ANNUAL REPORT 2015

الأولى تكافل
FIRST TAKAFUL

الأولـــــى تـكافـــــل
FIRST TAKAFUL

First Takaful Insurance Company
Authorized Capital KD 10,760,000

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.

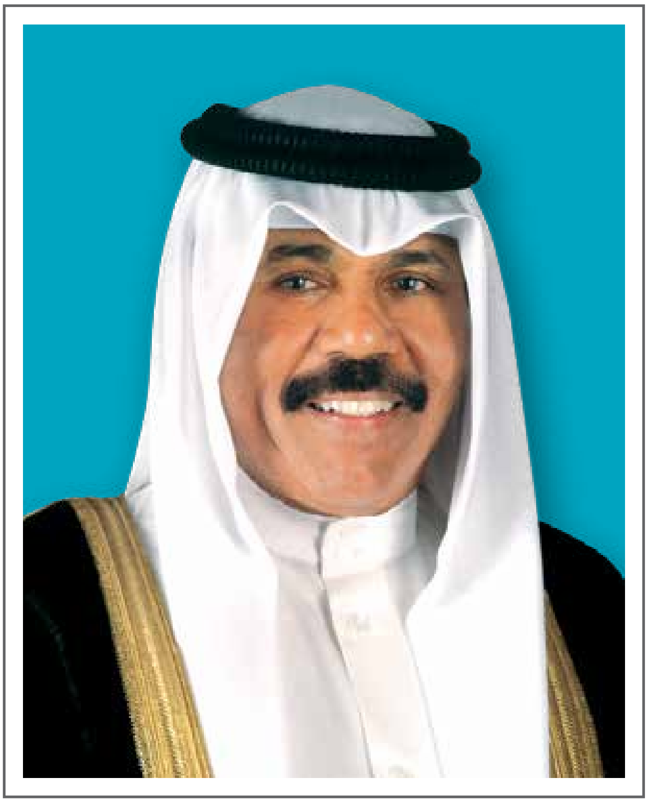
+965 1880055
+965 65900800
+965 22444599
www.firsttakaful.com.kw
firsttakaful
1st_takaful
1st_takaful
info@firsttakaful.com.kw

Al-Qibla - Abdullah Mubarak St - Al Enma'a Tower
P.O. Box 5713 Safat 13058 Kuwait

His Highness

Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah

The Amir of Kuwait



His Highness

Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah

The Crown Prince

Branches

Head Office, Al Qibla, Abdullah Al-Mubarak St., Al Enmaa Tower	Tel.: 1880055	Fax: 22444599
Al-Rawda Co-op. Society	Tel.: 22510295	
Hawalli	Tel.: 26402022	
Kefan Co-op Society	Tel.: 24929708	
Al-Faiha›a Co-op Society	Tel.: 25101232	

Contents

Company Profile

OUR COMPANY

First Takaful Insurance Co (First Takaful) was established in August 2000 with the objective of providing Takaful insurance solutions to individuals, commercial establishments and the various industrial sectors in Kuwait. The company has the distinction of being the first company licensed to offer Takaful (Islamic alternative to the conventional Insurance) in Kuwait.

Over the years, First Takaful has demonstrated several superior qualities such as adaptability, agility, commitment to customer service, credibility and dependability thereby distinguishing it from others. One of our key differentiators is that we work through dedicated professional teams that understand our customer's needs and offer personalized solutions.

Nowadays, First Takaful is an independent, financially strong entity operating fully out of its own funds with a paid capital of KD 10,660,000 and having its own independent management. FTIC is listed in the Kuwait Stock Exchange under (stock symbol: first takaful).

Having firmly established itself in the local market, First Takaful has started entering into international markets by way of expansion. We have already started operations in Turkey and Saudi Arabia.

TAKAFUL

Takaful Insurance is a form of Islamic insurance where members contribute regularly to a fund, from which reimbursements are paid in case of loss or damage incurred by any member. The loss can be related to one's assets, life, health, etc. The fund is managed by a Takaful operator.

The literal translation of Takaful means “guaranteeing each other”. It is based on a mutual risk transfer arrangement, involving participants and operators.

Takaful Insurance provides insurance solutions that comply with Islamic Shari'ah, the Hadith and Qur'anic verses.

VISION

To lead in providing Takaful services thus being the first choice of preferred insurance operators in the region.

MISSION

To continuously provide innovative Takaful Insurance products, value-added services and quality customer care thereby building sustainable and long lasting relationships with our stakeholders.

OUR VALUES

We have embedded the following core values in our system and are committed to creating a culture that promotes the same. Our values are:

- Commitment
- Quality services
- Customer focus
- Integrity and transparency
- Inspiration and excellence

OUR STRATEGY

First Takaful Strategy is aiming at achieving the highest customer satisfaction standards throughout providing the best and unique Takaful services, this strategy helped First Takaful to acquire wide customer's segment in both corporate and individual.

"For All That Matters" is the new slogan that First Takaful chose to promise its customers with innovated services that satisfy their needs considering the risk element they might face.

OUR OBJECTIVES

Continuous improvement of the Customer Services to maintain the highest customer satisfaction standards.

- Introducing new products to meet the special needs of individuals and corporate.
- Dealing with excellent reliable reinsurers to secure best services and protection.
- Focusing on employee's development (especially Kuwaiti fresh candidates) through trainings.
- Concentrating on continuously improving the information technology.
- Being closer to customers throughout our branch network.
- Increasing the insurance awareness in the Kuwaiti Society.

Statement of the Chairman

Praise be to Allah, the Lord of the Two Worlds, and Peace Be Upon the Prophet, his family and all companions.

Dear shareholders:

Peace be upon you,

On behalf of the First Takaful Insurance Company KPSC "First Takaful", and on behalf of myself, I'm pleased to warmly welcome you and present to you the annual report of the Company for the fiscal year ended on 31/12/2015, comprising the auditor's report and the report of the Company Fatwa and Sharia Supervisory Board, plus the latest developments and achievements accomplished in 2015.

Shareholders' portfolio:

The First Takaful addressed attention in 2015 to maintain the realization of its vision, message, value and strategy based on increasing competence, fostering competitiveness, compliance with the principles of good governance, activate the policies of internal control, risks management, compliance with the policies, procedures, authorities and foster the financial worth with full compliance with the provisions of Islamic Laws in our insurance and reinsurance transactions and investments.

The ordinary and extraordinary general assembly of First Takaful Insurance Company met on 25/6/2015, whereby it has been approved to extinguish the Company accumulated losses and reduce the capital to 10,660,000 Kuwaiti Dinar, by an increase in kind. The capital restructuring plan will contribute in increasing the Company's strength and financial position, and will place it in its best condition since incorporation. It is noteworthy that the Company was able to fully repay its liabilities to the banks.

In 2015, First Takaful carried out an intensive media campaign to mitigate the damage it sustained as a result of the Company's discontinuation of trading in Kuwait Securities Market. As part of its advertising campaign to change the Company's logo, announce its new identity as well as announce the Company's vision, message and value to upgrade the customer service level and develop its products constantly to reach the level of the clients' ambitions. In view of the insufficiency of the required insurance awareness in the State of Kuwait and lack of a clear understanding among the clients of the insurance concept, the First Takaful put ahead of it increasing the insurance awareness among members of the society in Kuwait, through the various social media, as well as the media campaign through radio, television, newspapers and magazines inside and outside Kuwait in order to provide all information to the public about the significance of insurance, its benefits and role in mitigating the burdens of policyholders. The First Takaful has also contracted with a specialized company with extensive experiences in the field of development and training to lay down an advanced strategy to support the Company's operations and present its products in an advanced manner which satisfy the needs of its clients with the highest standards of precision.

In 2015, the First Takaful continued achieving the highest level of transparency with its shareholders and policyholders, whereby it has a media perspective providing them with all the Company news on a periodical and regular basis in the daily newspapers and websites. This is in addition to following the highest marketing services standards by interacting with clients through the various social media. Further, in 2015, the Company structure has been re-organized, whereby the Compensations Department is segregated from the other departments in order to increase the Company capacity and efficiency to control the expenses and the independence of the compensations evaluation process.

Based on the conviction of the First Takaful's management that the use of the latest information technology greatly contributes in the success, continuation and growth of the Company, obtaining accurate results, saving time and effort and developing its operations by the use of highly competent and effective strategies and technological solutions. Thus, the Company signed an agreement with Technosys Information Technology Company to replace its current system by an updated system. The new system is considered as one of the best applicable systems in the Middle Est region. This system includes insurance, reinsurance, integrated financial system and other relevant systems. Further, through its team, the Company is constantly developing the systems nad programs which satisfy the Company's other activities. A team of a high level of competence and ability to use the required tools and systems is working for the Company, in order to provide suitable methods to achieve high standards of performance, quality and protection.

The First Takaful has taken very advanced leaps in the attention addressed to its human resources by attention to constant education of its staff, whereby the Company offered more than 30 educational programs in 2015 to upgrade and develop the skills of employees and create qualified insurance personnel who serve the Company and the Kuwaiti insurance market, which positively reflects on the Company and its constant success.

Pursuant to the concern of the First Takaful and its commitment with its social responsibility derived from the Islamic religion's urging for social solidarity, as well as Arab customs and traditions, and in order for the Company tot take its role in the society and undertake its responsibilities as one of the national and social work aspects, and as a contribution from the Company in developing and advancing the society in which it exits, it has addressed attention to the employment, training and development of national personnel. Further, in implementation of the good governance principles and an affirmation that the First Takaful is an indivisible part of the Kuwaiti society, it has contributed in the functions of Eid Al Adha and offered gifts to the winners. Further, the Company is constantly providing traffic and general safety awareness through the use of the various social media.

