



2014 36TH ANNUAL REPORT

Commercial Registration No. (24982) Insurance Registration No. (4)
Company established October 24th, 1976
KSE Code (WINS)



HH Sheikh/ Nawaf Al Ahmed Al Jaber Al Sabah
The Crown Prince of Kuwait



HH Sheikh/ Sabah Al Ahmed Al Jaber Al Sabah
The Emir of Kuwait

CONTENTS

2. Warba Insurance's Vision
2. Warba Insurance's Mission
2. Warba Insurance's Goals
3. Board of Directors as of 31/12/2014
6. Report of Directors and Statements
10. Corporate Governance Report
18. Auditors Report





Board of Directors as of 31/12/2014



Mr. Anwar Jawad Bukhamseen
Chairman



Sheikh/ Mohamedjarah Alsabah
Vice Chairman



Mr. Raed Jawad Bukhamseen
Board Member



Mr. Hamad Mohamed
Abdulaziz Al Wazzan
Board Member



Mrs. Najat Hamad Al Suweidi
Board Member



Mr. Ahmed Ibrahim Al Asfour
Board Member



Mr. Saleh Naser Al Saleh
Board Member

Warba Insurance's Vision

Warba will work to develop and sustain its vision of an organization that formulates and implements effective policy provides timely and accurate insurance solutions and is capable of providing a modern, interoperable, sustainable model that can exceed customer expectation whilst maintaining a prudent underwriting policy.

Warba Insurance's Mission

To guard the insurable interests of our clients whereby to attain their economic and moral stability by providing Insurance products of the finest quality exceeding the levels of the industry, maintaining successful partnership with our Clients, Staff, Insurers, Reinsurers and all other stakeholders.

Warba Insurance's Goals

- Review policies & procedures and initiate organizational restructuring to provide detailed guidance for the day-to-day implementation of broad business strategies, and generally include limits designed to shield the institution from risks.
- Review Expenses, Costing and Provisions to analyse each of our products and determine the expected cost and the optimal price whilst recommending reserving and valuation methodologies, expense modules and budgeting for each business line
- Identify opportunities to increase profits and create value by challenging existing processes, encouraging innovation and driving necessary change
- Review investment strategy on a regular basis to ensure that it meets the needs and objectives of the company and modify based on the reduction of exposure in equities and shifting to bonds and other fixed incomes investments which will give more predictability.
- Implement Enterprise Risk Management protocols to provide a proactive and comprehensive program for entitywide risk identification, prioritization of key exposures, and development of operational responses to potential adverse events and outcomes, based on a foundation of accountability and transparency.



Executive Management

Chief Executive Officer

General Counsel

General Legal Counsel

Chief Financial Officer

Assistants General Manager

A.G.M – Finance

A.G.M – Human Resources & Administration

A.G.M – Information Technology & CSN

A.G.M – Group Life & Medical

A.G.M – Fire, General Accident, Marine & Reinsurance

A.G.M – Motor

A.G.M – Distribution Channels, Production, Branches & Individual Life

Mr. Anwar Al-Sabej

Mr. Mohammad Al-Alban

Mr. Ahmed Abdou Saleh

Mr. Arvind Mathur

Mr. Moustafa Taher

Mr. Saeid Dashti

Mr. Abdurraouf Al-Wazzan

Mr. Osama Al-Wazzan

Mr. Meshary Al Nasheet

Mr. Khaled Almutawa

Mr. Mousa Al-Najadah

Departments Managers

Senior Manager – Motor

Senior Manager – Marine

Senior Manager – Information Technology

Senior Manager – Individual Life

Manager - Human Resources & Administration

Manager – Governance, Risk Management & Compliance (G.R.C.)

Manager – Legal

Manager – Internal Audit Unit

Mr. Khalaf Hamadah

Mr. Ajay Kumar

Mr. Khaled Al-Dayan

Mr. Krishna Nagarajan

Mr. Fadel Al-Qattan

Ms. Suzan Abdulrahman

Mr. Yousef Al-Saleh

Mr. Mostafa Abdou

External Auditors

Deloitte & Touche – Al-Wazzan

RSM – Al-Bazie & Co

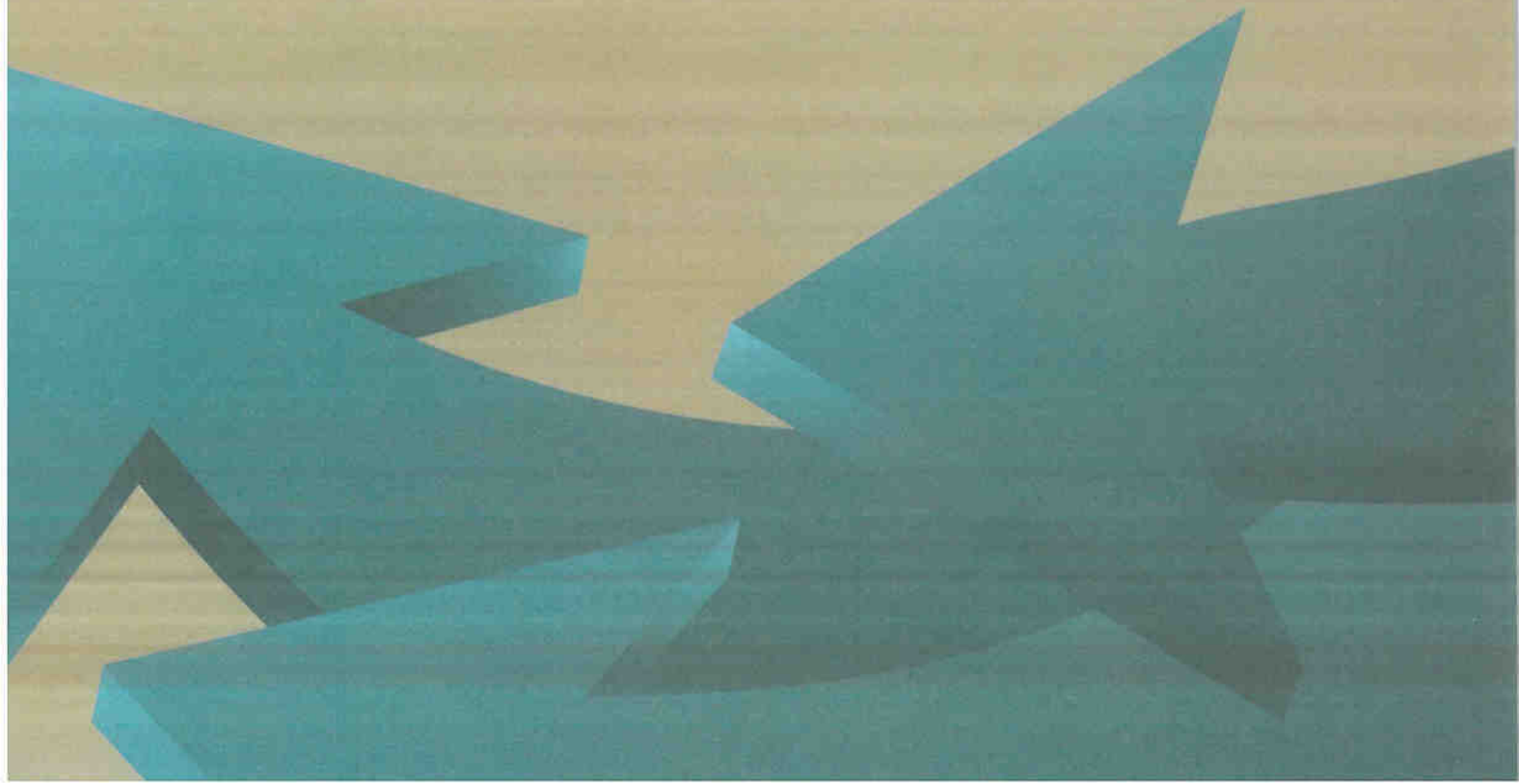


Agenda of the Ordinary General Assembly Meeting for the year ending on 31th December 2014

1. Review and ratify the B.O.D. Company's report for the year ended in 31/12/2014.
2. Review and ratify the External Auditors report for the year ended in 31/12/2014.
3. Approve and ratify the financial statement for the year ended in 13/12/2014.
4. Approve the B.O.D recommendation to distribute 8% dividends of the capital (As 8 Kuwaiti fils per one share) for shareholders registered in the company's recorded on the date of conducting the General Assembly
5. Approve the Chairman and the Board of Directors member's rewards. Totaling (31,500/- KD).
6. Approve & ratify the B.O.D recommendation to pay monthly fees of (10,000/- KD) to the Chairman of the B.O.D. in return for the work he carries out at the company, and to be included in the B.O.D.'s members' remuneration record and approved by the General Assembly.
7. Approve the Board of Directors decision to cease transfer to the legal reserve as the same reserve already met 50% of the capital, as approved - by the General Assembly of the shareholders of the parent company, held on 26-03-2012.
8. Discharge the B.O.D. members of any conducts concerning the financial year of 2014.
9. Authorize the Board to purchase or sell the company's shares not exceeding 10% of the number of shares according to article 175 of Law No. (25) for the year 2012 and the Capital Markets Authority instruction concerning the organization of the purchase of joint stock companies for their shares (treasury shares) and how to use and dispose, number 2013/ 6 ((هـ . ا . م / ق . ت . ا / ت ش 6 / 2013)).
10. Approve dealing with related parties.
11. Assign and re-assign of the auditors for the financial year ending December 31, 2015, and authorize the Board of Directors in determining their fees.

Board of Directors

Report of Directors and Statements
of Accounts for the Financial year ending on
2014/12/31 submitted to the 36th Annual General



Board of Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of your company, it gives me a great pleasure to present you the 36th (thirty-six) annual report of Warba Insurance Company. The report also includes the balance sheet and final audited accounts for the fiscal year as of 31st December 2014.

I would also like to congratulate you on the continuous good results achieved by your company, which currently stands as one of the leading insurance companies in the country. 2014 was a year of achievements for the company where it achieved a growth in the operating revenues as well as in the profitability ratio.

The company was also able to achieve a net profit of K.D. 1,500,362 in comparison to K.D. 1,135,570 in 2013; with an increase by K.D 364,792, and by 32.1% year-on-year. Such result has positively reflected upon the risen earning per share from 6.69 fils in 2013 to 9.25 fils in 2014.

The company has also achieved positive results during 2014 as per the following Key Performance Indicators:

- Written premiums grew by 4.1% to achieve K.D. 32.1 million.
- Retained premiums grew by 16.7% to achieve K.D. 16.3 million.
- Operational revenues grew by 14.5% to achieve K.D. 17.6 million.
- Technical reserves grew by 1.4 % to achieve K.D. 23.8 million.
- Capital reserves grew by 0.7 % to achieve K.D. 21.9 million.
- Cash and investments grew by 4.3 % to achieve K.D. 40.5 million.

In support of the company's financial standing, the Board of Directors decided to continue its policy aimed at reinforcing the technical and capital reserves of the shareholders' equity. Technical reserves amounted to K.D.23,860,643 while capital reserves amounted to K.D. 21,987,163, which account to 127.2% of the company's paid-up capital worth K.D. 17,278,874.

The Company's strategy based on confirming its commitment towards its customers helped the growth and improved the quality of our insurance portfolio. During 2014, the company continued to expand its activities by providing new services within multiple insurance lines. The company also developed its promotional capabilities through the social networks uniquely and successfully. These plans effectively contributed to the rise in written premiums for this year at a growth rate of 4.1% to reach K.D. 32.1 million.

The Takaful insurance unit of Warba continued to provide all insurance services pursuant to the provisions of the Islamic law.

The company managed to renew all its reinsurance treaties on favorable terms, despite the hardening market.

The company also increased the limits of its retention pursuing its strategic direction leading to a growth rate in retained premiums of 16.7% amounting to K.D. 16.3 million.

Herein below are some illustrations of the company's performance during 2014 in comparison to 2013.

First: General Insurances:-

The following table shows insurance premium and profits during 2014 compared to the same as in 2013.

Class	Premiums (K.D.)		Insurance Profits (K.D.)	
	2014	2013	2014	2013
Marine & Aviation	1,731,006	1,710,473	197,050	270,886
Fire	3,116,496	3,307,172	(293,958)	(142,989)
General Accidents	13,676,910	12,163,692	386,028	149,022
Life & Health	13,610,653	13,673,322	599,720	512,423
Total	32,135,065	30,854,659	888,840	789,342

The above table illustrates the increase in the written premiums during 2014 over 2013 up to an amount of K.D. 1,280,406 at a growth rate of 4.1%. Furthermore, insurance profits increased during 2014 over 2013 up to an amount of K.D. 99,498 at a growth rate of 12.7%

We would like also to note that the increase in the realized losses of the fire branch from K.D. 142,989 in 2013 to K.D. 293.958 in 2014 was due to the increase in the loss ratio which reached 118.5% compared to 42.3% in 2013.

