الأولى تكافل
FIRST TAKAFUL

ANNUAL REPORT 2014

الأولـــــى تـكافــــل
FIRST TAKAFUL

First Takaful Insurance Company

Capital KD. 10,100,000

Kuwaiti Shareholding Company incorporated on 25 July 2000 and is registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments.

Al-Qibla , Abdullah Mubarak St. , Al Enma'a Tower
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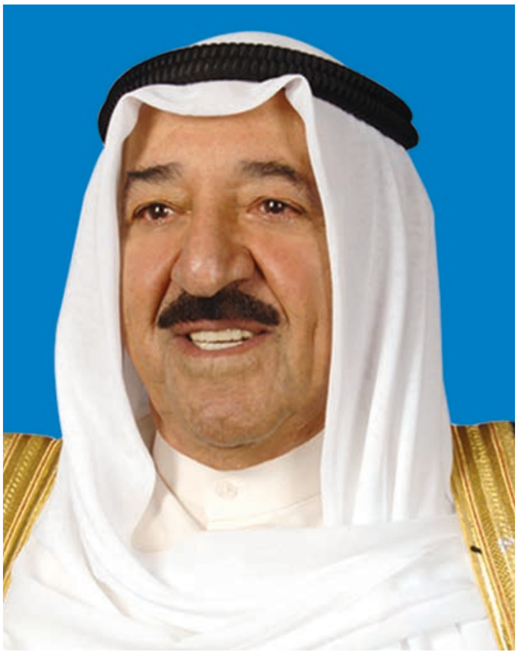
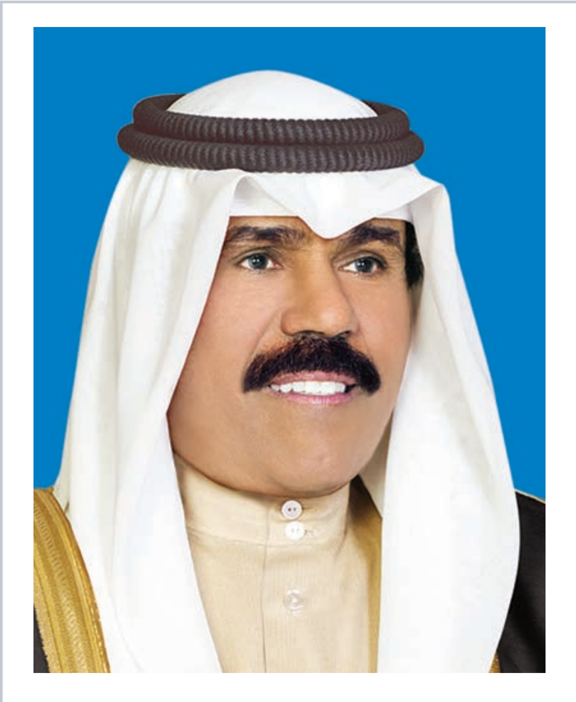


H.H. Sheikh
Sabah Al-Ahmed-Al-Jaber Al Sabah
Amir of State of Kuwait



H.H. Sheikh
Nawaf Al-Ahmed-Al-Jaber Al Sabah
Crown Prince

		Tel	Fax
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Kefan Co-op Society		24929708	
Al - Dasmah Co-op Society		60018909	
Al - Faiha`a Co-op Society		25101232	

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Shareea'a Supervisory Board

Dr. Anwar Shuaib Abdulsalam
Chairman

Dr. Mohammad Abdul Razaq Al Tabtabae
Shareea'a Board Member

Dr. Adnan Ali Al - Mulla
Shareea'a Board Member

Board of Directors

Saleh Saleh Al-Silmiy
Vice Chairman

Hussain Ali Mohammed Al -Attal
Chief Executive Officer

Ahmed Mohammed Ahmed Al-Khalid
Board Member

Osama Abdullateef Al- Abdul Jaleel
Board Member

Rami Khalid Abdullah Ali
Board Member

Saad Abdulaziz Al-Wazzan
Board Member

Saud Suleiman Al Maali
Board Member

Report of the Board of Directors

Board of Directors Report

In the Name of Allah, Praise be to God the Lord of the Two Worlds, Prayers and Peace upon our Prophet Mohamed, his family and all companions,,

Dear shareholders:

Peace be upon you,,

On behalf of the board of Directors of the First Takaful Insurance Company KSCC, and on behalf of myself, I'm pleased to warmly welcome you and present to you the Company annual report for the fiscal year ended on 31/12/2014, including the auditor's report and Legal Advice and Sharia Supervision Panel's report of the Company, as well as the latest developments in the Company.

Shareholders' Portfolio:

In 2014, the Company realized its vision, missions and values as well as executed its strategy based on increasing efficiency, promoting competitiveness and compliance with the governance principles, internal control policies, risk management, implementation of the policies, procedures and authorities, and set aside the required provisions for the investments to promote solvency in full compliance with the provisions of Islamic Laws in our dealings in the insurance, re-insurance and investments fields.

The Board of Directors of the First Takaful Insurance Company KSCC met on 28/8/2014, 21/12/2014 and 12/2/2015 to discuss the Company's financial position for the fiscal year ended on 31/12/2014 as its accumulated losses exceeded 75% of the capital, in light of the loss recorded as a result of setting aside provisions for investment in Weqaya Takaful Insurance and Re-Insurance Company in Saudi Arabia, as a result of re-assessment of its technical provisions by the actuarial expert, which negatively affected the financial results and the financial position for shareholders.

Therefore, members of the Board of Directors of the First Takaful Insurance Company KSCC have decided to record the full decline of the book value of its investment in Weqaya Takaful Insurance and Re-Insurance Company in Saudi Arabia according to the applicable international standards. Further, members of the Board of Directors agreed in consensus on the proposal of a plan for restructuring the financial position of the Group by inviting the extraordinary general assembly to convene according to law No.25 of 2012 to discuss the required recommendation in connection with extinguishing the accumulated losses of the company and increase the capital, following approval of the relevant official authorities.

The reasons for the restructuring of the capital of the First Takaful Insurance Company KSCC is attributed to extinguishing the Company accumulated losses amounting to 9,870,749 Kuwaiti Dinar as on 31 December 2014 by extinguishing the full statutory reserve amounting 842,836 Kuwaiti Dinar, then extinguishing the balance losses amounting to 9,027,913 Kuwaiti Dinar by reducing the Company paid up capital fully from 10,000,000 Kuwaiti Dinar to 972,087 Kuwaiti Dinar, then increase the Company capital from 972,087 Kuwaiti Dinar to 10,660,000 Kuwaiti Dinar with an increase in kind by 9,687,913 Kuwaiti Dinar and a percentage by 996.61% of the capital, with a face value by 100 Fils per share, provided this increase in kind is allocated to the shareholder/ International Financial Consultancy Company, by providing a share in kind by 9,687,913 Kuwaiti Dinar representing 25% of Neova Segurta Company in Turkey, according to the approved evaluation.

The Company is ambitious to restructure its capital structure by increasing shareholders' equities and using the capital increase to extinguish the Company accumulated losses, and therefore support the Company strategy approved by the Board of Directors through the optimum use of the capital for the purpose of promoting the financial position of the Company, gratifying and enhancing the returns and profits of shareholders and foster the position of the First Takaful Insurance Company KSCC as a leading company in Takaful insurance field in the local, regional and international markets, in addition to promoting the market share of the company in the State of Kuwait and the regional markets and seizing the appropriate suitable investment opportunities with rewarding returns according to moderate risks and appropriate liquidity criteria to support the Company expansion in the local market and the other markets in order to reinforce the profitability of the company.

Therefore, the concerned official authorities have been approached, represented in the Capital Markets Authority, Kuwait Stock Exchange and the Ministry of Commerce and Industry in order to obtain the required approvals for restructuring the capital and then hold the ordinary and extraordinary general assembly to approve the structure and ratify the balance sheet of 31/12/2014.

On the level of the financial results of shareholders, the Company recorded losses for the fiscal year 2014 by K.D.5,784,821 against a loss of K.D.2,773,859 for the year 2013, with a share loss of 57.85 Fils in 2014 compared to a share loss of 27.74 Fils in 2013. Further, the shareholders' equities for the current year amounted to K.D.1,005,275 compared with K.D.6,842,288 in the past year, i.e. a decrease by 85%. Further, the total assets of shareholders in the current year amounted to K.D.3,541,612 compared with K.D.9,194,258 in the previous year, i.e. a drop by 61%. This drop in shareholders' equities and the total assets is attributed primarily to recording a share of losses in the operations results and the provision of the decline in the investment value of Weqaya Takaful Insurance and Reinsurance Company.

The total shareholders' liabilities in the current year amounted to K.D.2,536,337 compared with K.D.2,351,970 in the previous year, i.e. an increase by 8%.

