

GROWTH & SUSTAINABILITY

2013

35TH ANNUAL REPORT

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





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



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



CONTENT

2	WARBA'S VISION
2	WARBA'S MISSION
2	WARBA'S GOALS
3	BOARD OF DIRECTORS AS OF 31/12/2013
4	EXECUTIVE GENERAL MANAGEMENT
5	AGENDA OF THE 35TH ORDINARY GENERAL ASSEMBLY MEETING
6	REPORT OF THE BOARD OF DIRECTORS ON THE 35TH FINANCIAL YEAR OF THE COMPANY'S OPERATIONS
7	I BOARD OF DIRECTORS REPORT
10	II EXECUTIVE SUMMARY
14	III CORPORATE GOVERNANCE REPORT
17	BRANCHES
18	CONSOLIDATED FINANCIAL STATEMENT AND AUDITOR'S REPORT



Report of the Board of Directors and Statements of Accounts for the Financial year ending on 31/12/2013 submitted to the 35th Annual General Assembly of Shareholders.

Warba Insurance's Vision

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

Warba Insurance's Mission

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

Warba Insurance's Goals

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

Board of Directors as of 31/12/2013



Mr. Anwar Jawad Bukhamseen
Chairman



Sheikh/ Mohamedjarah Alsabah
Vice Chairman



Mr. Raed Jawad Bukhamseen
Board Member



Mr. Hamad Mohamed
Abdulaziz Al Wazzan
Board Member



Mrs. Najat Hamad Al Suweidi
Board Member



Mr. Ahmed Ibrahim Al Asfour
Board Member



Mr. Saleh Naser Al Saleh
Board Member

Mr. Saeed Dashti
Board Secretary

Executive Management

Chief Executive Officer	Mr. Anwar F. Al Sabej
General Counsel	Mr. Mohammad R. Al Alban
General Legal Counsel	Mr. Ahmed A. Saleh
Deputy General Manager	Mr. Hussein T. Al Shimmeri

Assistant General Managers

Reinsurance & Research	Mr. Govindrajan Rajasaeker
Finance	Mr. Moustapha T. Abdolmenem
Information Technology & Marketing	Mr. Abdulraouf A. Al Wazzan

Department Managers

Senior Manager Group Life & Medical	Mr. Osama Al-Wazzan
Senior Manager Motors	Mr. Khalaf Hamadah
Senior Manager Fire & General Accidents	Mr. Meshary Al- Nasheet
Senior Manager Marine	Mr. Ajay Subrahawal
Senior Manager Information Technology	Mr. Khaled Al-Dayan
Manager Human Resources & Administration	Mr. Saeed Dashti
Manager Individual Life	Mr. Krishna Nagarajan
Manager – Legal	Mr. Yousef Al-Saleh
Deputy Manager – Risk & Compliance	Ms. Suzan Abdelrahman
Internal Audit	Mr. Mostapha Abdou

External Auditors

Deloitte & Touche – Al-Wazzan
RSM - Al Bazie & Co

Agenda of the 35th Ordinary General Assembly Meeting

1. Review the Board of Directors Report for the year ended 31st December 2013
2. Review the report prepared by the company's auditors for the year ended 31st December 2013.
3. Review and approve the financial closing and the budget for the year ended 31 December 2013.
4. Approve the transactions/dealings with related parties.
5. Ratification of the Board of Directors recommendation of distributing cash dividends of 7% of the capital (7 fils per share) to the shareholders registered in the company records on the day of the holding of the annual general assembly.
6. Ratification of the Board of Directors remuneration for the year ended 31st December 2013
7. Ratification of a monthly remuneration for the Chairman of Board of Directors for the workings he undertakes for the company to be recorded as part of the remuneration of the Board of Directors and ratified by the annual general assembly.
8. Indemnify members of the Board of Directors towards any and all actions they have taken during the financial year ending 31 December 2013.
9. Delegate the Board of Directors to accept the resignation submitted by Sheikh/ Mohammed Jarah Al-Sabah from his post as Vice Chairman of the Board of Director
10. Delegate the Board of Directors to select and appoint independent members of the Board; and nominate Sheikh/ Mohammed Jarah Al-Sabah as a non-executive and independent member of the Board of Directors of Warba Insurance Co.
11. Delegation of authority to the Board of Directors for approval to buy and sell the company's shares not exceeding 10% of the total number of shares as per article (175) of Law (25)/2012 and the directives of the Capital Markets Authority organizing the shareholding companies purchase of their own Treasury shares and how to handle and transact in them #(CMA/KTA/TH/6/2013) and regulations and conditions stipulated by law and the decisions and instructions of regulatory authorities.
12. Appoint or re-appoint auditors of the company and authorize the Board of Directors to determine their respective remuneration for the year ending 31st December 2014.