Second: Investments:-

Concerning investment activities, the company's Board of Directors adopted a clear strategy aiming at protecting shareholders' equity and strengthening the financial standing of the company by restructuring the investment portfolio focusing on minimal risks type of investments, and employing the excess liquidity more towards fixed income investment.

The company achieved positive investment returns in the amount of K.D. 947,092 compared to K.D. 654,901 in 2013 at a growth rate of 44.6% subsequent to increasing the value of its investments from K.D. 38,828,843 in 2013 to K.D. 40,514,991 in 2014 at a growth rate of 4.3%. The value of cash, cash equivalent, and fixed deposits amounted to K.D. 14,280,774, representing 35.2% of investments and cash value.

Dear Shareholders,

The Company's achievements during 2014 included the renewal of its ISO 9001:2008 for the eighth consecutive year. This reflects the company's preservation of the highest quality levels in managing its businesses and applying new innovative programs for improving its operations and insurance services.

The Company also maintained its credit rating of BBB with a stable outlook by Standard & Poors, which is one of the major specialized credit rating companies. This rating denotes the company's financial ability and stable credit solvency over the long term

The Company as a key strategic direction continues to further upgrade its information technology capabilities across all systems to further enhance the customer experience and boost efficiency of its services.

Among the most outstanding achievements of the company for the year 2014 is its continuous attention to training and providing a number of training programs to its staff to develop their technical and administrative skills.

The company also made its contribution in spreading insurance awareness, in several forms including social media campaigns with a variety of promotional campaigns, and participation in many business events for direct contact with the public.

Third: Profits and Recommendations:

The profits of 2014 amounted to K.D. 1,610,815. Adding carried forward profits from the beginning of the year amounting to K.D. 2,625,787, and after deduction of the due dividends to the shareholders for 2013 amounting K.D. 1,135,913, and deduction of minority rights amounting K.D. 42,807, the profit available for distribution is K.D. 3,057,882.

The Board of Directors has the pleasure to recommend the following dividends and allocation to the general assembly:

Description	Kuwaiti Dinar
Voluntary Reserve 10%	156,800
.of the paid-up capital for cash distribution to the shareholders 8%	1,298,186
Share of Kuwait Foundation for the Advancement of Sciences	14,472
(National Labour Support Tax (NSLT	16,344
Zakat	5,330
Board Members' Remuneration	31,500
Profits transferred to next year	1,535,250
Total	3,057,882



Dear Shareholders,

In conclusion of this summary report on the activity of your company, we can not but to extend our and your sincere thanks and gratitude to His Highness the Emir Sheikh / Sabah Al-Ahmad Al-Jaber Al-Sabah and to His Highness the Crown Prince Sheikh / Nawaf Al-Ahmad Al-Jaber Al-Sabah, may Allah protect them and maintain them an asset to our beloved country.

We also thank the Ministry of Commerce and Industry for their clear understanding of and support to the insurance industry.

We also wish to thank all our reinsurance partners. We commend the continuous cooperation between national insurance companies for providing their best services to the Kuwaiti market and thank our dear clients for their valuable trust, assuring them that we will continue to be up to their expectations and to render outstanding services.

Final thanks and appreciation goes to the management and staff of the company for their sincerity, devotion, and great efforts toward further success and advancement of the company.

May Allah bless our efforts to the best interest of our dear country.

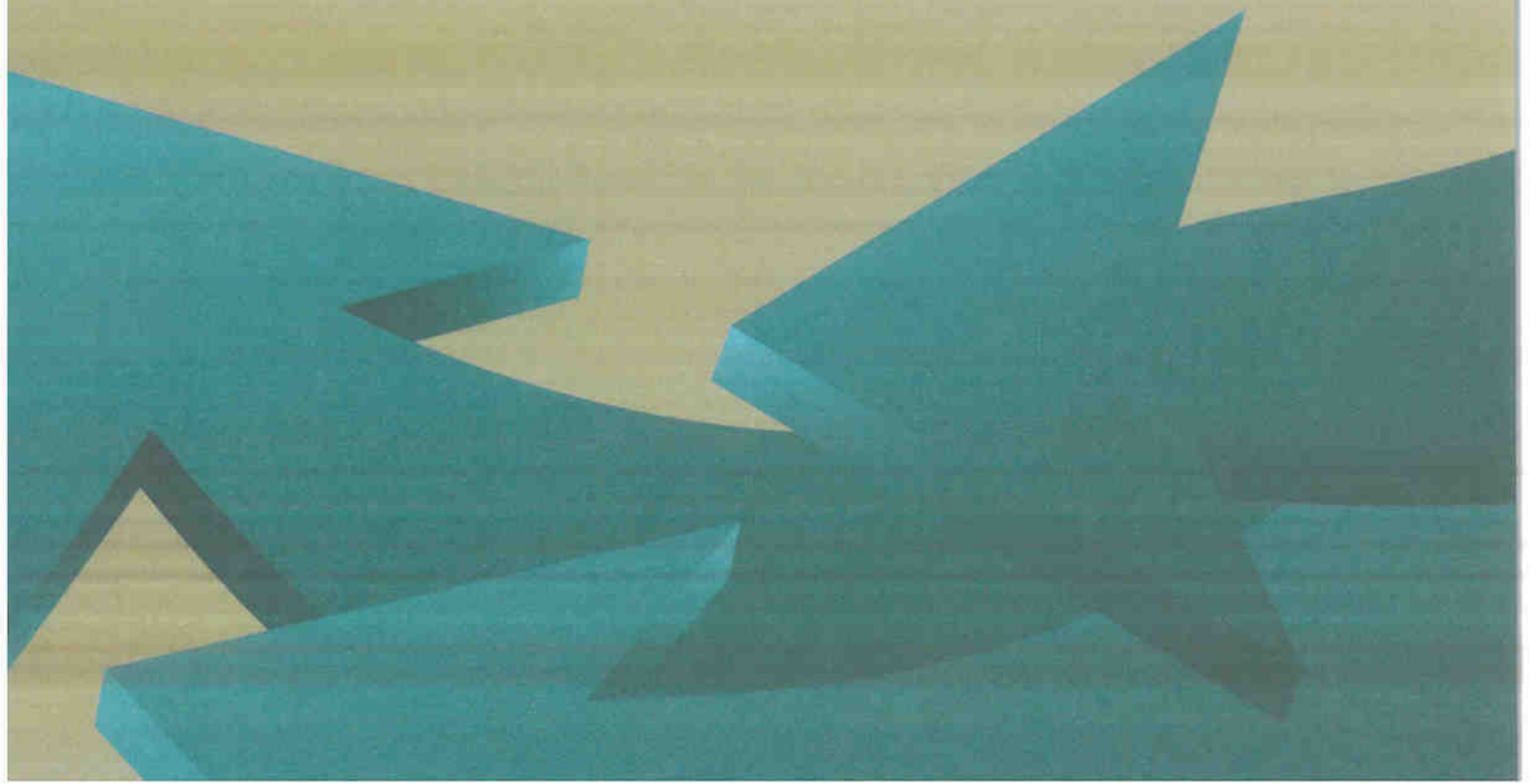
Peace and blessings of Allah be upon you all,

Anwar Jawad Bukhamseen

Chairman of the Board

Corporate Governance Report

Corporate Governance Report for the Financial year ending on
31/12/2014 submitted to the 36th Annual General Assembly of
Shareholders



Corporate Governance Report

for the Year Ending on 31 December 2014

We, in WARBA Insurance Company believe that there should be a solid corporate governance, as robust corporate governance principles form the basis for investors and shareholders' confidence. Therefore, our corporate governance system was drafted to comply with the law of commercial companies and the rules of corporate governance issued by the Capital Markets Authority in the State of Kuwait. This is reflected in the company's Guide to Corporate Governance, which considers all aspects set forth by regulatory authorities, in addition to the best global practices.

The Board of Directors took upon itself the responsibility of compliance with those standards through compliance with the criteria of good governance and a package of policies, procedures and mechanisms, in addition to the adoption of an organizational structure that defines responsibilities, powers and channels of communication between various administrative levels and regulates the relationship between each of the shareholders, Board of directors, executive management and stakeholders.

The Board of Directors

The Board of Directors is responsible to the General Assembly of the shareholders to protect their interests by protecting the interests of the company and the development of its business, as well as the development of strategies and goals that set the company in a position of administrative, technical and financial leadership that enables it achieve the aspirations of the shareholders, with full awareness and professionalism stemming from the trust that has been placed in them and in their experience and abilities to lead the company's parade of continued success and its progress for the better.

The Board of Directors consists of seven members elected by the General Assembly for a term of three years in accordance with the provisions of the Memorandum of Association and the Articles of Association. Members of the Board of Directors enjoy the qualifications, expertise and efficiency that enables them to manage the company in an ideal way.

BOD Profile:

Mr. / Anwar Jawad Bukhamseen	Chairman	Non-Executive
Sheikh / Mohammad Al-Jarrah al-Sabah	Vice Chairman	Non-Executive
Mr. / Raed Jawad Bukhamseen	Board Member	Non-Executive
Mr. / Hamad Mohammed Al-Wazzan	Board Member	Non-Executive
Ms. / Najat Hamad Al Suwaidi	Board Member	Non-Executive
Mr. / Ahmed Ibrahim Asfour	Board Member	Non-Executive
Mr. / Nasser Saleh Al Saleh	Board Member	Non-Executive

Meetings of 2014:

Meeting Date	Meeting Ref. Number
13/03/2014	(1/2014)
13/05/2014	(2/2014)
23/07/2014	(3/2014)
05/11/2014	(4/2014)
12/11/2014	(5/2014)

Responsibilities of the Board

Approving the annual budget estimates, as well as the interim and annual financial statements.

Supervision of the company's major capital investment expenditures, investment, owning and disposing assets.

Formation of specialized committees that report to it, in accordance with clearly set charters explaining the the responsibilities and powers of each committee, its duration, the method it is controlled by the Board, and the method its business performance is evaluated.

Ensure that the organizational structure of the company enjoys transparency and clarity and separation of powers and authorities between each of the board of directors and executive management, allowing the possibility of making decision and applying the principles of good governance.

Ensure the soundness of the financial and accounting systems, including those relevant to financial reporting systems.

Verifying the application of suitable control systems for measuring and managing risk by identifying the scope of risks and exposures faced by the company and reducing them, in addition to taking all necessary preventive measures.

Ensure the accuracy and integrity of the data and information to be disclosed in accordance with the policy set in this regard.

Develop policies and mechanisms to regulate and maintain the rights of stakeholders and relevant parties in order to reduce conflicts of interest.

Audit Committee

Formation:

Name of the Member	Position
Mr. Ahmed Ibrahim Al-Asfour	Committee Head
Sheikh Mohamed Al-jarrah Al-Sabah	Deputy Head
Mr. Saleh Naser Al-Saleh	Member

Tasks:

- Reviewing of interim and annual financial statements, reports of the external auditors and initially approving them before they are submitted to the Board of Directors.
- Ensuring the integrity and transparency of financial reporting.
- Recommending the appointment or re-appointment of the external auditors.
- Periodical review of the potential impacts on the strength of the company financial solvency.
- Ensuring the application of international accounting standards and applying changes that may occur to them.
- Reviewing the appropriateness of the Company's accounting policies and other operational procedures.
- Reviewing policies and procedures for internal audit of the company.
- Reviewing internal control systems and their effectiveness and efficiency and preparing a report on the same for the Board of Directors.

Risk and Compliance Committee

Formation:

Name of the Member	Position
Ms. Najat Hamad Al-Suwaidi	Committee Head
Sheikh Mohamed Al-jarrah Al-Sabah	Deputy Head
Mr. Saleh Naser Al-Saleh	Member

Tasks:

- Overseeing the implementation of a unified vision for risk management at the institutional level to ensure consistent and efficient management of any risk the company may encounter.
- Preparing and reviewing risk management strategies and policies before their adoption by the Board of Directors and assuring the implementation of these strategies and their fitness with the size of the company's activities.
- Overseeing the development of strategic plans and approved policies which reflect the long-term –goals and priorities of the company.
- Assisting the Board in identifying and assessing the level of risk acceptable to the company and evaluating systems and mechanisms of identifying, measuring and monitoring different types of risks the company may be exposed to.
- Monitoring and evaluating the efficiency and quality of investment operations compared with the strategic plans and objectives of the company, and the return thereof.
- Studying and reviewing assessment company's risk level, and actions taken to face or reduce those risks within acceptable risk ratios as approved by the company, compared to potential benefits.
- Initial review and approval of manuals of policies and procedures for risk management department.

