ECHOES OUR VALUES

ANNUAL REPORT 37th

2015 ANNUAL REPORT

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

WARBA INSURANCE
وربـــــــة للتأمـــين

H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of the State of Kuwait

H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

The Amir of the State of Kuwait

ANNUAL REPORT 2015

Our Vision and Mission Emanate From Our Core Values

Our Vision

To confirm our position as the most preferable partner.

Our Mission

To redefine the principle of success as the art of working together.

Our Values

- Credibility
- Integrity
- Transparency.

Board of Directors

as of 31/12/2015

Mr. Anwar Jawad Bukhamseen
Chairman

Sheikh/ Mohammad Al-Jarrah Al-Sabah
Vice Chairman

Mr. Raed Jawad Bukhamseen
Board Member

Mrs. Najat Hamad Al-Suweidi
Board Member

Mr. Ahmed Ibrahim Al-Asfoor
Board Member

Mr. Saleh Naser Al-Saleh
Board Member

Mr. Hazim Al-Mutairi
Board Member

Executive Management

Chief Executive Officer (CEO)	Mr. Anwar F. Al-Sabej
General Counsel	Mr. Mohammad R. Al-Alban
General Legal Counsel	Mr. Ahmad M. Abdou
Chief Financial Officer	Mr. Arvind K. Mathur
Assistant CEO - Finance	Mr. Moustafa Taher Abdel Moneim
Assistant CEO – Human Resources and Administration	Dr. Saeid Karam Dashti
Assistant CEO – Information Technology, CSN	Mr. Abdulraouf Abdulwahab Alwazzan
Assistant CEO – Group Life and Medical	Mr. Osama Salem Alwazzan
Assistant CEO – Fire, General Accidents, Marine and Reinsurance	Mr. Meshari Mansour Alnasheet
Assistant CEO – Motor	Mr. Khaled Salah Almutawa
Assistant CEO – Production, Branches and Individual Life.	Mr. Mousa Ali Al-Najadah

Governance, Risks and Compliance

Chief Governance, Risks and Compliance Officer	Mrs. Suzan A. Abdulrahman
Governance and Compliance Manager	Mr. Hesham Ali Abd Elmonem
Development and Research Unit Manager	Mr. Emit Mathews
Information Security Unit Manager	Mr. Mohamed M. Ewiss

Departments Managers

Senior Manager - Motor	Mr. Khalaf Abdulrahman Hamadah
Senior Manager - Marine	Mr. Ajay Kumar
Senior Manager – Information Technology	Mr. Khaled M. Al-Dayan
Senior Manager – Individual Life.	Mr. Krishna Nagarajan
Manager – Administration	Mr. Fadhel Abbas Al-Qattan
Manager – Human Resources	Mr. Sanjay Mansukhani
Manager – Legal	Mr. Yousef Al-Saleh
Manager – Production and Branches	Mr. Jassem Al-Qattan
Manager – Fire and General Accidents	Mr. Mohammed Abdullah Al-Merbed
Manager – Reinsurance and Research	Mr. Varghese Abraham Varghese
Manager – Health	Mr. Issam N. Al-Naqib
Manager – Group Life	Mrs. Shanti Natarajan
Manager – Creativity and Social Networking	Mr. Naeem Ur Rehman Abdul Jabbar

Internal Auditing Unit Managers

Manager - Internal Auditing Unit	Mr. Mostafa M. Abdou

External Auditors

Deloitte & Touche – Al-Wazzan & Co., Kuwait
RSM Albazie & Co., Kuwait

Agenda of the Annual General Meeting of Shareholders (AGM)

For the financial year ended December 31, 2015

1. To hear the report of the Board of Directors on the company's operations for the financial year ended December 31, 2015.
2. To hear the Corporate Governance report for the financial year ended December 31, 2015.
3. To hear and approve the Auditors' report for the financial year ended December 31, 2015.
4. To approve the financial statement and balance sheet for the financial year ended December 31, 2015.
5. To hear the internal auditor's report for the financial year ended December 31, 2015
6. To approve a cash dividend of 10% per ordinary share to be payable to the share owners on the register on the day the AGM is held (equivalent to 10 Kuwaiti Fils per share, for a total amount of KD1,621,406) as recommended by the Board of Directors for the year ended December 31, 2015.
7. To approve the Chairman and Directors' remuneration, amounting to a total of KD35,000.
8. To release and discharge the Board of Directors for their management and supervision during the financial year ended December 31, 2015.
9. To elect new Directors for a period of three years in accordance to Articles 16 and 17 of the Articles of Association and Statute of Establishment.
10. To authorize the Board of Directors to make market purchases of ordinary shares in the Company, without exceeding 10% of total shares in accordance to the Executive Bylaws under Law number 7 for the year 2010 and their amendments.
11. To approve dealing with relevant parties from the year ended December 31, 2015.
12. To appoint or re-appoint the financial auditors to hold office from the conclusion of the Annual General Meeting to the conclusion of the financial year to end on December 31, 2016, and to authorize the Directors to fix their remuneration.

Board of Directors Report

Dear Shareholders,

On behalf of the Board of Directors and everyone working at Warba Insurance, I am pleased to welcome you to the Company's Annual General Meeting of Shareholders. I start this meeting by thanking God Almighty for the results achieved by our Company, and thank you for your continued support and trust in the Board and management's strategy to achieve our goals.

Throughout 2015, Warba Insurance continued in its line of success seen in the past years, implementing developments to raise its position and product quality locally, regionally and internationally.

Today, we place in your hands the Company's 37th annual report, presenting the earnings, operational performance, our internal control's report and the auditors' report for the year ended on December 31, 2015.

As a result, I am proud to announced that the 2015 earnings are very satisfactory. These earnings reflect the success of the policy adopted by the management, enabling it to further develop Warba Insurance's business, and to achieve tangible success. The Company's growth chart continues to aim upwards, encouraging us further more to invest even more efforts to grow our performance in line with the changes and needs of today's world.

2015 was indeed a challenging year, impacted by political instability in the Arab region, a consistent fall in oil prices, and slower performance in the Kuwait Stock Exchange (KSE). These factors had a negative impact on the overall economy, directly affecting the insurance sector.

Although these factors governed 2015, Warba Insurance achieved a net profit of KD1,638,204, up 9.2% by KD137,842 in comparison to 2014's KD1,500,362 net profit. The earning per share was also up from 9.25 Fils per share in 2014 to 10.10 Fils per share in 2015.

Overall, the Company continued to generate successes by implementing the Board of Directors' strategy of carefully selecting insurance products and services. We have thus achieved an increase in insurance activities, from KD888,840 in 2014 to KD1,159,743 in 2015, a KD270,903 increase, representing 30.5%.

The Company's 2015 earnings highlights:

- Written premiums increased by 15.3% to KD37 million
- Retained premiums increased by 11.6% to KD18.2 million
- Operating revenue increased by 12.5% to KD19.8 million
- Profit from investment increased by 35.1% to KD1.1 million
- Technical reserves increased by 7.9% to KD25.7 million

In 2015, the Board of Directors has decided to continue with its policy to strengthen its technical and capital reserves to enhance its financial position. Technical reserves reached KD25.7 million by year ended December 31, 2015, in comparison to KD23.8 million in 2014, a 7.9% increase. Capital reserve reached KD21.9 million, equivalent to 127.2% of the Company's capital of KD17.3 million.

Reserves were increased to protect shareholders' equity and to ensure earnings are not affected.
Warba Insurance continued with its expansion plan in 2015. The Company launched new services to enhance and improve its insurance policies portfolio. Additions included medical and individual insurance policies, as well as many other commercial and industrial insurance policies. The expansion of its portfolio was also accompanied by an uplift in the management of branches and marketing products.

In marketing, we've increased our investment in social media communication, which was successful in increasing written premiums by 15.3% to reach KD37 million.

In international reinsurance, Warba Insurance focused on agreements signed with reinsurance companies which have strong financial and technical abilities. Every reinsurance agreement was renewed under agreement terms that exceed in benefits those signed in the previous years.

The Takaful Insurance unit saw an increase in subscriptions in 2015, reaching KD1.5 million in comparison to KD1.4 million in 2014. The unit provides all types of Sharia-compliant insurance services.

Against a backdrop of economic challenges facing the world, Warba Insurance's earnings are without a doubt a strong achievement and a reflection of the company's position.

Another goal the Company aimed for in 2015 was the increase of retained premiums by 11.6% to KD18.2 million as part of its strategy to raise the limit of its premiums.

Written premiums in 2015 also increase by 15.3% from 2014, an increase of KD4,933,292. Income from insurance increased as well in 2015 by 30.5% from 2014, an increase of KD270,903.

Investments:

The management has amended in 2015 the components of its investment portfolio by focusing on investment sectors that provide high and consistent returns.

Returns from investments in 2015 were positive, reaching KD1,062,755 in comparison to KD786,739 in 2014, a 35.1% increase. The value of cash, cash equivalent and fixed deposits reached KD10,512,901 to represent 26.6% of the value of investments and cash value, which amount to KD39,468,979.

International recognitions:

Warba Insurance has maintained its credit rating at BBB in 2015, with a positive future outlook, as rated by one of the largest international credit rating agencies, Standard and Poor's. The rating is proof of the company's financial position and long-term credit solvency. The Company has also received a Baa1 rating with a stable future outlook from the credit rating agency, Moody's, further confirming the Company's strong financial solvency and operational performance.

The Company was also recertified for the ninth year in a row with the ISO 9001:2008 confirming the high level of quality and standards in managing and leading day-to-day operations, as well as in implementing new programs to improve insurance operations and services.

Operationally, Warba Insurance continued to execute its strategy to develop and enhance the information technology system in various sectors. The Company aims to improve the quality of service provided to customers, in order to increase the efficiency and effectiveness of operations and customer service.

Another achievement in 2015 was the focus on developing the human resources sector. Warba Insurance increased the number of workshops and training programs held to develop employees' skills and knowledge, to better serve customers.

The Company has also intensified efforts in supporting social and charitable initiatives, as part of its responsibility to give back to its community.

Future strategy:

The Board of Directors has approved a policy that aims at protecting shareholders' equity and at enhancing the Company's financial position. These goals will be achieved through two main action plans. The first being the restructure of the investment portfolio to increase operating revenues. The second action plan is to focus on investments that are safe and far from risks by divesting some of the Company's assets that generate less returns, in order to ensure steady and consistent revenue for shareholders.

Profit and recommendations:

In 2015, Warba Insurance registered KD1,804,828 in profit for the year. After adding carry-forward profits of KD2,833,436 from the beginning of 2015, and then deducting dividends to shareholders for the year 2014 of KD1,622,733 as well as rights of minority shareholders of KD49,847, the profit available for distribution amounts to KD2,965,684.

The Board of Directors has the pleasure to recommend the following dividends for shareholders:

Description	In Kuwaiti Dinar
10% cash distribution to shareholders from the paid-up capital	1,621,406
Share allocated to the Kuwait Foundation for the Advancement of Sciences (KFAS)	16,815
National Labour Support Tax (NLST)	47,442
Zakat	17,520
Remuneration to the Directors of the Board	35,000
Retained earnings for 2016	1,227,501
Total	**2,965,684**

Concluding my report to you, I extend our sincere gratitude on behalf of the Company and our Shareholders to His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah.

We also extend our gratitude to the Ministry of Commerce and Industry for its continued support to the specific needs of the insurance industry.

We also thank our reinsurance partners, and call for a continued partnership between national insurance companies in what would positively serve our local market. We thank our customers for their continued trust as we ensure providing them with the best level of services and products day after day.

This report is not complete without thanking the management and employees of Warba Insurance whose efforts and professionalism have driven the success and advancement of our Company.

May God bless our efforts and work that aim for the best interest of our country.

Thank you,
Anwar Jawad Bukhamseen
Chairman

CEO's Report

Dear Shareholders,

Warba Insurance registered an increase of 15.3% in gross premium from KD32.1 million in 2014 to KD37 million in 2015, which demonstrates its growth ability and confirms its leading position. The Company achieved a net profit of KD1,638,204, up 9.2% from 2014. The earning per share was also up from 9.25 Fils per share in 2014 to 10.10 Fils per share in 2015.

The breakdown of our operational performance is as hereunder:

	Premiums (in KD)		
	2015	**2014**	**%**
Marine and aviation	1,662,456	1,731,006	(3.9%)
Fire	3,284,043	3,116,496	5.4%
General Accidents	17,050,787	13,676,910	24.7%
Total general risk insurance	21,997,286	18,524,412	18.8%
Life & medical insurance	15,071,071	13,610,653	10.7%
	37,068,357	32,135,065	15.3%

Warba Insurance embarked in restructuring its business modules that aimed to integrate information technology in all aspects of its operations, as well as heavily invest in its human capital. The objective from the initiative was to ensure that our Company is well positioned to weather through the challenges presented by our fast-changing and fast-moving world, in which our customers' needs, habits and lifestyles are also in evolution day after day.

Today, customers have different expectations. The differentiation is in the quality, diversity and type of services that will be provided to meet their expectation. This is where our investment in restructuring comes in.