Agenda of the Extra-ordinary General Assembly Meeting

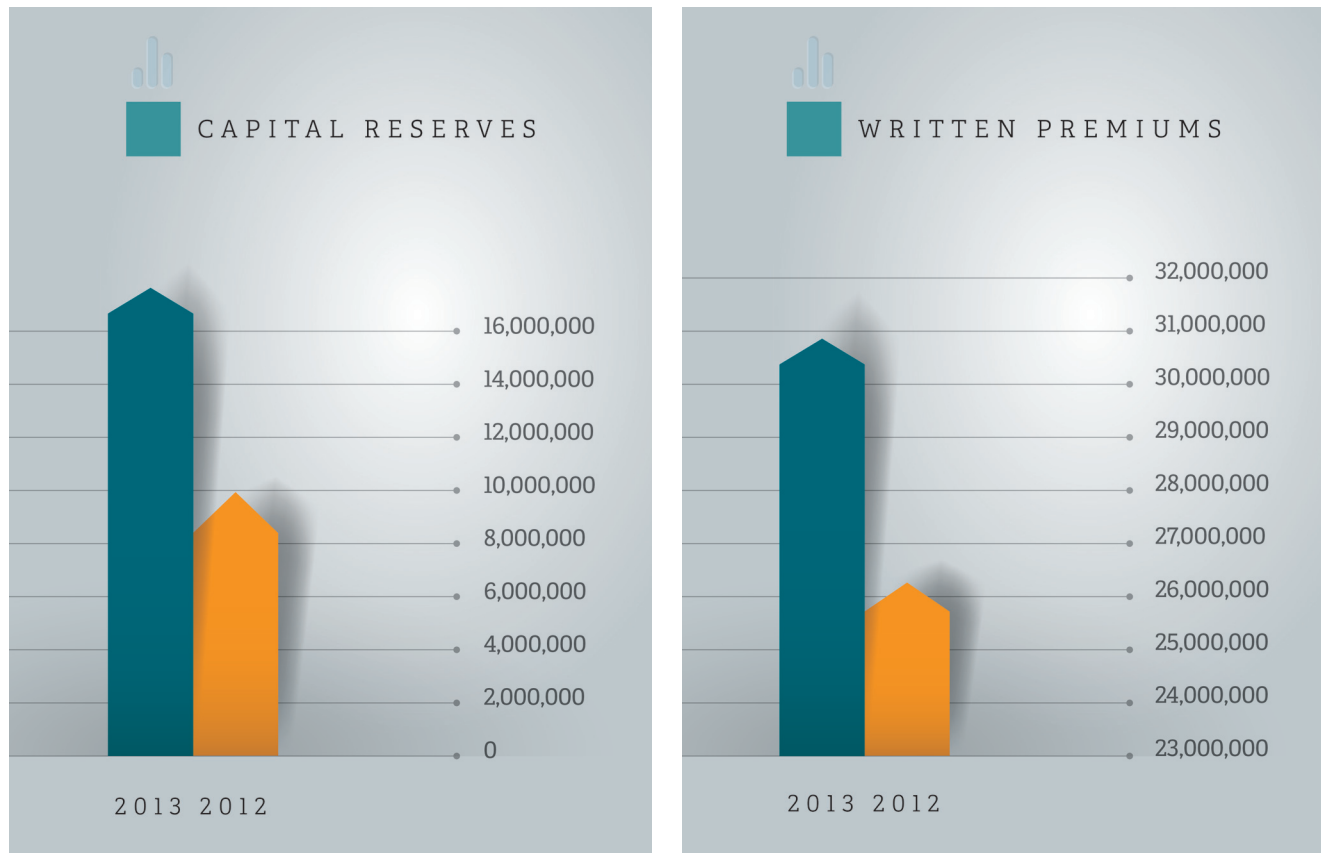
1. Approve the amendment to the Memorandum and Articles of Association of the company in order to adjust to the provisions of the Companies Act issued by decree No (25) for 2012 and amended by Law No (97) for 2013 and its executive charter.