In 2015, the First Takaful recorded losses of KD 832,350 compared with a loss of KD 5,784,821 for 2014 and a share loss of 8.50 fils in 2015 compared with a share loss of 54.27 fils in 2014. Furthermore, the shareholders' equities for the current year amounted to KD 9,705,927 compared with KD 1,005,274 in the past year, with an increase by 865%. Further, the total shareholders' assets in the current year amounted to KD 12,834,060 compared with KD 3,541,611 in the previous year, marking an increase by 262%. The increase in shareholders' equities and total assets is attributed basically to increasing the capital.

Valuable shareholders:

Extinguishing the Company's accumulated losses, and hence increasing the capital, has reinforced the Company creditworthiness and supported its competitiveness in the market. On the level of the Company's various investments, the Neufa Insurance Company in Turkey has established its market share, which will reflect on the shareholders' balance sheet positively in the next years. As for Weqaya Takaful Insurance and Reinsurance Company, all the requirements of the Saudi Arab Monetary Foundation have been satisfied and we are awaiting for the Foundation's reply to our request to increase the capital of Weqaya Company. Our interest in Weqaya Company is derived from the promising opportunities for the insurance sector enjoyed by the Saudi market, making it one of the best insurance markets in the region.

Insurance policyholders' portfolio:

In 2015, the First Takaful has maintained its market share in the insurance company, despite its multiple losses from the new insurance operations, particularly in the oil sector due to the discontinuation of the Company from trading in Kuwait Securities Market. The reinsurance agreements have also been renewed.

The underwritten subscriptions for the fiscal year 2015 amounted to KD 10,404,108 compared with the Company's turnover in the fiscal year 2014 which amounted to KD 10,666,875, with a decrease of KD 262,767 and a percentage of 2%, which is an acceptable percentage in view of the extraordinary conditions the Company underwent, as already explained.

Our ambitions and hope:

The First Takaful is always looking forward with the help and success from God to a more optimistic future and more firm steps, particularly after boosting its financial worth and upgrading the experiences of the insurance and administrative personnel. Further, the Company is also ambitious to achieve its vision, of being distinguished in the takaful insurance services it provides , in a manner making it the first choice of its clients always on the regional level, in addition to realizing its mission represented in providing a creative bouquet of insurance products, benchmarked for high quality, advances services and added value for clients, in order to build strong and sustainable business relations with them. The Company is also looking forward for compliance with its value in its overall activities and products, which have become a culture binding on it in all its transactions, most prominently:

- Commitment
- Service quality
- Clients are the essence of our attention
- Credibility, Integrity and transparency
- Distinction in services

The First Takaful 's board of directors looks forward to enhancing the financial position of the Company in order to contribute in building a good reputation in the local and regional economic sectors, fostering the shareholders' confidence in the Company management, realize positive results for the shareholders contributors and raise the credit rating . The Company will search for fostering its position in the local market for the benefit of shareholders and contributors, alike.

Dear shareholders:

At the end, we praise the Almighty God for the blessing of security and safety in our beloved country under the leadership of His Highness the Amir of Kuwait Sheikh Sabah Al Ahmad Al Jaber Al Sabah, may God protect him, His Highness the Crown Prince Sheikh Nawaf Al Ahmad Al Jaber Al Sabah, may God protect him, and Sheikh Jaber Al Mubarak Al Hamad Al Sabah, the Prime Minister may God protect him. Further, I extend my deep gratitude and appreciation to the Company contributors who were and are still supporting the Company since its launch until this day and to the members of Sharia Supervisory Panel and members of the board of directors and executive management for their cooperation, in addition to the Insurance Department of the Ministry of Commerce and Industry, the Company client sand all personnel in the Company. We would also like to record our gratitude to the local and international reinsurers and brokers and all the other concerned authorities. We appeal to the Almighty God to grant us success towards more progress and prosperity.

Peace Be Upon You

Laila Abdul Karim Al-Ibrahim
Chairperson

Board Of Directors

Laila Abdul Karim Al-Ibrahim
Chairperson

Saleh Saleh Al Selmi
Vice Chairman

Hussain Ali Al-Attal
Board Member & Chief Executive Officer

Rami Khalid Abdullah Ali
Board Member

Ahmed Mohammed Al-Khalid
Board Member

Osama Abdullateef Al-Abdul Jaleel
Board Member

Saud Suleiman Al-Maali
Board Member

In the Name of Allah Most Gracious Most Merciful

Legal Advice and Sharia Supervision Panel's Report

Praise be to Allah, the Lord of the Two Worlds, prayer and peace on the most honorable Prophet and Messenger, our Master Mohamed PBUH , his family and all companions.

The Legal Advice and Sharia Supervision Panel of the First Takaful Insurance Company KSCP is honored to present its report on the Company transactions and operations for the fiscal year ended on 31/12/2015, for presentation to the Company general assembly.

Pursuant to the statement of the Chairman, delegated by it to control and follow up all the Company operations from Sharia perspective, Sheikh Dr. Anwar Shuaib Abdulsalam, and the transactions and operations presented to the Panel in the field of takaful insurance, the Panel deems that they conform with its decrees and recommendations. In witness whereof, we signed this certificate.

At the end, we appeal to the Almighty Allah to grant success to those in charge of the Company and its personnel in their works, in a manner which asserts the soundness of the approach and correct implementation under the umbrella of the Sharia.

He hears and responds to our prayers. Praise be to Allah, the Lord of the Two Worlds, and PBUH our Prophet Mohammed, his family and all companions.

God is the Grantor of Success.

Sheikh Dr. Anwar Shuwaib Abdulsalam
Panel Chairman

Sheikh Dr. Mohammad Abdul Razaq Al Tabtabae
Panel member

Sheikh Dr. Essam Al Ghareeb
Panel member

Shareea'a Supervisory Board

Dr. Anwar Shuaib Abdulsalam

Chairman

Dr. Mohammad Abdul Razaq Al Tabtabae

Shareea'a Board Member

Dr. Essam Al Ghareeb

Shareea'a Board Member

News Comments

الأنباء

32 خدمات إعلانية

الأربعاء 10 يونيو 2015

«الأولى تكافل» تنظم 16 برنامجاً تدريبياً لموظفيها

كشف الرئيس التنفيذي للشركة الأولى للتأمين التكافلي «الاولى تكافل» حسين العتال ان الشركة حققت ارتفاعا في الأقساط التأمينية بلغ حوالي 9٪ حتى 31 مايو 2015 مقارنة بالفترة ذاتها من عام 2014 مؤكدا أن هذه النسبة تعتبر مميزة في ظل المنافسة الشديدة في السوق التأميني وسياسية حرق الأسعار التي اتبعتها بعض الشركات.

حسين العتال

وأشار العتال الى ان هذه النتائج تاتي ضمن سياسة الشركة المتبعة بتعزيز الأداء التشغيلي من خلال تنمية العنصر البشري، حيث تم تنظيم 16 برنامجا تدريبيا لموظفي الشركة ابتداء من يناير الى نهاية مايو، مشيرا الى أن الشركة توجهت الى تنظيم هذه الدورات إيمانا منها بأهمية تدريب وتطوير العنصر البشري، الأمر الذي من شانه رفع مستوى المهنية للموظفين وإعدادهم الإعداد الملائم للقيام بدورهم وأداء مهامهم بكفاءة عالية.

وأضاف العتال قائلا: «تطبيقا لمبدأ الإدارة الحديثة وسعيا منا الى تنمية الموارد البشرية لم تكتف الشركة بإقامة الدورات التدريبية داخل الكويت، بل قامت بإرسال بعض الموظفين الى دورات تدريبية خارج الكويت، إضافة الى اننا ننظم الحلقات النقاشية بصورة دورية بين موظفي الشركة وبحضور من الإدارة العليا وذلك للوصول الى أعلى مستوى من المهنية القائمة على طرح الأفكار المشتركة ولإيجاد حلول جذرية لأي مشكلة تواجه العميل»، لافتا الى ان الشركة تستعين بأكفأ الخبرات لتقديم الدورات المختصة بخدمة العملاء والمهارات الإدارية وغيرها.

واختتم العتال بتأكيده على أن الادارة التنفيذية للشركة مستمرة ببذل كل الجهود للرقي بمستوى الخدمة المقدمة لعملائها إضافة الى تعزيز كل الموارد التي من شانها أن تقدم الدعم لموظفي الشركة لتحسين أدائهم الى جانب سعيها المستمر في نشر الوعي التأميني بصورة عامة لأفراد المجتمع.

34 اقتصاد

الأنباء

الاثنين 1 يونيو 2015

«الأولى تكافل» تحصل على موافقة هيئة أسواق المال برفع رأسمالها إلى 10.6 ملايين دينار

أعلنت الشركة الأولى للتأمين التكافلي « الأولى تكافل» موافقة هيئة أسواق المال على تخفيض رأس المال الشركة المدفوع والبالغ 10 ملايين دينار بمبلغ رصيد الخسائر المتراكمة والبالغ 9.027 ملايين دينار ليصبح رأسمال الشركة بعد التخفيض 972.08 ألف دينار ومن ثم زيادته إلى 10.660 ملايين دينار عن طريق زيادة عينية مقدمة من أحد مساهمي الشركة.

حسين العتال

وبهذه المناسبة اعرب الرئيس التنفيذي للشركة حسين العتال عن سعادته بموافقة الهيئة على هذا القرار مؤكدا انه بعد إتمام هذه العملية ستعود الشركة الى التداول في سوق الكويت للأوراق المالية وبذلك ستتعافى الشركة من الخسارة التي منيت بها نتيجة خسارة استثمارها في شركة وقاية للتأمين وإعادة التأمين العاملة في السعودية والتي تمتلك الشركة 20٪ من رأسمالها.