In 2015, we've invested over 4,000 hours in training programs that ranged from basic skills training to technical and advanced functions. Around 200 of our team members took part in these trainings that included project management, customer service and communications skills.

The human capital investment aims at improving our customer service experience, at both the corporate and individual levels.

Warba focused efforts on personalizing customer experience, through information technology. We are implementing a 360-degree customer relations management (CRM) system that would enable the Company to unify its customer service across all departments, and configure the needs of each individual customer to better serve them. Departments are interconnected, and staff is well trained to serve a customer across several lines of business, ultimately providing the customer with an integral and individual service. The customer experience personalization approach is being extended to our call center and branches as well.

The marketing approach in 2015 was focused on social engagement, providing cusomers with informational, educational and light content to build on the company's brand recognition. 80% of content engaged through Social Media platforms were social information. The approach enabled Warba Insurance to stand out from other insurance companies. This was accompanied with a customer service approach to managing these communication tools, which allowed for a more personalized and closer approach to building relations with customers.

A key element to Warba's values is to give back to its community. In 2015, Warba Insurance invested 10% of its profit in corporate social responsibility initiatives. The Company launched its facility at Kidzania, the kid-sized metropolis, in an aim to contribute in building children's work skills as well as to educate them about the importance of insurance in their day-to-day dealings. Our ultimate goal is to help build a generation that is more aware of the needs of tomorrow. We've also continued to support our direct stakeholder in the community, including environment awareness, Kuwait's firefighters, government institutions and health awareness such as breast cancer.

Today, Warba has a platform that combines financial strength, human capital and technology to form the driving force into the future. As we move forward, Warba Insurance is set to continue expanding vertically and horizontally and meeting customers' expectations will remain a focus in the Company's operational strategy.

I would like to thank the Board of Directors for their continued support to the management effort. I also extend my appreciation to my colleagues for making the progress possible.

Anwar Fozan Al-Sabej
Chief Executive Officer

Financial and Operational Highlights

Net Profit: KD1,638,204
Up 9.2%
KD1,500,362 in 2014

Returns from investments
KD1,062,755
Up 35.1%
KD786,739 in 2014

EPS
Up to 10.10 Fils
9.25 Fils in 2014

Revenue from Insurance Activities
KD1,159,743
Up 30.5%
KD888,840 in 2014

Written premiums	up 15.3%	to KD37 million
Retained premiums	up 11.6%	to KD18.2 million
Operating revenue	up 12.5%	to KD19.8 million
Profit from investment	up 35.1%	to KD1.1 million
Technical reserves	up 7.9%	to KD25.7 million

Cash, cash equivalent and fixed deposit

KD10,512,901

26.6% of investments and cash value

(KD39,468,979)

BBB

credit rating with positive outlook

BAA1

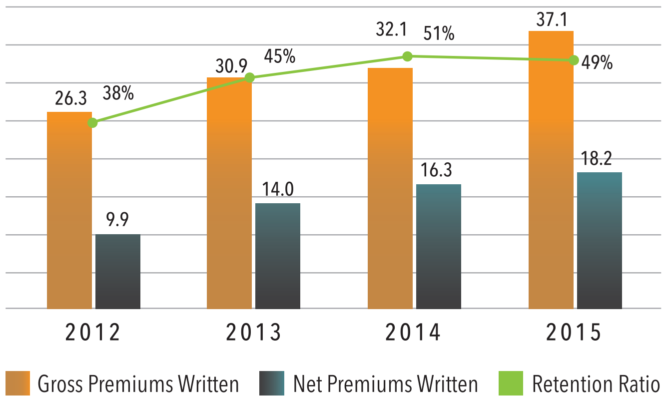
rating with a Stable outlook

Certified for the **Ninth year** in a row

We signed a Memorandum of Understanding with TAKAUD to utilize their back-office investment solutions and expand our wide range of life insurance offerings to clients.

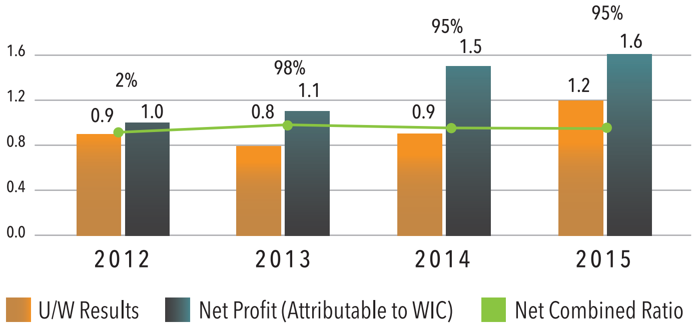
We launched the Warba Insurance facility at Kidzania in an aim to contribute in building children's work skills as well as to educate them about the importance of insurance in their day-to-day dealings. Our ultimate goal is to help build a generation that is more aware of the needs of tomorrow.

KD Million



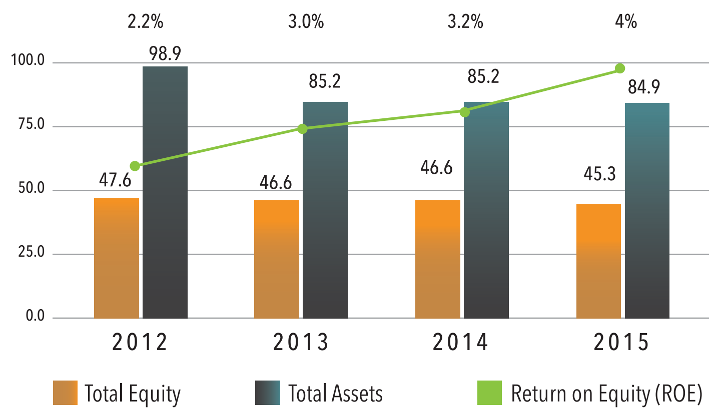
	2012	2013	2014	2015	GR of 2015
Gross Premiums Written	26.3	30.9	32.1	37.1	15%
Net Premiums Written	9.9	14.0	16.3	18.2	12%
Retention Ratio	38%	45%	51%	49%	-3%

KD Million



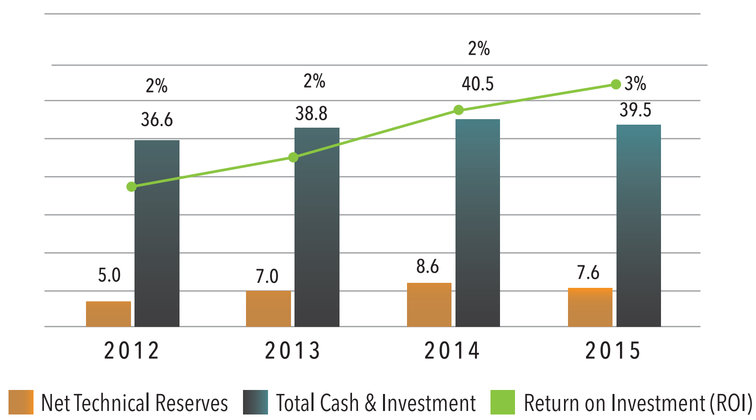
	2012	2013	2014	2015	GR of 2015
U/W Results	0.9	0.8	0.9	1.2	30%
Net Profit (Attributable to WIC)	1.0	1.1	1.5	1.6	9%
Net Combined Ratio	91%	95%	94%	94%	1%

KD Million



	2012	2013	2014	2015	GR of 2015
Total Equity	47.6	46.6	46.6	45.3	-3%
Total Assets	98.9	85.2	85.2	84.9	-0.4%
Return on Equity (ROE)	2.2%	3%	3.2%	4%	11%

KD Million



	2012	2013	2014	2015	GR of 2015
Net Technical Reserves	5.0	7.0	8.6	7.6	-11%
Total Cash & Investment	36.6	38.8	40.5	39.5	-3%
Return on Investment (ROI)	2%	2%	2%	3%	12%

Company Overview

Warba Insurance Overview

Warba Insurance was established in 1976, with Kuwait's heritage and values at heart. The company has since provided insurance services to individuals and companies in utmost integrity and security. With 40 years of experience, Warba Insurance continues to provide the highest standards and service quality in insurance policies that meet the needs of the segments it serves, never losing sight of the communities we serve.

Today, Warba Insurance is one of the largest insurance providers and insurance underwriters in the State of Kuwait, offering a comprehensive range of products under both life and non-life lines of business. The Company continues to deliver services with a personalized attention to clients' needs, ensuring they get the security they need every day.

As we look forward to the future, our promise to our clients is that we will always remember where we came from, and maintain our standards and integrity in all our decisions and offerings. We believe that any success is based on strong and mutually beneficial relationships that we build along the way. This is why our focus remains on being a leader in the insurance industry and to deliver the best value, service and innovative solutions to each customer throughout our journey.

Insurance Services

Life Insurance for individuals

Warba Insurance offers a wide range of solutions in Life Insurance to meet the needs of each individual and support their personal financial planning.

Group Life Insurance

Our offering in Group Life Insurances continues to expand and is personalized for corporates and groups.

Medical Insurance

The medical insurance policies cater to both individuals and corporates, and comprise levels of coverage for local and international use.

Marine Insurance

Our vast knowledge and experience has enabled us to develop an array of marine insurance services that fit whatever type of vessel individuals and companies want to ensure.

Motor Insurance

Warba Insurance has and remains the trusted partner when it comes to motor insurance as we continue to provide excellent customer service and quality coverage. Motor insurance covers individuals and corporates of various sizes.

Fire and General Accidents (FGA) Insurance

Warba Insurance offers a range of policies in FGA insurance to companies and institutions as well as individuals. The Company provides full coverage policies for companies and institutions operating in real estate and industrial sectors, amongst others. For individuals, Warba Insurance offers a wide range of solutions that cover property, households, personal accidents, travel and more.

The Support to Our Business Lines

The success and quality of our business lines are supported by various departments that contribute to our customer service excellence.

Information Technology

At Warba Insurance, we follow dynamic methodology in the management of our operations. We apply the best global practices and standards in IT integrated solutions to measure and determine our performance indicators, and to develop a strong security infrastructure for information.

Human Resources

We believe in the importance of developing our human resources. This is our priority. Every member of our team, no matter in which division they work, is a significant fixed asset to the Company. Our human resources department creates a rewarding work environment and training programs designed to ensure achieving the Company's vision.

Legal Affairs

The Legal Affairs department is considered our main driver in our daily operations. It provides legal protection to our operations, and closely works as a consultant with other department before products and services are launched or signed.

Creative and Social Networking

The Creative and Social Networking department manages the Company's corporate identity by developing its brand name and image. The marketing plan utilizes traditional media and advertising channels, as well as new popular channels available on social media platforms, in which Warba Insurance has become a leader in this field locally and regionally.

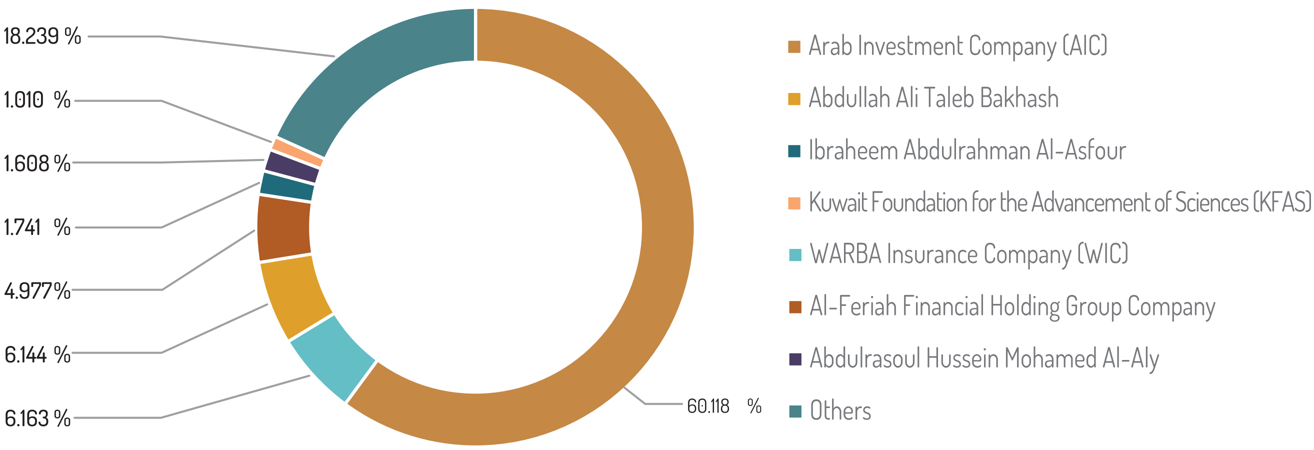
Corporate Governance Report for the year ended in December 31, 2015

There is a significant need today to mitigate risks from economic fluctuations that are affecting the global economy and the Kuwaiti economy in particular, as the fall in oil prices have directly impacted the performance of the financial sector worldwide. To mitigate these risks, corporate governance provides a clear framework that protects economic entities, shareholders and stakeholders affected by these fluctuations.'

