash equivalents at end of the year</b>	5	<b>15,910,650</b>	<b>11,646,988</b>

■ The accompanying notes form an integral part of these financial statements.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Notes to the Financial Statements for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

**1. Corporation activity and its nature**

The corporation is an Arab corporation with a special independent legal status that was incorporated in accordance with a convention between Arab member states. The main objectives of the corporation are to provide guarantee for Inter-Arab investments against non-commercial risks and trade financing among member countries for both commercial and non-commercial risks as defined in its convention. The corporation also promotes investments and trade among its member states.

The corporation is located in Kuwait and its registered address is at P.O. Box 23568 Safat, 13096 – State of Kuwait.

The financial statements were authorised for issue by the corporation's Board of directors on 5 March 2018.

**2. Significant accounting policies**

**2.1 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared under the historical cost convention except of certain financial instruments that are measured at fair values, as explained in the accounting policies below.

**2.2 Application of new and revised International Financial Reporting Standards (IFRS)**

**2.2.1 New and revised IFRSs applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 7 Statement of Cash Flows that require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 Income Taxes relating to recognition of deferred tax assets for unrealized losses.
- Annual improvements to IFRSs 2014 – 2016 cycle - IFRS 12.

**2.2.2 New and revised IFRS in issue but not yet effective**

The corporation has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
<b>Annual Improvements to IFRS Standards 2014 – 2016</b> Cycle amending IFRS 1 and IAS 28.	1 January 2018
<b>Annual Improvements to IFRS Standards 2015–2017</b> Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
<b>IFRIC 22</b> <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
<b>IFRIC 23</b> <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
<b>Amendments to IFRS 2</b> <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
<b>Amendments to IFRS 4</b> <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
<b>Amendments to IAS 40</b> <i>Investment Property</i>	1 January 2018



## The Arab Investment & Export Credit Guarantee Corporation An Arab Corporation with a Special Independent Legal Status

### Notes to the Financial Statements for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

1 January 2018

IFRS 9 contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

#### IFRS 15 *Revenue from Contracts with Customers*

January 2018 1

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations .when it becomes effective

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled .in exchange for those goods or services

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive .disclosures are required by IFRS 15

#### IFRS 16 *Leases*

January 2019 1

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating .or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17

#### Amendments to IAS 28 *Investment in Associates and Joint Ventures*

January 2019 1

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of .IFRS 9

When IFRS 9 is first applied

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate .or joint venture

Effective date deferred indefinitely. Adoption is still .permitted

Management anticipates that these new standards, interpretations and amendments will be adopted in the corporation's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, and IFRS 15, may have no material impact on the financial statements of the corporation in the period of initial application.

Management anticipates that IFRS 9 and IFRS 15 will be adopted in the corporation's financial statements for the annual period beginning 1 January 2018. The application of IFRS 9 and IFRS 15 may have significant impact on amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the corporation performs a detailed review which is expected to be completed during the coming period.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Notes to the Financial Statements for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

**2.3 Significant Accounting Policies**

The significant accounting policies adopted are set out below:

**2.3.1 Financial instruments**

Financial assets and financial liabilities are recognised when the corporation becomes a party to the contractual obligations of these instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (other than financial instruments at fair value through profit or loss) on initial recognition. Transaction costs directly attributable to the acquisition are recognised immediately in profit or loss.

**Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The corporation has determined the classification of its financial assets as follows:

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in note 3.4.

**Cash and cash equivalents**

Cash includes cash in hand and at banks. Cash equivalents include cash and bank balances, deposits and wakala with maturity period of three months or less.

**Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including other receivable, cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

**Available for sale (AFS)**

AFS financial assets are non-derivatives and are not classified as (a) receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note 3.4.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the corporation's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.



## The Arab Investment & Export Credit Guarantee Corporation An Arab Corporation with a Special Independent Legal Status

### Notes to the Financial Statements for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### **Impairment**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, after discounted by the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is represented as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through provision for doubtful debts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the statement other comprehensive income are reclassified to the statement of income for the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through the statement of income. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

#### **Derecognition**

The corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the statement of income.

#### **Financial liabilities**

Financial liabilities (including payables and other credit balances) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition**

The corporation derecognises financial liabilities when, and only when, the corporation's obligations are discharged or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of income.