الأنباء

الاثنين 18 مايو 2015

34 اقتصاد

الشركة تطلق هويتها الجديدة تحت شعار «لكل ما هو مهم»

10,6 ملايين دينار حجم أقساط «أولى تكافل» في 2014

أعلنت الشركة الأولى للتامين التكافلي «أولى تكافل» عن إطلاق هويتها الجديدة تحت شعار «لكل ما هو مهم»، وذلك بالتزامن مع مرور 15 عاما على تأسيس الشركة كاول شركة تامين تكافلي تعمل في الكويت.

وبهذه المناسبة، أشار الرئيس التنفيذي للشركة حسين العتال خلال المؤتمر الصحافي الذي عقدته الشركة امس الى ان إطلاق الهوية الجديدة يأتي ضمن خطة الشركة المستقبلية بتقديم افضل خدمات التكافل وباعلى مستويات من الحرفية والمهنية وفق رؤية ورسالة واضحة تواكب احتياجات ورغبات عملاء الشركة بتقديم أفضل الوثائق التامينية وبأعلى مستويات الجودة وبأسعار تنافسية.

وأضاف العتال ان الشركة تعتبر ثاني شركة بحجم الأقساط بقطاع التامين التكافلي ولها حصة 15٪ من السوق عن عام 2014 ولها حصة من إجمالي السوق 4٪، لافتا الى انه لدى الشركة 120 موظفا و5 فروع ولديها استثماران في الخارج أحدهما في السعودية والآخر في تركيا.

حسين العتال خلال اطلاق الهوية الجديدة للشركة

العتال: شعارنا اليوم هو خدمة العميل في جميع النواحي

وذكر ان الشركة حققت العام الماضي 10,6 ملايين دينار في حجم الأقساط، مشيرا الى ان ذلك يعتبر أعلى رقم قد وصلت إليه الشركة منذ تأسيسها.

وقال العتال ان الشركة تقدم جميع أنواع التامين، وستطلق خلال عام 2015 منتجات جديدة خاصة بالتامين على الحياة قريبا جدا.

وعن سوق التامين في الكويت، ذكر العتال: «الكويت بحاجة الى هيئة إشراف ورقابة ولكن مع الأسف لا يوجد بها، ومع الجهود التي نسمعها مؤخرا ستثمر وجود هذه الهيئة»، واصفا بأنها ستصب في مصلحة الشركات من حيث المراقبة على الأسعار وغيرها من الأمور. وأضاف قائلا: «شعارنا اليوم هو خدمة العميل في جميع النواحي سواء في الوعي التاميني او التغطيات التامينية وكذلك الأسعار والعميل بحاجة الى توجيه».

ولفت العتال الى ان الهوية الجديدة للشركة اشتملت على طرح منتجات تكافلية جديدة وتقديم باقات تامينية متخصصة تناسب احتياجات القطاعات المختلفة، إضافة الى تطوير الموقع الإلكتروني للشركة، وذلك لتقديم كل المعلومات والبيانات التي يحتاجها حملة الوثائق التامينية بصورة حيوية ومنظمة.

وأضاف قائلا: «إيمانا منا باهمية نشر الوعي التاميني الى كل أفراد المجتمع قمنا بالتزامن مع إطلاق شعارنا الجديد بإطلاق حملة توعية عن طريق كل الوسائل الإعلامية تهدف الى خلق وعي تاميني بين أفراد المجتمع ستستمر بصورة منتظمة خلال هذا العام وسنحرص دوما على تعزيز الدور الإعلامي كأحد أهم عناصر التواصل المجتمعي».

وعن الأداء التشغيلي للشركة أكد العتال انه في تحسن مستمر وملموس، حيث بلغت الأقساط التامينية عن الفترة المنتهية بـ 30 أبريل 2015 حوالي 4,17 ملايين دينار مقارنة بـ 3,66 ملايين دينار عن ذات الفترة لعام 2014 وبنسبة ارتفاع وصلت الى 13,8٪، مشيرا الى مشاركة مساهمي الشركة في الأقساط التامينية يكاد لا يذكر الأمر الذي يعكس مدى سلامة الخطة التشغيلية التي وضعها مجلس الإدارة ومدى قوة الفريق التشغيلي.

وأعرب عن أمله في ان تشهد الشركة في المرحلة المقبلة ازدهارا ملموسا في أعمالها، وخاصة ان الخسارة التي ألمت بالشركة سابقا وأدت الى وقف السهم عن التداول جاءت بسبب المخصصات التي تم أخذها في الربع الأخير من عام 2013 لشركة وقاية السعودية للتامين وإعادة التامين والتي تمتلك الشركة 20٪ من رأسمالها. مؤكدا ان الشركة مستمرة في إنهاء الإجراءات القانونية والنظامية استكمالا للحصول على كل الموافقات المطلوبة من الجهات الحكومية المختصة لخفض رأسمال الشركة بقيمة 9,02 ملايين دينار ليتم بعد ذلك رفعه الـ 9,68 ملايين دينار.

الاقتصادية

Tuesday 8th September 2015 (47th Year) Issue No (16842)

13

كشف لـ"السياسة" أن شركته الأولى تطبيقاً للزيادة العينية لرأس المال

العتال: "أولى تكافل" خالية تماماً من الديون وأقساطها 7.4 مليون دينار في 8 أشهر

حوار - هبة حماد

كشف الرئيس التنفيذي في الشركة الأولى للتأمين التكافلي "أولى تكافل" حسين العتال عن خلو الشركة من الديون بعد تسديد آخر قرض عليها في يونيو الماضي، كما أنها حققت 7.4 مليون دينار أقساطاً تأمينية منذ بداية العام الحالي حتى أغسطس الماضي، مشيراً الى ان الشركة استطاعت عبور الأزمة المالية العالمية بسلام، الا انها تعيش الآن أزمة جديدة يواجهها العالم تطل برؤوس شتى وعلى الجميع الحذر.

وقال في حوار خاص مع "السياسة" إن الشركة لن تتوانى من مواكبة ما يحدث في اسواق التأمين العالمية من خلال طرح منتجات حديثة والاهتمام بزيادة الوعي التأميني في السوق المحلي عن طريق الصحافة، بغية اشباع حاجات تأمينية راكدة منذ فترة طويلة.

وأكد العتال اهتمام الشركة بمواردها البشرية، حيث تقدم خدمة لموظفيها التمتع بالتأمين على الحياة لمدة 36 شهرا وكذلك التأمين الصحي للموظف وزوجته وهو ما ينعكس ايجابا على الشركة ويحقق لها النجاح، لافتا الى ضرورة ان يشعر الموظف ببيئة عمل جيدة وتنافسية لا توجد في شركات اخرى، وذكر ان رسالة الشركة التي تقدمها لعملائها تتميز بتقديم باقة مبتكرة من منتجات التأمين عنوانها الجودة العالية والخدمات الفائقة... تفاصيل اللقاء فيما يلي:

حسين العتال (تصوير: محمد مرسي)

حسين العتال متحدثا للزميلة هبة حماد

نوفر لموظفينا بيئة عمل تنافسية تؤهلهم لرفع أداء الشركة على جميع الأصعدة

التجارة ظلمتنا بعد منحها تراخيص لعدد من الشركات في وقت قصير تقدم خدمات دون المستوى

شركة طيران الجزيرة ش.م.ك.ع

دعوة لحضور اجتماع الجمعية العامة غير العادية

يسرّ مجلس الإدارة دعوة المساهمين الكرام لحضور اجتماع الجمعية العامة غير العادية وذلك يوم الاثنين الموافق 2015/10/12 الساعة الحادية عشر صباحاً بمقر الشركة منطقة مطار الكويت الدولي - طريق المطار (طريق 55) مقابل قاعة التشريفات.

جدول أعمال الجمعية العامة غير العادية لشركة طيران الجزيرة ش.م.ك.ع

مجلس الإدارة

«أولى تكافل» فتحت صفحة جديدة
بعد إطفاء خسائرها وسداد كل ديونها

لا تأخذ الكثير من الاحتياطيات الفنية

العتال: ميزانيات بعض شركات التأمين غير واقعية

سالم عبدالغفور

توقّع الرئيس التنفيذي للشركة الأولى للتأمين التكافلي (أولى تكافل) حسين العتال نمو الأقساط المكتتبة في سوق التأمين الكويتي إلى 340 مليون دينار، من دون مساهمة وثيقة التأمين الصحي للمتقاعدين التي أُلغيت بـ 82.5 مليون دينار.

وقال في لقاء خاص مع القبس حول أبرز مشكلات قطاع التأمين الكويتي إن 4 شركات فقط تسيطر على 65% من أقساط السوق، وتحقق أرباحاً تشغيلية، بينما تتنافس الشركات المتبقية (28 شركة) على 35% من حجم الأقساط في السوق، مما خلق منافسة سلبية بين هذه الشركات ودفعها إلى اتباع سياسة حرق الأسعار، للحصول على حصة من أقساط السوق.

وأكد أن كثيراً من الشركات تسعى للحصول على أكبر قدر من الأقساط من دون الربط الإيجابي مع هامش الربحية، إضافة إلى أنها تركز في أعمالها على أكثر قطاعين خطورة، وهما التأمين الصحي والمركبات.