Warba Insurance was a precursor in its sector in Kuwait to implement a corporate governance framework. The Company believes that corporate governance enables companies to reach stability and sustainability by protecting its assets and revenues. The corporate governance framework adopted by Warba Insurance complies with the law of Commercial Companies number 25 of the year 2012, later amended by law number 97 of the year 2013, and its executive bylaws, as well as by rules outlined in the Executive Bylaws issued by the Capital Markets Authority (CMA) by decision number 72 of the year 2015.

Shareholders information as of December 31, 2015

Shareholder	Number of shares	Share from total
The Arab Investment Company	103,877,860	60.118%
Warba Insurance Company	10,684,171	6.163%
Abdullah Ali Taleb Bakhsh	10,616,640	6.144%
Al-Fraih Financial Services Holding Group	8,600,000	4.977%
Ibrahim Abdulrahman Al-Asfoor	3,009,054	1.741%
Abdulrasool Hussein Mohammed Al-Ali	2,777,703	1.608%
The Kuwait Foundation for the Advancement of Science (KFAS)	1,744,383	1.010%
Others	31,514,929	18.239%



Credit Agency	Credit Agency	Rating	Rating by S&P	Outlook
STANDARD & POOR'S RATINGS SERVICES	Standard and Poor's	BBB	BBB	Positive
MOODY'S	Moody's	Baa1	BBB+	Stable

The Board of Directors

The Board of Warba Insurance Company comprises seven Directors whom hold a long and exhaustive experience in economics, insurance and finance, as well as locally regionally and internationally. The diversity in their experience and skills helps the Company reach stability and sound governance in taking decisions that affect the interest of the Company as a whole.

The Board of Directors has adopted strategic objectives and action plans that would benefit the Company first and foremost. In turn, the approach benefits shareholders and stakeholders, and enhances the Company's long-standing strong position in the Kuwaiti economy.

The seven Directors are non-executive, while one is an independent Director. The Board of Directors of Warba Insurance is appointed by shareholders through an election held at the Ordinary General Assembly, and the tenure of each Director is limited to three years as per the Memorandum of Association, Articles of Association and in compliance with regulations issued by the CMA.

The Directors:

Mr. Anwar Jawad Bukhamseen	Chairman	Non-Executive
Sheikh Mohammad Al-Jarrah Al-Sabah	Vice Chairman	Non-Executive
Mr. Raed Jawad Bukhamseen	Board Member	Non-Executive
Mr. Hazim Ali Al-Mutairi	Board Member	Non-Executive
Ms. Najat Hamad Al-Suwaidi	Board Member	Non-Executive
Mr. Ahmed Ibrahim Al-Asfoor	Board Member	Non-Executive
Mr. Saleh Nasser Al-Saleh	Board Member	Non-Executive

2015 Board Meetings:

Meeting Date	Meeting Reference Number	Number of Attendees
16/02/2015	(1/2015)	5
14/05/2015	(2/2015)	6
06/08/2015	(3/2015)	6
04/11/2015	(4/2015)	7
25/11/2015	(5/2015)	7
09/12/2015	(6/2015)	7

Responsibilities of the Board of Directors:

- Adopt business strategies, objectives and policies, including:
  - o A company strategy and action plans, review it and guide it.
  - o An ideal capital structure for the company and its financial objectives.
  - o A set policy to distribute cash and non-cash dividend to benefit shareholders and the company.
  - o Set performance indicators and evaluate the execution and overall performance of the company.
  - o Form the organizational structure of the company and evaluate, develop, and identify the tasks and responsibilities.
- Adopt annual estimated budgets and interim and annual financial statements.
- Oversee major capital expenditures for the company and the ownership and disposal of assets.
- Ensure the company complies with policies, procedures and internal control systems relating to the company.
- Verify the accuracy and credibility of the financial statements of the company and of its business results to safeguard the rights of the shareholders.
- Identify communication channels to allow shareholders to review the company's activities and milestones periodically.
- Implement a corporate governance system for the company – which does not conflict with these rules – and perform general supervision and monitoring over the degree of its effectiveness and amend it when needed.
- Supervise the performance of each Director and the Executive Management based on set key performance indicators (KPIs).
- Prepare the annual report and financial statements of the company annually, and include the company's compliance with corporate governance regulations. The report should show regulations complied with, and those that were not complied with, as well as show reasons for not complying.
- Form committees; establish their work programs; determine their powers, duties, and responsibilities and delegate decision-making powers, defining the authority level to sign on behalf of the company, as well as evaluate the performance of each committee and their main members.
- Ensure that policies and the structure of the company is transparent and clear, which would allow for a process of decision making and achieving the principles of sound corporate governance and the segregation of powers and authorities between the Board of Directors and the Executive Management. The Board should be responsible of the following:
  - o Supervise the development, implementation, and evaluation of work programs and procedures and verify their adequacy and appropriateness in view of the size and complexity of the operation.
  - o Adopt a delegation of authority policy for the tasks entrusted to the Executive Management.
  - o Define the authorities that have been delegated to the Executive Management and the procedures of decision making and the duration of such delegation. The Board also defines the areas that it retains the authority to decide upon. The Executive Management is required to report on the authorities delegated to it on a periodical basis.
  - o Monitor and supervise the performance of Executive Management and ensure that they perform the roles entrusted to them, ensuring that the Executive Management is operating as follows:
- Ensure that the Executive Management is operating according to the policies and regulations approved by the Board of Directors.
- Hold periodical meetings with Executive Management to discuss the course of action and any challenges or issues, review and discuss important information related to the company's activity.
- Hold periodical meetings with Executive Management to discuss the course of action and any challenges or issues, review and discuss important information related to the company's activity.
- Identify the remunerations that will be provided to the employees, such as fixed remunerations, performance and long-term risk-based remunerations as well as stock dividend remuneration.
- Appoint or dismiss any member of the Executive Management, including the Chief Executive Officer or anyone under him.
- Implement a policy organizing the relationship with stakeholders in order to protect their rights.
- Implement a mechanism to organize dealing with related parties, in order to limit and address any conflict of interest.
- Ensure, on a periodical basis, the effectiveness and adequacy of internal control systems applicable in the company

and the subsidiaries, as follows:
o Verify the accuracy and credibility of the financial statements of the company and of its business results to safeguard the rights of the shareholders.
o Ensure that proper internal control systems are being implemented to evaluate and mitigate risks. This is done by identify risks, setting an environment that limits risks at the company level, and communicating transparently with stakeholders and parties related to the company.

Responsibilities of the Executive Management:

- Executing the various policies, regulations and the internal control procedures of the company approved by the Board of Directors.
- Executing strategies and annual plans approved by the Board of Directors.
- Preparing periodical reports (financial and non-financial) regarding the progress of the company's activity in light of the strategic plans and goals of the company and presenting these reports to the Board of Directors.
- Implementing a complete accounting system that maintains ledgers, registers and accounts that presents accurately and in details the financial data and profit and loss accounts, which allows maintaining the company's assets and preparing financial statements according to the international accounting standards approved by the Capital Markets Authority.
- Managing day to day activities of the business, as well as managing the company's resources optimally and working on increasing profits and reducing expenditures in accordance to the objectives and strategies of the company.
- Effective contribution in the establishment and development of ethical standards in the company.
- Implementing internal control and risk management systems and ensuring its effectiveness and adequacy, while taking into account and complying with the company's risk appetite that is approved by the Board of Directors.

Board Committees

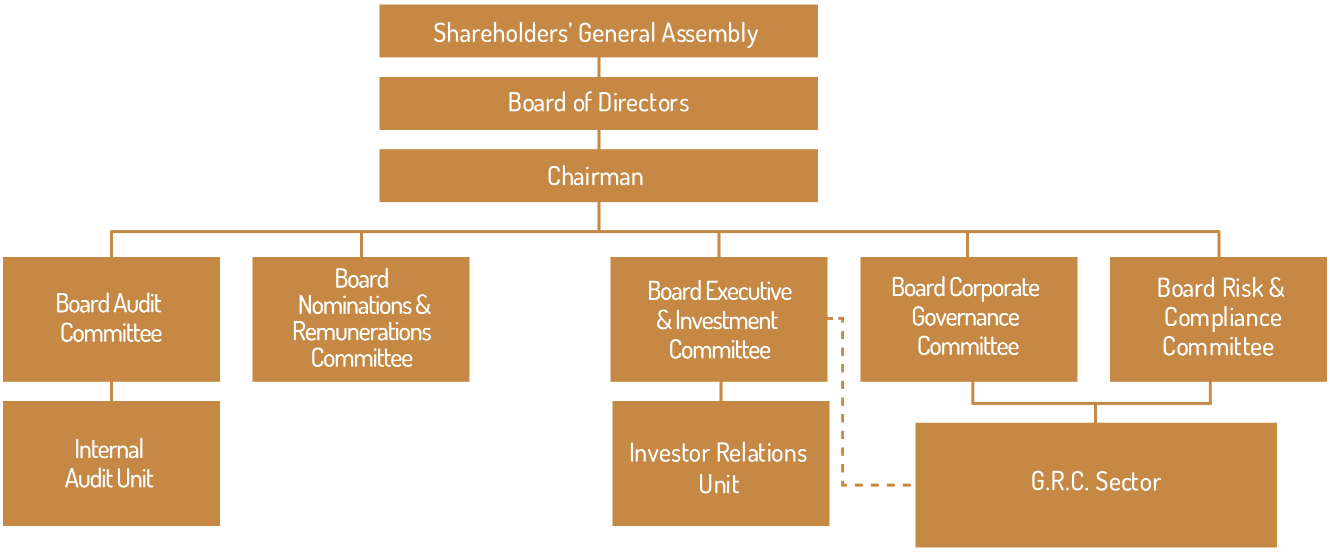
The Board Committees are considered direct links between the Board of Directors and the Executive Management of the company. These Committees support the Board in supervising the operations of the company and to give recommendations to be reviewed by the Board. The Board has laid down the detailed terms of reference for these committees laying down the composition, the voting rights, frequency of meetings, the duties, power and authorities and reporting responsibilities among others.

The Committees were formed based on the requirements outlined by the CMA. The Committees cover the managerial and technical operations of the company to give the Board a full reporting on developments and enable the Board to take studied decisions, implement strategies and action plans that achieve the objectives of the company.

The Board also forms temporary Committees that serve specific responsibilities periodically. These Committees are closed ones the responsibility is completed§

Committee	Formation	Approval
Executive Committee	√	√
Audit Committee	√	√
Risks and Compliance Committee	√	√
Recommendations and Remunerations Committee	√	√
Corporate Governance Committee	√	√

Corporate Governance Organizational Structure



Executive and Investment Committee

Formation

Member	Position
Mr. Anwar Jawad Bukhamseen	Committee Head
Sheikh Mohammad Al-Jarrah Al-Sabah	Deputy Head
Mr. Raed Jawad Bukhamseen	Member

Responsibilities

- Ensure that the company's policies and procedures are updated and implemented properly in alignment with the company's goals and objectives.
- Develop and recommend strategic plans in line with the company's long-term objectives and priorities.
- Adopt, monitor and assess investment policies, as well as evaluate investment transactions.
- Supervise the company's compliance with its estimated budget, compare the real performance indicator with the targeted performance indicator, and resolve discrepancies if any.
- Develop action plans in line with the objective of the Board of Directors, and recommend systems to implement them.
- Monitor organizational structure and design.
- Review investment opportunities.
- Evaluate current investments and the company's investment portfolio.

Corporate Governance Committee

Formation

Member	Position
Mr. Anwar Jawad Bukhamseen	Committee Head
Sheikh Mohammad Al-Jarrah Al-Sabah	Deputy Head
Ms. Najat Hamad Al-Suwaidi	Member

Responsibilities

- Conduct quarterly reviews to ensure compliance with corporate governance guidelines, laws, rules, and regulations of various statutory authorities and regulatory bodies.
- Prepare reports and recommendations on the company's compliance with corporate governance, laws, and regulations.
- Ensure the company implements decisions, laws and regulations issued by regulatory bodies, and place recommendations to develop and implement the new standards and practices.
- Supervise and monitor the implementation of principles and frameworks of corporate governance adopted by the Board.
- Review and amend the corporate governance manual in line with regulatory requirements.
- Review internal reports on sound governance principles adopted by the company.

Risks and Compliance Committee

Formation

Member	Position
Ms. Najat Hamad Al-Suwaidi	Committee Head
Sheikh Mohammad Al-Jarrah Al-Sabah	Deputy Head
Mr. Saleh Nasser Al-Saleh	Member

Responsibilities

- Supervise the implementation of a single vision to mitigate risks at the corporate level, in order to ensure a consistent and efficient management of any risk facing the company.
- Prepare and review the strategies and policies of risk management before it is approved by the Board of Directors, and ensure that the same is consistent with the complexity, nature and size of the company's activity. Ensure independency of the Board from the Executive Management.
- Ensure the development and implementation of strategic plans and policies that serve the long-term objective and priorities of the company.
- Assist the Board of Directors in identifying and assessing the acceptable level of the risks, to ensure that the company does not breach this level of the risk after approval from the Board of Directors.
- Monitor the efficiency and quality of investment operations and returns from these operations in adequacy with the plans and objectives of the company.
- Evaluate and review risks assessment reports of the company and the procedures undertaken to limit or mitigate risks at acceptable rates.
- Review and pre-approve risks management manuals and procedures.