Dear brothers:

The losses sustained by the shareholders' portfolio in the First Takaful Insurance Company resulted from the losses in its investments, particularly its investment in Weqaya Takaful Insurance and Reinsurance Company in Saudi Arabia, noting that the underwritings of the policyholders portfolio are growing constantly during the years 2012 – 2013 - 2014. Further, the Company is capable of fulfilling all its contractual obligations towards the policyholders. The investments of the policyholders are separate from the investments of shareholders, noting that the Company retains bank deposits and short term investments pledged to the order of the minister of commerce and industry in order to liquidate if the Company encounters any financial problems preventing it from the payment of its liabilities. Further, most of the insurance policies are reinsured with major reinsurance companies with high credit rating.

It is worth noting that extinguishing the accumulated losses of the Company, then increasing the capital will strengthen the financial position, promote the competitiveness in the market and support the shareholders' equities, which will in turn reflect positively on all parties dealing with the Company.

Policyholders' Portfolio:

The year 2014 witnessed numerous achievements on the sphere of insurance operations, renewal of reinsurance agreements and establishing the company's market share, which reflected positively on the results of the subscribers' portfolio. The underwritten subscriptions increased and an insurance surplus realized for the subscribers, increasing the financial liquidity and payment of the Company debts, in addition to promoting the technical provisions to strengthen solvency for the purpose of protecting policyholders against any risks in the insurance business.

The First Takaful realized, praise be to the Almighty God, a growth in the underwritten premiums in 2014 by 45%, which reflected the balanced policy to acquire subscriptions and distinction in customer service, as well as adopting the selecting underwriting policy for viable subscriptions.

The subscriptions underwritten for the fiscal year 2014 amounted to the sum of K.D.10,666,875 compared with the amount realized by the Company in the fiscal year 2013, which amounted to K.D.7,353,595 with an increase by K.D.3,313,280 and 45%. Further, the net compensations suffered in 2014 amounted to K.D.2,997,491 compared with the year 2013 in which they amounted to K.D.2,008,690 i.e. an increase by K.D.988,801 and 49%. Further, the Company technical reserves for the fiscal year 2014 amounted to K.D.9,474,721.

On the level of the results of policyholders, the net insurance surplus resulting from the insurance operations for the fiscal year 2014 amounted to K.D.48,582 compared with the net insurance surplus of K.D.41,713 for 2013, i.e. an increase by 16%.

On the level of liquidity in the subscribers' portfolio, the Company retains for the policyholders cash and balances with the banks and investments by K.D.2,879,560 to meet the policyholders' liabilities.

Our ambitions and hopes:

The Company is ambitious to realize its vision to become the first choice for its clients on the level of the region by providing creative insurance products, focus on the service and undertaking its operations based on the existing inherited values of honesty, trust, transparency, compliance, service quality, attention to clients, distinction in the services in order to promote First Takaful as a first company in the field of Takaful Insurance in the State of Kuwait, which adheres to the Islamic Laws.

The Company Board of Directors looks forward to realizing profits for the shareholders and subscribers equally and raising the credit rating. Further, the Board of Directors looks forward to distribution of insurance surplus to the policyholders for the next years.

Dear brothers:

At the end, we praise the Almighty God for the blessing of security and safety for our beloved nation, under the leadership of His Highness the Amir of Kuwait, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, may God protect him, and the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, may God protect him, and Sheikh Jaber Mubarak Al-Hamad Al-Sabah, the Prime Minister, may God protect him. Further, I extend my appreciation to members of the Shariah Supervision Panel of the Company, the Insurance Department of the Ministry of Commerce and Industry, the Company shareholders, members of the board of directors and clients, as well as all the Company personnel. Further, we would like to express our gratitude to the local and international reinsures and insurance brokers, and all the other concerned authorities.

Peace be upon you.

Signed
Vice Chairman
Saleh Saleh Al Salmi

First Takaful Insurance Company – KPSC and Subsidiary
Financial statements and independent auditors' report
31 December 2014

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Grant Thornton
Al - Qatami, Al-Aiban & Partners

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Independent auditors' report

To the shareholders of
First Takaful Insurance Company – KPSC
Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of First Takaful Insurance Company – Kuwaiti Public Shareholding Company ("Parent Company") and its Subsidiary, ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 of the Parent Company 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 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.

Grant Thornton
Al - Qatami, Al-Aiban & Partners

MAZARS
Hend Abdulla Al Surayea & Co.- Chartered Accountants

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 8 to the consolidated financial statements.

Report on Other Legal and Regulatory Matters

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, and its executive regulations as amended, and by the Parent Company's articles and memorandum of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, and its executive regulations as amended, nor of the Parent Company's articles and memorandum of association, have occurred during the year ended 31 December 2014 that might have had a material effect on the business or financial position of the group.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations, of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2014.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Hend Abdullah Al Surayea
(Licence No. 141-A)
Hend Abdullah Al Surayea & Co.
Member of MAZARS

Kuwait
12 February 2015

Consolidated statement of profit or loss

Revenue	Notes	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Net investment income	9	25,189	106,704
Share of results of associates	14	(176,512)	(1,068,308)
		(151,323)	(961,604)
Expenses and other charges			
General and administrative expenses		(52,293)	(62,717)
Impairment of available for sale investments	13	(130,543)	(160,820)
Impairment of investment in associate	14	(3,913,627)	(1,588,718)
Net policyholders' insurance deficit transferred to shareholders	21.8	(1,537,035)	-
		(5,633,498)	(1,812,255)
Loss for the year		(5,784,821)	(2,773,859)
Basic and diluted loss per share	11	(57.85) Fils	(27.74) Fils

The notes set out on pages 19 to 57 form an integral part of these consolidated financial statements.

Consolidated Statement of comprehensive income

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Loss for the year	(5,784,821)	(2,773,859)
Other comprehensive (loss)/income:		
Items that will be reclassified subsequently to the statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the year	(91,089)	169,303
-Transferred to consolidated statement of profit or loss on impairment	130,543	160,820
Exchange differences arising on translation of foreign operations	(100,205)	(294,712)
Share of other comprehensive income of associates	8,558	126,924
Total other comprehensive (loss)/ income	(52,193)	162,335
Total comprehensive loss for the year	(5,837,014)	(2,611,524)

The notes set out on pages 19 to 57 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

Assets	Notes	**31 Dec. 2014 KD**	31 Dec. 2013 KD
Bank balance		**1,448**	1,448
Investment deposit	12	**135,000**	135,000
Available for sale investments	13	**2,298,442**	2,389,535
Investment in associates	14	**1,098,364**	5,074,342
Other assets		**8,357**	8,316
Qard Hassan to policyholders' fund	15	**-**	1,585,617
Total assets		**3,541,611**	9,194,258
Equity and liabilities			
Equity			
Share capital	16	**10,000,000**	10,000,000
Legal reserve	17	**842,836**	842,836
Other components of equity	18	**33,187**	85,380
Accumulated losses		**(9,870,749)**	(4,085,928)
Total equity		**1,005,274**	6,842,288
Liabilities			
Policyholders' deficit reserve	15	**-**	1,585,617
Amount due to policyholders	19	**2,476,895**	706,371
Other liabilities		**59,442**	59,982
Total liabilities		**2,536,337**	2,351,970
Total equity and liabilities		**3,541,611**	9,194,258

Hussain Ali Al-Attal
Chief Executive Officer

The notes set out on pages 19 to 57 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital KD	Legal reserve KD	Other components of equity (Note 18) KD	Accumulated losses KD	Total KD
Balance at 1 January 2014	10,000,000	842,836	85,380	(4,085,925)	6,842,288
Loss for the year	-	-	-	(5,784,821)	(5,784,821)
Total other comprehensive loss (note18)	-	-	(52,193)	-	(52,193)
Total comprehensive loss for the year	-	-	(52,193)	(5,784,821)	(5,837,014)
Balance at 31 December 2014	10,000,000	842,836	33,187	(9,870,746)	1,005,277

	Share capital KD	Legal reserve KD	Other components of equity (Note 18) KD	Accumulated losses KD	Total KD
Balance at 1 January 2013	10,000,000	842,836	(76,955)	(1,312,069)	9,453,812
Loss for the year	-	-	-	(2,773,859)	(2,773,859)
Total other comprehensive income (note18)	-	-	162,335	-	162,335
Total comprehensive income/(loss) for the year	-	-	162,335	(2,773,859)	(2,611,524)
Balance at 31 December 2013	10,000,000	842,836	85,380	(4,085,928)	6,842,288

The notes set out on pages 19 to 57 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

OPERATING ACTIVITIES	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Loss for the year	(5,784,821)	(2,773,859)
Adjustments for:		
Net investment income	(25,189)	(106,704)
Net policyholders' insurance deficit transferred to shareholders	1,537,035	-
Impairment of available for sale investments	130,543	160,820
Impairment of investment in associate	3,913,627	1,588,718
Share of results of associates	176,512	1,068,308
	(52,293)	(62,717)
Changes in operating assets and liabilities:		
Movement in policyholders' account	233,413	(1,543,886)
Other liabilities	-	(35,578)
Net cash from/(used in) operating activities	181,120	(1,642,181)
INVESTING ACTIVITIES		
Proceeds from sale of available for sale investments	-	83,077
Increase in investment in associates	(205,808)	(85,918)
Dividend income received	22,500	20,000
Profit on investment deposit received	2,728	2,339
Profit on bank balance received	-	1,020
Net cash (used in)/from investing activities	(180,580)	20,518
FINANCING ACTIVITIES		
Dividend paid	(540)	(36)
Net cash used in financing activities	(540)	(36)
Decrease in cash and cash equivalents	-	(1,621,699)
Cash and cash equivalents at the beginning of the year	1,448	1,623,147
Cash and cash equivalents at the end of the year	1,448	1,448

The notes set out on pages 19 to 57 form an integral part of these consolidated financial statements.