Report of the Board of Directors and Statements
of Accounts for the Financial year ending on
31/12/2013 submitted to the 35th Annual General
Assembly of Shareholders

Board of Directors Report



Board of Directors Report



Dear Shareholders,

On behalf of myself and the distinguished members of the Board of Directors, I have the pleasure to present the thirty fifth annual report for Warba Insurance Co, including the balance sheet and final accounts for the financial year ended December 31, 2013.

It is with pride and pleasure that I commend the continuity of the positive results achieved by the company, which today stands as one of the leading insurance entities in the country. Your support for the board as well as the efforts of employees had the greatest impact on the achievement of these results.

During 2013 the company registered profit of KD 1,135,570, against profits of KD 1,020,557 during 2012 with a year-on-year rise of 11.3%, with a return on equity of 6.6% for 2013 against 5.9% for 2012.

The company also achieved the following results:

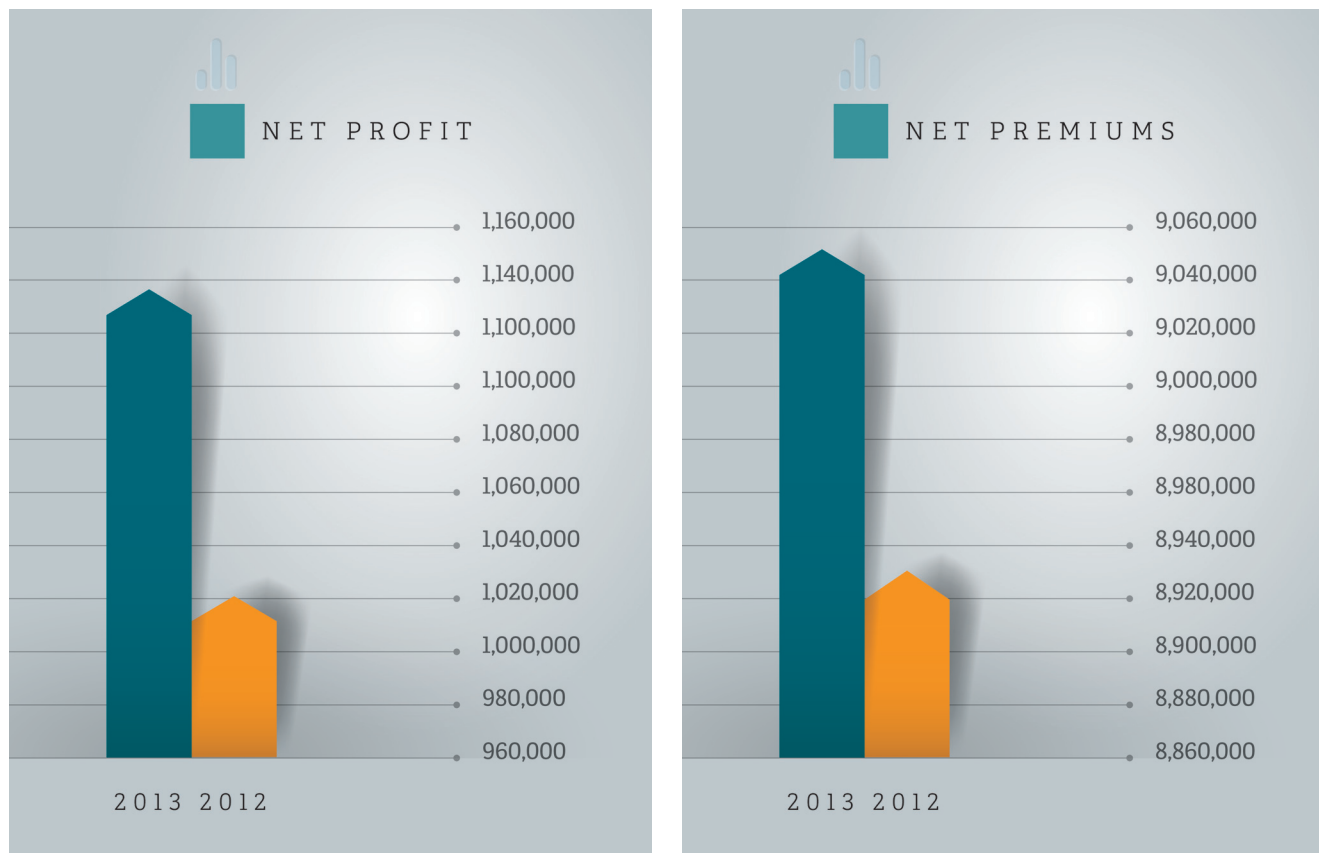
- Investments grew by 6.1% to achieve KD 38,828,843
- Capital Reserves grew by 0.5% to achieve KD 21,830,363
- Gross Revenue grew by 26.2% to achieve KD 12,670,813
- Written Premiums grew by 17.5% to achieve KD 30,854,659
- Retained Premiums grew by 41.7% to achieve KD 14,005,558
- Return on Investment grew by 76.2% to achieve KD 639,527