### **2.3.2 Recoverable claims**

In accordance with the corporation's convention, claims incurred and paid by the corporation in compensating insured individuals and entities against non-commercial risks are reimbursable from the respective member state. The paid claims related to the commercial risks are the responsibility of the importer and subject to reinsurance arrangements. Therefore, the recoverable claims are recognized at nominal value.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Notes to the Financial Statements for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

**2.3.3 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

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

Motor vehicles	5	years
Furniture and equipment	1	years
Buildings	40	years

Property and equipment carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, and the effect of any changes in estimates is accounted for as of the beginning of fiscal year.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

**2.3.4 Impairment of tangible assets**

At the end of each reporting period, the corporation reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the value of impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use.

Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

**2.3.5 Unearned premiums reserve**

Unearned premiums are those portions of the subscribed premiums related to the periods of risks after the reporting date. The pro-rata portion related to the subsequent periods is deferred under unearned premiums reserve.

**2.3.6 Outstanding claims reserve**

Estimates are made for the expected ultimate cost of claims reported at the reporting date. The provision for outstanding claims is based on estimates of the loss which will eventually be payable on each unpaid claim, established by management in the light of available information and on past experience and modified for changes in current conditions, increased exposure, rising claims cost and the severity and frequency of recent claims as appropriate.

**2.3.7 Finance leases**

Assets acquired under finance lease agreements are capitalised in the statement of financial position and are depreciated over their useful economic lives. A corresponding liability is recorded in the statement of financial position for rental obligations under the finance lease. The finance charge is allocated over the period of the lease so as to produce a constant rate of interest on the remaining obligation.

**2.3.8 Reinsurance**

In the normal course of business, the corporation cedes certain levels of risk in various areas of exposure with reinsurance companies. Reinsurance contracts do not relieve the corporation from its obligations to policy- holders; accordingly, failure of reinsurance companies to honour their obligations could result in losses to the corporation. In the opinion of management, the corporation's exposure to such losses is minimal since losses incurred in compensating policyholders are the ultimate responsibility of counter parties or member states. Amounts recoverable from reinsurance companies are estimated in a manner consistent with the related claim liability.

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



## The Arab Investment & Export Credit Guarantee Corporation An Arab Corporation with a Special Independent Legal Status

### Notes to the Financial Statements for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### 2.3.9 End of service indemnity

The end of service indemnity for the General Manager is calculated in accordance with article No. 6 of the resolution made by the Arab Ministers of Finance and Economy in Abu Dhabi. The end of service indemnity for other employees is based on employees' salaries and accumulated periods of service or on the basis of the employment contracts, where such contracts provide extra benefits.

Employee benefits savings

As for the employee benefit savings plan, the employees' savings represent the share deducted from their salaries in addition to the benefits recorded by the corporation on the net employees' rights (savings balance and end of service indemnity) in accordance with the executive resolution no. 10 of 2005 approved by the General Manager of the corporation.

#### 2.3.10 Foreign currencies

##### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Kuwaiti Dinars' (KD).

##### Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

#### 2.3.11 Revenue recognition

- Net guarantee premiums is recorded as income over the terms of the policies to which they relate on a pro-rata basis.
- Dividends income is recognised when the right to receive payments is established.
- Interest income on deposits and bonds is accrued on a time proportion basis using the effective yield method.

#### 2.3.12 Contingent assets and liabilities

Contingent assets are not recognised as an asset till realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

#### 2.3.13 Provisions

Provisions are recognized when the corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### 3. Risk management

Risk is inherent in the corporation's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The main risks arising from the corporation's financial instruments are credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk.

In the normal course of business, the corporation uses primary financial instruments such as cash and cash equivalents, investments, accounts receivable, accrued interest and payables and as a result, the corporation is exposed to the following risks:



## The Arab Investment & Export Credit Guarantee Corporation

### An Arab Corporation with a Special Independent Legal Status

#### Notes to the Financial Statements for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars unless otherwise stated)

### 3.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially subject the corporation to credit risk, consist principally of bank balances, deposits and Wakala bonds, receivables and other debit balances. Cash is placed with high credit rating financial institutions. Bonds are issued by either high credit rating financial institutions or governments.

*Maximum exposure to credit risk without taking account of any collateral and other credit enhancements*

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements (if any).

	2017	2016
Bank balances	6,229,051	1,071,628
Time deposits	32,227,907	19,575,485
Wakala investments	13,020,849	11,093,917
Available for sale investment (Bonds)	33,043,621	41,844,290
Recoverable claims	405,640	-
Accounts receivable and other assets	1,490,024	1,252,582
<b>Total credit risk exposure</b>	<b>86,417,092</b>	<b>74,837,902</b>

In the opinion of management, financial assets related to the corporation's investment guarantee business do not expose the corporation to credit risk since such business is supported by the member states.

### 3.2 Liquidity risk

Liquidity risk is the risk that the corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the corporation invests in bank deposits or other investments that are readily realisable.