1 Incorporation and activities

First Takaful Insurance Company -KSC (Public) was incorporated on 25 July 2000 and is registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments and is the group's parent company ('parent company'). Its shares are listed on the Kuwait Stock Exchange.

The group comprises the parent company and its 98% owned Subsidiary, First Kuwait Insurance Brokerage Company-WLL, a Kuwaiti limited liability company (see note 7).

The parent company is engaged in:

- Carrying out all types of insurance takaful activities (co-operative insurance) and related activities, including insurance and reinsurance.
- Investing the funds available to the parent company in various activities that are commensurate with the parent company's objectives and not in conflict with the provisions of the Islamic Sharee'a and the established rules and regulations.
- Providing insurance and reinsurance consultancy and technical studies to companies involved in similar activities.
- Investing the contributed funds from policyholders and returns thereon.

Takaful is an Islamic alternative to a conventional insurance and investment program, based on the mutual funds concept, where each policyholder will receive his share in the surplus arising from the insurance activities, in accordance with the parent company's articles of association and the approval of Fatwa and Sharee'a Supervisory Board.

The parent company conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The shareholders are responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The parent company holds the physical custody and title of all assets related to the policyholders' and shareholders' operations however such assets and liabilities together with the results of policyholders' lines of business are disclosed in the notes.

The parent company maintains separate books of accounts for policyholders and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. Management and the board of directors determine the basis of allocation of expenses from joint operations.

All insurance and investment activities are conducted in accordance with Islamic Sharee'a, as approved by Fatwa and Sharee'a Supervisory Board.

At 31 December 2014, the group did not meet the requirements of Law No. 24 of 1961, Law No.13 of 1962 and Decree No. 5 of 1989, issued by the Ministry of Commerce relating to the rules and regulation about regulatory framework for the insurance industry in Kuwait (note 25). The group are required to comply with these rule and regulation by 31 March 2015.

The address of the parent company's registered office is PO Box 5713, Safat 13058, State of Kuwait.

The board of directors of the parent's company approved these consolidated financial statements for issue on 12 February 2015 and are subject to the approval of the General Assembly of the Shareholders.

2 Basis of preparation

The consolidated financial statements of the group have been prepared under historical cost convention except for financial assets available for sale that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the parent company.

3 Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

4 Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used in previous year except for adoption of new accounting policy for basis of consolidation and adoption of new standards, amendments to certain standards and interpretations discussed below.

4.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 32 Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014

IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

IAS 36 Impairment of Assets - Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

The amendments have been applied retrospectively in accordance with their transitional provisions.

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

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

The adoption of the amendment did not result into any material impact on the group's consolidated financial statements.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's consolidated financial statements.

Standard or Interpretation	Effective for annual periods beginning
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

IFRS 9 Financial Instruments

The IASB has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting.

Although earlier application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided on 30 December 2009, to postpone this early application till further notice.

The group's management have yet to assess the impact of this new standard on the group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 11 Revenues and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.
The five steps in the model are as follows:
- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)
IFRS 15 Revenue from Contracts with Customers (continued)

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
  - o Non-cash consideration and asset exchanges
  - o Contract costs
  - o Rights of return and other customer options
  - o Supplier repurchase options
  - o Warranties
  - o Principal versus agent
  - o Licencing
  - o Breakage
  - o Non-refundable upfront fees, and
  - o Consignment and bill-and-hold arrangements.

The group's management have yet to assess the impact of IFRS 15 on these consolidated financial statements.

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an Subsidiary that holds the assets (resulting in loss of control of the Subsidiary), or by the direct sale of the assets themselves.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- Materiality: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.
- Statement of financial position and statement of profit or loss and other comprehensive income: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted asso ciates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Disclosure Initiative – Amendments (continued)

- *Notes:* The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- An amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- Expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The group's management have yet to assess the impact of these new standard on the group's consolidated financial statements.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The group's management have yet to assess the impact of these new standard on the group's consolidated financial statements.

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- Exemption from preparing consolidated financial statements. The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a Subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A Subsidiary providing services that relate to the parent's investment activities. A Subsidiary that provides services related to the parent's investment activities should not be consolidated if the Subsidiary itself is an investment entity.
- Application of the equity method by a non-investment entity investor to an investment entity investee. When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- Disclosures required. An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The group's management have yet to assess the impact of these new standard on the group's consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle

(i1) Amendments to IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

(ii) Amendments to IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) Amendments to IFRS 3-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of profit or loss.
(ii) Amendments to IFRS 13- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.
(iii) Amendments to IFRS 8- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(v) Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

Annual Improvements 2011–2013 Cycle:

(i) Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented.
(ii) Amendments to IFRS 3- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.
(iii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

The group's management has yet to assess the impact of these annual impairments on the group's consolidated financial statements.

5 Significant accounting policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

5.1 Basis of consolidation

The parent controls a Subsidiary if it is exposed, or has rights, to variable returns from its involvement with the Subsidiary and has the ability to affect those returns through its power over the Subsidiary. The financial statements of the Subsidiary are prepared for reporting dates which are typically not more than three months from that of the parent company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of Subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a Subsidiary's profit or loss and net assets that is not held by the group. The group attributes total comprehensive income or loss of Subsidiary between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the Subsidiary is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the group's ownership interests in Subsidiary that do not result in the group losing control over the Subsidiary are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent company.

5.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured, regardless of when payment is made.

The group applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.2.1 Income from investment deposit and bank balance

Income from investment deposit and bank balance is recognised on a time proportion basis taking account of the principal outstanding and rate applicable.

5.2.2 Dividend income

Dividend income, other than those from associates, are recognised at the time the right to receive payment is established.

5.3 Operating expenses

Operating expenses are recognised in the statement of profit or loss upon utilisation of the service or at the date of their origin.

5.4 Taxation

5.4.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the parent company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.4.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the parent company after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.4.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the parent company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

For the years ended 31 December 2014 and 31 December 2013, the parent company has no liabilities towards KFAS due to accumulated losses. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior year is permitted.

5 Significant accounting policies (continued)

5.5 Financial instruments

5.5.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through statement of profit or loss which are measured initially at fair value.

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

- Rights to receive cash flows from the assets have expired;
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either.

(a) The group has transferred substantially all the risks and rewards of the asset or
(b) The group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

5.5.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables
- Available-for-sale (AFS) financial assets.

  All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

  Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

  The group categorises loans and receivables into following category:
  Cash and cash equivalents and investment deposit
  Cash and cash equivalents comprise bank balance and investment deposit which are subject to an insignificant risk of changes in value.

- AFS financial assets

  AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

  Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in consolidated statement of profit or loss. All other AFS financial assets are measured at fair value.

5 Significant accounting policies (continued)

5.5 Financial instruments (continued)

5.5.2 Classification and subsequent measurement of financial assets - ASF financial assets (continued)

Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in consolidated statement of profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to consolidated statement of profit or loss and presented as a reclassification adjustment within other comprehensive income.

The group assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in consolidated statement of profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.5.3 Classification and subsequent measurement of financial liabilities

The group's financial liabilities include other liabilities and amount due to policyholders.

The subsequent measurement of financial liabilities depends on their classification as follows:

Other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Amount due to policyholders
Amount due as a result of transactions with policyholders and cash advances from policyholders are included under amount due to policyholders.

5.6 Investment in associates

Associates are those entities over which the group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

Unrealised gains and losses on transactions between the group and its' associates are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the group's consolidated financial statements. The associate's accounting policies conform to those used by the group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5 Significant accounting policies (continued)

5.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's share of the fair value of the net identifiable assets of the acquired associate as at the date of the acquisition. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the group's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of profit or loss.

5.8 Qard Hassan to policyholders

Qard Hassan represents non-profit Islamic financing provided by the shareholders to the policyholders with respect to the deficit arising from the takaful operations which will be settled from the surplus arising from such business in future years.

5.9 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.10 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

5.11 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

5.12 Impairment testing of non financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.13 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Legal reserve comprises appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the group's foreign associates into Kuwait Dinars.

5 Significant accounting policies (continued)

5.13 Equity, reserves and dividend payments (continued)

- Fair value reserve – comprises gains and losses relating to available for sale financial assets.