Audit Committee

Formation

Member	Position
Mr. Ahmed Ibrahim Al-Asfoor	Committee Head
Sheikh Mohammad Al-Jarrah Al-Sabah	Deputy Head
Mr. Saleh Nasser Al-Saleh	Member

Responsibilities

- Ensure that the company's policies and procedures are updated and implemented properly in alignment with the company's goals and objectives.
- Develop and recommend strategic plans in line with the company's long-term objectives and priorities.
- Adopt, monitor and assess investment policies, as well as evaluate investment transactions.
- Supervise the company's compliance with its estimated budget, compare the real performance indicator with the targeted performance indicator, and resolve discrepancies if any.
- Develop action plans in line with the objective of the Board of Directors, and recommend systems to implement them.
- Monitor organizational structure and design.
- Review investment opportunities.
- Evaluate current investments and the company's investment portfolio.

Recommendations and Remunerations Committee

Formation

Mr. Raed Jawad Bukhamseen	Committee Head
Sheikh Mohammad Al-Jarrah Al-Sabah	Deputy Head
Mr. Hazim Ali Al-Mutairi	Member

Responsibilities

- Determine the company's needs for qualified staff at the level of senior management on the basis of transparency and efficiency.
- Nominate candidates to be elected at the Annual General Meeting of Shareholders for the role of Director or member of a committee based on the regulations of transparency and efficiency, including independent members.
- Determine the company's needs for qualified staff at the level of executive management.
- Formulate and review annually the policy on job scales, granting remuneration, benefits, incentives and salaries to employees of the company.
- Implement policies and procedures for remunerations and rewards.
- Prepare the policy for remunerations allocated to the Board of Directors and their committees.
- Prepare an annual report on rewards granted to the Board of Directors and the Executive Management, and present it for approval to the Annual General Meeting of Shareholders.

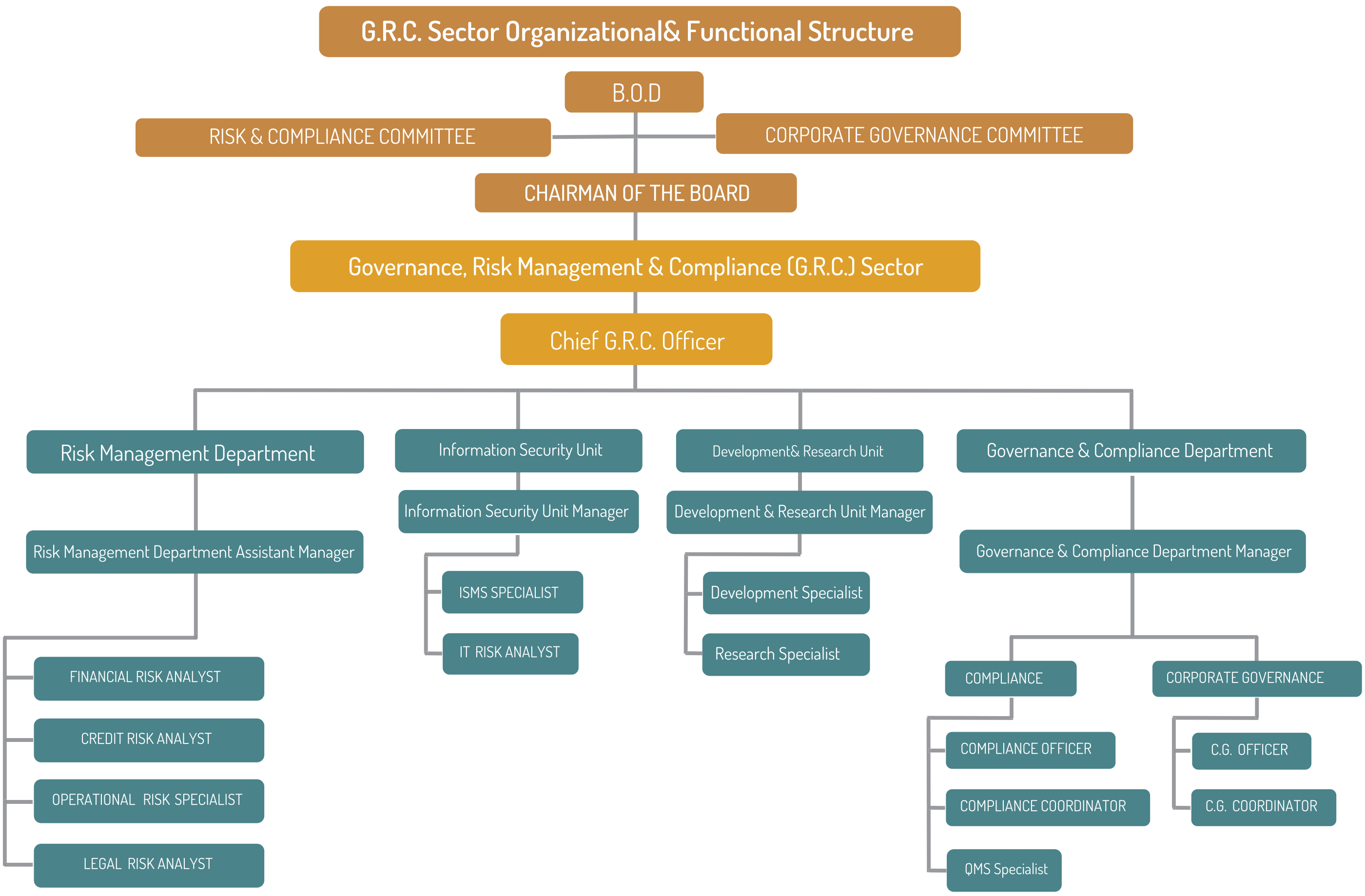
The Governance, Risks and Compliance (G.R.C) Department:

One of the most important indicators, if not the most important one, in a company is the internal control it adopts. The internal control unit supervises the company's operations to avoid and mitigate current and future institutional risks.

The department follows the best international practices through the development of long-term strategic plans (managerial, technical and financial), oversees the implementation of policies and procedures that allows to take full advantage of the company's resources, as well as supervises the implementation of mandated requirements by regulatory bodies.

The Board of Directors has prioritized internal control and has supported the role exercised by this department. The department reports directly to the Board and its committees, to avoid conflict of interests in the control role it exercises.

The Organizational Structure of the G.R.C Department and its Responsibilities:



Risks Management:

- Supervise the implementation of a single vision to mitigate risks at the corporate level, in order to ensure a consistent and efficient management of any risk facing the company.
- Provide strategic guidance and adopt strategic risk initiatives.
- Development strategic plans in adequacy with the long-term objectives and priorities of the company.
- Supervise the implementation of strategies and policies approved by the Board of Directors.
- Monitor financial and operational results and compare them with plans and objectives set as well as the estimated budget.
- Monitor the efficiency and quality of investment operations and returns from these operations in adequacy with the plans and objectives of the company.
- Submit periodic reports on the exposure to risk and procedures to avoided and mitigate risks.
- Set and measure the adequacy and efficiency of evaluation methodologies and risk assessment in the company.
- Ensure the adequacy of liquidity and funding and the strength of the financial solvency of the company.
  - Evaluate and follow-up on the company›s investment and market risks.
  - Evaluate and follow-up on technical risks within the company.
  - Evaluate and follow-up on operational risks facing the company.
  - Provide and deliver information to credit rating agencies.

Governance and Compliance Management:

- Ensure the company›s commitment to work through the legal framework in conformity with the principles of corporate governance in accordance to the policies and procedures necessary for the development.
- Organize Board and committees' work.
- Organize the Annual General Meeting of Shareholders agenda.
- Ensure the company complies with legal and regulatory obligations as required by regulatory authorities.
- Review operations and develop policies and procedures relating to money laundering and terrorist financing.
- Follow-up on regulations relating to the Foreign Account Tax Compliance Act (FATCA) and develop of policies and procedures to its implementation.
- Supervise the implementation of ISO 9001: 2008 quality standards in all operations.

Information Security Unit:

- Manage information security programs in information centers and website.
- Develop IT security policies in accordance with international standards.
- Develop specifications and standards for technologies and programs used in order to protect information sent by departments and units of the company.
- Develop policies to manage issues relating to information security in order to resolve the issue in the shortest time when they occur.
- Spread awareness and a culture of information security to employees.
- Conduct quality control assessments to ensure the network and systems are protected.
- Stay up-to-date with the latest development to identify technologies and programs required to improve the working environment and security.
- Review and evaluate the security policy.
- Ensure protection tools are installed on hardware and software in all information centers.
- Ensure all computers are equipped with effective protection programs.
- Prepare reports on the situation of security information and present them to officials.
- Monitor the efficiency and effectiveness of security systems used.

Development and Research Unit:

- Prepare frameworks, indicators and models on company plans.
- Provide technical advice and help necessary to departments preparing their plans.
- Prepare a draft action plan for the company.
- Prepare studies and market research.
- Prepare strategic goals of the action plans.
- Develop and update policies and procedures for the company›s various departments.
- Prepare field studies to create new jobs.
- Prepare reports on the progress of work and the application of internal policies and procedures within the company.
- Prepare future financial studies.
- Study foreign markets and their attractiveness for investment.

Board Report on Internal Control System

The Board of Directors of Warba Insurance are liable of the efficiency of the internal control system to ensure efficiency of operations, quality of internal and external reporting, as well as to comply with laws and regulations. The higher management is responsible for implementing the internal control system, and to maintain it in order to manage risks that could hinder the company's objectives. The internal control system provides balanced guarantees to avoid risks that could generate serious losses to the company.

The Board of Directors has adopted an organizational structure in line with the company structure and systems. It has also adopted job descriptions outlined roles and responsibilities, policies and regulations for tasks and operating procedures. These policies and regulations identifies the duties and responsibilities, the authorities and the reporting system for each department, so as to achieve a dual control and tasks divisions that avoid duplicating roles.

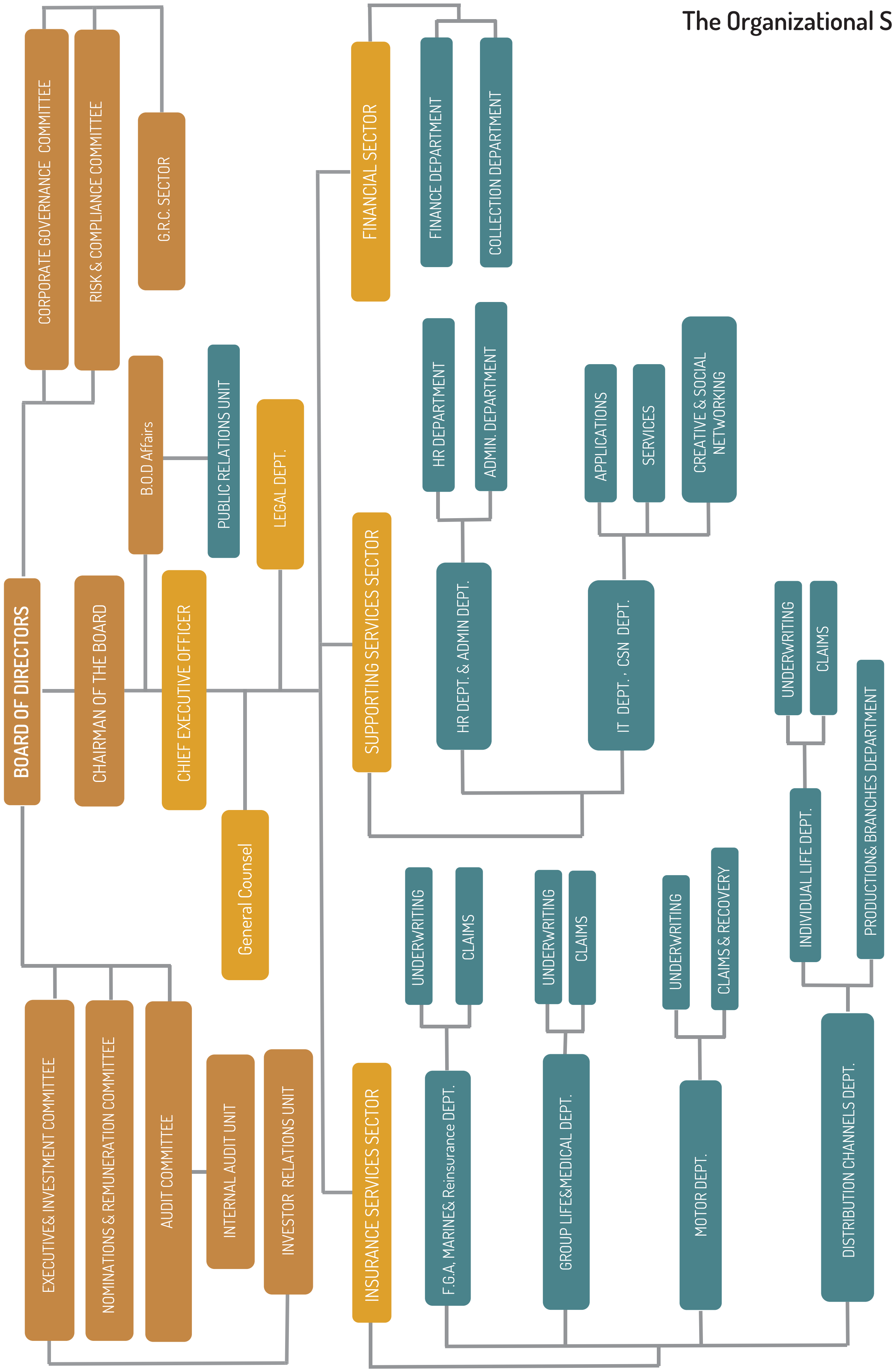
The Board of Directors consistently reviews policies and the internal control system in cooperation with the higher management and internal control employees (which include the internal auditing unit, and the governance, risks and compliance departments). The review allows room for improvements, and evaluates risks and challenges. The Board of Directors also ensures that internal control jobs are well positioned in the company, are well staffed and have sufficient resources to fulfill their responsibilities independently and efficiently.