Establish effective communication channels that allow the company's shareholders to periodically and continuously access various major activities and developments.

Verifying company's compliance with the established policies and procedures by ensuring the effectiveness and adequacy of internal control systems.

Supervision and control over the performance of the members of the executive management and assuring that they are performing their duties to the fullest.

Establish a system and an action plan for governance, supervise, control effectiveness and modify the same as needed.

Set and approve the code of ethics in the company, as well as its business policies and procedures.

Board Committees:

Pursuant to corporate governance rules stipulated in the instructions of Capital Markets Authority, specialized committees were established by the Board of Directors to follow up different administrative and technical aspects of the company, and reporting their appropriate recommendations concerning such issues to the Board of Directors for taking necessary decisions. These committees are the connection between the Board of Directors and the executive management of the company. They assist the Board in following up all actual business operations inside the company. Regulations stipulating tasks, responsibilities, formation and meetings of these committees were set and approved.

The Board of Directors also forms ad-hoc committees for specific tasks from time to time as needed. The work of such committees ends with the completion of the tasks they were formed for.

	Committee	Formation	Approval
1	Executive Committee	√	√
2	Auditing Committee	√	√
3	Risks and Compliance Committee	√	√
4	Recommendations and Remunerations Committee	√	√
5	Governance Committee	√	√

Executive Committee

Formation:

Name of the Member	Position
Mr. Anwar Jawad Bukhamseen	Committee Head
Sheikh Mohamed Al-jarrah Al-Sabah	Deputy Head
Mr. Raed Jawad Bukhamseen	Member

Tasks:

- Verifying that all company operations are running pursuant to the set plans and objectives, and are in compliance with the general strategy of the company.
- Approving, following up, and evaluating the investment policies of the company, studying and evaluating investment deals.
- Monitor compliance with the estimated budget for the company, comparing to the actual performance rate to the targeted one, and treatment of deviations, if any.
- Developing action plans that reflect the goals of the Board of Directors and proposing appropriate mechanisms for their application.
- Monitoring the implementation of the policies and procedures of the company.



Governance, Risk Management and Compliance (G.R.C.) Department:

The Board of Directors strongly supports the role of the G.R.C. Department and enables it to practice its function in the internal control aimed at avoiding and/or mitigating the institutional risks.

The department follows the best international practices through the development of long-term strategic plans and overseeing the implementation of various policies, procedures, and developed them in the manner that allows to take full advantage of all available company resources, and following-up the company's commitment to the instructions issued by the regulatory bodies.

It is worth mentioning that WARBA Insurance Company is the first among financial institutions in Kuwait that initiated a Governance, Risk Management and Compliance (G.R.C.) Department, drawing on the best international practices in this field.

Functions of the G.R.C. Department:

- Application of a unified vision for confronting risks at the institutional level to ensure consistent, highly-efficient management for any risks faced by the company.
- Providing strategic direction and adopting major strategic risk initiatives.
- Development of strategic plans that reflect the long-term objectives and priorities of the company.
- Following up the implementation of strategies and policies approved by the Board of Directors.
- Monitoring financial and operational results and comparing them with plans and goals set and the estimated budget.
- Monitoring and evaluating the efficiency and quality of investment operations compared with the strategic plans and objectives of the company.
- Submitting periodic reports on the risk exposure and due procedures to avoid and control them.
- Assuring the company's commitment to work through the legal framework and in conformity with the principles of corporate governance through development of policies and procedures necessary for the same.
- Assuring the company fulfilment of all legal and regulatory obligations as required by the regulatory authorities.
- Developing and measuring the adequacy and efficiency of risk assessment methodologies of company.
- Verifying the adequacy of liquidity, funding and solvency and the financial strength of the company.
- Assessment and follow-up of the company's investment and market risk.
- Assessment and follow-up technical risks of the company.
- Following-up and assessment of operational risk to the company.
- Following up all operations for anti-money laundering and terrorism financing and the development of policies and procedures needed in this regard.
- Following up issues related to compliance with US tax law (FATCA) and the development of policies and procedures related thereto.

Nominations and Remunerations Committee

Formation:

Name of the Member	Position
Mr. Raed Jawad Bukhamseen	Committee Head
Sheikh Mohamed Al-jarrah Al-Sabah	Deputy Head
Mr. Hamad Mohamed Al-Wazzan	Member

Tasks:

- Assuring the nomination of the most efficient, experienced, capable, and skilled nominees for performing the tasks of any vacant position, pursuant to efficiency and integrity criteria.
- Recommending nomination or re-nomination to the membership of the Board of Directors and its committees in compliance with the rules of efficiency and integrity, and recommending independent members to be elected by the General Assembly.
- Providing the Board of Directors with their recommendations concerning the appointments to fill leading managerial positions pursuant to the applied policies and criteria.
- Supervising the preparation and adoption of a plan to identify the company needs of staff on the level of the executive administration.
- Supervising the revision of the structure of position and wages in the company and approving it.
- Setting policies and procedures concerning compensations and remunerations.
- Preparation and development of policies concerning the allowances and remunerations of the Board and committees' members.
- Preparing a detailed annual report on remunerations given to the Board Members and members of the executive management, to be submitted to the General Assembly for approval.

Corporate Governance Committee

Formation:

Name of the Member	Position
Mr. Anwar Jawad Bukhamseen	Committee Head
Sheikh Mohamed Al-jarrah Al-Sabah	Deputy Head
Ms. Najat Hamad Al-Suwaidi	Member

Tasks:

- Performing periodical quarterly revision to assure the company's compliance with the application of governance principles and governing rules.
- Reporting recommendations concerning the application of governance and compliance with applicable regulations and laws.
- Continuous follow up of decisions, laws and instructions issued by regulatory authorities, and reporting recommendations concerning the development and application of new criteria and practices.
- Supervising and controlling the application of governance principles and frames as prepared by the Board of Directors.
- Revising, amending and initially approving the governance guide and assuring its compliance with regulatory requirements.



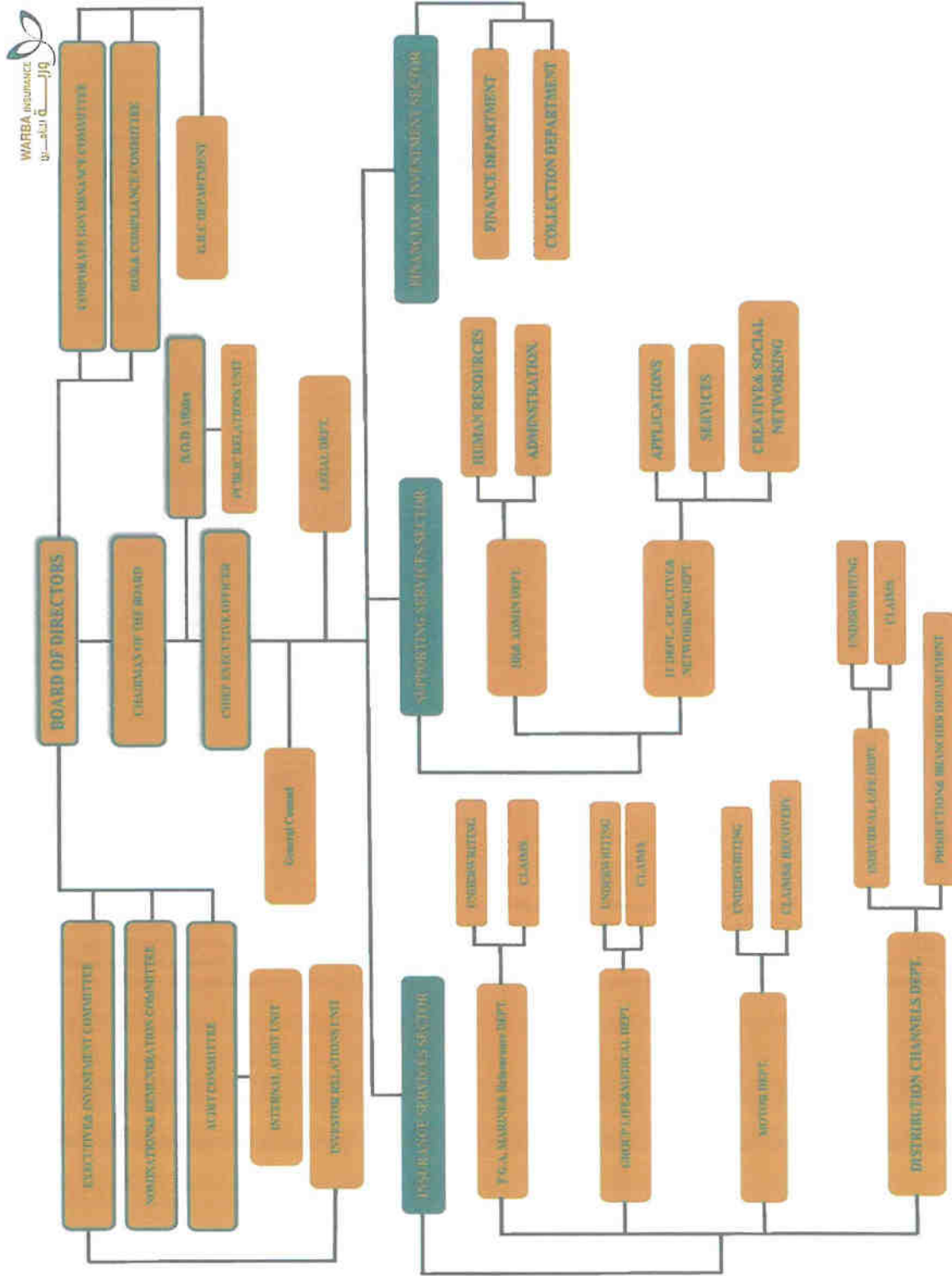
Quality Management (ISO 9001:2008):

WARBA insurance company considers the quality of administrative work as an integral part of the success matrix of any organization. Therefore, it focuses on such quality of administrative work via its keenness to renew the ISO 9001:2008 certificate via continuous auditing of all work systems in the company (both internally and externally), which helps identifying all gaps that may lead to any default in the administrative matrix of the company and handle them, as well as taking all precautionary procedures to mitigate any shortage or deviation.

The external auditors report assured that the company has fulfilled all requirements stipulated in the international standards, and renewed the ISO 9001:2008 certificate granted to the company as a proof that WARBA insurance company has an excellent business matrix.

The top management of the company supports all the requirements of quality to maintain its position via the top quality customer services provided.