Accumulated losses include all current and prior period losses. All transactions with owners of the parent company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5.14 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

5.15 Foreign currency translation

5.15.1 Functional and presentation currency

Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.15.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective company entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.15.3 Foreign operations

In the group's consolidated financial statements, all assets, liabilities and transactions of foreign entities with a functional currency other than the KD are translated into KD. The functional currency of the foreign entities has remained unchanged during the reporting period.

Assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.16 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

6 Significant management judgements and estimation uncertainty

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 disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

In the process of applying the group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The group classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

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

Classification of assets as loans and receivables depends on the nature of the asset. If the group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Control assessment

When determining control, management considers whether the group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of available for sale equity investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

6.2.2 Impairment of associates

After application of the equity method, the group determines whether it is necessary to recognise any impairment loss on the group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.3 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 26).

7 Subsidiary

Name	Percentage ownership 31 Dec. 2014 %	Percentage ownership 31 Dec. 2013 %	Country of incorporation	Principal activities
First Kuwait Insurance Brokerage Company -WLL	98%	-	Kuwait	Insurance brokerage

During the year, the parent company incorporated a 98% owned Subsidiary in Kuwait with share capital of KD 100,000. The remaining shareholders of the Subsidiary have given letters of assignment in favour of the group. Hence the group owns 100 % of the Subsidiary. The Subsidiary has not commenced its activities upto the reporting date of these consolidated financial statements. The investment in Subsidiary was made by policyholders. Therefore, the balances and results of the Subsidiary are consolidated with those of policyholders.

8 Fundamental accounting

At 31 December 2014, the group's accumulated losses exceeded 98% of its share capital. In accordance with the Article 302 of the Companies Law, the directors should call for an extraordinary general assembly meeting of the shareholders to discuss the future plans. The directors intend to present a plan proposal to restructure the financial position of the group through increase of the share capital of the parent company, as the board of directors, in its meeting held on 12 February 2015, proposed to set off the accumulated losses on the company amounting to KD9,870,749 as at 31 December 2014 through depreciation of the legal reserve amounting to 842,836 and reduction of the share capital of the company by KD9,027,913. The board of directors proposed also increase of the amended share capital of the company from KD972,087 to KD10,660,000 by an in-kind increase provided by the company's shareholders, being 25% of the share capital of the associate, Neova Sigorta Insurance Company in Turkey, which represents the share of the existing shareholders of First Takaful Insurance Company in accordance with the valuation approved by an independent valuator approved by the regulatory authorities, noting that this recommendation is subject to approval by the general assembly meeting and competent regulatory authorities. On this basis, the consolidated financial statements have been prepared on the assumption that the group will continue as a going concern.

9 Net investment income

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Profit on investment deposit	2,689	2,608
Profit on bank balance	-	1,020
Dividend income	22,500	20,000
Gain on sale of available for sale investments	-	83,076
	25,189	106,704

10 Net (loss)/gain on financial assets

Net (loss)/gain on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Investment deposit	2,689	2,608
Bank balance	-	1,020
Available for sale investments	(108,043)	(57,744)
Net realised loss	(105,354)	(54,116)
Net unrealised (loss)/gain recognised in equity	(91,089)	169,303
	(196,443)	115,187

11 Basic and diluted loss per share

Basic and diluted loss per share is computed by dividing the loss for the year by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Loss for the year (KD)	(5,784,821)	(2,773,859)
Weighted average number of shares outstanding during the year (number)	100,000,000	100,000,000
Basic and diluted loss per share	(57.85) Fils	(27.74) Fils

12 Investment deposit

In accordance with Kuwaiti law (Business operations licence), an amount of KD135,000 (2013: KD135,000) has been deposited with a Kuwaiti financial institution as security to underwrite general insurance and life insurance business (also refer to note 21). The average rate of profit earned on the deposit during the year was 1.932% (2013: 1.932%).

13 Available for sale investments

	31 Dec. 2014 KD	31 Dec. 2013 KD
Quoted securities	3	3
Unquoted securities	2,298,439	2,389,532
	2,298,442	2,389,535

Available for sale investments include an investment with carrying value of KD1,053,045 (2013: KD1,050,341) is held as security in order of the Minister of Commerce and Industry in accordance with the Ministerial Order No. 27 of 1966 and its amendments.

The group recognised impairment loss of KD130,543 (2013: KD160,820) in respect of certain available for sale investments.

14 Investment in associates

14.1 Details of the investment in associates are given below:

Name	Country of incorporation	Voting capital and ownership interest		Purpose
		31 Dec. 2014 %	31 Dec. 2013 %	
Weqaya Takaful Insurance and Reinsurance Company – SSC ("Weqaya") (Quoted)	Saudi Arabia	20	20	Insurance
Neova Sigorta Insurance Company (Unquoted)	Turkey	10	10	Insurance

Although the group owns less than 20% ownership interest in Neova Sigorta Insurance Company, it exercises significant influence over the investee by virtue of its contractual right to appoint two of the five members on the board of directors of the investee.

14 Investment in associates (continued)

14.1 Details of the investment in associates are given below: (continued)

Movement in the carrying amount of investment in associates is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Carrying amount at the beginning of the year	5,074,342	7,813,238
Additions (note 14.2-b)	205,808	85,918
Share of results of associates	(176,512)	(1,068,308)
Impairment of investment in associate	(3,913,627)	(1,588,718)
Foreign exchange translation adjustments	(100,205)	(294,712)
Share of other comprehensive income of associates	8,558	126,924
Carrying amount at the end of year	1,098,364	5,074,342

14.2 Summarised financial information of group associates amounting are set out below:

a) Weqaya Takaful Insurance and Reinsurance Company - SSC (Quoted):

	31 Dec. 2014 KD	31 Dec. 2013 KD
Non-current assets	22,615,828	18,539,731
Current assets	16,690,459	20,480,793
Total assets	39,306,287	39,020,524
Non-current liabilities	15,434,015	20,947,080
Current liabilities	23,211,533	15,065,222
Total liabilities	38,645,548	36,012,302
Net assets	660,739	3,008,222

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Revenue	(2,076,241)	(6,436,829)
Loss for the year	(2,142,204)	(6,665,904)
Other comprehensive loss for the year	(225,790)	(183,097)
Total comprehensive loss for the year	(2,349,994)	(6,849,001)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the statement of financial position is give below:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Company's ownership interest (%)	20	20
Net assets of the associate	660,739	3,008,222
Company's share of net assets	132,181	601,795
Goodwill	3,781,447	5,370,165
Impairment of investment in associate	(3,913,627)	(1,588,718)
Carrying amount	1	4,383,242
Fair value (level 1)	-	9,554,232

14 Investment in associates (continued)

14.2 Summarised financial information of group associates amounting

a) Weqaya Takaful Insurance and Reinsurance Company - SSC (Quoted): are set out below: (continued)

The group fully impaired the carrying value of its investment in Weqaya Takaful Insurance and Reinsurance Company – SSC ("Weqaya") listed in Saudi Stock Exchange (Tadawul) amounting to KD3,913,627. The group has discontinued to recognise its share of further losses of the associate from 1 April 2014 in accordance with IAS 28. The group's share of unrecognized losses of the associate or its fair value as at 31 December 2014, cannot be determined because the investee company shares have been suspended from trading since 3 June 2014.
If the investee company subsequently reports profit, the group will resume recognizing its share of these profits only after its share of the profits equal the share of losses not recognised.
The group has accounted for its share of results of the associate amounting to (KD428,548) using 31 March 2014 reviewed financial statements.

b) Neova Sigorta Insurance Company (Unquoted):

	31 Dec. 2014 KD	31 Dec. 2013 KD
Non-current assets	445,395	388,769
Current assets	46,039,777	28,569,177
Total assets	46,485,172	28,957,946
Non-current liabilities	341,853	261,086
Current liabilities	35,159,686	21,785,862
Total liabilities	35,501,539	22,046,948
Net assets	10,983,633	6,910,998

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Revenue	32,578,068	22,753,362
Profit for the year	2,520,362	2,948,219
Total comprehensive income for the year	2,520,362	2,948,219

Reconciliation of the above summarised financial information of the associate with the carrying amount in the statement of financial position is give below:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Company's ownership interest (%)	10	10
Net assets of the associate	10,983,633	6,910,998
Company's share of net assets	1,098,363	691,100
Carrying amount	1,098,363	691,100

During the year the group paid capital call for Neova Sigorta amounting to KD205,808.

No divided was received from the assocaites.

15 Qard Hassan to policyholders and deficit reserve

In accordance with the articles of association, policyholders' net deficit from insurance operations has been covered by "Qard Hassan" from the shareholders. The Qard Hassan given by shareholders will be settled through surplus arising from the insurance operations in future years.