The higher management has also taken the necessary step to implement the new regulations of corporate governance issued by the CMA. These regulations include an update on authorities outlined in the corporate governance list, preparing new documents and procedures necessary to implement these regulations before the set deadline on June 30, 2016.

The efficiency of the internal control system is periodically reviewed by the Board of Directors and it committees. The Board and committees review reports prepared by the governances, risks and compliance department and the internal auditing unit in the company.

The higher management reviewed the internal control system on December 31, 2015, confirming that is coherent and provides balanced guarantees in order to achieve the company's goals.

The Organizational Structure:



Branches

Head Office
Warba Tower, Sharq
Ahmad Al Jaber Street, Derwazat Abdul Razak, Opposite from the Banks Complex
Tel: 1808181 / 22914000
Fax: 22451974
From 7:30 AM to 3:00 PM

Sharq Branch
Sharq - Ahmad Al-Jaber Street - Emad Center - Ground Floor
Tel: 22914545 / 40 / 17
Fax: 22914541
From 7:30 AM to 3:00 PM

Hawally Branch
Hawally - Fadalah Complex – Ground Floor – Office No. 1
Tel: 22655084 / 22914882
Fax: 22655072
From 7:30 AM to 7:30 PM

Qurain Branch
Al-Qurain Markets - Complex 4 - Building 223 - Ground Floor - Office 9
Tel: 22914857 / 22914856
From 7:30 AM to 7:30 PM

Farwniya Branch
Farwniya - Block 38 – Qasima 8 –– Habib Menawer Street – Mezzanine - Offices 1, 2, 3
Tel: 22914612 / 22914615
Fax: 24715391
From 7:30 AM to 3:00 PM

Consolidated Financial Statement for the Year Ended December 31, 2015

WARBA INSURANCE COMPANY - K.S.C.P.
AND ITS SUBSIDIARY
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH
INDEPENDENT AUDITORS' REPORT

WARBA INSURANCE COMPANY - K.S.C.P.
AND ITS SUBSIDIARY
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH
INDEPENDENT AUDITORS' REPORT

CONTENTS

INDEPENDENT AUDITORS' REPORT

The Shareholders
Warba Insurance Company – K.S.C.P.
State of Kuwait

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Warba Insurance Company - K.S.C.P. (the Parent Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as of December 31, 2015 and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Warba Insurance Company – K.S.C.P. and its subsidiary as of December 31, 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 Requirements

Also 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 Companies Law No. 25 of 2012, its amendments and executive regulations and by the Parent Company's Articles of Association and Articles of Incorporation, and that a physical stocktaking was duly carried out. According to the information available to us, no material violations of Companies Law No. 25 of 2012, its amendments and executive regulations, or of Parent Company's Articles of Association or Articles of Incorporation have occurred during the year ended December 31, 2015 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

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

Nayef M. Al-Bazie
Licence No. 91-A
RSM Albazie & Co.

State of Kuwait
February 4, 2016

WARBA INSURANCE COMPANY - K.S.C.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

	Note	2015	2014
ASSETS			
Cash and cash equivalents	3	**4,505,901**	4,197,274
Fixed deposits	4	**6,007,000**	10,083,500
Financial assets at fair value through profit or loss	5	**5,072,144**	2,253,984
Insurance and reinsurance receivables	6	**16,861,959**	18,490,466
Other receivables	7	**2,189,389**	2,466,217
Loans secured by life insurance policies		**23,903**	20,149
Reinsurance share in reserve for outstanding claims reserve		**18,146,184**	15,282,073
Financial assets available for sale	8	**18,330,927**	18,488,514
Investment in associates	10	**5,529,104**	5,471,570
Goodwill		**62,240**	62,240
Property and equipment	11	**8,129,091**	8,368,538
Total assets		**84,857,842**	85,184,525
LIABILITIES AND EQUITY			
Liabilities:			
Bank overdraft		**-**	790,533
Accounts payable	12	**4,022,763**	3,601,956
Insurance contract liabilities	13	**25,765,072**	23,860,643
Insurance and reinsurance payables	14	**6,097,647**	6,844,053
Other payables	15	**3,657,216**	3,483,355
Total liabilities		**39,542,698**	38,580,540
Equity:			
Share capital	16	**17,278,874**	17,278,874
Treasury shares	17	**(1,270,570)**	(1,255,986)
Treasury shares reserve		**164,760**	164,760
Statutory reserve	18	**8,781,109**	8,781,109
Voluntary reserve	19	**9,206,054**	9,206,054
General reserve		**4,000,000**	4,000,000
Cumulative changes in fair value		**3,972,815**	5,296,463
Share of other comprehensive income of associates		**30,098**	46,025
Retained earnings		**2,848,907**	2,833,436
Equity attributable to shareholders of the Parent Company		**45,012,047**	46,350,735
Non-controlling interest		**303,097**	253,250
Total equity		**45,315,144**	46,603,985
Total liabilities and equity		**84,857,842**	85,184,525

The accompanying notes (1) to (32) form an integral part of these consolidated financial statements

Anwar Jawad Bu-Khamseen	Sheikh / Mohammed Jarah Sabah Al-Sabah
Chairman	Vice Chairman

WARBA INSURANCE COMPANY - K.S.C.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

	Note	**2015**	2014
Revenue:			
Gross premiums written		**37,068,357**	32,135,065
Premium ceded to reinsurance		**(18,822,808)**	(15,788,339)
Net premiums written		**18,245,549**	16,346,726
Movement in reserve for unexpired risk		**(1,465)**	(95,593)
Movement in reserve for life insurance		**(363,413)**	(487,514)
Net premiums earned		**17,880,671**	15,763,619
Commissions received on ceded reinsurance		**1,670,721**	1,705,799
Issuance fees		**229,615**	172,962
Net investment income from life insurance	20	**75,656**	11,184
		19,856,663	17,653,564
Expenses:			
Net claims incurred		**(10,875,033)**	(9,732,312)
Commissions and discounts		**(3,111,923)**	(3,139,044)
General and administrative expenses	21	**(4,709,964)**	(3,893,368)
		(18,696,920)	(16,764,724)
Net underwriting income	26	**1,159,743**	888,840
Net investment income from non-life insurance	20	**987,099**	775,555
Group's share of results from associates	10	**73,461**	160,353
Insurance services income		**914,737**	833,230
Other income		**82,952**	88,490
Foreign exchange gain		**127,291**	80,493
		3,345,283	2,826,961
Other expenses:			
Insurance services expense	22	**(804,950)**	(744,428)
Unallocated general and administrative expenses	21	**(735,505)**	(471,718)
Profit for the year before Contribution to Kuwait Foundation for the Advancement of Science (KFAS), National Labor Support Tax (NLST), Zakat and Board of directors' remuneration		**1,804,828**	1,610,815
Contribution to Kuwait Foundation for the Advancement of Science (KFAS)		**(16,815)**	(14,472)
National Labor Support Tax (NLST)		**(47,442)**	(16,344)
Zakat		**(17,520)**	(5,330)
Board of directors' remuneration	24	**(35,000)**	(31,500)
Net profit for the year		**1,688,051**	1,543,169
Attributable to:			
Shareholders of the Parent Company		**1,638,204**	1,500,362
Non-controlling interest		**49,847**	42,807
		1,688,051	1,543,169
Earnings per share attributable to shareholders' of the Parent Company (fils)	23	**10.10**	9.25

The accompanying notes (1) to (32) form an integral part of these consolidated financial statements

WARBA INSURANCE COMPANY - K.S.C.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

	Note	**2015**	2014
Net profit for the year		**1,688,051**	1,543,169
Other comprehensive income:			
Items that may be reclassified subsequently to consolidated statement of profit or loss			
Changes in fair value of financial assets available for sale	8	**(1,032,571)**	(399,965)
Transfer to statement of profit or loss on sale of financial assets available for sale		**(291,077)**	-
Share of other comprehensive (loss) income from associates	10	**(15,927)**	24,924
Other comprehensive loss for the year		**(1,339,575)**	(375,041)
Total comprehensive income for the year		**348,476**	1,168,128
Attributable to:			
Shareholders of the Parent Company		**298,629**	1,125,321
Non-controlling interest		**49,847**	42,807
Total comprehensive income for the year		**348,476**	1,168,128

The accompanying notes (1) to (32) form an integral part of these consolidated financial statements

WARBA INSURANCE COMPANY - K.S.C.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company											
	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	General reserve	Cumulative changes in fair value	Share of other comprehensive income of associates	Retained earnings	Total	Non-controlling interest	Total equity
Balance at December 31, 2013	17,278,874	(1,255,986)	164,760	8,781,109	9,049,254	4,000,000	5,696,428	21,101	2,625,787	46,361,327	210,443	46,571,770
Net profit for the year	-	-	-	-	-	-	-	-	1,500,362	1,500,362	42,807	1,543,169
Other comprehensive (loss)income for the year	-	-	-	-	-	-	(399,965)	24,924	-	(375,041)	-	(375,041)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(399,965)	24,924	1,500,362	1,125,321	42,807	1,168,128
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(1,135,913)	(1,135,913)	-	(1,135,913)
Transfer to voluntary reserve	-	-	-	-	156,800	-	-	-	(156,800)	-	-	-
Balance at December 31, 2014	17,278,874	(1,255,986)	164,760	8,781,109	9,206,054	4,000,000	5,296,463	46,025	2,833,436	46,350,735	253,250	46,603,985
Net profit for the year	-	-	-	-	-	-	-	-	1,638,204	1,638,204	49,847	1,688,051
Other comprehensive loss for the year	-	-	-	-	-	-	(1,323,648)	(15,927)	-	(1,339,575)	-	(1,339,575)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(1,323,648)	(15,927)	1,638,204	298,629	49,847	348,476
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(1,622,733)	(1,622,733)	-	(1,622,733)
Purchase of treasury shares	-	(14,584)	-	-		-	-	-	-	(14,584)	-	(14,584)
Balance at December 31, 2015	**17,278,874**	**(1,270,570)**	**164,760**	**8,781,109**	**9,206,054**	**4,000,000**	**3,972,815**	**30,098**	**2,848,907**	**45,012,047**	**303,097**	**45,315,144**

The accompanying notes (1) to (32) form an integral part of these consolidated financial statements

WARBA INSURANCE COMPANY - K.S.C.P. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts are in Kuwaiti Dinars)

	Note	2015	2014
Cash flows from operating activities:			
Profit for the year before KFAS, NLST, Zakat and Board of Directors' remuneration		**1,804,828**	1,610,815
Adjustments:			
Net investment income	20	**(1,062,755)**	(786,739)
Group's share of results from associates	10	**(73,461)**	(160,353)
Depreciation	11	**324,233**	381,183
		992,845	1,044,906
Changes in operating assets and liabilities:			
Insurance and reinsurance receivables		**1,648,656**	(162,495)
Other receivables		**274,168**	352,869
Reinsurance share in reserve for outstanding claims reserve		**(2,864,111)**	1,257,538
Insurance contract liabilities		**1,904,429**	335,106
Accounts payable		**420,807**	64,186
Insurance and reinsurance payables		**(746,406)**	(773,063)
Other payables		**(5,504)**	(602,888)
Net cash generated from operating activities		**1,624,884**	1,516,159
Cash flows from investing activities:			
Net movement in fixed deposits		**4,076,500**	(3,411,500)
Paid for purchase of financial assets at fair value through profit or loss	5	**(6,039,613)**	(51,912)
Proceeds from sale of financial assets at fair value through profit or loss		**3,077,470**	15,788
Movement on loans secured by life insurance policies		**(3,754)**	(139)
Paid for purchase of financial assets available for sale	8	**(2,000,000)**	-
Proceeds from sale of financial assets available for sale		**1,125,016**	-
Investment in associate		**-**	(2,430,000)
Proceed from sale of investment properties		**-**	4,200,000
Paid for purchase of property and equipment	11	**(84,786)**	(117,560)
Cash dividends received		**770,920**	677,231
Rental income received		**8,400**	8,400
Interest income received		**118,852**	60,984
Net cash generated from (used in) investing activities		**1,049,005**	(1,048,708)
Cash flows from financing activities:			
Bank overdraft		**(790,533)**	790,533
Dividends paid to shareholders		**(1,560,145)**	(1,095,171)
Purchase of treasury shares		**(14,584)**	-
Net cash used in financing activities		**(2,365,262)**	(304,638)
Net increase in cash and cash equivalents		**308,627**	162,813
Cash and cash equivalents at the beginning of year		**4,197,274**	4,034,461
Cash and cash equivalents at the end of year	3	**4,505,901**	4,197,274

The accompanying notes (1) to (32) form an integral part of these consolidated financial statements

1. Incorporation and objectives of the Parent Company

Warba Insurance Company was incorporated as a Public Kuwaiti Shareholding Company in State of Kuwait in accordance with the Amiri Decree of October 24, 1976 and its shares are listed on the Kuwait Stock Exchange.