«التجارة»

وطالب وزارة «التجارة» بدراسة الميزانيات المقدمة من الشركات جيداً، وربط حجم الأقساط بالأرباح للشركات القائمة، والتأكد من قدرة السوق على استيعاب شركات جديدة وجدوى إصدار تراخيص جديدة بالسوق، مؤكداً أهمية تبني الوزارة فكرة دعوة الشركات للاندماج للمساهمة في التقليل من سياسة حرب الأسعار، الأمر الذي يعمل على خلق كيانات أقوى تساهم بشكل إيجابي في نجاح قطاع التأمين.

وأشار إلى أن شركات التأمين التكافلي مثلها مثل باقي الشركات الإسلامية تعاني من مشاكل رئيسية تتمثل في ندرة القنوات الاستثمارية مقارنة بـ«التقليدية»، مما يقلل فرصها في تنويع استثماراتها ويزيد المخاطر، نتيجة

تركزها في استثمارات محدودة، معرباً عن أمله في أن يزيد توجه الحكومة لدعم قنوات التمويل الإسلامي.

وكشف أن بعض الشركات في السوق سعياً وراء تحقيق معدلات ربحية مرتفعة لا تأخذ بعين الاعتبار احتساب بعض المخصصات الفنية في ميزانيتها، الأمر الذي لا يعكس الوضع المالي الحقيقي للشركة.

وأشار إلى أن بعض شركات التأمين الكويتية تفتقر ميزانياتها إلى العديد من الاحتياطيات الفنية المتبعة في كل شركات التأمين العالمية مثل احتياطيات خطأ التسعير «PDR»، حيث إن أغلبية الشركات تأخذ بعين الاعتبار مخصص أقساط التأمين غير المكتسبة «UPR» ومطالبات تحت التسوية «OCR» ولا تلتزم ببعض الاحتياطيات مثل احتياطي مطالبات «IBNR» حدثت ولم يبلغ عنها، حيث يكون هذا الاحتياطي غير مطابق للحقيقة في بعض الشركات، الأمر الذي نلاحظه إذا دققنا في ميزانيات بعض الشركات المقدمة لوزارة التجارة، وحيث نجد أن الأقساط والتعويضات لا تعطي انعكاساً للواقع لعدم وجود قانون يتطلب وجود مثل هذه المخصصات.

المخصصات

وأوضح أن هذه الاحتياطيات سواء الإجبارية أو الاختيارية، تعتبر خط الدفاع الأول في شركات التأمين في حال وقوع أي تعويض على الشركة، فكما هو معروف أن التأمين هو وثيقة ما بين المؤمن له، حيث يتم بهذا العقد الاتفاق على تأمين أخطار الغير، لذلك يجب الاحتياط على وقوع هذا الخطر عن طريق تحديد مخصصات كافية لمواجهة هذه الأخطار، الأمر الذي تفتقر إليه بعض الشركات العاملة في الكويت كما ذكرت آنفاً.

وضرب مثالاً بسوق التأمين السعودي، حيث وضعت مؤسسة النقد العربي السعودي (ساما) العديد من الضوابط الفنية التي تنظم سوق التأمين ومثال عليها أنه عند انتقال العميل من شركة التأمين إلى أخرى يجب أن يقدم شهادة لمعدل الخسارة لوثيقة التأمين الخاصة به لتستطيع الشركة المنتقل إليها إعطاء سعر عادل، إضافة إلى أنها فرضت على كل شركة أن تحدد سعر بيع لمنتجاتها يحدده الخبير الاكتواري بناء على معدلات الخسارة للشركة ذاتها حسب النتائج الدورية، مؤكداً أن هذه الضوابط تحد من وقوع شركات التأمين في فخ الخسارة لأنها كانت على علم بمعدل الخسارة للعميل قبل توقيع البوليصة معه.

ثقافة تأمينية

وأشار العتال إلى أن قطاع التأمين في الكويت يحتاج إلى نشر الثقافة التأمينية وبيان أهمية المنتجات التأمينية بمختلف أنواعها، كما في الدول المتقدمة، حيث إننا نلاحظ توفر أكثر من 50 منتجاً تأمينياً يتم التركيز على اثنين منها لعدم وعي المستهلك بأهمية المنتجات المتبقية بالإشارة إلى أن كلا المنتجين يسجل خسائر على الشركات.

ولفت إلى أنه لا يوجد في الكويت سوى منتج واحد إجباري وهو التأمين ضد الغير وسعر الوثيقة 19 ديناراً يحق للمحاكم الحكم فيها بأي مبلغ كتعويض دون سقف، بينما سعر تلك الوثيقة في دول مجاورة مثل السعودية يعادل 120 ديناراً والحكم فيها محدد بسقف.

وقال: في الوقت الذي ألغي فيه تخصص التأمين من جامعة الكويت تمت زيادة نسبة العمالة الوطنية بالقطاع من 16% إلى 18%، مطالباً بإعادة هذا التخصص إلى جامعة الكويت مرة أخرى لضخ عمالة متخصصة في السوق الكويتي نظراً لأهمية القطاع، مناشداً وزير التربية بدعم هذا التوجه.

وطالب الحكومة بالاقتداء أثر القطاع النفطي في التأمين على كل مشروعاتها ومنشآته، مما يؤمن تغطية تأمينية تحفظ قيمة أصول الدولة من ناحية وبما يساهم في تنشيط قطاع التأمين من ناحية

• حسين العتال

أخرى.

«أولى تكافل»

وحول وجود أداء «أولى تكافل» قال العتال: تأخذ الشركة بالحسبان اتخاذ أنواع من المخصصات الفنية الاختيارية وفقاً لمتطلبات الهيئة الرقابية على قطاع التأمين في الأسواق الأخرى التي تعمل بها الشركة، وهما سوقا تركيا والسعودية، مشيراً إلى أن هذه الضوابط تزيد قدرة الشركة على التحوط من التعويضات في حال حدوث أي خلل بنسب محددة يتم تحديدها من قبل الخبير الاكتواري.

وأكد أن الشركة فتحت صفحة جديدة بعد إطفاء خسائرها وتغيير هيكل ملكيتها وتسديد كل قروضها، ملمحاً إلى أن حصتها السوقية حالياً 14% من قطاع التأمين التكافلي و4% من إجمالي قطاع التأمين بينما بلغ حجم أقساطها نحو 9.1 ملايين دينار حتى 30 أكتوبر الماضي.

مشاريع نفطية

وأشار إلى أن الفترة العصيبة التي مرت بها الشركة بما فيها إيقاف السهم عن التداول قد حرمها من المنافسة على عقود تأمينية لمشروعات نفطية مليارية، مبيناً أن الشركة تسعى إلى تعويض ما فاتها خلال الفترة المقبلة.

ولفت إلى أن الشركة تسعى جاهدة للمساهمة في تغيير الثقافة التأمينية في الكويت، من خلال المشاركة في الفعاليات التوعوية، كاشفاً عن أن الميزانية التقديرية للشركة للسنوات الخمس المقبلة تشمل طرح خدمات جديدة ودراسات للتوسع بأسواق جديدة.

وفي ختام الحوار، ناشد العتال مجلسي الوزراء والأمة العمل سريعاً على إنشاء هيئة رقابية لقطاع التأمين لتنظيم السوق وتشجيع الشركات على الاندماج ومعالجة الممارسات السلبية بالسوق، حيث إن إنشاء الجهاز الرقابي سيعمل على الارتقاء بهذا القطاع بكامل جوانبه.

على «التجارة» دراسة ميزانيات الشركات المقبلة جيداً.. والتأكد من جدوى إنشاء «جديدة»

حرب الأسعار نشبت نتيجة السعي وراء الأقساط بغض النظر عن الأرباح المتوقعة منها

أكثر من 50 منتجاً تأمينياً في السوق.. التركيز على اثنين فقط بسبب غياب الثقافة التأمينية

340 مليون دينار قيمة الأقساط المكتتبة المتوقعة لإجمالي القطاع في نهاية العام

4 شركات تستحوذ على 65% من الأقساط.. و28 تتنافس على الباقي

14% حصتنا السوقية من التأمين التكافلي.. وحجم أقساطنا 9.1 ملايين دينار في 10 أشهر

إنشاء هيئة رقابية تنظّم السوق وتشجّع الشركات على الاندماج وتعالج الممارسات السلبية

اقتصاد 18 الجريدة.

العدد 2994 / الخميس 24 مارس 2016م / 15 جمادى الآخرة 1437هـ

economy@aljarida.com

«أولى تكافل» تصدر نشرة تأمين للتوعية بالكويت

كشف الرئيس التنفيذي للشركة الاولى للتامين التكافلي حسين العتال، أن الشركة أصدرت أول نشرة تأمين للتوعية في الكويت، لافتا إلى أن هذه الخطوة تأتي ضمن خطة «أولى تكافل» لنشر ثقافة التامين للأفراد في البلاد.

وأضاف العتال ان هذه النشرة، المتخصصة في شؤون التأمين، طرحت العديد من المواضيع التأمينية بصورة مبسطة ليستفيد منها الافراد في فهم آلية التأمين، حيث تضمنت أهم التفاصيل والمعلومات الخاصة بالتأمين من النواحي القانونية والتنفيذية والاجرائية، مشيرا إلى أنها ستصدر بشكل دوري لتستمر في طرح كل المواضيع التأمينية التي يهتم بها الافراد لتكون مرجعا سهلا لهم في حالة وجود اي مواضيع غير واضحة في هذا الشأن. ولفت الى ان اصدار هذه النشرة جاء بعد قناعة الادارة التنفيذية بالشركة بأن سوق الكويت يحتاج الى نشر ثقافة التأمين بين افراد المجتمع، حيث انه بالرغم من ضرورة التأمين وحاجة الافراد الملحة اليه فإنه مازال يشكل قلقا لبعض الافراد بسبب عدم معرفتهم الدقيقة بمفهوم التأمين وتفاصيله وعدم اطلاعهم على ابرز بنود عقد التأمين سواء كانت تخص الالتزامات او الحقوق.