	31 Dec. 2014 KD	31 Dec. 2013 KD
Opening balance	1,585,617	1,627,330
Decrease in Qard Hassan to policyholders	(48,582)	(41,713)
Amount transferred to due to policyholders (see note 21.8)	(1,537,035)	-
Closing balance	-	1,585,617

16 Share capital

	31 Dec. 2014 KD	31 Dec. 2013 KD
Authorised: shares of 100 Kuwaiti Fils each	10,100,000	10,100,000
Issued and fully paid: shares of 100 Kuwaiti Fils each	10,000,000	10,000,000

17 Legal reserve

The Companies Law and the parent company's articles of association require that 10% of the profit for the year before KFAS, NLST and Zakat is transferred to the legal reserve. The shareholders of the parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

No transfer is required in a year when losses are incurred or where cumulative losses exist.

18 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2014	504,026	(418,646)	85,380
Available for sale investments:			
- Net change in fair value arising during the year	(91,089)	-	(91,089)
- Transferred to consolidated statement of profit or loss on impairment	130,543	-	130,543
Exchange differences arising on translation of foreign operations	-	(100,205)	(100,205)
Share of other comprehensive income of associates	8,558	-	8,558
Total other comprehensive income/(loss) for the year	48,012	(100,205)	(52,193)
Balance at 31 December 2014	552,038	(518,851)	33,187

18 Other components of equity (continued)

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2013	46,979	(123,934)	(76,955)
Available for sale investments:			
- Net change in fair value arising during the year	169,303	-	169,303
- Transferred to consolidated statement of profit or loss on impairment	160,820	-	160,820
Exchange differences arising on translation of foreign operations	-	(294,712)	(294,712)
Share of other comprehensive income of associates	126,924	-	126,924
Total other comprehensive income/(loss) for the year	457,047	(294,712)	162,335
Balance at 31 December 2013	504,026	(418,646)	85,380

19 Amount due to policyholders

	31 Dec. 2014 KD	31 Dec. 2013 KD
Opening balance	**706,371**	2,250,257
Net movements during the year	**233,489**	(1,543,886)
Policyholders insurance deficit transferred to shareholders (note 21.8)	**1,537,035**	-
Closing balance	**2,476,895**	706,371

Net movements in policyholders' account represent the net fund transfers from and to their account including buying and selling shares on their behalf during the year and transfer of total amount of insurance deficit.

20 Annual general assembly

The directors propose dividend for the year ended 31 December 2014. The financial statements of the company for the year ended 31 December 2013 were approved by the general assembly held on 28 August 2014 without dividend.

21 Consolidated Policyholders' results by line of business and fund

The significant accounting policies used in accounting for the insurance business are set out below. Policies used in accounting for other accounts and transactions are the same as those adopted by the group.

Revenue recognition

Premiums earned

Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of net written premiums relating to the unexpired period of coverage that extend beyond the end of the financial year; they are calculated based on a time apportionment basis over the exposure to policies.

Policy issuance fees and policy acquisition costs

Policy issuance fees and policy acquisition costs are recognised at the time of recognition of the related premium.

Reinsurance

In the normal course of business, the group cedes and assumes certain levels of risk in various areas of exposure with other insurance companies or reinsurers. Such reinsurance includes quota share, excess of loss, facultative and other forms of reinsurance on essentially all lines of business.

Reinsurance ceded or assumed are deducted from gross premium to arrive at net premium.

21 Consolidated Policyholders' results by line of business and fund (continued)

Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to consolidated statement of policyholders' results as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the group and those not reported at the financial position date.

The group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition a provision based on management's judgement and the group's prior experience is maintained for the cost of settling claims incurred but not reported at the financial position date. Any difference between the provisions at the financial position date and settlements and provisions for the following year is included in the underwriting account for that year.

Liability adequacy test

At each financial position date, the group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the consolidated statement of policyholders' result and an unexpired risk provision created.

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

Premium and reinsurance receivables

Premium receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Equipment

Equipment are initially recognised at acquisition cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management.

Equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. 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 arising from items of equipment.

The following useful lives are applied:

- Equipment: 4 years
- Vehicles: 3 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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 recognised in the consolidated statement of policyholders' results.

Life mathematical reserve

The provision for life contracts is calculated on the basis of an actuarial valuation method.

Additional reserve

The additional reserve includes amounts reserved for claims Incurred But Not Reported ("IBNR") at the financial position date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the group's prior experience is maintained for the cost of settling claims incurred but not reported at the financial position date.

21 Consolidated Policyholders' results by line of business and fund (continued)

Murabaha payables

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Provision for staff indemnity

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

With respect to its Kuwaiti national employees, the group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial position 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:

Impairment of premiums receivable

An estimate of the collectible amount of premiums receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

Provision for outstanding claims and IBNR

Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible if significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The group generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

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.

21 Consolidated Policyholders' results by line of business and fund (continued)

The consolidated policyholders' results by line of business and assets and liabilities were as follows:
Consolidated policyholders' results by line of business:

Year ended 31 December 2014:	Marine and aviation KD	General accident KD	Motor vehicles KD	Fire KD	Life KD	Total KD
Premiums written	425,630	1,121,747	6,417,738	771,239	1,930,521	10,666,875
Less: reinsurance ceded	(408,796)	(701,734)	(465,940)	(739,121)	(1,067,416)	(3,383,007)
Net premiums	16,834	420,013	5,951,798	32,118	863,105	7,283,868
Movement in unearned premiums	(10,036)	(112,590)	(785,420)	(11,014)	45,452	(873,608)
Net premiums earned	6,798	307,423	5,166,378	21,104	908,557	6,410,260
Policy issuance fees	4,422	2,244	297,107	1,011	6,382	311,166
Reinsurance profit share	15,764	87,630	-	117,676	-	221,070
Reinsurance commission earned	100,051	186,910	-	181,291	19,898	488,150
Total revenues	127,035	584,207	5,463,485	321,082	934,837	7,430,646
Claims incurred	2,625	(168,575)	(2,609,282)	(2,444)	(219,815)	(2,997,491)
Movement in life mathematical reserve	-	-	-	-	4,000	4,000
Other insurance expenses	(4,774)	(4,539)	(59,912)	(2,966)	(103,904)	(176,095)
Policy acquisition costs	(13,327)	(98,446)	(2,052,141)	(53,313)	(83,108)	(2,300,335)
Total expenses	(15,476)	(271,560)	(4,721,335)	(58,723)	(402,827)	(5,469,921)
Surplus by line of business	111,559	312,647	742,150	262,359	532,010	1,960,725
Allocation of general and administrative expenses	(231,096)	(297,695)	(776,817)	(228,137)	(531,684)	(2,065,429)
Net (deficit)/surplus from insurance operations	(119,537)	14,952	(34,667)	34,222	326	(104,704)
Investment and other income(note 21.1)	7,664	22,993	76,643	15,329	30,657	153,286
Net (deficit)/surplus from insurance operations	(111,873)	37,945	41,976	49,551	30,983	48,582

Year ended 31 December 2013:	Marine and aviation KD	General accident KD	Motor vehicles KD	Fire KD	Life KD	Total KD
Premiums written	349,575	701,146	4,235,716	785,040	1,282,118	7,353,595
Less: reinsurance ceded	(335,930)	(397,957)	(212,728)	(764,944)	(594,125)	(2,305,684)
Net premiums	13,645	303,189	4,022,988	20,096	687,993	5,047,911
Movement in unearned premiums	16,482	(3,217)	(478,251)	(3,313)	78,950	(389,349)
Net premiums earned	30,127	299,972	3,544,737	16,783	766,943	4,658,562
Policy issuance fees	4,580	2,004	125,946	878	5,462	138,870
Reinsurance commission earned	65,989	96,147	-	184,816	-	346,952
Total revenues	100,696	398,123	3,670,683	202,477	772,405	5,144,384
Claims incurred	(5,682)	(21,200)	(1,546,607)	(24,030)	(411,171)	(2,008,690)
Movement in life mathematical reserve	-	-	-	-	(500)	(500)
Other insurance expenses	(4,319)	(3,114)	(34,975)	(2,917)	(71,667)	(116,992)
Policy acquisition costs	(6,046)	(50,373)	(1,476,316)	(71,582)	(47,065)	(1,651,382)
Total expenses	(16,047)	(74,687)	(3,057,898)	(98,529)	(530,403)	(3,777,564)
Surplus by line of business	84,649	323,436	612,785	103,948	242,002	1,366,820
Allocation of general and administrative expenses	(172,040)	(235,397)	(650,853)	(88,372)	(398,615)	(1,545,277)
Net (deficit) /surplus from insurance operations	(87,391)	88,039	(38,068)	15,576	(156,613)	(178,457)
Investment and other income(note 21.1)	22,017	37,429	134,304	13,210	13,210	220,170
Net (deficit)/surplus from insurance operations	(65,374)	125,468	96,236	28,786	(143,403)	41,713

Notes to the consolidated financial statements (continued)

21 Consolidated Policyholders' results by line of business and fund (continued)

Consolidated policyholders' assets, liabilities and fund:

	Notes	31 Dec. 2014 KD	31 Dec. 2013 KD
Assets			
Cash and bank balances		1,396,690	531,063
Premiums receivable	21.2	1,738,655	1,243,890
Accounts receivable and prepayments	21.3	1,567,042	1,753,930
Available for sale investments	21.4	510,126	1,106,202
Investment deposits	21.5	972,745	972,745
Amount due from shareholders	19	2,476,895	706,371
Reinsurance recoverable on outstanding claims		4,219,791	4,023,159
Equipment		106,383	52,603
Total assets		12,988,327	10,389,963
Liabilities			
Reinsurance balances payable		1,535,968	1,523,273
Unearned premiums (net)		2,933,748	2,060,140
Outstanding claims reserve (gross)		4,984,614	4,466,328
Life mathematical reserve (net)		87,286	91,286
Additional reserve (net)		1,166,000	1,166,000
Reserve retained on reinsurance business		303,073	245,869
Other liabilities	21.6	1,611,400	1,529,768
Murabaha payables	21.7	394,431	898,602
Total liabilities		13,016,520	11,981,266
Policyholders' fund			
Net deficit for policyholders		(1,585,617)	(1,627,330)
Net surplus from insurance operations for the year		48,582	41,713
Net deficit from insurance operations transferred to shareholders	21.8	1,537,035	-
		-	(1,585,617)
Fair value reserve		(28,193)	(5,686)
Total policyholders' fund	21.8	(28,193)	(1,591,303)
Total liabilities and policyholders' fund		12,988,327	10,389,963

21.1 Investment and other income:

	Year ended 31 Dec. 2014 KD	Year ended 31 Dec. 2013 KD
Investment income	145,021	78,351
Other income	8,265	141,819
	153,286	220,170

21 Consolidated Policyholders' results by line of business and fund (continued)

21.2 Premiums receivable:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Premiums receivable	1,898,655	1,373,890
Provision for doubtful debts	(160,000)	(130,000)
	1,738,655	1,243,890

The carrying values of the financial assets included above approximate their fair values.

Premiums receivable are generally on 30 – 180 days terms.

As at 31 December the aging analysis of premiums receivable is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
less than 3 months	993,079	661,266
3 – 6 months	177,767	235,104
6 – 12 months	234,201	241,190
12 – 24 months	260,018	43,773
over 24 months	233,590	192,557
Total premiums receivable	1,898,655	1,373,890

21.3 Accounts receivable and prepayments:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Reinsurance receivable	1,072,333	1,165,170
Cheques under collection	384,384	486,278
Accrued income	19,085	18,794
Other assets	91,240	83,688
	1,567,042	1,753,930

The carrying values of the financial assets included above approximate their fair values.

Reinsurance balances receivable is generally on 30-180 days terms.

As at 31 December the aging analysis of reinsurance balances receivable is as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
less than 3 months	362,675	370,637
3 – 6 months	118,359	59,695
6 – 12 months	255,808	102,160
12 – 24 months	94,578	161,855
over 24 months	240,913	470,823
Total reinsurance balances receivable	1,072,333	1,165,170

21 Consolidated Policyholders' result by line of business and fund (continued)

21.3 Accounts receivable and prepayments:(continued)

Premiums receivable and reinsurance receivable which are due more than one year are classified as non-current (see note 25.2) and are not considered past due or impaired. As at 31 December 2014, premium receivable of KD73,590 (2013: KD62,773) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

During the year the group recognised provision for doubtful debts amounting to KD30,000 (2013: KD Nil).

21.4 Available for sale investments:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Quoted securities	3	3
Managed portfolio	60,094	74,420
Unquoted securities	238,738	820,488
Debt instruments	211,291	211,291
	510,126	1,106,202

Debt instruments are carried at cost and earn profit rate of 8.5% (2013:8.5%) per annum.

21.5 Investment deposits:

In accordance with Kuwaiti law, an amount of KD972,745 (2013: KD972,745) should be retained in a deposit with a Kuwaiti financial institution. The effective profit rate on the deposits during the year was 1.932% (2013: 1.932%).

21.6 Other liabilities:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Reinsurance payables	362,504	290,719
Garages and agencies	72,876	375,113
Brokerage commissions	291,598	281,976
Provision for staff indemnity	323,945	284,828
Provision for staff leave	156,904	105,738
Accrued expenses	312,393	121,405
Other liabilities	91,180	69,989
	1,611,400	1,529,768

21 Consolidated Policyholders' result by line of business and fund (continued)

21.7 Murabaha payables:

Murabaha payables amounting to KD394,431 carry effective profit rate 5.5% (2013: 5.5%) per annum. Murabaha payables are unsecured.

21.8 Movement in policyholders' fund:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Balance at beginning of the year	(1,591,303)	(1,623,939)
Net surplus from insurance operations for the year	48,582	41,713
Net deficit from insurance operations transferred to shareholders	1,537,035	-
Available for sale investments:		
- Net change in fair value arising during the year	(22,507)	(9,077)
Balance at the end of the year	(28,193)	(1,591,303)

During the year, the board of directors agreed to transfer policyholders net deficit from insurance operations amounting to KD1,537,035 (31 December 2013: KD Nil) to the shareholders. The amount of KD1,537,035 is now due from shareholders as a result of this transfer. Policyholders will settle this amount from the or plus arising from such business in future year.

22 Related party transactions

Related parties represent associate, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

SHAREHOLDERS	31 Dec. 2014 KD	31 Dec. 2013 KD
Consolidated statement of financial position:		
Bank balance	1,448	1,448
Investment deposit	135,000	135,000
Profit on investment deposits (included in other assets)	2,689	2,608
Consolidated statement of profit or loss:		
Profit on investment deposit	2,689	2,608
Key management compensation:		
Salaries and other short term benefits	37,164	30,840
End of service indemnity	2,587	7,660
	39,751	38,500

22 Related party transactions (continued)

POLICYHOLDERS	31 Dec. 2014 KD	31 Dec. 2013 KD
Consolidated statement of financial position:		
Bank balances	867,688	472,694
Premiums receivable	32,921	48,519
Investment deposits	972,745	972,745
Profit on investment deposits (included in accounts receivable and prepayments)	19,085	18,794
Other liabilities	7,350	8,460
Murabaha payables	394,431	898,602
Consolidated statement of policyholders' results:		
Premiums written	232,806	212,604
Profit on investment deposits	19,085	24,446
Consultancy fees	80,000	60,000
Finance charges	23,996	63,643
Key management compensation:		
Salaries and other short term benefits	167,493	92,250
End of service indemnity	7,761	23,250
	175,254	115,500

23 Capital commitments

The group is committed to increase the insurance license deposit from KD135,000 (see note 11) to KD1,000,000, as the ministerial order number 579 of 2014 permits that increase shall be through either cash deposit, shares and bonds deposit, real estate mortgage or bank guarantee. This order shall be effective from 1 April 2015.

24 Contingent liabilities

Contingent liabilities at the financial position date in respect of outstanding letters of guarantee amounted to KD235,000 (2013: KD 235,000).

25 Risk management objectives and policies

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

The parent company's board of directors is ultimately responsible for establishing an overall risk management function and approving risk strategies and principles.

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

1. The following are the key regulations governing the operations of the group:

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.

25 Risk management objectives and policies (continued)

The funds retained in Kuwait should be invested as under:

a. A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait

b. A maximum of 25% could be invested in foreign securities (foreign government bonds or foreign securities – bonds and shareholding companies)

c. A maximum of 30% should be invested in Kuwaiti companies' shares or bonds

d. A maximum of 15% should be in a current account with a bank operating in Kuwait

As at 31 December 2014 the group was in non-compliance with above rules relating to funds allocation of the insurance operations fund retained in Kuwait.

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

The group's senior management is responsible for monitoring compliance with the above regulation and has a delegated authorities and responsibilities from the board of directors to ensure compliance.

Insurance risk is the risk that actual claims payable to policyholders in respect of insured events exceed the carrying amount of insurance liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The group underwrites mainly marine and aviation, fire and general accident, motor and life risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

(1) Non-life insurance contracts

The group principally issues the following types of general insurance contracts: Marine-Cargo, Hull Comprehensive & Third Party Liability, Fire, House-holders Comprehensive, Contractors All Risks, Erection All Risks, Machinery Breakdown, Electronic Equipment, Burglary, Personal Accident, Cash in Transit, Fidelity Guarantee, Plate Glass, Workmen Compensation, Third Party Liability, Professional Indemnity, Bankers Blanket, Travel Assistance, Motor Comprehensive, and Motor Third Party Liability. Healthcare contracts provide medical expense cover to policyholders. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities.

Marine and aviation

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The group has reinsurance cover to limit losses for any individual claim to KD 400,000 (2013: KD400,000).

Fire and accident

For property insurance contracts the main risks are fire and business interruption. In recent years the group has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The group has reinsurance cover for such damage to limit losses for any individual claim to KD 4,625,000(2013: KD4,625,000).

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. In recent years the group has primarily underwritten comprehensive polices for owner/drivers over 21 years of age. The group has reinsurance cover to limit losses for any individual claim to KD 400,000 (2013: KD400,000).