The objects of the Parent Company are to underwrite life and non- life insurance risks such as fire, general accidents, land, marine and aviation and others, lend funds against life insurance policies and to invest in permitted securities and investment properties.

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

The consolidated financial statements of the Group for the year ended December 31, 2015 were authorized to be issued by the Parent Company's Board of Directors on February 4, 2016. The Parent Company's Annual Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Basis of preparation and significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company and are prepared under the historical cost principle except for financial assets at fair value through profit or loss and financial assets available for sale that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2 (x).

Standards and Interpretations issued and effective

The accounting policies applied by the Group are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2015:

Annual Improvements to IFRS – 2010 – 2012 Cycle:

Amendments to IFRS 8 Operating Segments

The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

Amendments to IAS 16 Property and Equipment and IAS 38 Intangible Assets
The amendments to these standards which are effective for annual periods beginning on or after July 1, 2014 clarify that the determination of the accumulated depreciation or amortization under the revaluation method does not depend on the selection of the valuation technique. They also clarify that the accumulated depreciation or amortization is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortization method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortization is not proportionate to the change in the gross carrying amount of the asset.

Amendments to IAS 24 Related Party Disclosures
The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to IFRS – 2011 – 2013 Cycle:

Amendments to IFRS 13 Fair Value Measurement
The amendments to this standard which are effective for annual periods beginning on or after July 1, 2014 clarify that the portfolio exception in IFRS 13 applies to all contracts within the scope of IFRS 9 (or IAS 39, as applicable), regardless of whether they meet the definitions of financial assets or financial liabilities.

These amendments do not have any material impact on the consolidated financial statements.

Standards and Interpretations issued but not effective
The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 - Financial Instruments
The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

IFRS 15 - Revenue from contracts with customers
The standard, effective for annual periods beginning on or after January 1, 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services.

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

<u>Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization</u>
The amendments, effective prospectively for annual periods beginning on or after January 1, 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

<u>Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture</u>
The amendments address a conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

<u>Amendments to IAS 1 – Disclosure Initiative</u>
The amendments to this standard which are effective for annual periods beginning on or after 1 January 2016 clarify some judgments used in the presentation of financial reports. The amendments make changes about:

- Materiality, where it clarifies that, (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to 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, where they (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant. They introduce additional guidance on subtotals in these statements as well, and (2) clarify that an entity's share of other comprehensive income 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, where they 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.

Annual Improvements to IFRS – 2012 – 2014 Cycle:

<u>Amendments to IFRS 7 – Financial Instruments: Disclosures</u>
The amendments to this standard are effective for annual periods beginning on or after 1 January 2016. They clarify that for servicing agreements, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context, and adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. Another amendment to IFRS 7 clarifies that the additional disclosure required by the amendments to IFRS 7 is not specifically required for all interim periods, unless required by IAS 34.

These amendments are not expected to have any material impact on the consolidated financial statements.

b) Principles of Consolidation

The consolidated financial statements incorporate the financial statements of Warba Insurance Company – K.S.C.P. and the following subsidiary:

Name of Subsidiary	Country of Incorporation	Principal activities	Percentage of holding 2015	Percentage of holding 2014
WAPMED TPA Services Company – K.S.C (Closed)	Kuwait	Insurance services	**54.57%**	54.57%

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company

- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Parent Company considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- Potential voting rights held by the company, other vote holders or other parties.
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

c) <u>Financial Instruments</u>
The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to owners' equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

- **Financial assets**
  - <u>Cash and cash equivalents</u>

    Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

  - <u>Financial investments</u>

    <u>Initial recognition and measurement</u>
    The Group classifies financial investments that fall within the scope of IAS 39 in the following categories: financial assets at fair value through profit or loss, loans and receivables and financial assets available for sale. The classification depends on the purpose for which those assets were acquired and is determined at initial recognition by the management.

    Financial assets at fair value through profit or loss
    This category has two sub-categories: financial assets held for trading, and financial assets designated at fair value through profit or loss at inception.

A financial asset is classified as financial asset held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of financial instruments that are managed together and has a recent actual pattern of short-term profit taking or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset is designated by the management at fair value on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if it is managed and its performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months from the end of the reporting period. These are classified as non-current assets.

Financial assets available for sale
Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months from the end of the reporting period.

Purchases and sales of those financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent measurement
After initial recognition, financial assets at fair value through profit or loss and financial assets available for sale are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from financial assets at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in cumulative changes in fair value in other comprehensive income, except for available for sale debt instruments, where the foreign exchange differences component is recognized in the consolidated statement of profit or loss, while other fair value changes are recognized in cumulative changes in fair value in other comprehensive income.

Where financial assets available for sale can not be measured reliably, these are stated at cost less impairment losses, if any.

When a financial asset available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

A financial asset (in whole or in part) is derecognized either when:

- The contractual rights to receive the cash flows from the financial asset have expired; or
- The Group has transferred its rights to receive cash flows from the financial asset and either:
  (a) Has transferred substantially all the risks and rewards of ownership of the financial asset, or
  (b) Has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss. Impairment losses recognized for available for sale debt instruments are reversed through the consolidated statement of profit or loss if the increase in fair value can be objectively related to an event occurring after the impairment loss was previously recognized.

- **Financial liabilities/equity**

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

- **Offsetting**

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

d) Investment in Associates

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group’s share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss its share of results of operations of the associate and in its other comprehensive income its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is 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 recognizes the amount in the consolidated statement of profit or loss.

e) Goodwill

Goodwill represents the excess of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

f) Property and equipment

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

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

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

	Years
Buildings	35
Furniture and equipment	4
Computers and software	4 - 7

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

g) Insurance contract liabilities – recognition and measurement

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

Reserve for outstanding claims:

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

Reserve for unexpired risks:

General insurance

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

The reserve is calculated at 30% of annual premiums earned net of reinsurance for Fire and General Accidents Departments and 15% for Marine and Aviation department.

Life Insurance

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

Additional reserves

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

h) Liability adequacy test

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

i) Reinsurance contract held

In order to minimize financial exposure from large claims the Group enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as “reinsurance share in reserve for outstanding claims” in the consolidated statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to “insurance and reinsurance receivable”. Premiums on reinsurance assumed are recognized as revenue in the same manner as they would be if the reinsurance were considered direct business.

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

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

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

j) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) <u>End of service indemnity</u>
Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

l) <u>Dividend distribution to shareholders</u>
The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

m) <u>Share capital</u>
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

n) <u>Treasury shares</u>
Treasury shares consist of the Parent Company’s own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders’ equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

o) Revenue recognition

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

Reinsurance premiums
Gross reinsurance premiums written comprise the total premiums payable for the whole cover period provided by the contracts entered into during the period and are recognized on the date on which the policy incepts. Reinsurance premiums also include any adjustments arising in the accounting period for premium receivable in respect of business written in prior accounting periods.

Unearned reinsurance premium are those proportion of premium written in a year that relates to periods of risk after the date of consolidated statement of financial position.

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

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

Interest income
Interests are recognized on time proportion basis using effective yield method.

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

Realized gain on sale of investments
Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investments at the date of disposal, and is recognized at the time of the sale.

Other income
Other income is recognized on accrual basis.

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

p) Provisions
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

q) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease:

The Group as lessor:
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee:
Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

r) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the consolidated profit of the Company before contribution to KFAS, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of income from shareholding subsidiaries and associates, transfer to statutory reserve.

s) National Labor Support Tax (NLST)
National Labor Support Tax (NLST) is calculated at 2.5% on the consolidated profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from associates & un-consolidated subsidiaries listed on the Kuwait Stock Exchange, its share of NLST paid by subsidiaries listed on the Kuwait Stock Exchange, and cash dividends received from companies listed on the Kuwait Stock Exchange in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

t) Zakat
Zakat is calculated at 1% on the consolidated profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

u) Foreign currencies
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as financial assets available for sale are included in "cumulative changes in fair value" in other comprehensive income.

v) Contingencies
Contingent liabilities are not recognized in the financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

w) Segment reporting
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

x) Critical accounting estimates and judgments
The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

A. Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

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

- Provision for doubtful debts:
  The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

- Classification of financial assets:
  On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss" or "available for sale". The Group follows the guidance of IAS 39 on classifying its financial assets.

The Group classifies financial assets as “at fair value through profit or loss” if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. All other financial assets are classified as "available for sale".

- Impairment of financial assets:
  The Group follows the guidance of IAS 39 to determine when an available-for-sale equity instruments is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

- Control assessment:
  When determining control over an investee, management considers whether the Group has a ‘de facto’ power to control an investee if it holds less than 50% of the investee’s voting rights. The assessment of the investee’s relevant activities and the ability to use the Group’s power to affect the investee’s variable returns requires significant judgment.

B. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

- Impairment of Goodwill:
  The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the “value in use” of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

- Provision for doubtful debts:
  The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

- Impairment of non-financial assets:
  Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

- Sources of uncertainty in the estimation of outstanding claims:

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

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

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

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

  Reinsurance
  The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

3. Cash and cash equivalents

	2015	2014
Cash on hand and at banks	**3,468,305**	2,180,270
Cash in portfolios	**1,037,596**	2,017,004
	4,505,901	4,197,274

Cash and cash equivalents are denominated in the following currencies:

	2015	2014
Kuwaiti Dinar	**2,611,538**	1,877,960
US Dollar	**1,894,363**	2,319,314
	4,505,901	4,197,274

4. Fixed deposits

Fixed deposits represent deposits with banks whose maturity period exceed three months from the date of placement but not exceeding one year.

Fixed deposits are denominated in the following currencies:

	2015	2014
Kuwaiti Dinar	**5,551,000**	9,644,000
US Dollar	**456,000**	439,500
	6,007,000	10,083,500

The Insurance Companies and Agent Law No. 24 of 1961 as amended, requires the Parent Company to deposit in a Kuwaiti bank or in a Kuwaiti branch of a foreign bank, a deposit amounting to KD 500,000 for general insurance and KD 500,000 for life insurance. (2014 – KD 500,000 for general insurance and KD 500,000 for life insurance business).

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

Accordingly, fixed deposits amounting to KD 4,169,000 (2014 - KD 3,919,000) are under lien to the Ministry of Commerce to comply with local insurance regulations at State of Kuwait. The Parent Company cannot utilize any of these deposits unless they are replaced with an equal financial instrument within the limits prescribed in the law.

The effective interest rate on fixed deposits was 0.875% to 1.813% per annum (2014 – 0.871% to 2%).

5. Financial assets at fair value through profit or loss

	2015	2014
Quoted shares	**1,824,493**	2,117,983
Investment fund	**2,236,302**	136,001
Bonds	**1,011,349**	-
	5,072,144	2,253,984

The above financial assets are classified as held for trading.

The movement during the year is as follows:

	2015	2014
Balance at the beginning of the year	**2,253,984**	2,157,600
Additions	**6,039,613**	51,912
Disposals	**(3,062,484)**	(14,015)
Unrealized (loss) gain on financial assets at fair value through profit or loss (Note 20)	**(158,969)**	58,487
Balance at the end of the year	**5,072,144**	2,253,984

6. Insurance and reinsurance receivables

	2015	2014
Outstanding premiums (a)	**14,557,514**	14,085,289
Less: Provision for doubtful debts (b)	**(1,627,467)**	(1,402,467)
	12,930,047	12,682,822
Advance insurance premiums	**2,287,546**	2,835,725
Insurance and reinsurance companies	**1,644,366**	2,971,919
	16,861,959	18,490,466

a) Outstanding premiums

Outstanding premiums are non interest bearing and are generally due within 90 days. As of 31 December 2015, premium receivables amounting to KD 1,627,467 (2014 - KD 1,402,467) were impaired and fully provided for and KD 4,889,536 (2014 – KD 5,657,376) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of the outstanding premiums is as follows:

	2015	2014
Less than 3 months	**8,040,511**	7,025,446
3 to 6 months	**1,437,259**	2,463,622
6 to 12 months	**3,452,277**	3,193,754
More than 12 months	**1,627,467**	1,402,467
	14,557,514	14,085,289

b) The movement of provision for doubtful debts is as follows:

	2015	2014
Balance at beginning of the year	**1,402,467**	1,430,000
Charge for the year (Note 21)	**225,000**	-
Utilized in the year	**-**	(27,533)
Balance at the end of the year	**1,627,467**	1,402,467

c) The Group does not hold any collateral as security, for insurance and reinsurance receivables.