The maturities of liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for investments at fair value through profit or loss and available for sale investments is determined based on management's estimate of liquidation of those financial assets. The actual maturities may differ from the maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

The table below summarises the maturity profile of the corporation's liabilities at 31 December :

At 31 December 2017	Within 3 months	to 6 3 Months	to 12 6 Months	to 3 years 1	Over 3 years	Total
Due to insurance and reinsurance companies	-	-	-	835,389	-	835,389
Payables and other liabilities	449,097	-	273,708	-	-	722,805
Obligations under finance lease	-	-	60,842	209,295	1,426,640	1,696,777
At 31 December 2016	Within 3 months	to 6 3 Months	to 12 6 Months	to 3 years 1	Over 3 years	Total
Due to insurance and reinsurance companies	-	-	-	835,389	-	835,389
Payables and other liabilities	437,255	-	268,083	-	-	705,338
Obligations under finance lease	-	-	56,862	195,602	1,501,175	1,753,639

### 3.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The corporation is exposed to market risk with respect to its investments.

The corporation limits market risk by having substantially all of its investments managed by specialized investment management companies.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Notes to the Financial Statements for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

*Foreign currency risk*

The corporation incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The corporation ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

Currency	2017			2016		
	Change in currency rate %	Effect on profit	Effect on equity	Change in currency rate %	Effect on profit	Effect on equity
USD	+5%	1,474,593	2,790,859	+5%	886,837	3,103,946
GBP	+5%	147,307	60,956	+5%	142,723	113,967
Euro	+5%	191	-	+5%	1,188	56,002

*Interest rate risk*

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

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

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

The 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.

Currency	2017		2016	
	Change in interest rate	Impact on profit	Change in interest rate	Impact on profit
USD	+5%	75,487	+5%	76,386
Euro	+5%	2,059	+5%	3,916
KD	+5%	80,554	+5%	65,279

*Equity price risk*

Equity price risk arises from the change in the fair values of equity investments. The corporation manages this risk through diversification of investments in terms of geographical distribution and industry concentrations.

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

	2017			2016		
	Change in equity price %	Effect on profit	Effect on equity	Change in equity price %	Effect on profit	Effect on equity
Investment at fair value through profit or loss	%+5	924,083	-	%+5	887,720	-
Available for sale investments	%+5	-	2,253,379	%+5	-	2,237,428

### 3.4 Fair value of financial instruments

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 principal or the most advantageous market must be accessible to by the corporation.

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.

At the reporting date, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain available for sale investments as indicated in note 8.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Notes to the Financial Statements for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

*Fair value hierarchy*

The corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or 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

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

As at 31 December, the corporation held the following financial instruments measured at fair value:

31 December 2017	Level 1	Level 2	Level 3	Total
Available for sale investments	38,908,446	30,463,728	-	69,372,174
Investments at fair value through profit or loss	1,886,066	16,595,588	-	18,481,654
	40,794,512	47,059,316	-	87,853,828
31 December 2016	Level 1	Level 2	Level 3	Total
Available for sale investments	34,586,280	35,918,859	-	70,505,139
Investments at fair value through profit or loss	1,606,304	16,148,105	-	17,754,409
	36,192,584	52,066,964	-	88,259,548

#### 4. Critical accounting estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

##### Accounting estimates

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

##### *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as, at fair value through profit or loss, or available for sale.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of the results for the period, they are classified as at fair value through profit or loss.

All other investments are classified as available for sale investments.

##### 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 ; or
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

##### *Impairment of investments*

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



## The Arab Investment & Export Credit Guarantee Corporation An Arab Corporation with a Special Independent Legal Status

### Notes to the Financial Statements for the year ended 31 December 2017

(All amounts are in Kuwaiti Dinars unless otherwise stated)

#### Guarantee contract liabilities

For guarantee contracts, estimates have to be made for the expected ultimate cost of claims reported at the reporting date, outstanding claims reserve. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of guarantee policies.

The outstanding claims reserve is based on estimates of the loss which will eventually be payable on each unpaid claim, established by management in the light of available information and on past experience and modified for changes in current conditions, increased exposure, rising claims cost and the severity and frequency of recent claims as appropriate. Although the corporation's Management believes that the value of the reserve is sufficient, the final liability may be exceed or reduced below the amounts which have been provided.

## 5. Cash and cash equivalents

	2017	2016
Cash on hand and at banks	6,229,051	1,071,628
Time deposits	9,681,599	2,726,435
Wakala investment with financial institutions	-	7,848,925
	15,910,650	11,646,988

The average interest rate on deposits and wakala range between 1% to 1.35% as at 31 December 2017 (0.50% to 1.125% - 2016).