25 Risk management objectives and policies (continued)

(1) Non-life insurance contracts (continued)

Motor (continued)

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to motor vehicles are the key factors that influence the level of claims.

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the group. The group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the group.

The group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g hurricanes, earthquakes and flood damages).

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

	31 Dec. 2014			31 Dec. 2013		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Marine and aviation	615,250	(560,997)	54,253	602,844	(554,888)	47,956
General accident	1,964,366	(1,219,266)	745,100	1,673,109	(1,033,664)	639,445
Motor vehicles	4,763,830	(1,046,503)	3,717,327	3,734,127	(1,163,114)	2,571,013
Fire	996,567	(898,087)	98,480	1,125,274	(1,029,736)	95,538
Total	8,340,013	(3,724,853)	4,615,160	7,135,354	(3,781,402)	3,353,952

Key assumptions

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

(2) Life insurance contracts

For life insurance the main risks are claims for medical, death or permanent disability.

The underwriting strategy for the life of business is to ensure that policies are well diversified in terms of type of risk and level of insured benefit. This is achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history.

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

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

Life insurance contracts offered by the company include company whole life insurance, credit life (banks), and group medical including third party administration (TPA).

25 Risk management objectives and policies (continued)

(2) Life insurance contracts (continued)

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

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

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

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

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

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

The table below sets out the concentration of life insurance and by type of contract.

	31 Dec. 2014			31 Dec. 2013		
	Gross liabilities KD	**Reinsurers' share of liabilities KD**	**Net liabilities KD**	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Type of contract						
Credit life (Credit insurance)	**300,286**	**(213,000)**	**87,286**	304,286	(213,000)	91,286
Other life insurance contract liabilities	**734,310**	**(494,940)**	**239,370**	557,114	(241,759)	315,355
Total life insurance contract	**1,034,596**	**(707,940)**	**326,656**	861,400	454,759	406,641

All life insurance contracts are in Kuwait, the analysis above would not be materially different if based on the countries in which the counterparties are situated.

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

25 Risk management objectives and policies (continued)

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

Financial risks
The group's activities expose it to variety of financial risks: market risk (including currency risk, profit rate risk and equity price risk), credit risk and liquidity risk.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the group is exposed are described below.

25.1 Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The company seeks to avoid undue concentrations of risks with individuals or group of customers in specific locations or business through diversification of its activities.

The tables below show the maximum exposure to credit risk for the components of the financial position.

	31 Dec. 2014 KD	31 Dec. 2013 KD
SHAREHOLDERS		
Bank balance	1,448	1,448
Investment deposit	135,000	135,000
Qard Hassan to policyholders' fund	-	1,585,617
Other assets	2,689	2,608
	139,137	1,724,673
POLICYHOLDERS		
Bank balances	1,388,480	495,078
Investment deposits	972,745	972,745
Premiums receivable	1,738,655	1,243,890
Available for sale investments	271,382	285,711
Accounts receivable	1,513,119	1,702,074
Amount due from shareholders	2,476,895	706,371
Reinsurance recoverable on outstanding claims	4,219,791	4,023,159
	12,581,067	9,429,028

25 Risk management objectives and policies (continued)

25.1 Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the group using internal credit ratings. The table below shows the credit quality by class of asset for related financial position lines, based on the group's credit rating system.

At 31 December 2014 and 31 December 2013, credit quality per class is as follows:

	Neither past due nor impaired			
31 December 2014	**High grade KD**	**Standard grade KD**	**Past due or impaired KD**	**Total KD**
SHAREHOLDERS				
Bank balance	1,448	-	-	1,448
Investment deposit	135,000	-	-	135,000
Other assets	2,689	-	-	2,689
	139,137	-	-	139,137
POLICYHOLDERS				
Bank balances	1,388,480	-	-	1,388,480
Investment deposits	972,745	-	-	972,745
Premiums receivable	993,079	671,986	73,590	1,738,655
Available for sale investments	-	271,382	-	271,382
Accounts receivable	883,827	629,292	-	1,513,119
Amount due from shareholders	-	2,476,895	-	2,476,895
Reinsurance recoverable on outstanding claims	-	4,219,791	-	4,219,791
	4,238,131	8,269,346	73,590	12,581,067

31 December 2013				
SHAREHOLDERS				
Bank balance	1,448	-	-	1,448
Investment deposit	135,000	-	-	135,000
Qard Hassan to policyholders' fund	-	1,585,617	-	1,585,617
Other assets	2,608	-	-	2,608
	139,056	1,585,617	-	1,724,673
POLICYHOLDERS				
Bank balances	495,078	-	-	495,078
Investment deposits	972,745	-	-	972,745
Premiums receivable	661,266	520,067	62,557	1,243,890
Available for sale investments	-	285,711	-	285,711
Accounts receivable	713,141	988,933	-	1,702,074
Amount due from shareholders	-	706,371	-	706,371
Reinsurance recoverable on outstanding claims	-	4,023,159	-	4,023,159
	2,842,230	6,524,241	62,557	9,429,028

25 Risk management objectives and policies (continued)

25.2 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis. The undiscounted cash outflows for financial liabilities are not materially different from those presented below.

Maturity profile of assets and liabilities at 31 December 2014 and 31 December 2013:

31 December 2014	Within 1–3 month KD	Within 3-6 months KD	Within 6-12 months KD	Total Up to 1 year KD	Over 1 year KD	Total KD
SHAREHOLDERS						
Assets						
Bank balance	1,448	-	-	1,448	-	1,448
Investment deposit	-	-	135,000	135,000	-	135,000
Available for sale investments	-	-	-	-	2,298,442	2,298,442
Investment in associates	-	-	-	-	1,098,364	1,098,364
Other assets	2,649	5,708		8,357	-	8,357
	4,097	5,708	135,000	144,805	3,396,806	3,541,611
Liabilities						
Amount due to policyholders	-	-	-	-	2,476,895	2,476,895
Other liabilities	3,000	-	-	3,000	56,442	59,442
	3,000	-	-	3,000	2,533,337	2,536,337
Net exposure	1,097	5,708	135,000	141,805	863,469	1,005,275
POLICYHOLDERS						
Assets						
Cash and bank balances	1,396,690	-	-	1,396,690	-	1,396,690
Premiums receivable	993,079	177,767	494,219	1,665,065	73,590	1,738,655
Accounts receivable and prepayments	573,952	192,192	132,750	898,894	668,148	1,567,042
Available for sale investments	-	-	-	-	510,126	510,126
Investment deposits	-	-	-	-	972,745	972,745
Amount due from shareholders	-	-	-	-	2,476,895	2,476,895
Reinsurance recoverable on outstanding claims	843,958	1,265,937	1,054,948	3,164,843	1,054,948	4,219,791
Equipment	-	-	-	-	106,383	106,383
	3,807,679	1,635,896	1,681,917	7,125,492	5,862,835	12,988,327
Liabilities						
Reinsurance balances payable	599,028	261,115	168,956	1,029,099	506,869	1,535,968
Unearned premiums (net)	440,062	586,750	733,437	1,760,249	1,173,499	2,933,748
Outstanding claims reserve (gross)	498,461	747,692	1,246,154	2,492,307	2,492,307	4,984,614
Life mathematical reserve (net)	-	-	-	-	87,286	87,286
Additional reserve (net)	-	-	-	-	1,166,000	1,166,000
Reserve retained on reinsurance business	-	-	303,073	303,073	-	303,073
Other liabilities	253,390	376,887	512,176	1,142,453	468,947	1,611,400
Murabaha payables	144,397	144,397	105,637	394,431	-	394,431
	1,935,338	2,116,841	3,069,433	7,121,612	5,894,908	13,016,520
Net exposure	1,872,341	(480,945)	(1,387,516)	3,880	(32,073)	(28,193)