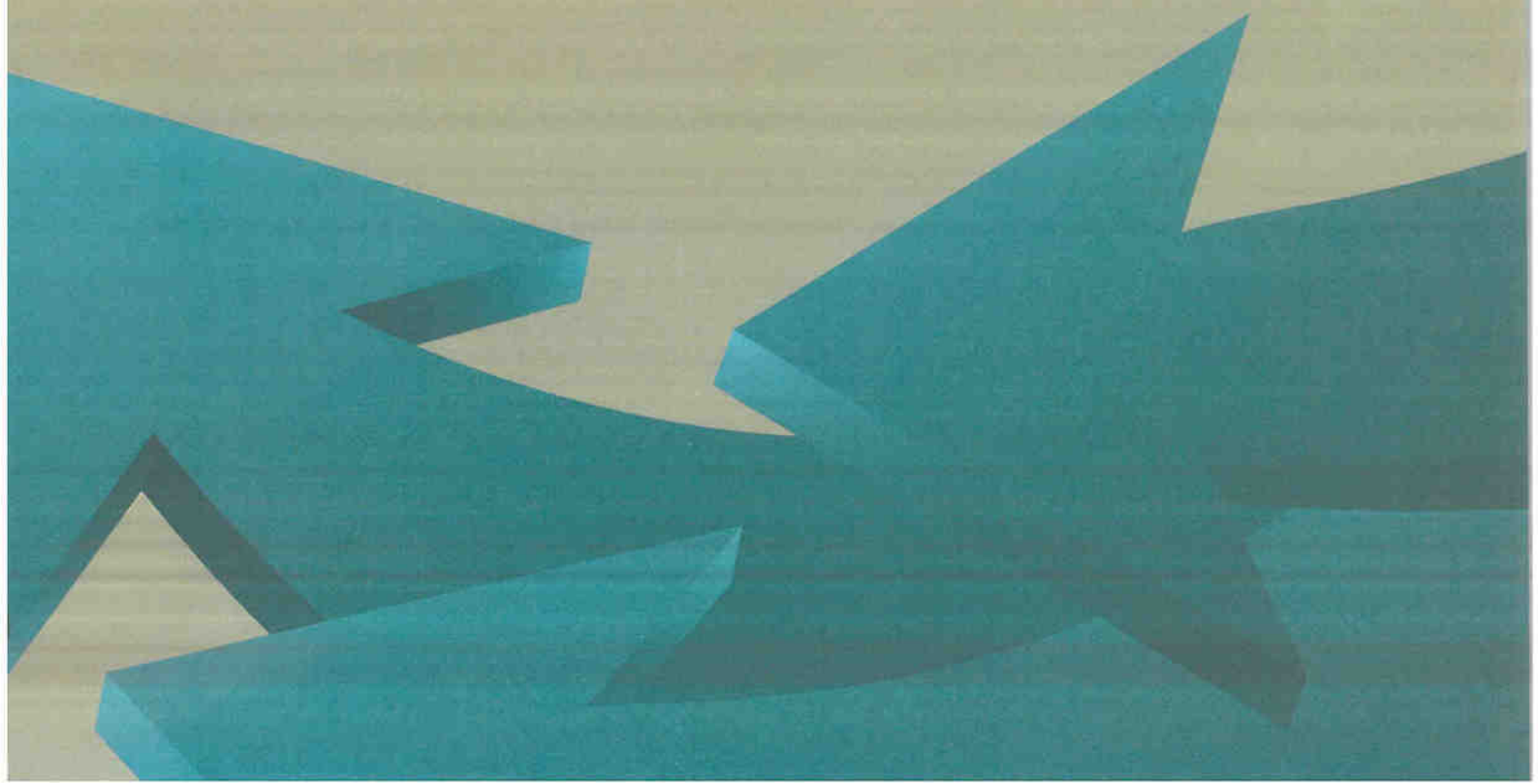
The Organizational Structure:



Prepared by: G.R.C. Department

AUDITORS REPORT

Commercial Registration No. (24982) Insurance Registration No. (4)
Company established October 24th, 1976
KSE Code (WINS)



**Warba Insurance Company K.S.C.P
Kuwait**

**Consolidated Annual Financial Statements
And Independent Auditors' Report**

31 December 2014

C o n t e n t s

	Pages
Independent Auditors' Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Profit or Loss	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 39

Warba Insurance Company K.S.C.P
Kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Warba Insurance Company K.S.C.P ("the Parent Company") and its subsidiary (together called "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

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

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

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

Warba Insurance Company K.S.C.P
Kuwait

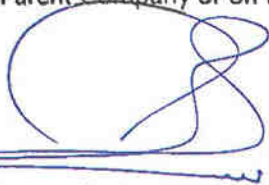
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued)

Opinion

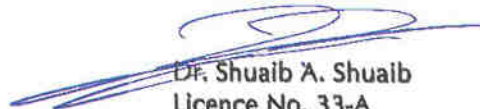
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the 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. 25 of 2012, as amended, and its Executive Regulations 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 material violation of Companies Law No. 25 of 2012, as amended, and its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.



Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche
Al-Wazzan & Co.




Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.

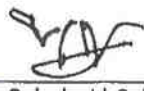
Kuwait
16 February 2015

Consolidated Statement of Financial Position as at 31 December 2014

	Note	Kuwaiti Dinars	
		2014	2013
ASSETS			
Cash and cash equivalents	3	4,197,274	4,034,461
Fixed deposits	4	10,083,500	6,672,000
Investments at fair value through profit or loss	5	2,253,984	2,157,600
Insurance and reinsurance receivables	6	18,490,466	18,327,971
Other receivables	7	2,466,217	2,839,222
Loans secured by life insurance policies		20,149	20,010
Reinsurance share in reserve for outstanding claims	15	15,282,073	16,539,611
Investments available for sale	8	18,488,514	18,888,479
Investment in associates	10	5,471,570	2,856,293
Investment property	11	-	4,200,000
Goodwill		62,240	62,240
Property and equipment	12	8,368,538	8,632,161
Total assets		85,184,525	85,230,048
LIABILITIES AND EQUITY			
Liabilities			
Bank overdraft	13	790,533	-
Accounts payable	14	3,601,956	3,537,770
Insurance contract liabilities	15	23,860,643	23,525,537
Insurance and reinsurance payables	16	6,844,053	7,617,116
Other payables	17	3,483,355	3,977,855
Total liabilities		38,580,540	38,658,278
Equity			
Share capital	18	17,278,874	17,278,874
Treasury shares	19	(1,255,986)	(1,255,986)
Treasury shares reserve		164,760	164,760
Statutory reserve	20	8,781,109	8,781,109
Voluntary reserve	21	9,206,054	9,049,254
General reserve		4,000,000	4,000,000
Cumulative changes in fair value		5,296,463	5,696,428
Share of other comprehensive income of associate		46,025	21,101
Retained earnings		2,833,436	2,625,787
Equity attributable to shareholders of the Parent Company		46,350,735	46,361,327
Non-controlling interest	9	253,250	210,443
Total equity		46,603,985	46,571,770
Total liabilities and equity		85,184,525	85,230,048

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.


Anwar Jawad Bu-Khamseen
Chairman


Sheikh Mohammed Jarah Sabah Al-Sabah
Vice Chairman

Consolidated Statement of Profit or Loss - Year ended 31 December 2014

	Note	Kuwaiti Dinars	
		2014	2013
Revenue			
Gross premiums written		32,135,065	30,854,659
Premium ceded to reinsurers		(15,788,339)	(16,849,101)
Net premiums written		16,346,726	14,005,558
Movement in unearned premium reserve		(95,593)	231,151
Movement in life actuarial reserve		(487,514)	(835,109)
Net premiums earned		15,763,619	13,401,600
Commission received on ceded reinsurance		1,705,799	1,810,557
Policy Issuance fees		172,962	199,115
Net investment income from life insurance	22	11,184	25,169
		<u>17,653,564</u>	<u>15,436,441</u>
Expenses			
Net claims incurred		(9,732,312)	(7,554,474)
Commission and discounts		(3,139,044)	(2,761,796)
General and administrative expenses	23	(3,893,368)	(4,330,829)
		<u>(16,764,724)</u>	<u>(14,647,099)</u>
Net underwriting income			
		888,840	789,342
Net investment income from non-life insurance	22	935,908	629,732
Insurance services income		833,230	691,192
Other income		168,983	125,214
		<u>2,826,961</u>	<u>2,235,480</u>
Other expenses			
Insurance services expense	24	(744,428)	(614,315)
Unallocated general and administrative expenses	23	(471,718)	(466,830)
Profit for the year from continuing operations		1,610,815	1,154,335
Profit for the year from discontinued operation	10	-	68,613
Profit for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST), Zakat and Board of directors' remuneration		1,610,815	1,222,948
Contribution to KFAS	25	(14,472)	(10,919)
NLST	26	(16,344)	(23,309)
Zakat	27	(5,330)	(8,357)
Directors' fees		(31,500)	(10,500)
Profit for the year		<u>1,543,169</u>	<u>1,169,863</u>
Attributable to:			
Shareholders of the Parent Company		1,500,362	1,135,570
Non-controlling interest	9	42,807	34,293
		<u>1,543,169</u>	<u>1,169,863</u>
Earnings per share from continuing operations (fils)	28	9.25	6.29
Earnings per share from discontinued operations (fils)	28	-	0.40

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income - Year ended 31 December 2014

	Note	Kuwaiti Dinars	
		2014	2013
Profit for the year		1,543,169	1,169,863
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of investments available for sale	8	(399,965)	(116,415)
Share of other comprehensive income of associate	10	24,924	21,101
Share of other comprehensive income of associate transfer to consolidated statement of profit or loss on disposal of discontinued operation	10	-	(27,740)
Other comprehensive loss for the year		(375,041)	(123,054)
Total comprehensive income for the year		1,168,128	1,046,809
Attributable to:			
Shareholders of the Parent Company		1,125,321	1,012,516
Non-controlling interest		42,807	34,293
Total comprehensive income for the year		1,168,128	1,046,809

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity - Year ended 31 December 2014

	Kuwaiti Dinars											
	Share Capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	General reserve	Cumulative changes in fair value	Share of other comprehensive income of associate	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2012	17,278,874	(40,586)	164,760	8,781,109	8,930,389	4,000,000	5,812,843	27,740	2,471,948	47,427,077	176,150	47,603,227
Profit for the year	-	-	-	-	-	-	-	-	1,135,570	1,135,570	34,293	1,169,863
Other comprehensive income	-	-	-	-	-	-	(116,415)	(6,639)	-	(123,054)	-	(123,054)
Total comprehensive income for the year	-	-	-	-	-	-	(116,415)	(6,639)	1,135,570	1,012,516	34,293	1,046,809
Purchase of treasury shares	-	(1,215,400)	-	-	-	-	-	-	-	(1,215,400)	-	(1,215,400)
Cash dividend (Note 29)	-	-	-	-	-	-	-	-	(862,866)	(862,866)	-	(862,866)
Transfer to voluntary reserve	-	-	-	-	118,865	-	-	-	(118,865)	-	-	-
Balance at 31 December 2013	17,278,874	(1,255,986)	164,760	8,781,109	9,049,254	4,000,000	5,696,428	21,101	2,625,787	46,361,327	210,443	46,571,770
Profit for the year	-	-	-	-	-	-	-	-	1,500,362	1,500,362	42,807	1,543,169
Other comprehensive income	-	-	-	-	-	-	(399,965)	24,924	-	(375,041)	-	(375,041)
Total comprehensive income for the year	-	-	-	-	-	-	(399,965)	24,924	1,500,362	1,125,321	42,807	1,168,128
Cash dividend (Note 29)	-	-	-	-	-	-	-	-	(1,135,913)	(1,135,913)	-	(1,135,913)
Transfer to voluntary reserve	-	-	-	-	156,800	-	-	-	(156,800)	-	-	-
Balance at 31 December 2014	17,278,874	(1,255,986)	164,760	8,781,109	9,206,054	4,000,000	5,296,463	46,025	2,833,436	46,350,735	253,250	46,603,985

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows - Year ended 31 December 2014

	Note	Kuwaiti Dinars	
		2014	2013
Cash flows from operating activities			
Net profit for the year before KFAS, NLST, Zakat and Directors' fees		1,610,815	1,222,948
Adjustments:			
Net investment income	22	(947,092)	(654,901)
Profit for the year from discontinued operation	10	-	(68,613)
Depreciation	12	381,183	350,045
		<u>1,044,906</u>	<u>849,479</u>
Changes in operating assets and liabilities:			
Insurance and reinsurance receivables		(162,495)	959,834
Other receivables		352,869	(564,880)
Reinsurance share in reserve for outstanding claims		1,257,538	12,695,147
Insurance contract liabilities		335,106	(10,697,100)
Accounts payable		64,186	(173,486)
Insurance and reinsurance payable		(773,063)	(2,145,975)
Other payables		(602,888)	360,856
Net cash from operating activities		<u>1,516,159</u>	<u>1,283,875</u>
Cash flows from investing activities			
Net movement in fixed deposits		(3,411,500)	(2,293,000)
Payments for purchase of investments at fair value through profit or loss		(51,912)	-
Proceeds from sale of investments at fair value through profit or loss		15,788	-
Movements in loans secured by life insurance policies		(139)	(6,329)
Payments for purchase of investments available for sale		-	(58,074)
Proceeds from sale of investments available for sale		-	861,807
Proceeds from disposal of discontinued operations	10	-	3,729,600
Investment in an associate	10	(2,430,000)	-
Proceeds from sale of investment property	11	4,200,000	-
Payments for purchase of property and equipment	12	(117,560)	(318,051)
Dividends received	22	677,231	497,356
Rental income received	22	8,400	8,400
Interest income received		60,984	58,719
Net cash (used in)/from investing activities		<u>(1,048,708)</u>	<u>2,480,428</u>
Cash flows from financing activities			
Bank overdraft		790,533	-
Dividend paid to shareholders		(1,095,171)	(860,862)
Purchase of treasury shares		-	(1,215,400)
Net cash used in financing activities		<u>(304,638)</u>	<u>(2,076,262)</u>
Net increase in cash and cash equivalents		162,813	1,688,041
Cash and cash equivalents at beginning of year		4,034,461	2,346,420
Cash and cash equivalents at end of year	3	<u>4,197,274</u>	<u>4,034,461</u>

The accompanying notes 1 to 37 form an integral part of these consolidated financial statements.