7. Other receivables

	2015	2014
Due from related parties	**1,965,054**	1,471,589
Advance payment to purchase property	**-**	760,000
Accrued revenue	**159,789**	141,128
Prepaid expenses	**25,964**	43,197
Refundable deposits	**16,835**	19,586
Other	**21,747**	30,717
	2,189,389	2,466,217

The other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of other receivables mentioned above.

8. Financial assets available for sale

	2015	2014
Quoted securities	**11,799,182**	13,956,769
Unquoted securities	**4,531,745**	4,531,745
Bonds	**2,000,000**	-
	18,330,927	18,488,514

Bonds classified as financial assets available for sale carry stated interest rate of 4.75% and mature in 10 years.

The movement during the year is as follows:

	2015	2014
Balance at the beginning of the year	**18,488,514**	18,888,479
Additions	**2,000,000**	-
Disposals	**(1,125,016)**	-
Changes in fair value	**(1,032,571)**	(399,965)
Balance at the end of the year	**18,330,927**	18,488,514

Financial assets available for sale are denominated in the following currencies:

	2015	2014
Kuwaiti Dinar	**17,795,432**	17,943,749
US Dollar	**32,998**	42,268
Others	**502,497**	502,497
	18,330,927	18,488,514

Quoted securities amounting to KD 2,016,000 as of December 31, 2015 (2014 – KD 2,214,000) which are under lien to the Ministry of Commerce and Industry.

It was not possible to reliably measure the fair value of unquoted securities amounting to KD 964,805 (2014 – KD 964,805) due to non-availability of a reliable method that could be used to determine the fair value of such financial assets.

9. Subsidiary

The subsidiary WAPMED TPA Services Company – K.S.C. (Closed) is a closed Kuwaiti shareholding company incorporated in the state of Kuwait. The principal activity of the subsidiary is providing administrative and technical services to insurance companies and to manage and organize health insurance, evaluating the therapeutic services provided by the medical centers for the insured and issuing special cards for the policy holders. The Parent Company holds 54.57% (2014 – 54.57%) of its equity interest.

The summarized financial information of subsidiary is set out below before intergroup eliminations.

	2015	2014
Current assets	**764,284**	638,443
Non- current assets	**121,929**	135,151
Current liabilities	**(113,269)**	(131,958)
Non- current liabilities	**(105,771)**	(84,186)
Equity	**667,173**	557,450
Equity attributable to the Parent Company	**364,076**	304,200
Non-controlling interest	**303,097**	253,250
	667,173	557,450
Revenue	**914,737**	833,230
Net profit for the year	**109,370**	94,225
Net profit attributable to the Parent Company	**59,523**	51,418
Net profit attributable to the non-controlling interest	**49,847**	42,807
	109,370	94,225
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**109,370**	94,225
Net cash (used in) generated from operating activities	**(21,895)**	49,186
Net cash generated from (used in) investing activities	**40,822**	(3,179)
Net increase in cash and cash equivalents	**18,927**	46,007

10. Investment in associates

The investment in an associate consists of the following:

Name of associates	Principle activity	Country of incorporation	Percentage of ownership **2015**	Percentage of ownership 2014	Amount **2015**	Amount 2014
Ritaj Takaful Insurance Company - K.S.C.C.	Takaful insurance	Kuwait	**25.1%**	25.1%	**3,099,104**	3,041,570
Partners Real Estate Company – W.L.L.	Real estate	Kuwait	**40.5%**	40.5%	**2,430,000**	2,430,000
					5,529,104	5,471,570

The associates is unquoted company and works in insurance activities. The movement during the year is as follows:

	2015	2014
Balance at the beginning of the year	**5,471,570**	2,856,293
Additions	**-**	2,430,000
Group's share of results from associates	**73,461**	160,353
Group's share of other comprehensive (loss) income from associate	**(15,927)**	24,924
Balance at the end of the year	**5,529,104**	5,471,570

Summarized financial information for associates is as follows:

Ritaj Takaful Insurance Company - K.S.C. (Closed)

Summarized statement of financial position:

	2015	2014
Current assets	**4,133,118**	3,660,853
Non-current assets	**9,674,371**	10,139,672
Current liabilities	**(1,460,461)**	(832,718)
Non-current liabilities	**-**	(850,000)
Net assets	**12,347,028**	12,117,807

Summarized statement of profit or loss and other comprehensive income:

	2015	2014
Revenue	**491,393**	742,155
Net profit for the year	**292,674**	638,856
Other comprehensive (loss) income for the year	**(63,455)**	99,299
Total comprehensive income	**229,219**	738,155

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

	2015	2014
Net assets of the associate	**12,347,028**	12,117,807
Proportion of the Group's ownership interest	**25.1%**	25.1%
Carrying amount of the Group's interest	**3,099,104**	3,041,570

Partners Real Estate Company – W.L.L.

Summarized statement of financial position:

	2015	2014
Current assets	**1,177,196**	1,800,000
Non-current assets	**4,822,804**	4,200,000
Current liabilities	**-**	-
Non-current liabilities	**-**	-
Net assets	**6,000,000**	6,000,000

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

	2015	2014
Net assets of the associate	**6,000,000**	6,000,000
Proportion of the Group's ownership interest	**40.5%**	40.5%
Carrying amount of the Group's interest	**2,430,000**	2,430,000

There is no share of result from Partners Real Estate Company – W.L.L. as the associate is newly incorporated and has not yet commenced activities.

11. Property and equipment

	Land and buildings	Furniture and equipment	Computers and software	Total
Cost :				
At December 31, 2013	8,625,006	532,924	1,478,060	10,635,990
Additions	-	32,710	84,850	117,560
Disposals	-	(2,150)	-	(2,150)
At December 31, 2014	8,625,006	563,484	1,562,910	10,751,400
Additions	-	18,984	65,802	84,786
At December 31, 2015	**8,625,006**	**582,468**	**1,628,712**	**10,836,186**
Accumulated depreciation:				
At December 31, 2013	793,642	347,326	862,861	2,003,829
Charge for the year	141,409	57,960	181,814	381,183
Related to disposal	-	(2,150)	-	(2,150)
At December 31, 2014	935,051	403,136	1,044,675	2,382,862
Charge for the year	141,409	50,655	132,169	324,233
At December 31, 2015	**1,076,460**	**453,791**	**1,176,844**	**2,707,095**
Net book value :				
At December 31, 2014	7,689,955	160,348	518,235	8,368,538
At December 31, 2015	**7,548,546**	**128,677**	**451,868**	**8,129,091**

The Group's headquarters building and related land are under lien to the Ministry of Commerce and Industry for an amount of KD 2,955,780 (2014 – KD 2,955,780) in accordance with insurance regulations in Kuwait.

12. Accounts payable

	2015	2014
Trade payable (a)	**3,918,040**	3,510,980
Due to related parties (Note 27)	**104,723**	90,976
	4,022,763	3,601,956

a) Trade and contracts payable payables are non - interest bearing.

13. Insurance contract liabilities

	2015	2014
Reserve for outstanding claims	**20,416,634**	18,877,082
Reserve for unexpired risks	**3,872,800**	3,784,847
Reserve for life insurance fund	**1,475,638**	1,198,714
	25,765,072	23,860,643

The reserve for outstanding claims comprises of:

2015	Marine and aviation	Fire	General accident	Life and Medical	Total
Reserve for outstanding claims:					
Gross balance at beginning of the year	1,320,793	3,811,622	9,313,716	4,430,951	**18,877,082**
Reinsurance share	(971,321)	(3,198,983)	(6,996,338)	(4,115,431)	**(15,282,073)**
Net balance at beginning of the year	349,472	612,639	2,317,378	315,520	**3,595,009**
Incurred during the year – net	252,462	633,581	3,817,875	6,171,115	**10,875,033**
Paid during the year – net	(290,681)	(683,251)	(5,227,844)	(5,997,816)	**(12,199,592)**
Net balance at end of the year	311,253	562,969	907,409	488,819	**2,270,450**
Represented in:					
Gross outstanding claims at end of the year	1,144,830	4,015,811	10,316,479	4,939,514	**20,416,634**
Reinsurance share	(833,577)	(3,452,842)	(9,409,070)	(4,450,695)	**(18,146,184)**
	311,253	562,969	907,409	488,819	**2,270,450**
Reserve for unexpired risks	102,803	162,337	2,071,617	1,536,043	**3,872,800**

2014	Marine and aviation	Fire	General accident	Life and Medical	Total
Reserve for outstanding claims:					
Gross balance at beginning of the year	1,302,266	3,718,693	10,065,122	4,039,004	19,125,085
Reinsurance share	(1,084,325)	(3,543,096)	(8,061,765)	(3,850,425)	(16,539,611)
Net balance at beginning of the year	217,941	175,597	2,003,357	188,579	2,585,474
Incurred during the year – net	279,232	536,058	3,862,498	5,054,524	9,732,312
Paid during the year – net	(147,701)	(99,016)	(3,548,477)	(4,927,583)	(8,722,777)
Net balance at end of the year	349,472	612,639	2,317,378	315,520	3,595,009
Represented in:					
Gross outstanding claims at end of the year	1,320,793	3,811,622	9,313,716	4,430,951	18,877,082
Reinsurance share	(971,321)	(3,198,983)	(6,996,338)	(4,115,431)	(15,282,073)
	349,472	612,639	2,317,378	315,520	3,595,009
Reserve for unexpired risks	110,101	149,598	2,075,593	1,449,555	3,784,847

14. Insurance and reinsurance payables

	2015	2014
Unearned premiums	**2,693,619**	3,430,176
Insurance and reinsurance companies	**2,908,082**	2,947,137
Reserve for life insurance department	**242,076**	248,587
Reserve for reinsurance premiums ceded	**42,544**	44,869
Provision for supervision fees	**211,326**	173,284
	6,097,647	6,844,053

15. Other payables

	2015	2014
Provision for end of service indemnity	**1,598,062**	1,502,394
Dividends payable to shareholders	**1,106,433**	1,043,845
Accrued expenses	**440,097**	448,304
Accrued staff leave	**395,847**	414,523
National Labor Support Tax payable	**47,442**	16,344
Board of Directors' remuneration payable (Note 24)	**35,000**	31,500
Zakat payable	**17,520**	11,973
Kuwait Foundation for the Advancement of Science (KFAS) payable	**16,815**	14,472
	3,657,216	3,483,355

16. Share capital

Authorized, issued, and fully paid-up capital comprises of 172,788,740 shares of 100 fils each (2014 - 172,788,740 shares of 100 fils each) and all shares are in cash.

17. Treasury shares

	2015	2014
Number of shares	**10,648,171**	10,515,470
Percentage to paid-up shares (%)	**6.16%**	6.08%
Market value (KD)	**1,086,113**	1,093,609
Cost (KD)	**1,270,570**	1,255,986

In according with the decision of Capital Markets Authority on December 30, 2013, the management of the Group has allotted part of the retained earnings equal to the balance of treasury shares as at the date of consolidated financial statements. This balance is not to be distributed throughout the period when the Parent Company holds the treasury shares.

18. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. Since the reserve has reached 50% of the capital, the Board of Directors has resolved to discontinue transfer to statutory reserve and this was approved by the Parent Company's General Assembly meeting dated March 26, 2012.

19. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. The Parent Company's General Assembly held on May 19, 2015 has resolved to discontinue transfer to voluntary reserve.

20. Net investment income

	2015	2014
Interest income	**136,341**	40,848
Realized gain from sale financial assets at fair value trough profit or loss	**14,986**	1,773
Unrealized (loss) gain from financial assets at fair value trough profit or loss (Note 5)	**(158,969)**	58,487
Realized gain from sale of financial assets available for sale	**291,077**	-
Dividend income from financial assets available for sale	**599,988**	606,683
Dividend income from financial assets at fair value trough profit or loss	**170,932**	70,548
Rental Income	**8,400**	8,400
	1,062,755	786,739

The classification of net investment income is as follows:

	2015	2014
Net investment income from life insurance:	**75,656**	11,184
Net investment income from non-life insurance	**987,099**	775,555
	1,062,755	786,739

21. General and administrative expenses

	2015	2014
Staff cost	**3,406,279**	2,648,115
Depreciation	**308,833**	364,813
Provision for doubtful debts (Note 6)	**225,000**	-
Other expenses	**1,505,357**	1,352,158
	5,445,469	4,365,086

Disclosed in the consolidated statement of profit or loss as follows:

	2015	2014
General and administrative expenses	**4,709,964**	3,893,368
Unallocated general and administrative expenses	**735,505**	471,718
	5,445,469	4,365,086

22. Insurance services expenses

	2015	2014
Staff cost	**443,993**	438,017
Depreciation	**15,400**	16,370
Other expenses	**345,557**	290,041
	804,950	744,428

23. Earnings per share

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2015	2014
Net profit for the year attributable to the Parent Company's shareholders	**1,638,204**	1,500,362
Number of shares outstanding :		
Number of issued shares at beginning of the year	**172,788,740**	172,788,740
Less : Weighted average number of treasury shares	**(10,537,292)**	(10,515,470)
Weighted average number of outstanding shares	**162,251,448**	162,273,270
Basic earnings per share (Fils)	**10.10**	9.25

24. Board of Directors' remuneration

The Board of Directors' meeting of the Parent Company held on February 4, 2016 has proposed an amount of KD 35,000 as remuneration to board members for the fiscal year ended December 31, 2015 (Note 15). This remuneration is subject to the approval of shareholders' ordinary general assembly.