## 6. Deposits and Wakala with financial institutions

Represents in deposits and Wakala with financial institutions for periods more than three month. Interest rate range between 2.4% to 2.65% as at 31 December 2017 (2.30% to 2.90% - 2016).

## 7. Investments at fair value through profit or loss

	2017	2016
Investments in managed portfolios of quoted securities	1,886,066	1,606,304
Investments in funds units	16,595,588	16,148,105
	18,481,654	17,754,409

Fair value of investments at fair value through profit or loss has been determined based on valuation basis (note 3.4).

## 8. Available for sale investments

	2017	2016
Bonds	33,043,621	41,844,290
Managed funds	45,067,580	44,748,554
Investment in Arab Trade Finance Program	601,493	601,493
Investment in Tunisian External Trade Insurance Company	730,160	880,864
	79,442,854	88,075,201

- Fair value of available for sale investments has been determined based on valuation basis (note 3.4).
- Available for sale investments include investments of KD 10,070,680 as at 31 December 2017 (KD 17,570,062 - 2016) carried at cost less impairment in value, due to unavailability of appropriate methods to reliably measure the fair value of such investments.
- Bonds interest rate ranges between 2% to 9.75% as at 31 December 2017 (2% to 9.75% - 2016).
- Investments in Arab Trade Finance Program represent 0.25% of the capital of the Program (0.25% - 2016), which was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade. Due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at reliable measure of fair value, the investment is carried at cost.
- The corporation holds 23.18% of the ordinary share capital of Tunisian External Trade Insurance Company. The directors of the corporation do not consider that the corporation is able to exercise significant influence over the Tunisian Company as the main shareholder is the Tunisian government, which is responsible for the management. Investment is stated at cost less impairment losses.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Notes to the Financial Statements for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

**9. Property and equipment**

Property and equipment are substantially represented in the carrying amount of the corporation's premises, which were acquired under a finance lease based on the space allocated to and occupied by the corporation in the Joint Building of the Arab Organisations. The premises are being depreciated over the 40 year lease term and the related depreciation charge for the year amounted to KD 67,648 (KD 67,648 - 2016).

The obligations under the finance lease are mature as follows:

	2017	2016
Within one year	179,617	179,617
From one year to five years	898,085	898,085
Over five years	1,796,170	1,975,787
Due to Arab Fund For Economic and Social Development	2,873,872	3,053,489
Less: Finance charges allocated to future periods	(1,177,095)	(1,299,850)
	1,696,777	1,753,639

**10. Insurance technical reserves**

	2017	2016
<u>Unearned premiums reserve movement:</u>		
Unearned premiums reserve at the beginning of the year	233,256	191,740
Unearned premiums reserve at the end of the year	(295,410)	(233,256)
	(62,154)	(41,516)
<u>Outstanding claims reserve movement:</u>		
Outstanding claims reserve at the beginning of the year	1,399,875	1,256,603
Claims paid during the year	(120,152)	(420,145)
Outstanding claims reserve at the end of the year	(1,938,738)	(1,399,875)
	(659,015)	(563,417)
<u>As at 31 December:</u>		
Unearned premiums reserve	295,410	233,256
Outstanding claims reserve	1,938,738	1,399,875
	2,234,148	1,633,131

As at 31 December, the corporation estimates the outstanding claims reserve for the claims occurred during the year based on a case by case basis, taking into consideration the nature of the insured risk.

**11. Paid-up capital**

- As per the decision of the council of the shareholders in the annual meeting held on 2-3 April 2013, it has been approved to increase the issued share capital by 50% to be allocated over the member states and authorities on a pro-rata basis, each as per his share as at 31 December 2012. Such increase shall be settled in five equal annual installments starting from the date of the meeting. In addition, the council of the shareholders has been notified of the desire of five member states to make an optional increase of their shares by KD 14,925,000 in the corporation's capital in order to maintain a permanent seat for them in the Board of Directors.
- During the year ended 31 December 2017, an amount of KD 3,855,643 was collected in cash out of the share capital increase. Based on the decision No. (2) of 2017 by the Corporation's shareholders council, it has been approved to deduct an amount of KD 214,963 from general reserve equivalent to 10% of the Corporation's net profits for 2016, in order to settle the remaining stake of the State of Palestine in the capital increase of KD 100,000 and allocate the remaining amount to support Palestine in coordination with Al-Aqsa Fund.