1. Corporate Information

Warba Insurance Company KSCP (The Parent Company) was incorporated as a Public Kuwaiti Shareholding Company in State of Kuwait in accordance with the Amiri Decree of 24 October 1976 and its shares are listed on the Kuwait Stock Exchange. The objects of the Parent Company are to underwrite life and non-life insurance risks such as fire, general accidents, marine and aviation and others; lend funds against life insurance policies; and to invest in permitted securities and investment properties.

The consolidated financial statements incorporate the financial statements of the Parent and its subsidiary WAPMED TPA Services Company – K.S.C (Closed) – State of Kuwait with an equity interest of 54.57% (2013 – 54.57%), (together “the Group”).

The address of the Parent Company’s registered office is P.O. Box 24282 Safat, 13103 - State of Kuwait.

The total number of employees of the Group as of 31 December 2014 is 324 employees (2013 - 343 employees).

As per the letter issued from the Shareholding Companies Department Administration No. 391 dated 18 June 2014 pursuant to the Extraordinary General Assembly meeting held on 12 May 2014 it has been approved to add and amend some articles of the Memorandum of Incorporation and the Article of Association to comply with the Companies law No. 25 of 2012, its subsequent amendments and executive regulations. It has also resolve to change the commercial name of the Parent Company from Warba Insurance Company K.S.C. to Warba Insurance Company K.S.C.P. Those amendments have been registered in the commercial register of the Ministry of Commerce on 18 June 2014.

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorized for issue in accordance with a resolution of the Parent Company’s Board of Directors on 16 February 2015. The Parent Company’s Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as “at fair value through profit or loss”, “available for sale” and investment property.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional and reporting currency.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.23.

2.2 New and revised accounting standards

Effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the following new and amended IASB Standards during the year:

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements.

As the Group is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014) the application of the amendments has had no impact on the disclosures or the amounts recognized in the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendments to "IAS 32: Offsetting Financial Assets and Financial Liabilities" clarified the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognized in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

Amendments to IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments require retrospective application. As the Group does not have any derivatives that are subject to novation, the application of the amendment has had no impact on the disclosures or on the amount recognized in the Group's consolidated financial statements.

IFRIC 21 Levies

IFRIC 21 Levies sets out accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. This interpretation was issued on 30 May 2013 and is effective for annual period beginning on or after 1 January 2014. The application of this interpretation has had no material impact on the disclosures or on the amount recognized in the Group's consolidated financial statements.

Standards and Interpretations issued but not yet adopted

The following IASB Standards and Interpretations have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 9 Financial Instruments

IFRS 9 continues to be amended and the effective date is currently expected for annual periods beginning on or after 1 January 2018 and will replace IAS 39. The current transitional guidance will change once the final aspects of the standard are completed. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets.

The Group anticipates that the application of IFRS 9 may have a material impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2017)

IFRS 15 specifies how and when an entity will recognize revenue as well as requires the entity to provide users of financial statements with more informative, relevant disclosures. The Standard provides a single, principles based five-step model to be applied to all contracts with customers.

The Group anticipates that the application of IFRS 15 may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

2.3 Business combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of profit or loss. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

2.4 Basis of consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries

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.

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 financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and profit or loss. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full.

When the Group loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of profit or loss.

2.5 Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents includes, cash in hand, call deposits and time deposits with Groups whose original maturities do not exceed a period of three months.

2.6 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally cash, deposits, receivables, investments, payables, due to banks and derivatives. The Group classifies financial assets as "at fair value through profit or loss", "loans and receivables" or "available for sale". All financial liabilities are classified as "other than at fair value through profit or loss".

Recognition/derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where 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 recognition of a new liability.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of profit or loss or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Financial instruments

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

Financial assets at fair value through profit or loss

Financial assets classified as "at fair value through profit or loss" are divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Derivatives are classified as "held for trading" unless they are designated as hedges and are effective hedging instruments.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of comprehensive income. When the "available for sale" asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of profit or loss as gains or losses.

Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Impairment and uncollectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of similar financial assets may be impaired as a result of one or more events that occurred after the initial recognition of those assets and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably measured. If such evidence exists, any impairment loss is recognised in the consolidated statement of profit or loss.

Impairment is determined as follows:

- a. for financial assets carried at amortised cost, impairment is the difference between the carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective profit rate.
- b. for financial assets carried at fair value, impairment is the difference between cost and fair value.
- c. for financial assets carried at cost, impairment is the difference between the carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment loss was recognised. Except for equity instrument classified as available for sale, reversal of impairment losses are recognised in the consolidated statement of profit or loss to the extent the carrying value of the asset does not exceed its amortised cost at the reversal date. For available for sale equity investments, reversals of impairment losses are recorded as increases through consolidated statement of profit or loss and comprehensive income.

Financial assets are written off when there is no realistic prospect of recovery.



Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis.

2.7 Investment in associates

Associate are those entities over which the Group exerts significant influence. Investment in associates is accounted for under the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale under IFRS 5.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of profit or loss its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's income statement. The Group's share of those changes is recognised in the consolidated statement of profit or loss and comprehensive income.

Unrealised gains on transactions with associates are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

The associate's financial statements are prepared either to the Group's reporting date or to a date not earlier than three months of the Group's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effects of significant transactions or other events that occur between the reporting date of the associates and the Group's reporting date.

2.8 Investment properties

Land held by the Group for the purpose of capital appreciation or for leasing it to others is included in investment properties. Land is initially stated on acquisition at cost and subsequently remeasured at fair value. The fair value is determined by independent valuers at the statement of financial position date. Profits and losses arising from valuation are included in the consolidated statement of profit or loss.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to property and equipment, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If property and equipment 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.

When the Group begins to redevelop an existing investment property with a view to selling the property, it is transferred to trading properties at carrying value.

2.9 Goodwill

Goodwill arising in a business combination is computed as the excess of the aggregate of: the consideration transferred; the non-controlling interests proportionate share of the acquiree's net identifiable assets, if any; and in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Any deficit is a gain from a bargain purchase and is recognized directly in the consolidated statement of profit or loss.

Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of goodwill relating to the entity or the portion sold.

Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. That relating to goodwill cannot be reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

2.10 Property and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have 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 expenditures are capitalized as an additional cost of property and equipment.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss.

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

	Years
Buildings	35
Furniture and equipment	4
Computers	4 - 7

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Property and equipment are reviewed periodically for any impairment. If there is an indication that the carrying value of the asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss.

2.11 Fair value measurements

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 Group.

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.

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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and.

Level 3 - inputs are unobservable inputs for the asset or liability.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

The 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.

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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash generating unit (GUC) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

2.13 Insurance contract liabilities – recognition and measurement

This comprises of provisions for outstanding claims, unexpired risks and claims incurred but not reported.

Reserve for outstanding claims

This represents the Group's estimate of its liability for reported claims, which are unpaid on the consolidated statement of financial position date based on historical loss ratios. Although the Group's management believes that the amount of reserve is adequate, the ultimate cost of claims cannot be known with certainty at the consolidated statement of financial position date.

Reserve for unexpired risks

General insurance

At the end of each year, a proportion of net retained premiums of general insurance are provided to cover portions of risks which have not expired at the consolidated statement of financial position date.

The reserve is calculated on annual premiums earned net of reinsurance at 30% for Fire and General Accident insurance and 15% for Marine and Aviation insurance.

Life Insurance

Reserve for life insurance liabilities are recognised based on independent actuarial valuation.

Additional reserves

The Group estimates additional provisions for claims incurred but not reported at the consolidated statement of financial position date based on historical loss ratios.

Liability adequacy test

At each reporting date the Group assesses whether its recognized 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 recognized in the consolidated statement of profit or loss and an unexpired risk provision is created.

Reinsurance contracts held

In order to minimize 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 "receivables arising from insurance contracts".

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

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

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

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized 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 derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.14 End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the consolidated statement of financial position date, and approximates the present value of the final obligation.

2.15 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or canceled. 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 shareholders' equity (treasury shares reserve) which is not distributable. Any realized 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 realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group company purchases the Parent Company's equity shares (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's equity holders.

2.16 Revenue recognition

Gross premium

Gross premium comprises the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognized on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premium receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from gross premium; others are recognized as an expense. Premiums are recognized as revenue annually and over the period of the cover. The portion of premiums that relates to unexpired risks at the consolidated statement of financial position date is reported as reserve for unexpired risks or as unearned premium.

Reinsurance premium

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by the contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period for premium receivable in respect of business written in prior accounting periods. Unearned reinsurance premium are those proportion of premium written in a year that relates to periods of risk after the reporting date.

Commission earned and paid

Commissions earned and paid are recognised at the time policies are underwritten for direct business and for reinsurance business.

Policy issuance fees

Insurance and investment contract policyholders are charged for policy administration services, investments management services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed.

Dividend income

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

Interest income

Interests on fixed deposits are recognised on time proportion basis using effective yield method.

Realised gains and losses

Realised gains and losses recorded in the statement of profit or loss include gain and loss on financial assets. Gains and losses on sale of investments are measured as the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and are recognized at the time of the sale.

Insurance service income

Income from insurance services is recognized on business incepted during the year

2.17 Claims

Claims, comprising amount payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to consolidated statement of profit or loss as incurred. Claims comprises the estimated amount payable, in respect of claims reported to the Group and those not reported at the reporting date.

The Group generally estimates its claim based on previous experience. Independent loss adjusters normally estimates property claim. In addition, a provision based on management's judgment 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.

2.18 Provisions for liabilities

Provisions are recognised when, 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.

2.19 Contingencies

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefit is probable.

Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

2.20 Accounting for Operating leases

Where Group is a lessor

Operating leases

Real estate property owned by the Group and leased under operating leases for rental income is included in investment property in the consolidated statement of financial position.

Operating lease income is recognized, when earned, on a straight line basis over the lease period.

Where Group is a lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease or over the expected time pattern of user's benefit.

2.21 Foreign currency

The Group's consolidated financial statements are presented in Kuwait Dinars, which is also the Parent Company functional currency. Foreign currency transactions are recorded at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the reporting date. Any resultant gains or losses are taken to the consolidated statement of profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Translation difference on non-monetary items classified as "at fair value through profit or loss" are reported as part of the fair value gain or loss in the consolidated statement of profit or loss whereas, those on non-monetary items classified as "available for sale" financial assets are included in consolidated statement of profit or loss and comprehensive income.

2.22 Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services and class of customers are appropriately aggregated and reported as reportable segments.

2.23 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

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 on the amounts recognised in the consolidated financial statements:

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "financial assets at fair value through profit or loss" or "financial assets available for sale".

The Group classifies investments as 'financial assets at fair value through profit or loss' if they are acquired primarily for the purpose of short term profit making or if they are managed and their performance is evaluated on a reliable fair value basis in accordance with a documented investment strategy. All other investments are classified as "available for sale".

Impairment of financial assets available for sale

The Group treats "financial assets available for sale" equity investments as impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgment. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance; changes in technology and operational and financing cash flows.

Classification of real estate Investments

The Group classifies its real estate as "investment properties" if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Estimation uncertainty and assumptions

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:

Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

Provision for doubtful debts

The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The provisions and write-down of accounts receivable are subject to management approval.

Notes to the Consolidated Financial Statements - 31 December 2014

Sources of uncertainty in the estimation of outstanding claims

Non life

Claims are payable on a claims-occurrence basis. The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. Liabilities for unpaid claims are estimated using the inputs on individual cases reported to the Group and management estimation for the claims incurred but not reported. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liabilities for these contracts on the date of consolidated statement of financial position comprise a provision for claims incurred but not reported (IBNR), a provision for reported claims not yet paid and a provision for unexpired risks.

In reporting net incurred claims and estimating the liability for the cost of reported claims and not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately.

Life

Uncertainty is the estimation of future benefit payments and premiums receipts for life insurance contracts arises from the unpredictability of overall levels of mortality, health and the variability in contract holder behavior.

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.

3. Cash and cash equivalents

	Kuwaiti Dinars	
	2014	2013
Cash on hand and at banks	2,180,270	3,983,108
Cash in portfolios	2,017,004	51,353
	<u>4,197,274</u>	<u>4,034,461</u>

Cash and cash equivalent are denominated in the following currencies:

	Kuwaiti Dinars	
	2014	2013
Kuwaiti Dinar	1,877,960	3,273,311
US Dollar	2,319,314	744,605
Euro	-	16,545
	<u>4,197,274</u>	<u>4,034,461</u>

4. Fixed deposits

Fixed deposits represent deposits at banks whose maturity period exceeds three months but not more than one year from the date of placement.