25 Risk management objectives and policies (continued)

25.2 Liquidity risk (continued)

31 December 2013	Within 1–3 month KD	Within 3-6 months KD	Within 6-12 months KD	Total Up to 1 year KD	Over 1 year KD	Total KD
SHAREHOLDERS						
Assets						
Bank balance	1,448	-	-	1,448	-	1,448
Investment deposit	-	-	135,000	135,000	-	135,000
Available for sale investments	-	-	-	-	2,389,535	2,389,535
Investment in associates	-	-	-	-	5,074,342	5,074,342
Other assets	2,608	5,708	-	8,316	-	8,316
Qard Hassan to policyholders' fund	-	-	-	-	1,585,617	1,585,617
	4,056	5,708	135,000	144,764	9,049,494	9,194,258
Liabilities						
Policyholders' deficit reserve	-	-	-	-	1,585,617	1,585,617
Amount due to policyholders	-	-	-	-	706,371	706,371
Other liabilities	3,000	-	-	3,000	56,982	59,982
	3,000	-	-	3,000	2,348,980	2,351,970
Net exposure	1,056	5,708	135,000	141,764	6,700,514	6,482,288
POLICYHOLDERS						
Assets						
Cash and bank balances	531,063	-	-	531,063	-	531,063
Premiums receivable	661,266	235,104	241,190	1,137,560	106,330	1,243,890
Accounts receivable and prepayments	959,391	161,855	169,298	1,290,544	463,386	1,753,930
Available for sale investments	-	-	-	-	1,106,202	1,106,202
Investment deposits	-	-	-	-	972,745	972,745
Amount due from shareholders	-	-	706,371	706,371	-	706,371
Reinsurance recoverable on outstanding claims	402,317	603,472	1,005,790	2,011,579	2,011,580	4,023,159
Equipment	-	-	-	-	52,603	52,603
	2,554,037	1,000,431	2,122,649	5,677,117	4,712,846	10,389,963
Liabilities						
Reinsurance balances payable	600,792	260,617	163,963	1,025,372	497,901	1,523,273
Unearned premiums (net)	309,021	412,028	515,035	1,236,084	824,056	2,060,140
Outstanding claims reserve (gross)	446,633	669,949	1,116,582	2,233,164	2,233,164	4,466,328
Life mathematical reserve (net)	-	-	-	-	91,286	91,286
Additional reserve (net)	-	-	-	-	1,166,000	1,166,000
Reserve retained on reinsurance business	-	-	245,869	245,869	-	245,869
Other liabilities	228,813	219,030	446,173	894,016	635,752	1,529,768
Murabaha payables	144,397	144,397	288,796	577,590	395,146	972,736
	1,729,656	1,706,021	2,776,418	6,212,095	5,843,305	12,055,400
Net exposure	824,381	(705,590)	(653,769)	(534,978)	(1,130,459)	(1,665,437)

25 Risk management objectives and policies (continued)

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (profit rate risk) and market prices (equity price risk).

The group limits market risk by maintaining a diversified portfolio and by monitoring the developments in markets.

(a) Currency risk

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

The group's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US Dollar, Sterling Pound, Saudi Riyal and Turkish Lira.

The group's financial assets are primarily denominated in the same currencies as its insurance contract liabilities, which mitigate the foreign currency exchange rate risk. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance contract liabilities are expected to be settled.

The tables below summaries the group's exposures to foreign currency exchange rate risk at the financial position date:

	USD KD	Sterling Pound KD	Saudi Riyal KD	Other KD	Total KD
SHAREHOLDERS					
31 December 2014	**-**	**-**	**1**	**1,098,363**	**1,098,364**
31 December 2013	-	-	4,383,242	691,100	5,074,342
POLICYHOLDERS					
31 December 2014	**870,063**	**450,038**	**8,395**	**116,634**	**1,445,130**
31 December 2013	1,449,957	450,038	8,033	121,069	2,029,097

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on loss for the year and equity. There has been no change during the year in the assumptions and methods used in the preparation of the sensitivity analysis.

		31 Dec. 2014		31 Dec. 2013	
SHAREHOLDERS	**Changes in variables %**	**Impact on Loss KD**	**Impact on equity KD**	Impact on profit KD	Impact on equity KD
Saudi Riyal	±5	**-**	**-**	-	219,162
Other	±5	**-**	**54,918**	-	34,555
POLICYHOLDERS					
US Dollar	±5	**43,804**	**-**	43,410	29,087
Sterling Pound	±5	**-**	**22,502**	-	22,502
Saudi Riyal	±5	**420**	**-**	402	-
Other	±5	**5,832**	**-**	6,053	-

23 Risk management objectives and policies (continued)

(3) Market risk (continued)

(b) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The group has no significant profit bearing assets other than bank balances, available for sale investments and investment deposits. The group is also exposed to profit rate risk with respect to its murabaha payables.

The following table illustrates the sensitivity of the loss for the year to a reasonably possible change in profit rates of +1% and –1% (2013: +1% and –1%) with effect from the beginning of the year. The calculations are based on the group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on the group's equity:

	31 Dec. 2014		31 Dec. 2013	
	+1% KD	**-1% KD**	+1 % KD	-1 % KD
SHAREHOLDERS				
Loss for the year	1,350	(1,350)	1,350	(1,350)
POLICYHOLDERS				
Net surplus from insurance operations for the year	10,283	(10,283)	3,041	(3,041)

c) Equity price risk

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified as available for sale investments.

To manage its price risk arising from investments in equity securities, the group diversifies its investments.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If equity prices had been 10% (2013: 10%) higher/lower, the effect on the loss for the year and equity would have been as follows:

	31 Dec. 2014		31 Dec. 2013	
	Increase 10%	**Decrease 10%**	Increase 10%	Decrease 10%
SHAREHOLDERS				
Impact on equity	229,844	(156,132)	238,953	(152,187)
Impact on loss for the year	-	(73,712)	-	(86,766)
POLICYHOLDERS				
Impact on policyholders' fund	89,111	(89,111)	89,491	(89,491)

26 Fair value measurement

26.1 Fair value hierarchy

Fair value represents 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.

26 Fair value measurement (continued)

26.1 Fair value hierarchy (continued)

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observe ability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

26.2 Fair value measurement of financial instruments

The carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2014	31 Dec. 2013
SHAREHOLDERS		
Financial assets:	KD	KD
Loans and receivables at amortised cost:		
- Bank balance	1,448	1,448
- Investment deposit	135,000	135,000
- Other assets	2,689	2,608
- Qard Hassan to policyholders' fund	-	1,585,617
Available for sale investments at:		
Fair value	2,298,442	2,389,535
	2,437,539	4,114,208
Financial liabilities:		
Financial liabilities at amortised cost:		
Policyholders' deficit reserve	-	1,585,617
Due to policyholders'	2,476,895	706,371
Other liabilities	59,442	59,982
	2,536,337	2,351,970
POLICYHOLDERS		
Financial assets:		
Loans and receivables at amortised cost:		
Cash and bank balances	1,388,480	531,063
Premiums receivable	1,738,655	1,243,890
Accounts receivable and prepayments	1,513,119	1,702,074
Investment deposits	972,745	972,745
Amount due from shareholders	2,476,895	706,371
Reinsurance recoverable on outstanding claims	4,219,791	4,023,159
Available for sale investments at:		
Fair value	298,835	894,911
Cost	211,291	211,291
	12,819,811	10,285,504
Financial liabilities:		
Financial liabilities at amortised cost:		
Reinsurance balances payable	1,535,968	1,523,273
Unearned premiums	2,933,748	2,060,140
Other liabilities	1,611,400	1,529,768
Murabaha payables	394,431	898,602
	6,475,547	6,011,783

26 Fair value measurement (continued)

26.2 Fair value measurement of financial instruments (continued)

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2014

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Available for sale investments:				
Quoted securities	3	-	-	3
Unquoted securities	-	-	2,298,439	2,298,439
	3	-	2,298,439	2,298,442
POLICYHOLDERS				
Available for sale investments:				
Quoted securities	3	-	-	3
Managed portfolio	60,094	-	-	60,094
Unquoted securities	-	-	238,738	238,738
	60,097	-	238,738	298,835

31 December 2013

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Available for sale investments:				
Quoted securities	3	-	-	3
Unquoted securities	-	-	2,389,532	2,389,532
	3	-	2,389,532	2,389,535
POLICYHOLDERS				
Available for sale investments:				
Quoted securities	3	-	-	3
Managed portfolio	74,420	-	-	74,420
Unquoted securities	-	-	820,491	820,491
	74,423	-	820,491	894,914

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted Securities

All the listed equity securities are publicly traded on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

26 Fair value measurement (continued)

26.2 Fair value measurement of financial instruments (continued)

Measurement at fair value (continued)

b) Managed portfolio

The underlying investments of local managed portfolio primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Available for sale investments	
	Unquoted securities	
	31 Dec. 2014	31 Dec. 2013
Shareholders	**KD**	KD
Opening balance	**2,389,532**	2,220,229
Gains or losses recognised in:		
- Other comprehensive (loss)/income	**(91,093)**	169,303
Closing balance	**2,298,439**	2,389,532
Policyholders		
Opening balance	**820,491**	580,101
Purchase	**-**	238,747
Sale	**(664,465)**	-
Gains or losses recognised in:		
- Impact on policyholders' fund	**82,712**	-
- Other comprehensive income	**-**	1,643
Closing balance	**238,738**	820,491

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Level 3 are described below:

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the consolidated statement of financial position date.

26 Fair value measurement (continued)
26.2 Fair value measurement of financial instruments (continued)
Level 3 fair value measurements (continued)

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each financial position date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

The impact on consolidated statement of profit or loss and consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

27 Capital management objectives
The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The capital consists of total equity. The group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The group monitors its capital by way of return on equity. This is calculated by reference to loss for the year divided by total equity as follows:

	31 Dec. 2014 KD	31 Dec. 2013 KD
Loss for the year	(5,784,821)	(2,773,859)
Total equity	1,005,274	6,842,288
Return on equity	(575%)	(41%)