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Notes to the Financial Statements for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

- At 31 December, the capital of the corporation and the share of each member state and other authorities are as follows:

	Issued	Paid	
	2017/2016	2017	2016
<b>A. Member State:</b>			
The Hashemite Kingdom of Jordan	788,000	788,000	735,400
United Arab Emirates	6,510,000	6,275,000	6,040,000
Kingdom of Bahrain	750,000	750,000	700,000
Republic of Tunisia	1,875,000	1,856,971	1,750,000
Peoples' Democratic Republic of Algeria	1,875,000	1,875,000	1,750,000
Republic of Djibouti	300,000	200,000	200,000
Kingdom of Saudi Arabia	8,610,000	8,610,000	8,235,000
Republic of Sudan	1,826,932	1,826,931	1,592,659
Syrian Arab Republic	750,000	500,000	500,000
Somali Democratic Republic	87,735	58,735	58,735
Republic of Iraq	750,000	750,000	700,000
Sultanate of Oman	1,125,000	1,050,000	975,000
State of Palestine	750,000	750,000	650,000
State of Qatar	5,985,000	5,985,000	5,785,000
State of Kuwait	7,485,000	7,185,000	7,185,000
Republic of Lebanon	750,000	750,000	700,000
State of Libya	6,735,000	6,735,000	6,485,000
Arab Republic of Egypt	1,875,000	1,875,000	1,750,000
Kingdom of Morocco	3,000,000	3,000,000	2,800,000
The Islamic Republic of Mauritania	750,000	750,000	700,000
The Republic of Yemen	1,500,000	1,000,000	1,000,000
	<b>54,077,667</b>	<b>52,570,637</b>	<b>50,291,794</b>
<b>B. Arab Financial Authorities:</b>			
Arab Fund for Economical and Social Development	22,804,800	19,003,800	18,243,600
Arab Monetary Fund	12,177,000	10,148,000	9,742,000
BADEA	7,659,960	7,659,960	7,149,360
Arab Authority for Agricultural Investment and Development	1,638,240	1,092,240	1,092,240
	<b>98,357,667</b>	<b>90,474,637</b>	<b>86,518,994</b>

- As at 31 December 2017, the uncollected portion of required installments was amounted to KD 7,883,030 (KD 6,276,473 as at 31 December 2016).

## 12. General reserve

Article (24) of the corporation's convention states that "income realized after deduct provisions from the corporation's operations is to be accumulated to establish a reserve equal to three times the capital", after that, the council shall decide the manner of utilisation or distribution of the realized annual profits, provided that no more than 10% of such profits shall be distributed and that the distribution shall be made in proportion to the share of each member in the capital of the corporation.

## 13. Net investments income

	2017	2016
<b>Investments at fair value through profit or loss:</b>		
Unrealized gains/ (losses)	729,553	(213,456)
Cash dividends	73,972	66,150
Management fees	(2,280)	(1,065)
	801,245	(148,371)
<b>Available for sale investments:</b>		
Realized gains on sale of investments	2,912,058	1,065,960
Cash dividends	1,399,361	1,150,326
Impairment losses	(669,122)	-
Management fees	(31,899)	(26,004)
	3,610,398	2,190,282
	<b>4,411,643</b>	<b>2,041,911</b>



**The Arab Investment & Export Credit Guarantee Corporation**  
**An Arab Corporation with a Special Independent Legal Status**

**Notes to the Financial Statements for the year ended 31 December 2017**

(All amounts are in Kuwaiti Dinars unless otherwise stated)

**14. Contingent and unrecorded liabilities/ capital commitments**

***Contingent liabilities***

As at 31 December 2017, the total executed guarantee contracts were amounted to KD 117,553,805 (KD 126,321,400 - 2016).

In the opinion of management and in accordance with the corporation's business practices, all obligations and judicial claims are the ultimate responsibility of the importer in the case of commercial risks and the ultimate responsibility of the respective member state in the case of non-commercial risks. Accordingly, no provision has been provided in the accompanying financial statements in respect of the matters discussed above.

***Capital commitments***

	2017	2016
Capital commitments	4,746,387	3,489,054

**15. Related parties' transactions**

Related parties represent members states. In the normal course of business. No amounts was received during the financial year ended 31 December 2017 against management fees of fiduciary assets in favour of members states (KD 1,535 - 2016). Non commercial risks related to guarantees granted by the corporation are guaranteed by members states.

**16. Fiduciary assets**

Assets managed for third parties or held in trust or in a fiduciary capacity are not treated as assets or liabilities of the corporation and accordingly are not included in these financial statements.

Total fiduciary assets managed by the corporation is KD 26,516,523 as at 31 December 2017 (KD 25,354,666 - 2016).

المؤسسة العربية لضمان  
الإستثمار وائتمان الصادرات  
The Arab Investment & Export  
Credit Guarantee Corporation