The company's ability to register these results in light of the current economic climate is considered a real achievement at all levels.

As such, the board of directors continues to maintain its policy of consolidating the technical and capital reserves of the company in order to remain a bastion for all shareholders equity. Thus technical reserves have reached KD 23,525,537 whereas capital reserves have reached KD21,830,363 which accounts for 126.3% of the company's paid capital worth KD 17,278,874.

As for reinsurance, we successfully renewed all treaties with better conditions due to the development of a suitable reinsurance program for 2013 with better terms and conditions in light of robust results. The company raised its retention limits as part of its goals and strategy where it grew by 41.7% to KD 14 Million during 2013.

The Takaful Insurance unit of Warba Insurance continued to provide its services as per Sharia provisions.



Here we highlight some statistics reflecting the company activities during 2013 in comparison to 2012

General Insurance

The following table illustrates the written premiums and the insurance profits during 2013 in comparison to 2012

	Premiums (KD)		Insurance Profits (KD)	
	2013	2012	2013	2012
Marine & Aviation	1,710,473	2,474,491	270,886	(145,874)
Fire	3,307,172	3,720,464	(142,989)	(185,612)
General Accident	12,163,692	10,256,620	149,022	741,596
Life & Medical	13,673,322	9,818,092	508,591	455,900
TOTAL	30,854,659	26,269,667	785,510	866,010

Investments:

Investments and cash have grown from KD 36,599,464 in 2012 to KD 38,828,843 during 2013 with a growth of KD 2,229,379 at a rate of 6.1%. Return on investment also grew at a rate of 76.2% to reach KD 639,527 despite challenging economic conditions and stagnant rates of interest prevalent in banks.

The Board is committed to diversify the investments into various segments to achieve higher return, to comply with proposed insurance law and norms of rating agencies. This implementation has already started and will be carried out in a phased manner.

Notably, during 2013 Warba Insurance was able to renew the ISO9001:2008 certification for quality of management systems for the seventh consecutive year, reflecting the company's ability to retain the highest levels of quality in managing its activities and aligns with its ambitions for the development of creative products and provides the best service to its customers.