Fixed deposits are denominated in the following currencies:

	Kuwaiti Dinars	
	2014	2013
Kuwaiti Dinar	9,644,000	6,529,000
US Dollar	439,500	143,000
	<u>10,083,500</u>	<u>6,672,000</u>

The Insurance Companies and Agent Law No. 24 of 1961 as amended, requires the Parent Company to deposit in a Kuwaiti bank or in a Kuwaiti branch of a foreign bank, a deposit amounting to KD 500,000 for general insurance and KD 500,000 for life insurance (2013 - KD 120,000 for general insurance and KD 45,000 for life insurance business).

Additionally, a minimum 15% of premiums collected on marine insurance contracts and 30% of premiums collected on non-marine insurance contracts except for life insurance contracts are to be retained in Kuwait. A minimum 40% of the amounts retained are to be in the form of deposits in a bank operating in Kuwait.

Accordingly, fixed deposits amounting to KD 3,919,000 (2013 - KD 2,919,000) are under lien to the Ministry of Commerce to comply with local insurance regulations. The Parent Company cannot utilize any of these deposits unless they are replaced with an equal financial instrument within the limits prescribed in the law.

The effective interest rate on fixed deposits was 0.871% to 2% per annum (2013 – 1.5%).

5. Investments at fair value through profit or loss

	Kuwaiti Dinars	
	2014	2013
<i>Held for trading</i>		
Quoted shares	1,940,740	1,848,325
Investment fund	136,001	133,934
Investment portfolio	177,243	175,341
	<u>2,253,984</u>	<u>2,157,600</u>

The movement during the year is as follows:

	Kuwaiti Dinars	
	2014	2013
Balance at the beginning of the year	2,157,600	2,219,054
Additions	51,912	-
Disposals	(14,015)	-
Unrealized gain/(loss) on change in fair value (Note - 22)	58,487	(61,454)
Balance at the end of the year	<u>2,253,984</u>	<u>2,157,600</u>

6. Insurance and reinsurance receivables

	Kuwaiti Dinars	
	2014	2013
Outstanding premium	14,085,289	14,176,102
Less: Provision for doubtful accounts	(1,402,467)	(1,430,000)
	<u>12,682,822</u>	<u>12,746,102</u>
Advance insurance premium	2,835,725	3,475,849
Insurance and reinsurance companies	2,971,919	2,106,020
	<u>18,490,466</u>	<u>18,327,971</u>

Outstanding premium

As of 31 December 2014, premium receivables amounting to KD 1,402,467 (2013 - KD 1,430,000) were impaired and fully provided for and KD 5,657,376 (2013 – KD 6,150,522) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these account receivables is as follows:

Notes to the Consolidated Financial Statements - 31 December 2014

	Kuwaiti Dinars	
	2014	2013
3 to 6 months	2,463,622	2,583,220
6 to 12 months	3,193,754	3,567,302
	<u>5,657,376</u>	<u>6,150,522</u>

The movement of provision for doubtful debts is as follows:

	Kuwaiti Dinars	
	2014	2013
Balance at beginning of the year	1,430,000	1,430,000
Utilization during the year	(27,533)	-
Balance at the end of the year	<u>1,402,467</u>	<u>1,430,000</u>

The Group does not hold any collateral as security.

7. Other receivables

	Kuwaiti Dinars	
	2014	2013
Due from related parties	1,471,589	1,657,262
Advance for purchase of property	760,000	760,000
Accrued income	141,128	175,860
Prepaid expenses	43,197	202,548
Other	50,303	43,552
	<u>2,466,217</u>	<u>2,839,222</u>

Other receivables do not contain impaired assets.

8. Investments available for sale

	Kuwaiti Dinars	
	2014	2013
Quoted securities	13,956,769	14,327,424
Unquoted securities	4,531,745	4,561,055
	<u>18,488,514</u>	<u>18,888,479</u>

Movement during the year is as follows:

	Kuwaiti Dinars	
	2014	2013
Balance at the beginning of the year	18,888,479	19,567,759
Additions	-	58,074
Disposals	-	(570,166)
Impairment loss (Note - 22)	-	(50,773)
Change in fair value	(399,965)	(116,415)
Balance at the end of the year	<u>18,488,514</u>	<u>18,888,479</u>

Investments available for sale are denominated in the following currencies:

	Kuwaiti Dinars	
	2014	2013
Kuwaiti Dinar	17,943,749	18,281,286
US Dollar	42,268	104,696
Others	502,497	502,497
	<u>18,488,514</u>	<u>18,888,479</u>

Quoted shares with a fair value of KD 2,214,000 (2013 – KD 2,610,000) are under lien to the Ministry of Commerce and Industry.

Notes to the Consolidated Financial Statements - 31 December 2014

Unquoted equity securities amounting KD 964,805 (2013 – KD 964,805) are carried at cost less impairment loss since their fair values cannot be reliably determined.

9. Subsidiary

The subsidiary WAPMED TPA Services Company – K.S.C.C is a closed Kuwaiti shareholding company incorporated in the state of Kuwait. The principal activity of the subsidiary is providing administrative and technical services to insurance companies and to manage and organize health insurance, evaluating the therapeutic services provided by the medical centers for the insured and issuing special cards for the policy holders. The Parent Company holds 54.57% (2013 – 54.57%) of its equity interest.

The summarised financial information of subsidiary is set out below before intragroup eliminations.

	Kuwaiti Dinars	
	2014	2013
Current assets	638,443	465,447
Non-current assets	135,151	147,697
Current liabilities	(131,958)	(86,956)
Non-current liabilities	(84,186)	(62,963)
Equity	557,450	463,225
Equity attributable to the Parent Company	304,200	252,782
Non-controlling interest	253,250	210,443
	557,450	463,225
Revenue	833,230	692,148
Profit for the year	94,225	75,485
Profit attributable to the Parent Company	51,418	41,192
Profit attributable to the non-controlling interest	42,807	34,293
	94,225	75,485
Other comprehensive income for the year	-	-
Total comprehensive income for the year	94,225	75,485
Total comprehensive income attributable to Parent Company	51,418	41,192
Total comprehensive income attributable to the non-controlling interests	42,807	34,293
Total comprehensive income for the year	94,225	75,485
Net cash from operating activities	49,186	52,765
Net cash used in investing activities	(3,179)	(125,884)
Net increase/(decrease) in cash and cash equivalents	46,007	(73,119)

10. Investment in associates

Investment in associates consists of the following:

Name of the associates	Principal activity	Country of incorporation	Ownership Percentage	
			2014	2013
Ritaj Takaful Insurance Company - K.S.C.C.	Takaful insurance	Kuwait	25.1	25.1
Partners Real Estate Company - WLL (incorporated in 2014)	Real estate	Kuwait	40.5	-

Summarized financial information in respect of each of the Group's associates is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

Notes to the Consolidated Financial Statements - 31 December 2014

Ritaj Takaful Insurance Company KSCC

	Kuwaiti Dinars	
	2014	2013
Current assets	3,660,853	4,833,264
Non- current assets	10,139,672	7,662,023
Current liabilities	(832,718)	(1,015,634)
Non- current liabilities	(850,000)	(100,000)
Equity	12,117,807	11,379,653
Revenue	742,155	139,902
Profit for the year	638,856	17,006
Other comprehensive income for the year	99,299	84,066
Total comprehensive income for the year	738,155	101,072

Reconciliation of the above summarized financial information to the carrying amount of the interest in Ritaj Takaful Insurance Company KSCC recognized in the consolidated financial statements.

	Kuwaiti Dinars	
	2014	2013
Net assets of the associate	12,117,807	11,379,653
Proportion of the Group's ownership interest	25.1%	25.1%
Carrying amount of the Group's interest	3,041,570	2,856,293

Partners Real Estate Company - WLL

	Kuwaiti Dinars	
	2014	2013
Current assets	1,800,000	-
Non- current assets	4,200,000	-
Current liabilities	-	-
Non- current liabilities	-	-
Equity	6,000,000	-

Reconciliation of the above summarized financial information to the carrying amount of the interest in Partners Real Estate Company WLL recognized in the consolidated financial statements.

	Kuwaiti Dinars	
	2014	2013
Net assets of the associate	6,000,000	-
Proportion of the Group's ownership interest	40.5%	-
Carrying amount of the Group's interest	2,430,000	-

The movement during the year is as follows:

	Kuwaiti Dinars	
	2014	2013
Balance at the beginning of the year	2,856,293	3,733,550
Addition	2,430,000	2,786,100
Disposals	-	(3,779,116)
Profit from discontinued operation	-	118,129
Group share of result of associates (Note – 22)	160,353	4,269
Group share of associate's cumulative changes in fair value	24,924	21,101
Group share of associate's cumulative changes in fair value transfer to statement of profit or loss	-	(27,740)
Balance at the end of the year	5,471,570	2,856,293

Notes to the Consolidated Financial Statements - 31 December 2014

Business Combination, Discontinued Operations and Disposal of a Subsidiary

On June 25, 2013 the Parent company acquired additional 25,100,000 shares of Ritaj Takaful Insurance Company - K.S.C. C "an associate", from a related party which increased the ownership from 33.6% to 58.7%. The consideration for the acquisition was settled against due from a related party for amount of KD 2,786,100 and the balance of KD 325,435 due from the related party was settled in cash.

The fair values assigned to the identifiable assets, liabilities and contingent liabilities acquired as of the date of acquisition are as follows:

	<u>Kuwaiti Dinars</u>
Cash and cash equivalents	4,274,252
Investments	5,376,713
Trade and other receivables	273,563
Due from related party	96,065
Insurance and reinsurance receivables	2,259,848
Property, plant and equipment	22,916
Total assets	<u>12,303,357</u>
Trade and other payables	<u>(1,055,987)</u>
Net assets	<u>11,247,370</u>
Represented by:	
Purchase consideration	2,786,100
Non-controlling interest	4,645,164
Fair value of previously held interest	3,816,106
	<u>11,247,370</u>

- a) The results of Ritaj Takaful Insurance Company – K.S.C.C. up to August 31, 2013 have been classified as discontinued operations since the Parent Company sold 33.6% of its ownership in this entity to a related party on 31 August 2013 as mentioned below.
- b) On August 31, 2013 the Parent Company sold 33.6% shareholding of Ritaj Takaful Insurance Company - K.S.C.C to a related party for KD 3,729,600 and on that date it become an associate of the Parent Company with 25.1% shareholding for cash as follows:

	<u>Kuwaiti Dinars</u>
33.6% of net assets disposed	3,779,116
Loss on disposal	(49,516)
Cash consideration received	<u>3,729,600</u>

Profit from discontinued operations:

	<u>Kuwaiti Dinars</u>
Profit from discontinued operations	118,129
Loss on disposal	(49,516)
	<u>68,613</u>

11. Investment property

	<u>Kuwaiti Dinars</u>
	<u>Land</u>
At 31 December 2012	4,340,000
Change in fair value	(140,000)
At 31 December 2013	4,200,000
Disposals	(4,200,000)
At 31 December 2014	<u>-</u>

During the year, the investment property was sold to an associate.

Notes to the Consolidated Financial Statements - 31 December 2014

The Group's investment property is included in Level 3 of fair value hierarchy as at December 2013 on the basis that current use was its highest and best use.

12. Property and equipment

	Kuwaiti Dinars			Total
	Land and buildings	Furniture and equipment	Computer	
Cost				
At 31 December 2012	8,625,006	476,518	1,241,337	10,342,861
Additions	-	80,443	237,608	318,051
Disposals	-	(24,037)	(885)	(24,922)
At 31 December 2013	8,625,006	532,924	1,478,060	10,635,990
Additions	-	32,710	84,850	117,560
Disposals	-	(2,150)	-	(2,150)
At 31 December 2014	<u>8,625,006</u>	<u>563,484</u>	<u>1,562,910</u>	<u>10,751,400</u>
Accumulated depreciation				
At 31 December 2012	652,231	287,181	739,294	1,678,706
Charge for the year	141,411	84,182	124,452	350,045
For disposals	-	(24,037)	(885)	(24,922)
At 31 December 2013	793,642	347,326	862,861	2,003,829
Charge for the year	141,409	57,960	181,814	381,183
For disposals	-	(2,150)	-	(2,150)
At 31 December 2014	<u>935,051</u>	<u>403,136</u>	<u>1,044,675</u>	<u>2,382,862</u>
Net book value				
At 31 December 2014	<u>7,689,955</u>	<u>160,348</u>	<u>518,235</u>	<u>8,368,538</u>
At 31 December 2013	<u>7,831,364</u>	<u>185,598</u>	<u>615,199</u>	<u>8,632,161</u>

The Head office building and related land are under lien to the Ministry of Commerce and Industry for an amount of KD 2,955,780 (2013 - KD 2,955,780), to comply with local insurance regulations.