واشار العتال إلى أن «سوق التأمين الكويتي يحتاج الى دعم من كل الجهات المختصة بالتأمين سواء الحكومية أو الشركات العاملة في السوق ليستطيع ان ينافس الاسواق في المنطقة، حيث مازال يفتقر الى المساندة والدعم».

حسين العتال

First Takaful Insurance Company - KPSC and Subsidiary

Consolidated financial statements and independent auditors' report

31 December 2015

Contents

Grant Thornton
Al-Qatami, Al-Aiban & Partners

Auditors & Consultants
Souq Al Kabeer Building - Block ! - 9th Floor
Tel.: +965 22443900/9
Fax: +965 22438451
P.O. Box 2986, Safat 13030 Kuwait
e-mail: gt@kw.gt.com
www.grantthornton.com.kw

MAZARS
Hend Abdulla Al Surayea & Co.- Chartered Accountants

P.O. Box 23105 Safat, 13092 Kuwait
Tel.: +965 22470462/4
Fax: +965 22470463
www.mazars.com.kw

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 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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. 1 of 2016, and the executive regulations of Law No. 25 of 2012 and by the Parent Company's memorandum of incorporation and articles 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 the executive regulations and of the Parent Company's memorandum of incorporation and articles of association, have occurred during the year ended 31 December 2015 that might have had a material effect of the business or financial position of the group.

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

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue			
Net investment income	8	43,491	25,189
Share of results of associates	12	(257,795)	(176,512)
Net policyholders' insurance deficit transferred to shareholders	18.7	(560,962)	(1,537,035)
		(775,266)	(1,688,358)
Expenses and other charges			
General and administrative expenses		(57,084)	(52,293)
Impairment of available for sale investments	11	-	(130,543)
Impairment of investment in associate	12	-	(3,913,627)
		(57,084)	(4,096,463)
Loss for the year		(832,350)	(5,784,821)
Basic and diluted loss per share	9	(8.50) Fils	(54.27) Fils

The notes set out on pages 31 to 74 form an integral part of these consolidated financial statements.

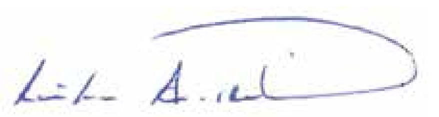
Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Loss for the year	**(832,350)**	(5,784,821)
Other comprehensive income/(loss):		
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	**260,927**	(91,089)
- Transferred to consolidated statement of profit or loss on impairment	**-**	130,543
Exchange differences arising on translation of foreign operations	**(415,837)**	(100,205)
Share of other comprehensive income of associates	**-**	8,558
Total other comprehensive loss	**(154,910)**	(52,193)
Total comprehensive loss for the year	**(987,260)**	(5,837,014)

The notes set out on pages 31 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
Assets			
Bank balance		**1,448**	1,448
Investment deposit	10	**135,000**	135,000
Available for sale investments	11	**2,559,369**	2,298,442
Investment in associates	12	**10,133,094**	1,098,364
Other assets		**5,149**	8,357
Total assets		**12,834,060**	3,541,611
Equity and liabilities			
Equity			
Share capital	13	**10,660,000**	10,000,000
Legal reserve	14	**-**	842,836
Other components of equity	15	**(121,723)**	33,187
Accumulated losses		**(832,350)**	(9,870,749)
Total equity		**9,705,927**	1,005,274
Liabilities			
Amount due to policyholders	16	**3,068,470**	2,476,895
Other liabilities		**59,663**	59,442
Total liabilities		**3,128,133**	2,536,337
Total equity and liabilities		**12,834,060**	3,541,611



Laila Abdul Karim Al-Ibrahim
Chairperson

Hussain Ali Al-Attal
Chief Executive Officer

The notes set out on pages 31 to 74 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 15) KD	Accumulated losses KD	Total KD
Balance at 1 January 2015	**10,000,000**	**842,836**	**33,187**	**(9,870,749)**	**1,005,274**
Write off of accumulated losses (note 17)	(9,027,913)	(842,836)	-	9,870,749	-
Share capital increase (note 17)	9,687,913	-	-	-	9,687,913
Transactions with owners	660,000	(842,836)	-	9,870,749	9,687,913
Loss for the year	-	-	-	(832,350)	(832,350)
Total other comprehensive loss	-	-	(154,910)	-	(154,910)
Total comprehensive (loss)/income for the year	-	-	(154,910)	(832,350)	(987,260)
Balance at 31 December 2015	**10,660,000**	**-**	**(121,723)**	**(832,350)**	**9,705,927**
Balance at 1 January 2014	10,000,000	842,836	85,380	(4,085,928)	6,842,288
Loss for the year	-	-	-	(5,784,821)	(5,784,821)
Total other comprehensive loss	-	-	(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	(9,870,749)	1,005,274

The notes set out on pages 31 to 74 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
OPERATING ACTIVITIES			
Loss for the year		(832,350)	(5,784,821)
Adjustments for:			
Net investment income		(43,491)	(25,189)
Net policyholders' insurance deficit transferred to shareholders		560,962	1,537,035
Impairment of available for sale investments		-	130,543
Impairment of investment in associate		-	3,913,627
Share of results of associates		257,795	176,512
		(57,084)	(52,293)
Changes in operating assets and liabilities:			
Other assets		3,208	-
Movement in policyholders' account		30,613	233,413
Other liabilities		221	-
Net cash (used in)/ from operating activities		(23,042)	181,120
INVESTING ACTIVITIES			
Increase in investment in associate		(20,449)	(205,808)
Dividend income received		40,705	22,500
Profit on investment deposit received		2,786	2,728
Net cash from/(used in) investing activities		23,042	(180,580)
FINANCING ACTIVITIES			
Dividend paid		-	(540)
Net cash used in financing activities		-	(540)
Increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		1,448	1,448
Cash and cash equivalents at the end of the year		1,448	1,448
Non-cash transactions			
Investment in associate	12.b	(9,687,913)	-
Share capital	12.b	9,687,913	-

The notes set out on pages 31 to 74 form an integral part of these consolidated financial statements.

Notes to the 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 a subsidiary of International Financial Advisors Company-KPSC (ultimate parent company).

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.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issurance of the new executive regulations.

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 08 March 2016 and are subject to the approval of the General Assembly of the Shareholders.

Notes to the consolidated financial statements (continued)

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 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 2015. Information on the relevant new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

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 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.

(iv) 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.

The annual improvements did not have any material impact to the group's consolidated financial statements.

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the group (continued)

Annual Improvements 2011-2013 Cycle (continued)

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 annual improvements did not have any material impact to the group's consolidated financial statements.

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 2018
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
IFRS 16 Leases	1 January 2019
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
Annual Improvements to IFRSs 2012–2014 Cycle	1 July 2016

IFRS 9 Financial Instruments: Classification and Measurement

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments: Classification and Measurement (continued)

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

- an expected credit loss-based impairment will need to be recognised on the group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.

- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income. This will affect the group's investment amounting to KD 450,031 (see note 18.4) if still held on 1 January 2018.

- if the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group's own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 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.

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- 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 has yet to assess the impact of this new standard on the group's 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.

The group's management has yet to assess the impact of these amendments 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.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception – Amendments (continued)

- *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 has yet to assess the impact of these amendments on the group's consolidated financial statements.

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

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

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 associates 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.

Notes to the consolidated financial statements (continued)

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.

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

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 has yet to assess the impact of these amendments 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 has yet to assess the impact of these amendments on the group's consolidated financial statements.

Annual Improvements to IFRSs 2012–2014 Cycle
(i) *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

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

Notes to the consolidated financial statements (continued)

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.

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 Business combinations

The group applies the acquisition method in accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.2 Business combinations (continued)

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 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.

5.3.1 Income from investment deposit

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

5.3.2 Dividend income

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

5.4 Operating expenses

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

5.5 Taxation

5.5.1 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.

5.5.2 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.5 Taxation (continued)

5.5.3 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 year ended 31 December 2014, 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 or any carry back to prior year is permitted.

5.6 Financial instruments

5.6.1 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 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.

5.6.2 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.6 Financial instruments (continued)

5.6.2 Classification and subsequent measurement of financial assets (continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

- ***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. 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.

5.6.3 Classification and subsequent measurement of financial liabilities

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.6 Financial instruments (continued)

5.6.3 Classification and subsequent measurement of financial liabilities (continued)

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.

5.7 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.

5.8 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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

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 22.

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.13 Equity, reserves and dividend payments (continued)

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

Accumulated losses include all current and prior period retained 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

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.

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.16 Provisions, contingent assets and contingent liabilities (continued)

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 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 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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

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 22).

7 Subsidiary

Name of subsidiary	Percentage ownership		Country of incorporation	Principal activities
	31 Dec. 2015	31 Dec. 2014		
	%	%		
First Kuwait Insurance Brokerage Company -WLL	**98%**	98%	Kuwait	Insurance brokerage

8 Net investment income

	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	KD	KD
Profit on investment deposit (see note 10)	**2,786**	2,689
Dividend income	**40,705**	22,500
	43,491	25,189

Notes to the consolidated financial statements (continued)

9 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. 2015	Year ended 31 Dec. 2014
Loss for the year (KD)	(832,350)	(5,784,821)
Weighted average number of shares outstanding during the year (number)	98,383,988	106,600,000
Basic and diluted loss per share	(8.50) Fils	(54.27) Fils

The weighted average number of shares outstanding for the comparative year has been restated to reflect the capital reduction and increase during the year (note 17).