The Board of Directors' remuneration for the comparative year amounted to KD 31,500 (Note 15) was approved by shareholder's ordinary general assembly held on May 19, 2015.

25. Dividends

The Board of Directors' meeting held on February 4, 2016 recommends a cash dividend of 10 fils per share. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

Shareholders' annual general assembly meeting held on May 19, 2015 approved the cash dividends of 10 fils per share for the year ended December 31, 2014 (2013 – 7 fils per share) to all shareholders registered as of the date of shareholders' General Assembly.

26. Segment information

The Group has four principal business segments:

- Marine and aviation:
  Providing insurance against the risks related to goods transportation and different types of marine and aviation vessels.
- Fire:
  This includes insurance against fire for different types of buildings, stores, industrial risks and oil and gas industry.
- General accident:
  Including insurance against risks of contractors, machine and computer damages and cessation of work; providing insurance for cash, fidelity bonds, professional risks, work accidents, civil responsibility and cars.
- Life and medical insurance:
  Providing various life insurance cover for individuals and Companies in addition to medical insurance.

The segment information is as follows:

a- Year ended December 31, 2015

	Marine & aviation	Fire	General accidents	Total general risk insurance	Life & medical insurance	**Total**
Revenue:						
Gross premiums written	1,662,456	3,284,043	17,050,787	21,997,286	15,071,071	**37,068,357**
Reinsurance share	(977,100)	(2,742,921)	(10,145,395)	(13,865,416)	(4,957,392)	**(18,822,808)**
Net premiums written	685,356	541,122	6,905,392	8,131,870	10,113,679	**18,245,549**
Movement in reserve for unexpired risks	7,298	(12,739)	3,976	(1,465)	-	**(1,465)**
Movement in reserve for life insurance	-	-	-	-	(363,413)	**(363,413)**
Net premiums earned	692,654	528,383	6,909,368	8,130,405	9,750,266	**17,880,671**
Commission received on ceded reinsurance	186,801	377,330	528,635	1,092,766	577,955	**1,670,721**
Issuance fees	6,162	440	220,606	227,208	2,407	**229,615**
Net investment income for life insurance	-	-	-	-	75,656	**75,656**
	885,617	906,153	7,658,609	9,450,379	10,406,284	**19,856,663**
Expenses:						
Net claims incurred	(252,462)	(633,581)	(3,817,875)	(4,703,918)	(6,171,115)	**(10,875,033)**
Commission and discounts	(124,233)	(231,394)	(1,064,368)	(1,419,995)	(1,691,928)	**(3,111,923)**
General and administrative expenses	(368,078)	(461,813)	(2,062,476)	(2,892,367)	(1,817,597)	**(4,709,964)**
	(744,773)	(1,326,788)	(6,944,719)	(9,016,280)	(9,680,640)	**(18,696,920)**
Net underwriter profit (loss)	140,844	(420,635)	713,890	434,099	725,644	**1,159,743**
Net investment income from non-life insurance				987,099	-	**987,099**
Group's share of result from associates				73,461	-	**73,461**
Insurance service income				914,737	-	**914,737**
Other income				82,877	75	**82,952**
Foreign exchange gain				53,760	73,531	**127,291**
				2,546,033	799,250	**3,345,283**
Insurance service expenses				(804,950)	-	**(804,950)**
Unallocated general and administrative expenses				(735,505)	-	**(735,505)**
Profit for the year				1,005,578	799,250	**1,804,828**
Assets				70,108,030	14,749,812	**84,857,842**
Liabilities				26,371,084	13,171,614	**39,542,698**
Non-cash expenses				745,184	121,130	**866,314**
Capital expenditure				79,161	5,625	**84,786**

b- Year ended December 31, 2014

	Marine & aviation	Fire	General accidents	Total general risk insurance	Life & medical insurance	**Total**
Revenue:						
Gross premiums written	1,731,006	3,116,496	13,676,910	18,524,412	13,610,653	32,135,065
Reinsurance share	(996,999)	(2,617,835)	(6,758,266)	(10,373,100)	(5,415,239)	(15,788,339)
Net premiums written	734,007	498,661	6,918,644	8,151,312	8,195,414	16,346,726
Movement in reserve for unexpired risks	(11,796)	(46,470)	(37,327)	(95,593)	-	(95,593)
Movement in reserve for life insurance	-	-	-	-	(487,514)	(487,514)
Net premiums earned	722,211	452,191	6,881,317	8,055,719	7,707,900	15,763,619
Commission received on ceded reinsurance	240,971	313,828	452,447	1,007,246	698,553	1,705,799
Issuance fees	5,986	434	156,621	163,041	9,921	172,962
Net investment income for life insurance	-	-	-	-	11,184	11,184
	969,168	766,453	7,490,385	9,226,006	8,427,558	17,653,564
Expenses:						
Net claims incurred	(279,232)	(536,058)	(3,862,498)	(4,677,788)	(5,054,524)	(9,732,312)
Commission and discounts	(145,961)	(231,526)	(1,263,861)	(1,641,348)	(1,497,696)	(3,139,044)
General and administrative expenses	(346,925)	(292,827)	(1,977,998)	(2,617,750)	(1,275,618)	(3,893,368)
	(772,118)	(1,060,411)	(7,104,357)	(8,936,886)	(7,827,838)	(16,764,724)
Net underwriter profit (loss)	197,050	(293,958)	386,028	289,120	599,720	888,840
Net investment income from non-life insurance				775,555	-	775,555
Group's share of result from associates				160,353	-	160,353
Insurance service income				833,230	-	833,230
Other income				88,490	-	88,490
Foreign exchange gain				71,369	9,124	80,493
				2,218,117	608,844	2,826,961
Insurance service expenses				(744,428)	-	(744,428)
Unallocated general and administrative expenses				(471,718)	-	(471,718)
Profit for the year				1,001,971	608,844	1,610,815
Assets				70,785,203	14,399,322	85,184,525
Liabilities				26,103,865	12,476,675	38,580,540
Non-cash expenses				132,926	129,391	262,317
Capital expenditure				115,497	2,063	117,560

Statement of financial position for life insurance segment :

ASSETS	2015	2014
Cash and cash equivalents	**828,397**	1,598,145
Fixed deposits	**1,189,000**	1,539,000
Financial assets at fair value through profit or loss	**1,061,158**	-
Insurance and reinsurance receivables	**6,996,058**	6,939,232
Other receivables	**193,244**	182,070
Loan secured by life insurance policies	**23,903**	20,149
Reinsurance share in reserve for outstanding claims	**4,450,695**	4,115,431
Property and equipment	**7,357**	5,295
Total assets	**14,749,812**	14,399,322
LIABILITIES AND H.O CURRENT ACCOUNT		
Insurance contracts' liabilities :		
Reserve for outstanding claim	**4,939,514**	4,430,951
Reserve for unexpired risk	**1,536,043**	1,449,555
Reserve for life insurance	**1,475,638**	1,198,714
Total insurance contracts' liabilities	**7,951,195**	7,079,220
Accounts payable	**2,054,477**	1,840,110
Insurance and reinsurance payables	**2,909,091**	3,363,911
Other payables	**256,851**	193,434
Total liabilities	**13,171,614**	12,476,675
Head office current account	**1,578,198**	1,922,647
Total liabilities and H.O current account	**14,749,812**	14,399,322

27. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, Board of directors, key management personnel, associate and other related parties. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

A. Balances included in consolidated statement of financial position:

	2015	2014
Insurance activities		
Insurance services receivable	**1,965,054**	1,071,589
Insurance services payable (Note 12)	**104,723**	90,976
Investment activities		
Financial assets at fair value through profit or loss	**15,680**	177,242
Financial assets available for sale	**8,944,226**	8,894,557
Deposits and bank balances	**6,685,415**	5,929,417
Other activities		
Current account	**-**	400,000

B. Transaction included in consolidated statement of profit or loss:

	2015	2014
Premiums written	**402,227**	364,384

C. Compensation to key management personnel

	2015	2014
Short term employee benefits	**302,625**	252,108
Post-employment benefits	**9,727**	8,653
Board of Directors' remuneration	**35,000**	31,500
	347,352	292,261

28. Capital commitments and contingent liabilities

	2015	2014
Capital commitments	**-**	340,000
Letter of guarantee for others	**1,002,000**	1,188

Contingent liabilities arising from the Group's interest in associates are as follows:

	2015	2014
Capital commitments	**984,769**	-

29. Insurance Risk Management

Insurance risk

The principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities. The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

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

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

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

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

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to policy holders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent on any single reinsurance contract.

Sensitivities

The insurance claims provisions are sensitive to the key assumptions as disclosed in note 2. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

At 31 December 2015, if the key assumptions for insurance claims had been 10% higher/ lower with all other assumptions held constant, profit for the year would be lower/ higher by KD 1,087,503 (2014 - KD 973,231)

30. Financial Risk Management

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

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

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

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

Interest rate risk:
Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets and financial liabilities carrying floating interest rates. The Group does not have significant exposures to interest rate risks as its interest earning assets are on fixed rates of interest and its exposure to interest bearing liabilities is not significant.

Credit risk:
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, fixed deposits, insurance and reinsurance receivables, loans secured by life insurance policies and reinsurance share in reserve for outstanding claims. The Group's fixed deposits are placed with high credit rating financial institutions. Receivables are presented net of allowance for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, fixed deposits and receivables.

The credit risk concentration within the Group's assets which are subject to credit risk is given below.

	2015	2014
Cash and cash equivalents	**4,505,901**	4,197,274
Fixed deposits	**6,007,000**	10,083,500
Insurance and reinsurance receivables	**16,861,959**	18,490,466
Other receivables	**2,163,425**	2,423,020
Loans secured by life insurance policies	**23,903**	20,149
Reinsurance share in reserve for outstanding claims	**18,146,184**	15,282,073
	47,708,372	50,496,482

Foreign currency risk:
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between other currencies and Kuwaiti Dinar.

	2015		
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
US Dollar	**± 5%**	**± 344,182**	**± 1,650**

	2014		
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
US Dollar	± 5%	± 194,368	± 3,485

Equity price risk:
Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as "at fair value through profit or loss" and "available for sale". To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the reporting date:

	2015		
	Change in equity instrument price	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
Kuwait Stock Exchange	**±5%**	**± 91,225**	**± 356,522**
Bahrain Stock Exchange	**±5%**	**-**	**± 231,786**

	2014		
	Change in equity instrument price	Effect on consolidated statement of profit or loss	Effect on consolidated statement of profit or loss and other comprehensive income
Kuwait Stock Exchange	±5%	± 105,899	± 453,637
Bahrain Stock Exchange	±5%	-	± 242,088

Liquidity risk:
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities.

<u>Maturity table for financial liabilities:</u>

	2015		
	3-12 month	1-5 years	Total
Accounts payables	1,407,967	2,614,796	**4,022,763**
insurance and reinsurance receivables	3,273,245	2,824,402	**6,097,647**
Other credit balances	833,321	2,823,895	**3,657,216**
Total	5,514,533	8,263,093	**13,777,626**

	2014		
	3-12 month	1-5 years	Total
Bank overdraft	790,533	-	790,533
Accounts payables	1,260,685	2,341,271	3,601,956
insurance and reinsurance receivables	4,157,419	2,686,634	6,844,053
Other credit balances	700,667	2,782,688	3,483,355
Total	6,909,304	7,810,593	14,719,897

31. Fair value measurement

The Group measures financial assets such as financial assets at fair value through profit or loss and financial assets available for sale at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	5,072,144	-	-	**5,072,144**
Financial assets available for sale	11,766,185	2,032,997	3,566,940	**17,366,122**
Total	16,838,329	2,032,997	3,566,940	**22,438,266**

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,253,984	-	-	2,253,984
Financial assets available for sale	13,914,501	42,268	3,566,940	17,523,709
Total	16,168,485	42,268	3,566,940	19,777,693

At December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note (8). The management of the Group has assessed that fair value of financial assets and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

32. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Furthermore in order to protect against the impact of large claims and catastrophes, the Parent Company is required under law to maintain technical reserves depending on the exposure to various types of underwriting exposures. The details of this reserve are given in note 13.

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

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

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

The following are the key regulations governing the operation of the Group:

- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as follows:
  - A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait.
  - A maximum of 25% may be invested in foreign securities
  - A maximum of 30% may be invested in Kuwaiti companies' shares or bonds
  - A maximum of 15% may be invested in a current account with a bank operating in Kuwait

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