13. Bank overdraft

During the year the Group obtained unsecured overdraft facilities from a local bank at an effective interest rate of 3.75% per annum.

14. Accounts payable

	Kuwaiti Dinars	
	2014	2013
Trade payable	3,510,980	3,457,180
Due to related parties	90,976	80,590
	<u>3,601,956</u>	<u>3,537,770</u>

15. Insurance contract liabilities

	Kuwaiti Dinars	
	2014	2013
Reserve for outstanding claims	18,877,082	19,125,085
Reserve for unexpired risks	3,784,847	3,312,790
Reserve for life insurance fund	1,198,714	1,087,662
	<u>23,860,643</u>	<u>23,525,537</u>

Notes to the Consolidated Financial Statements - 31 December 2014

The reserve for outstanding claims comprises of:

	Kuwaiti Dinars				
	Marine and aviation	Fire	General accident	Life and medical	Total
2014					
Reserve for outstanding claims:					
Gross balance at beginning of the year	1,302,266	3,718,693	10,065,122	4,039,004	19,125,085
Reinsurance share	(1,084,325)	(3,543,096)	(8,061,765)	(3,850,425)	(16,539,611)
Net balance at beginning of the year	217,941	175,597	2,003,357	188,579	2,585,474
Incurred during the year – net	279,232	536,058	3,862,498	5,054,524	9,732,312
Paid during the year – net	(147,701)	(99,016)	(3,548,477)	(4,927,583)	(8,722,777)
Net balance at end of the year	349,472	612,639	2,317,378	315,520	3,595,009
Represented by:					
Gross outstanding claims at end of the year	1,320,793	3,811,622	9,313,716	4,430,951	18,877,082
Reinsurance share	(971,321)	(3,198,983)	(6,996,338)	(4,115,431)	(15,282,073)
	349,472	612,639	2,317,378	315,520	3,595,009
Reserve for unexpired risks	110,101	149,598	2,075,593	1,449,555	3,784,847
2013					
Reserve for outstanding claims:					
Gross balance at beginning of the year	1,340,607	17,371,880	7,195,948	4,517,707	30,426,142
Reinsurance share	(1,191,986)	(17,165,280)	(6,588,596)	(4,288,896)	(29,234,758)
Net balance at beginning of the year	148,621	206,600	607,352	228,811	1,191,384
Incurred during the year – net	178,040	124,970	4,311,691	2,939,772	7,554,473
Paid during the year – net	(108,720)	(155,973)	(2,915,686)	(2,980,004)	(6,160,383)
Net balance at end of the year	217,941	175,597	2,003,357	188,579	2,585,474
Represented by:					
Gross outstanding claims at end of the year	1,302,266	3,718,693	10,065,122	4,039,004	19,125,085
Reinsurance share	(1,084,325)	(3,543,096)	(8,061,765)	(3,850,425)	(16,539,611)
	217,941	175,597	2,003,357	188,579	2,585,474
Reserve for unexpired risks	98,305	103,128	2,038,265	1,073,092	3,312,790

16. Insurance and reinsurance payables

	Kuwaiti Dinars	
	2014	2013
Unearned premiums	3,430,176	4,367,618
Insurance and reinsurance companies	2,947,137	2,769,867
Reserve for reinsurance premiums ceded	44,869	49,894
Reserve for life insurance department	248,587	256,160
Provision for supervision fees	173,284	173,577
	6,844,053	7,617,116

17. Other payables

	Kuwaiti Dinars	
	2014	2013
Provision for end of service indemnity	1,502,394	2,076,938
Dividends payable	1,043,845	1,003,103
Accrued staff leave	414,523	439,416
Accrued expenses	448,304	376,710
Kuwait Foundation for the Advancement of Science (KFAS) Payable	14,472	10,919
National labor support tax payable	16,344	45,138
Zakat payable	11,973	15,131
Board of Directors' remuneration payable	31,500	10,500
	3,483,355	3,977,855

Notes to the Consolidated Financial Statements - 31 December 2014

Provision for end of service indemnity as of 31 December 2014 is lower due to an adjustment of KD 452,302 to limit the amount of indemnity payable to be in accordance with the applicable law and which is included in staff costs.

18. Share capital

The authorized, issued, and fully paid-up share capital comprises of 172,788,740 shares of 100 fils each (2013 - 172,788,740 shares of 100 fils each) fully paid up in cash.

19. Treasury shares

	2014	2013
Number of shares	10,515,470	10,515,470
Percentage to paid-up shares (%)	6.08%	6.08%
Market value (KD)	1,093,609	1,198,764
Cost (KD)	1,255,986	1,255,986

An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from voluntary reserve throughout the holding period of the treasury shares.

20. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration has been transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. Since the reserve has reached 50% of the capital, the Board of Directors have resolved to discontinue transfer to statutory reserve and was approved by the Parent Company Annual General Assembly on 26 March 2012. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

21. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' Annual General Assembly Meeting upon recommendation by the Board of Directors.

22. Net investment income/ (loss)

	Kuwaiti Dinars	
	2014	2013
<i>Net investment income from life insurance</i>		
Interest income	11,184	25,169
<i>Net investment income from non-life insurance</i>		
Interest income	29,664	61,711
Dividend income from available for sale investments	606,683	427,575
Dividend income from fair value through profit or loss investments	70,548	69,781
Realised gain from available for sale investments	-	291,641
Realised gain from fair value through profit or loss investments	1,773	18,582
Share of result from associate (Note -10)	160,353	4,269
Rental income	8,400	8,400
Unrealised gain/(loss) from fair value through profit or loss investments (Note - 5)	58,487	(61,454)
Impairment loss from available for sale investments (Note - 8)	-	(50,773)
Unrealised loss from investments property	-	(140,000)
	<u>935,908</u>	<u>629,732</u>
Total	<u>947,092</u>	<u>654,901</u>

23. General and administrative expense

	Kuwaiti Dinars	
	2014	2013
Staff cost	2,648,115	3,252,255
Depreciation	364,813	331,037
Other expenses	1,352,158	1,214,367
	<u>4,365,086</u>	<u>4,797,659</u>
Disclosed in the consolidated statement of profit or loss as follows:		
General and administrative expenses	3,893,368	4,330,829
Unallocated general and administrative expenses	471,718	466,830
	<u>4,365,086</u>	<u>4,797,659</u>

24. Insurance service expenses

	Kuwaiti Dinars	
	2014	2013
Staff cost	438,017	395,720
Depreciation	16,370	19,008
Other expenses	290,041	199,587
	<u>744,428</u>	<u>614,315</u>

25. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company before contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST), Zakat and Board of directors' remuneration and after deducting its share of income from shareholding subsidiary and associates and transfer to statutory reserve.

26. National Labour Support Tax

National Labor Support Tax is calculated at 2.5% of the profit of the Parent Company for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST), Zakat and Board of directors' remuneration and after deducting dividends from Kuwaiti listed shareholding companies.

27. Zakat

Contribution to Zakat is calculated at 1% of the profit of Parent Company for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST), Zakat and Board of directors' remuneration and after deducting its share of profit from shareholding subsidiaries and associates and cash dividends from Kuwaiti listed shareholding companies in accordance with Ministry of Finance resolution No. 58/2007.

28. Earnings per share

There are no potential dilutive ordinary shares. Earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) as follows:

	Kuwaiti Dinars	
	2014	2013
Profit for the year from:		
continuing operation attributable to the Parent Company's shareholders	1,500,362	1,066,957
discontinued operation attributable to the Parent Company's shareholders	-	68,613
Number of shares outstanding:		
Number of issued shares at beginning of the year	172,788,740	172,788,740
Less: Weighted average number of treasury shares	(10,515,470)	(3,234,922)
Weighted average number of outstanding shares	<u>162,273,270</u>	<u>169,553,818</u>
Earnings per share from continuing operation (Fils)	9.25	6.29
Earnings per share from discontinued operation (Fils)	-	0.4

29. Dividends

The Board of Directors' meeting held on 16 February 2015 recommends a cash dividend of 8 fils per share for the year ended 31 December 2014. This recommendation is subject to the approval of the Parent Company's Annual General Assembly.

The Annual General Assembly meeting held on 28 April 2014, approved cash dividend of 7 fils per share for the year ended 31 December 2013 (2012 - 5 fils per share) to all the registered shareholders as of the date of the meeting.

30. Segment information

The Group has four principal business segments:

- Marine and aviation

Insurance against the risks related to goods transportation and different types of marine and aviation vessels.

- Fire

Insurance against fire for different types of buildings, stores, industrial risks and oil and gas industry.

- General accident

Insurance against risks of contractors, machine and computer damages and cessation of work; insurance for cash, fidelity bonds, professional risks, work accidents, civil responsibility and cars.

- Life and medical insurance

Providing various life insurance cover for individuals and Companies.

Notes to the Consolidated Financial Statements - 31 December 2014

	Kuwaiti Dinars					
	Marine & aviation	Fire	General accidents	Total general risk insurance	Life and medical	Total
Year ended 31 December 2014						
Revenues:						
Gross premiums written	1,731,006	3,116,496	13,676,910	18,524,412	13,610,653	32,135,065
Premium ceded to reinsurers	(996,999)	(2,617,835)	(6,758,266)	(10,373,100)	(5,415,239)	(15,788,339)
Net premiums written	734,007	498,661	6,918,644	8,151,312	8,195,414	16,346,726
Movements in unearned premium reserve	(11,796)	(46,470)	(37,327)	(95,593)	-	(95,593)
Movements in life mathematical reserve	-	-	-	-	(487,514)	(487,514)
Net premiums earned	722,211	452,191	6,881,317	8,055,719	7,707,900	15,763,619
Commission received on ceded reinsurance	240,971	313,828	452,447	1,007,246	698,553	1,705,799
Policy issue fees	5,986	434	156,621	163,041	9,921	172,962
Net investment income from life insurance	-	-	-	-	11,184	11,184
	969,168	766,453	7,490,385	9,226,006	8,427,558	17,653,564
Expenses						
Net incurred claims	(279,232)	(536,058)	(3,862,498)	(4,677,788)	(5,054,524)	(9,732,312)
Commission and discounts	(145,961)	(231,526)	(1,263,861)	(1,641,348)	(1,497,696)	(3,139,044)
General and administrative expenses	(346,925)	(292,827)	(1,977,998)	(2,617,750)	(1,275,618)	(3,893,368)
	(772,118)	(1,060,411)	(7,104,357)	(8,936,886)	(7,827,838)	(16,764,724)
Net underwriting income	197,050	(293,958)	386,028	289,120	599,720	888,840
Net investment income from non-life insurance				935,908	-	935,908
Insurance service income				833,230	-	833,230
Other income				159,859	9,124	168,983
				2,218,117	608,844	2,826,961
Insurance service expenses				(744,428)	-	(744,428)
Unallocated general and administrative expenses				(471,718)	-	(471,718)
Profit for the year				1,001,971	608,844	1,610,815
Assets				70,785,203	14,399,322	85,184,525
Liabilities				26,103,865	12,476,675	38,580,540
Non-cash expenses				132,926	129,391	262,317
Capital expenditure				115,497	2,063	117,560