10 Investment deposit

In accordance with Kuwait law (Business operations licence), an amount of KD135,000 (31 December 2014: KD135,000) has been deposited with a Kuwaiti financial institution as security to underwrite general insurance and life insurance business (also refer to note 18). The average rate of profit earned on the deposit during the year was 1.932% (31 December 2014: 1.932%).

11 Available for sale investments

	31 Dec. 2015 KD	31 Dec. 2014 KD
Quoted securities	3	3
Unquoted securities	2,559,366	2,298,439
	2,559,369	2,298,442

Unquoted investment with carrying value of KD1,131,559 (31 December 2014: KD1,053,044) 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 KD nil (31 December 2014: KD130,543) in respect of certain available for sale investments.

12 Investment in associates

12.1 Details of the investment in associates are given below:

Name	Country of incorporation	Voting capital and ownership interest		Purpose
		31 Dec. 2015 %	31 Dec. 2014 %	
Weqaya Takaful Insurance and Reinsurance Company – SSC ("Weqaya") (Quoted)	Saudi Arabia	20	20	Insurance
Neova Sigorta Insurance Company (Unquoted)	Turkey	35	10	Insurance

Notes to the consolidated financial statements (continued)

12 Investment in associates (continued)

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Carrying amount at the beginning of the year	**1,098,364**	5,074,342
Additions (note 12.2-b)	**9,708,362**	205,808
Share of results of associates	**(257,795)**	(176,512)
Impairment of investment in associate	**-**	(3,913,627)
Foreign exchange translation adjustments	**(415,837)**	(100,205)
Share of other comprehensive income of associates	**-**	8,558
Carrying amount at the end of year	**10,133,094**	1,098,364

12.2 Summarised financial information of group associates are set out below:

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

In previous year, 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 2015, 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.

b) Neova Sigorta Insurance Company (Unquoted):

	31 Dec. 2015 KD	31 Dec.2014 KD
Non-current assets	**501,358**	445,395
Current assets	**61,258,686**	46,039,777
Total assets	**61,760,044**	46,485,172
Non-current liabilities	**(441,981)**	(341,853)
Current liabilities	**(53,198,841)**	(35,159,686)
Total liabilities	**(53,640,822)**	(35,501,539)
Net assets	**8,119,222**	10,983,633

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Revenue	**44,708,252**	32,578,068
(Loss)/profit for the year	**(1,346,642)**	2,520,362
Total comprehensive (loss)/income for the year	**(3,854,952)**	2,520,362

Notes to the consolidated financial statements (continued)

12 Investment in associates (continued)

b) Neova Sigorta Insurance Company (Unquoted): (continued)

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. 2015 KD	31 Dec. 2014 KD
Company's ownership interest (%)	**35**	10
Net assets of the associate	**8,119,222**	10,983,633
Company's share of net assets	**2,841,729**	1,098,363
Goodwill	**7,291,365**	-
Carrying amount	**10,133,094**	1,098,363

As a result of parent company share capital increase which was settled in kind, the group acquired an additional 25% interest in Neova Sigorta Insurance Company ("Neova")(Turkey), for a total consideration of KD9,687,913. The group previously held 10% interest in Neova. The acquisition resulted in a goodwill amounting to KD7,291,365 calculated as follows:

The identifiable assets and liabilities of Neova Sigorta Insurance Company at the date of acquisition were as follows:

	KD
Total assets	50,265,537
Total liabilities	(40,679,347)
Net assets	9,586,190
Share of net assets acquired – 25%	2,396,548
Less: purchase consideration	(9,687,913)
Goodwill	7,291,365

The total consideration paid by the group to acquire the additional shares in Neova was based on fair valuation performed by an independent valuer using Discounted Cash Flow methodology; therefore, management believes there is no impairment of the goodwill as at reporting date.

Further, additions in the carrying value of associate amounting to KD20,449 represents capital call for Neova.

No divided was received from the associates.

Notes to the consolidated financial statements (continued)

13 Share capital

	31 Dec. 2015 KD	31 Dec. 2014 KD
Authorised: shares of 100 Kuwaiti Fils each	**10,760,000**	10,100,000
Issued and fully paid: shares of 100 Kuwaiti Fils each	**10,660,000**	10,000,000

The Extraordinary General Assembly Meeting of the Shareholders ("EGAM") held on 25 June 2015 approved to increase the amended share capital of the parent company from KD972,087 to KD10,660,000 to be paid in-kind by the parent company's shareholders (note 17).

The amendments to the articles of association of the parent company to reflect this decision were recorded in Kuwait Commercial Register on 21 July 2015.

14 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.

The balance of legal reserve as of 31 December 2014 used to set off the accumulated losses of the parent company (note 17).

15 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2015	**552,038**	**(518,851)**	**33,187**
Available for sale investments:			
- Net change in fair value arising during the year	**260,927**	**-**	**260,927**
Exchange differences arising on translation of foreign operations	**-**	**(415,837)**	**(415,837)**
Total other comprehensive income/(loss) for the year	**260,927**	**(415,837)**	**(154,910)**
Balance at 31 December 2015	**812,965**	**(934,688)**	**(121,723)**
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

Notes to the consolidated financial statements (continued)

16 Amount due to policyholders

	31 Dec. 2015 KD	31 Dec. 2014 KD
Opening balance	**2,476,895**	706,371
Net movements during the year	**30,613**	233,489
Policyholders insurance deficit transferred to shareholders (note 18.7)	**560,962**	1,537,035
Closing balance	**3,068,470**	2,476,895

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.

17 Annual general assembly

The directors did not propose dividend for the year ended 31 December 2015. This proposal is subject to the approval of the parent company's shareholders at the Annual General Assembly.

The Annual General Assembly of the Shareholders held on 25 June 2015 approved the consolidated financial statements of the group for the year ended 31 December 2014 and approved the directors proposal not to distribute any dividend for the year ended 31 December 2014.

Also the Extraordinary General Assembly Meeting of the Shareholders ("EGAM") was held on same date approved to set off the accumulated losses of the parent company amounting to KD9,870,749 as at 31 December 2014 through utilisation of the legal reserve amounting to KD842,836 and reduction of the share capital of the parent company by KD9,027,913. The Extraordinary General Assembly Meeting of the Shareholders also approved the increase of the parent company's share capital (after setting off the accumulated losses) from KD972,087 to KD10,660,000 through in-kind contribution amounting to KD9,687,913 provided by the parent company's shareholders. The shareholders of the parent company contributed in kind to the share capital contribution by transferring their equity interest in Neova Sigorta Insurance Company (Turkey) which is an associate of the parent company (note 12). This transfer increased the parent company equity interest in associate from 10% to 35%.

As a result of above transaction the authorised share capital of the parent company is 107,600,000 shares (101,000,000 shares at 31 December 2014) and issued and fully paid is KD10,660,000 (KD10,000,000 at 31 December 2014) at nominal value of 100 fils for each share.

The amendments to the articles of association of the parent company to reflect this decision were recorded in Kuwait Commercial Register on 21 July 2015.

18 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.

Notes to the consolidated financial statements (continued)

18 Consolidated policyholders' results by line of business and fund (continued)

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.

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
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.

Notes to the consolidated financial statements (continued)

18 Consolidated policyholders' results by line of business and fund (continued)

Equipment (continued)

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.

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 costs. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Provision for employees' end of service benefits

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.

Notes to the consolidated financial statements (continued)

18 Consolidated policyholders' results by line of business and fund (continued)

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.

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 2015:	Marine and aviation KD	General accident KD	Motor vehicles KD	Fire KD	Life KD	Total KD
Premiums written	252,931	1,053,117	6,585,201	802,754	1,710,105	10,404,108
Less: reinsurance ceded	(240,466)	(727,485)	(501,214)	(779,519)	(849,201)	(3,097,885)
Net premiums	12,465	325,632	6,083,987	23,235	860,904	7,306,223
Movement in unearned premiums	21,257	12,462	(17,210)	305	(43,131)	(26,317)
Net premiums earned	33,722	338,094	6,066,777	23,540	817,773	7,279,906
Policy issuance fees	3,088	2,507	354,924	1,162	7,110	368,791
Reinsurance commission earned	70,405	169,034	-	186,955	15,472	441,866
Total revenues	107,215	509,635	6,421,701	211,657	840,355	8,090,563
Claims incurred	751	(171,364)	(3,893,217)	(4,052)	(406,877)	(4,474,759)
Movement in life mathematical reserve	-	-	-	-	5,000	5,000
Other insurance expenses	(5,262)	(4,349)	(82,987)	(14,001)	(88,297)	(194,896)
Policy acquisition costs	(14,581)	(101,708)	(1,990,807)	(59,112)	(76,670)	(2,242,878)
Total expenses	(19,092)	(277,421)	(5,967,011)	(77,165)	(566,844)	(6,907,533)
Surplus by line of business	88,123	232,214	454,690	134,492	273,511	1,183,030
Allocation of general and administrative expenses	(196,813)	(266,130)	(752,165)	(191,380)	(472,985)	(1,879,473)
Net deficit from insurance operations	(108,690)	(33,916)	(297,475)	(56,888)	(199,474)	(696,443)
Investment and other income(note 18.1)	6,774	20,322	67,740	13,549	27,096	135,481
Net deficit from insurance operations	(101,916)	(13,594)	(229,735)	(43,339)	(172,378)	(560,962)

Notes to the consolidated financial statements (continued)

18 Consolidated policyholders' results by line of business and fund (continued)

	Marine and aviation	General accident	Motor vehicles	Fire	Life	Total
	KD	KD	KD	KD	KD	KD
Year ended 31 December 2014:						
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(18.1)	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

Consolidated policyholders' assets, liabilities and fund:

	Notes	**31 Dec. 2015**	31 Dec. 2014
		KD	KD
Assets			
Cash and bank balances		**341,561**	1,396,690
Premiums receivable	18.2	**1,205,660**	1,738,655
Accounts receivable and prepayments	18.3	**1,952,813**	1,567,042
Available for sale investments	18.4	**450,034**	510,126
Investment deposits	18.5	**1,235,745**	972,745
Amount due from shareholders	16	**3,068,470**	2,476,895
Reinsurance recoverable on outstanding claims		**3,849,856**	4,219,791
Equipment		**126,711**	106,383
Total assets		**12,230,850**	12,988,327

Notes to the consolidated financial statements (continued)

18 Consolidated policyholders’ results by line of business and fund (continued)

Consolidated policyholders’ assets, liabilities and fund: (continued)

	Notes	31 Dec. 2015 KD	31 Dec. 2014 KD
Liabilities			
Reinsurance balances payable		**1,465,105**	1,535,968
Unearned premiums (net)		**2,960,066**	2,933,748
Outstanding claims reserve (gross)		**4,117,384**	4,984,614
Life mathematical reserve (net)		**82,286**	87,286
Additional reserve (net)		**1,166,000**	1,166,000
Reserve retained on reinsurance business		**304,657**	303,073
Other liabilities	18.6	**2,135,352**	1,611,400
Murabaha payables		**-**	394,431
Total liabilities		**12,230,850**	13,016,520
Policyholders’ fund			
Net deficit for policyholders		**-**	(1,585,617)
Net (deficit)/ surplus from insurance operations for the year		**(560,962)**	48,582
Net deficit from insurance operations transferred to shareholders		**560,962**	1,537,035
		-	-
Fair value reserve		**-**	(28,193)
Total policyholders’ fund	18.7	**-**	(28,193)
Total liabilities and policyholders’ fund		**12,230,850**	12,988,327

18.1 Investment and other income:

	Year ended 31 Dec. 2015 KD	Year ended 31 Dec. 2014 KD
Investment income	**18,116**	145,021
Other income	**117,365**	8,265
	135,481	153,286

18.2 Premiums receivable:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Premiums receivable	1,339,508	1,898,655
Provision for doubtful debts	(133,848)	(160,000)
	1,205,660	1,738,655

The carrying values of the financial assets included above approximate their fair values and all of these are due within one year, such that the effect of any difference between the effective interest applied and the estimated current market is not significant.

Premiums receivable are not interest bearing and generally on 30 – 180 days terms.

Notes to the consolidated financial statements (continued)

18 Consolidated policyholders' results by line of business and fund (continued)

18.2 Premiums receivable: (continued)

As at 31 December, the movement in the provision for doubtful debts is as follows:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at 1 January	160,000	130,000
Charge for the year	-	30,000
Reversal of provision no longer required	(26,152)	-
Balance at 31 December	133,848	160,000

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Less than 3 months	665,717	993,079
3 – 6 months	112,798	177,767
6 – 12 months	167,860	234,201
12 – 24 months	208,932	260,018
over 24 months	184,201	233,590
Total premiums receivable	1,339,508	1,898,655

18.3 Accounts receivable and prepayments:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Reinsurance receivable	1,454,164	1,072,333
Cheques under collection	389,852	384,384
Accrued income	23,185	19,085
Other assets	85,612	91,240
	1,952,813	1,567,042

The carrying values of the financial assets included above approximate their fair values and all of these are due within one year, such that the effect of any difference between the effective interest applied and the estimated current market is not significant.

Reinsurance balances receivable are non interest bearing and generally on 30-180 days terms.

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

	31 Dec. 2015 KD	31 Dec. 2014 KD
Less than 3 months	491,814	362,675
3 – 6 months	160,504	118,359
6 – 12 months	346,894	255,808
12 – 24 months	128,254	94,578
over 24 months	326,698	240,913
Total reinsurance balances receivable	1,454,164	1,072,333

Notes to the consolidated financial statements (continued)

18 Consolidated policyholders' results by line of business and fund (continued)

18.3 Accounts receivable and prepayments: (continued)

Accounts receivable and prepayments include an amount of KD160,442 due from Warba Insurance Company on reinsurance policy claim which is under litigation. Subsequent to financial position date, the parent company and Warba Insurance Company reached on out court settlement whereby the parent company received an amount of KD 90,000 and the remaining balance will be settled on four monthly instalment ending on 1 June 2016 and withdrawal of legal case.

18.4 Available for sale investments:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Quoted securities	**3**	3
Managed portfolio	**-**	60,092
Unquoted securities	**450,031**	450,031
	450,034	510,126

Unquoted securities include investments amounting to KD 450,031 (31 December 2014: KD450,031) stated at cost less impairment due to the unpredictable nature of future cash flows and the unavailability of other financial information to arrive at a reliable measure of fair value. Management has performed an analysis of the underlying investments which indicates that there is no impairment.

18.5 Investment deposits:

In accordance with Kuwaiti law, an amount of KD1,235,745 (31 December 2014: 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% (31 December 2014: 1.932%).

18.6 Other liabilities:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Reinsurance payables	**577,074**	362,504
Garages and agencies	**439,655**	72,876
Brokerage commissions	**362,619**	291,598
Provision for employees' end of service benefits	**331,265**	323,945
Provision for staff leave	**160,290**	156,904
Accrued expenses	**177,626**	312,393
Other liabilities	**86,823**	91,180
	2,135,352	1,611,400

18.7 Movement in policyholders' fund:

	31 Dec. 2015 KD	31 Dec. 2014 KD
Balance at beginning of the year	**(28,193)**	(1,591,303)
Net (deficit)/surplus from insurance operations for the year	**(560,962)**	48,582
Net deficit from insurance operations transferred to shareholders	**560,962**	1,537,035
Available for sale investments:		
- Net change in fair value during the year	**28,193**	(22,507)
Balance at the end of the year	**-**	(28,193)

Notes to the consolidated financial statements (continued)

18 Consolidated policyholders' results by line of business and fund (continued)

18.7 Movement in policyholders' fund: (continued)

During the year, the board of directors agreed to transfer policyholders net deficit from insurance operations amounting to KD560,962 (31 December 2014: KD1,537,035) to the shareholders. The amount of KD560,962 (31 December 2014: KD 1,537,035) is now due from shareholders as a result of this transfer. Policyholders will settle this amount from the surplus arising from such business in future year.

19 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 subsidiary 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.

	31 Dec. 2015 KD	31 Dec. 2014 KD
SHAREHOLDERS		
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)	**2,649**	2,649
Consolidated statement of profit or loss:		
Profit on investment deposit	**2,786**	2,689
Key management compensation:		
Salaries and other short term benefits	**41,579**	37,164
End of service indemnity	**2,962**	2,587
	44,541	39,751
POLICYHOLDERS		
Consolidated statement of financial position:		
Bank balances	**276,901**	867,688
Premiums receivable	**66,444**	32,921
Investment deposits	**1,235,745**	972,745
Profit on investment deposits (included in accounts receivable and prepayments)	**24,290**	19,085
Other liabilities	**-**	7,350
Murabaha payables	**-**	394,431
Consolidated statement of policyholders' results:		
Premiums written	**254,576**	232,806
Profit on investment deposits	**24,290**	19,085
Consultancy fees	**80,000**	80,000
Finance charges	**1,695**	23,996
Key management compensation:		
Salaries and other short term benefits	**187,736**	167,493
End of service indemnity	**8,887**	7,761
	196,623	175,254

Notes to the consolidated financial statements (continued)

20 Contingent liabilities

Contingent liabilities at the financial position date in respect of outstanding letters of guarantee amounted to KD235,000 (31 December 2014: KD 235,000).

21 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.

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

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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

(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 KD1,750,000 (31 December 2014: 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 KD13,000,000 (31 December 2014: 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 KD400,000 (31 December 2014: KD400,000).

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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

Motor (continued)

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. 2015			31 Dec. 2014		
	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	190,777	(147,833)	42,944	615,250	(560,997)	54,253
General accident	2,163,944	(1,324,328)	839,616	1,964,366	(1,219,266)	745,100
Motor vehicles	4,198,187	(1,133,256)	3,064,931	4,763,830	(1,046,503)	3,717,327
Fire	658,281	(575,119)	83,162	996,567	(898,087)	98,480
Total	7,211,189	(3,180,536)	4,030,653	8,340,013	(3,724,853)	4,615,160

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).

Notes to the consolidated financial statements (continued)

21 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. 2015			31 Dec. 2014		
	Gross liabilities	Reinsurers' share of liabilities	Net liabilities	Gross liabilities	Reinsurers' share of liabilities	Net liabilities
	KD	KD	KD	KD	KD	KD
Type of contract						
Credit life (Credit insurance)	295,286	(213,000)	82,286	300,286	(213,000)	87,286
Other life insurance contract liabilities	1,032,262	(669,319)	362,943	734,310	(494,940)	239,370
Total life insurance contract	1,327,548	(882,319)	445,229	1,034,596	(707,940)	326,656

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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

(2) Life insurance contracts (continued)

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

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

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.