Notes to the Consolidated Financial Statements - 31 December 2014

Year ended 31 December 2013	Kuwaiti Dinars					
	Marine & aviation	Fire	General accidents	Total general risk insurance	Life and medical	Total
Revenue:						
Premiums written	1,710,473	3,307,172	12,163,692	17,181,337	13,673,322	30,854,659
Reinsurance share	(1,055,109)	(2,963,413)	(5,369,471)	(9,387,993)	(7,461,108)	(16,849,101)
Net premiums written	655,364	343,759	6,794,221	7,793,344	6,212,214	14,005,558
Movements in reserve for unexpired risks	(943)	(48,950)	281,044	231,151	-	231,151
Movements in reserve for life insurance fund	-	-	-	-	(835,109)	(835,109)
Net premiums earned	654,421	294,809	7,075,265	8,024,495	5,377,105	13,401,600
Commission income on ceded business	298,734	234,417	491,331	1,024,482	786,075	1,810,557
Issue fees	5,683	400	177,152	183,235	15,880	199,115
Net investment income from life	-	-	-	-	25,169	25,169
Total revenue	958,838	529,626	7,743,748	9,232,212	6,204,229	15,436,441
Expenses:						
Net incurred claims	(178,041)	(124,970)	(4,311,691)	(4,614,702)	(2,939,772)	(7,554,474)
Commission and discounts	(148,074)	(97,612)	(1,253,597)	(1,499,283)	(1,262,513)	(2,761,796)
General and administrative expenses	(361,837)	(450,033)	(2,029,438)	(2,841,308)	(1,489,521)	(4,330,829)
Total expenses	(687,952)	(672,615)	(7,594,726)	(8,955,293)	(5,691,806)	(14,647,099)
Net underwriting income	270,886	(142,989)	149,022	276,919	512,423	789,342
Net investment income				629,732	-	629,732
Insurance service income				691,192	-	691,192
Other income				129,046	(3,832)	125,214
Insurance service expenses				1,726,889	508,591	2,235,480
Unallocated general and administrative expenses				(614,315)	-	(614,315)
				(466,830)	-	(466,830)
				645,744	508,591	1,154,335
				68,613	-	68,613
				714,357	508,591	1,222,948
Profit from discontinued operation				74,235,410	10,994,638	85,230,048
Assets				26,145,503	12,512,775	38,658,278
Liabilities				936,181	87,095	1,023,276
Non-cash expenses				314,655	3,396	318,051
Capital expenditure						

Notes to the Consolidated Financial Statements - 31 December 2014

Statement of financial position for life insurance segment

	Kuwaiti Dinars	
	2014	2013
ASSETS		
Cash and cash equivalents	1,598,145	381,015
Fixed deposits	1,539,000	1,539,000
Insurance and reinsurance receivables	6,939,232	5,145,961
Other receivables	182,070	51,950
Loans secured by life insurance policies	20,149	20,010
Reinsurance share in reserve for outstanding claims	4,115,431	3,850,425
Property and Equipment	5,295	6,277
Total assets	14,399,322	10,994,638
LIABILITIES AND HEAD OFFICE CURRENT ACCOUNT		
Insurance contract liabilities		
Reserve for outstanding claim	4,430,951	4,039,004
Reserve for unexpired risk	1,449,555	1,073,092
Reserve for life insurance fund	1,198,714	1,087,662
Total insurance contract liabilities	7,079,220	6,199,758
Accounts payable	1,840,110	1,357,575
Insurance and reinsurance payables	3,363,911	4,749,923
Other payables	193,434	205,519
Total liabilities	12,476,675	12,512,775
Head office current account	1,922,647	(1,518,137)
Total liabilities and H.O current account	14,399,322	10,994,638

31. Related party disclosure

The Group has entered into various transactions with related parties, i.e. shareholders, Board of directors, key management personnel, associates and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:

	Kuwaiti Dinars	
	2014	2013
Insurance activities		
Insurance services receivable	1,071,589	1,157,262
Insurance services payable	90,976	80,590
Investment activities		
Investments at fair value through income statement	177,242	175,341
Investments available for sale	8,894,557	10,410,077
Deposits and bank balances	7,929,417	7,482,711
Other activities		
Current account	400,000	500,000

Transactions included in the consolidated statement of profit or loss:

	Kuwaiti Dinars	
	2014	2013
Premiums written	364,384	332,917
<i>Compensation to key management personnel</i>		
Short term employee benefits	252,108	192,473
Post-employment benefits	8,653	36,355
	<u>260,761</u>	<u>228,828</u>

This includes management fees of KD 140,000 for the Chairman from April 2014 as approved in the Annual General Assembly dated 28 April 2014

32. Capital commitments and contingent liabilities

	Kuwaiti Dinars	
	2014	2013
Letter of guarantee for others	1,188	1,512
Capital commitments	340,000	472,348

33. Insurance Risk Management

Insurance risk

The principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may 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 Group manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

The Group principally issues life insurance contracts which constitute life and medical risk and general insurance contracts, which constitute mainly marine & aviation and fire & general risks.

The Group, in the normal course of business, in order to minimize financial exposure arising from large claims, enters into contracts with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

To minimize its exposure to significant losses from reinsure insolvencies, the Group evaluates the financial condition of its reinsures and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures. The Group only deals with reinsurers approved by the Parent Company Board of Directors.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to policy holders 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 on any single reinsurance contract.

Sensitivities

The insurance claims provisions are sensitive to the key assumptions as disclosed in note 2.17. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

At 31 December 2014, if the key assumptions for insurance claims had been 10% higher/ lower with all other assumptions held constant, profit for the year would be lower/ higher by KD 973,231 (31 December 2013: KD 755,447)

34. Financial risk management

The Group is exposed to a variety of financial risks, through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are credit risk, market risk and liquidity risk. In particular, the key financial risk is that the Group's investment proceeds may not be sufficient to fund the obligation arising from its underwriting.

Governance framework

The Parent Company has established risk management functions with clear terms of reference from the Parent Company's Board of Directors, its committees and the associated executive management committees. This is supplemented with a clear organizational structure with documented delegated authorities and responsibilities from the Parent Company's Board of Directors to executive management committees and senior managers.

Asset Liability Management (ALM) framework

The Parent Company manages financial risks within an ALM framework that has been developed to achieve long term investment returns in excess of its obligations under insurance contracts. The Parent Company's ALM forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

Financial risk

The various risks that the Group is exposed to and the processes in place to manage those risks are described below.

(a) *Market risk*

Market risk, comprising of currency risk, interest rate risk and other price risk arises due to movements in foreign currency rates, interest rates and market prices of assets.

(i) *Foreign exchange risk*

Foreign currency risk is the risk that change in currency exchange rates will adversely affect the Group's cash flows or the value of assets and liabilities in foreign currencies. The Group is exposed to foreign currency risk primarily from its foreign currency denominated investments and its dues from re insurance counterparties. The Group seeks to mitigate this risk by dealing in stable currencies such as US Dollars and monitoring its currency position on a regular basis.

The impact arising from a 5% weakening/ strengthening of the functional currency against the US Dollar to which the Group is exposed is given below:

Year	Kuwaiti Dinars	
	Impact on the consolidated statement of profit or loss	Impact on the consolidated statement of profit or loss and other comprehensive income
2014		
US Dollar	+ 194,368	+ 3,485
2013		
US Dollar	+ 108,994	+ 5,235

(ii) *Interest rate risk*

Interest rate risk arises from the risk that future cash flows or fair values of a financial instrument will fluctuate because of changes in market interest rates. The Group does not have significant exposures to interest rate risk as its interest earning assets are on fixed rate of interest and its exposure to interest bearing liabilities is not significant.

(iii) *Equity price risk*

Equity price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all financial instruments traded in the market.

To manage its price risk arising from investments in equity securities, the Group invests in a diversified portfolio of securities. Diversification of the portfolio is done in accordance with the limits set by the Group. The Board of directors constantly monitors the exposures and provides directions to manage risks and maximize profits.

Notes to the Consolidated Financial Statements - 31 December 2014

As at 31 December 2014, if the Kuwait Stock Exchange index had increased/ decreased by 5%, the profit for the year of the Group would have increased/ decreased by KD 105,899 (2013 – KD 101,183) and comprehensive income would have increased/ decreased by KD 695,725 (2013 – KD 711,136).

(b) 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, other than investments in equities are exposed to credit risk. The Group seeks to mitigate this risk by dealing with credit worthy parties including banks, financial institutions, insurance and reinsurance companies and non-concentration of its assets with one counter party.

The maximum exposure to credit risk as of the date of consolidated statement of financial position is given below.

	Kuwaiti Dinars	
	2014	2013
Cash equivalents	4,146,130	3,983,775
Fixed deposits with banks	10,083,500	6,672,000
Insurance and other receivables	18,490,466	18,327,971
Other receivables	2,423,020	2,636,674
Loans secured by life insurance policies	20,149	20,010
Reinsurance share in reserve for outstanding claims	15,282,073	16,539,611
	<u>50,445,338</u>	<u>48,180,041</u>

Cash equivalents and fixed deposits with banks are placed with local commercial banks and are considered as high grade. These deposits mature within a maximum period of one year from the date of these financial statements.

Reinsurance contract assets represent amounts receivable from reinsurance claims which have not been settled. These are due from local and international companies of repute which have a track record of settling debts.

Insurance and other receivables primarily represent amounts due against premiums for policies underwritten by the Group. These are generally due for payment within a period of one month from the date of issue of the policy. The Group is selective in extending credit facilities to its customers and has a good track record of collecting its debts. Furthermore, credit risk with respect to receivables is limited due to dispersion across large number of customers.

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. Liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. To manage liquidity risk, the Group maintains sufficient cash, adequate amount of credit facilities and investing in securities which can be easily closed out. The Group also has the option to raise additional capital to meet funding requirements.

Maturity table for financial liabilities:

	Kuwaiti Dinars		
	3 – 12 months	1 – 5 Years	Total
2014			
Bank overdraft	790,533	-	790,533
Accounts payable	1,260,685	2,341,271	3,601,956
Insurance and reinsurance payables	4,157,419	2,686,634	6,844,053
Other credit balances	700,667	2,782,688	3,483,355
	<u>6,909,304</u>	<u>7,810,593</u>	<u>14,719,897</u>
2013			
Accounts payable	530,665	3,007,105	3,537,770
Insurance and reinsurance payables	2,709,441	4,907,675	7,617,116
Other credit balances	676,235	3,301,620	3,977,855
	<u>3,916,341</u>	<u>11,216,400</u>	<u>15,132,741</u>

35. Capital Risk Management

The Group's objectives when managing capital are:

- To ensure adequate funds are available to underwrite risks and maintain investor, creditor and market conditions;
- To make available funds for future development of the business;
- To safeguard the Group's ability to continue as a going concern so that it can continue to operate;
- To provide adequate return to shareholders and benefits to its other shareholders.

The Parent Company's Board of Directors constantly monitors the capital structure of the Parent Company with a view to ensuring that a balance is maintained between returns and risk. The Group management ensures that the Parent Company is not geared beyond acceptable limits. For this purpose, the Parent Company may adjust the amount of dividend payable to its shareholders, issue new shares or sell assets to reduce debt.

Furthermore in order to protect against the impact of large claims and catastrophes, the Parent Company is required under law to maintain technical reserves depending on the exposure to various types of underwriting exposures. The details of this reserve are given in note 15.

Under local regulations, the Parent company places some of its bank deposits, investments securities and property under lien to the regulator. The amount of securities and deposits to be placed under lien is determined as a percentage of direct premiums, received during the year for all the segments other than life insurance segment.

Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Parent Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disaster.

Law No. 24 of 1961 as amended, 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 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
- A maximum of 30% may be invested in Kuwaiti companies' shares or bonds
- A maximum of 15% may be invested in a current account with a bank operating in Kuwait

The residual amount maybe 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.

Notes to the Consolidated Financial Statements - 31 December 2014

36. Fair value measurement

Fair value

As at 31 December 2014, the Group held the following financial instruments measured at fair value.

	Kuwaiti Dinars			Total
	Level 1	Level 2	Level 3	
2014				
Investment at fair value though income statement	2,253,984	-	-	2,253,984
Investment available for sale:				
Quoted shares	13,914,501	-	-	13,914,501
Investment portfolio	-	42,268	-	42,268
Unquoted shares	-	-	3,566,940	3,566,940
Total investment available for sale	13,914,501	42,268	3,566,940	17,523,709
	<u>16,168,485</u>	<u>42,268</u>	<u>3,566,940</u>	<u>19,777,693</u>
2013				
Investment at fair value though income statement	2,157,600	-	-	2,157,600
Investment available for sale:				
Quoted shares	14,222,728	-	-	14,222,728
Investment portfolio	-	104,696	-	104,696
Unquoted shares	-	-	3,596,250	3,596,250
Total investment available for sale	14,222,728	104,696	3,596,250	17,923,674
	<u>16,380,328</u>	<u>104,696</u>	<u>3,596,250</u>	<u>20,081,274</u>

Fair values of the financial instruments carried at amortized cost approximate their carrying value. This is based on Level 3 inputs, with the discount rate that reflects the credit risk of counterparties, being the most significant input.

For assets and liabilities that are recognized 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.

During the years 2014 and 2013 there were no transfers between Level 1, Level 2 and Level 3

37. Comparative Figures

Comparative figures have been regrouped and shown separately for commission received on ceded reinsurance and commission and discounts paid to conform with current year presentation with no effect on previously reported equity or profit.