21.1 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. 2015 KD	31 Dec. 2014 KD
SHAREHOLDERS		
Bank balance	**1,448**	1,448
Investment deposit	**135,000**	135,000
Other assets	**2,649**	2,649
	139,097	139,097
POLICYHOLDERS		
Bank balances	**293,368**	1,388,480
Investment deposits	**1,235,745**	972,745
Premiums receivable	**1,205,660**	1,738,655
Accounts receivable	**1,891,107**	1,513,119
Amount due from shareholders	**3,068,470**	2,476,895
Reinsurance recoverable on outstanding claims	**3,849,856**	4,219,791
	11,544,206	12,309,685

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

21.1 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 2015 and 31 December 2014, credit quality per class is as follows:

	Neither past due nor impaired			
	High grade	Standard grade	Past due or impaired	Total
31 December 2015	KD	KD	KD	KD
SHAREHOLDERS				
Bank balance	1,448	-	-	1,448
Investment deposit	135,000	-	-	135,000
Other assets	2,649	-	-	2,649
	139,097	-	-	139,097
POLICYHOLDERS				
Bank balances	293,368	-	-	293,368
Investment deposits	1,235,745	-	-	1,235,745
Premiums receivable	665,717	489,590	50,353	1,205,660
Accounts receivable	1,104,613	786,494	-	1,891,107
Amount due from shareholders	-	3,068,470	-	3,068,470
Reinsurance recoverable on outstanding claims	-	3,849,856	-	3,849,856
	3,299,443	8,194,410	50,353	11,544,206
31 December 2014				
SHAREHOLDERS				
Bank balance	1,448	-	-	1,448
Investment deposit	135,000	-	-	135,000
Other assets	2,649	-	-	2,649
	139,097	-	-	139,097
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
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	7,997,964	73,590	12,309,685

21.2 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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

21.2 Liquidity risk (continued)

Maturity profile of assets and liabilities at 31 December 2015 and 31 December 2014:

	Within 1–3 month	Within 3-6 Months	Within 6-12 months	Total Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	KD
31 December 2015						
SHAREHOLDERS						
Assets						
Bank balance	1,448	-	-	1,448	-	1,448
Investment deposit	-	-	135,000	135,000	-	135,000
Available for sale investments	-	-	-	-	2,559,369	2,559,369
Investment in associates	-	-	-	-	10,133,094	10,133,094
Other assets	3,899	1,250	-	5,149	-	5,149
	5,347	1,250	135,000	141,597	12,692,463	12,834,060
Liabilities						
Amount due to policyholders	-	-	-	-	3,068,470	3,068,470
Other liabilities	3,221	-	-	3,221	56,442	59,663
	3,221	-	-	3,221	3,124,912	3,128,133
Net exposure	2,126	1,250	135,000	138,376	9,567,551	9,705,927
POLICYHOLDERS						
Assets						
Cash and bank balances	341,561	-	-	341,561	-	341,561
Premiums receivable (net)	665,717	280,658	208,932	1,155,307	50,353	1,205,660
Accounts receivable and prepayments (net)	641,376	460,605	413,823	1,515,804	437,009	1,952,813
Available for sale investments	-	-	-	-	450,034	450,034
Investment deposits	-	-	-	-	1,235,745	1,235,745
Amount due from shareholders	-	-	-	-	3,068,470	3,068,470
Reinsurance recoverable on outstanding claims	769,971	1,154,956	962,464	2,887,391	962,465	3,849,856
Equipment	-	-	-	-	126,711	126,711
	2,418,625	1,896,219	1,585,219	5,900,063	6,330,787	12,230,850
Liabilities						
Reinsurance balances payable	395,581	219,764	366,276	981,621	483,484	1,465,105
Unearned premiums (net)	296,007	444,010	740,016	1,480,033	1,480,033	2,960,066
Outstanding claims reserve (gross)	411,738	617,607	1,029,347	2,058,692	2,058,692	4,117,384
Life mathematical reserve (net)	-	-	-	-	82,286	82,286
Additional reserve (net)	-	-	-	-	1,166,000	1,166,000
Reserve retained on reinsurance business	-	-	-	-	304,657	304,657
Other liabilities	250,622	372,769	716,870	1,340,261	795,091	2,135,352
	1,353,948	1,654,150	2,852,509	5,860,607	6,370,243	12,230,850
Net exposure	1,064,677	242,069	(1,267,290)	39,456	(39,456)	-

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

21.2 Liquidity risk (continued)

	Within 1–3 month	Within 3-6 Months	Within 6-12 months	Total Up to 1 year	Over 1 year	Total
	KD	KD	KD	KD	KD	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	1,005,274
POLICYHOLDERS						
Assets						
Cash and bank balances	1,396,690	-	-	1,396,690	-	1,396,690
Premiums receivable (net)	993,079	177,767	494,219	1,665,065	73,590	1,738,655
Accounts receivable and prepayments (net)	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
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	2,766,360	6,818,539	6,197,981	13,016,520
Net exposure	1,872,341	(480,945)	(1,084,443)	306,953	(335,146)	(28,193)

(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.

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (continued)

(3) Market risk (continued)
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 significant exposures to foreign currency exchange rate risk at the financial position date:

	USD	Sterling Pound	Saudi Riyal	Other	Total
	KD	KD	KD	KD	KD
Shareholders					
31 December 2015	**-**	**-**	**1**	**10,133,094**	**10,133,094**
31 December 2014	-	-	1	1,098,363	1,098,364
Policyholders					
31 December 2015	**694,265**	**483,570**	**8,395**	**216,156**	**1,402,386**
31 December 2014	870,063	450,038	8,395	116,634	1,445,130

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 December 2015		31 Dec. 2014	
	Changes in variables	Impact on profit/(loss)	Impact on equity	Impact on loss	Impact on equity
	%	KD	KD	KD	KD
SHAREHOLDERS					
Other	±5	**-**	**506,655**	-	54,918
POLICYHOLDERS					
US Dollar	±5	**34,713**	**-**	43,804	-
Saudi Riyal	±5	**420**	**-**	420	-
Other	±5	**10,808**	**-**	5,832	-

Notes to the consolidated financial statements (continued)

21 Risk management objectives and policies (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 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% (31 December 2014: +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 has been no change during the year in the assumptions and methods used in the preparation of the sensitivity analysis. There is no impact on the group's equity:

	31 December 2015		31 Dec. 2014	
	+1%	-1%	+1%	-1%
	KD	KD	KD	KD
SHAREHOLDERS				
Loss for the year	1,350	(1,350)	1,350	(1,350)
POLICYHOLDERS				
Net (deficit)/surplus from insurance operations for the year	16,858	(16,858)	10,283	(10,283)

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% (31 December 2014: 10%) higher/lower, the effect on the loss for the year and equity would have been as follows:

	31 Dec. 2015		31 Dec. 2014	
	Increase	Decrease	Increase	Decrease
	10%	10%	10%	10%
SHAREHOLDERS				
Impact on equity	255,937	(255,937)	229,844	(156,132)
Impact on loss for the year	-	-	-	(73,712)
POLICYHOLDERS				
Impact on policyholders' fund	-	-	89,111	(89,111)

Notes to the consolidated financial statements (continued)

22 Fair value measurement

22.1 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.

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).

22.2 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. 2015	31 Dec. 2014
Shareholders'	**KD**	KD
Financial assets:		
Loans and receivables at amortised cost:		
- Bank balance	**1,448**	1,448
- Investment deposit	**135,000**	135,000
- Other assets	**2,649**	2,649
Available for sale investments at:		
Fair value	**2,559,369**	2,298,442
	2,698,466	2,437,539
Financial liabilities:		
Financial liabilities at amortised cost:		
Amount due to policyholders'	**3,068,470**	2,476,895
Other liabilities	**59,663**	59,442
	3,128,133	2,536,337

Notes to the consolidated financial statements (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments (continued)

	31 Dec. 2015	31 Dec. 2014
Policyholders'	KD	KD
Financial assets:		
Loans and receivables at amortised cost:		
Cash and bank balances	293,368	1,388,480
Premiums receivable	1,205,660	1,738,655
Accounts receivable and prepayments	1,891,107	1,513,119
Investment deposits	1,235,745	972,745
Amount due from shareholders	3,068,470	2,476,895
Reinsurance recoverable on outstanding claims	3,849,856	4,219,791
Available for sale investments at:		
Fair value	3	60,095
Cost	450,031	450,031
	11,994,240	12,819,811
Financial liabilities:		
Financial liabilities at amortised cost:		
Reinsurance balances payable	1,465,105	1,535,968
Unearned premiums	2,960,066	2,933,748
Other liabilities	2,135,352	1,611,400
Murabaha payables	-	394,431
	6,560,523	6,475,547

Management considers that the carrying amounts of loans and receivables and financial liabilities, which are stated at amortised cost, approximate their fair values. The available for sale investment is carried at cost for reason specified in note 18.4.

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 2015

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
SHAREHOLDERS				
Available for sale investments:				
Quoted securities	3	-	-	3
Unquoted securities	-	-	2,559,366	2,559,366
	3	-	2,559,366	2,559,369
POLICYHOLDERS				
Available for sale investments:				
Quoted securities	3	-	-	3
	3	-	-	3

Notes to the consolidated financial statements (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments (continued)

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	60,092	-	-	60,092
	60,095	-	-	60,095

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.

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:

Notes to the consolidated financial statements (continued)

22 Fair value measurement (continued)

22.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

	Available for sale investments	
	Unquoted securities	
	31 Dec. 2015 KD	31 Dec. 2014 KD
Shareholders		
Opening balance	**2,298,439**	2,389,532
Gains or losses recognised in:		
- Other comprehensive income/(loss)	**260,927**	(91,093)
Closing balance	**2,559,366**	2,298,439

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.

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 profit or loss and other 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.

Notes to the consolidated financial statements (continued)

23 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. 2015	31 Dec. 2014
	KD	KD
Loss for the year	**(832,350)**	(5,784,821)
Total equity	**9,705,927**	1,005,274
Return on equity	**(8.6%)**	(575%)

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