Warba Insurance was also able to retain the BBB with stable outlook rating from renowned international ratings agency Standard & Poor's. This rating is an indication of the ability of the company's financial solvency and credit rating over the long term.

Markedly, Warba Insurance was awarded with the coveted "Kuwait Insurer of the Year" Award from renowned regional business publication Arabian Business during 2013, recognising the creativity, lateral thinking and collaboration of Warba Insurance in developing and providing unique insurance products and customer services with broad appeal.

Among the most prominent achievements of the company in 2013 is the development and modernization of the information technology

systems of the various departments and branches, which will open up many areas for the effort to improve customer service and achieve higher efficiency and effectiveness in doing business. This is in addition to near completion of the integration of financial and technical department operations through sophisticated and secure data technologies, continuing this effort during the coming 2014.

Profits and Dividends:

Profits for fiscal year 2013 were KD 1,222,948 in addition to retained earnings from the beginning of the year worth KD 2,471,948 after deduction of dividends due to shareholders during 2012 worth KD 862,866 and deduction of minority shares worth KD 34,293 thus the total profit available for distribution will be KD 2,797,737.

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

Description	Kuwaiti Dinar
10% voluntary reserve	118,865
7% of capital to be distributed to shareholders	1,135,913
KFAS share	10,919
NLS Share	23,309
Zakat	8,357
Board Members	10,500
Retained earnings for the coming year	1,489,874
Total	2,797,737

At the end of this report on the company activities, we extend on your behalf a sincere debt of gratitude to H.H. the Emir Sheikh / Sabah Al-Ahmad Al-Jaber Al -Sabah and to H.H. the Crown Prince Sheikh / Nawaf Al-Ahmad Al-Jaber Al-Sabah.

Our gratitude is also extended to the Ministry of Commerce & Industry, the Kuwait Stock Exchange and the Capital Markets Authority for their understanding of the intricacies of the insurance industry and their support for its development. We also thank the Ministry of Interior, represented by the General Directorate of Traffic on its continuing efforts to promote the compulsory motor insurance and reduce road accidents during the year.

We also extend our thanks to reinsurers in all global markets, taking this opportunity to wish them all the success and prosperity and we recognize the continuing cooperation between national insurance companies to serve the Kuwaiti market.

Our gratitude is also extended to the shareholders and our valued customers for their trust in us hoping that we will always meet their expectations.

We also extend our sincere thanks and appreciation to the management and employees of the company for their devotion and dedication and sacrifices to achieve greater success and progress.

Anwar Jawad Bukhamseen
Chairman of the Board

Executive Summary Report for the Financial
year ending on 31/12/2013 submitted
to the 35th Annual General Assembly of
Shareholders

Executive Summary



Executive Summary

Warba Insurance aims to meet its compliance obligations and requirements to ensure its ability to continue as a going concern while maximizing the return through the optimal use of the capital.

Capital monitoring activity is driven by the strategic objectives and the Board risk appetite statements. The Company's capital position to certain risks is being regularly monitored through ALM, stress testing and actuarial assessments. In addition, financial risks are being overseen by the Investment Committee and mitigated by abiding to risk limits defined and stated in the Company Investment policy.

The company assesses and monitors its capital risk position based on widely-used capital ratios: Gearing Ratio, Solvency Ratio, and Capital Adequacy Ratio.

During 2013, the company succeeded in improving the existing risk models, preparing for the upcoming capital adequacy and economic capital requirements.

The company maintains a good level of risk-adjusted capitalization and adequate level of liquidity to deal with new regulations, market challenges and adverse economic conditions, which were also confirmed by S&P Capital Ratings

Through the application of the ERM Framework and Risk Management process, the Risk & Compliance Department is continuously reporting material risks and assessing the risk

management environment, along with proposing or taking action.

In addition to the Company's management of Insurance and Financial risks described in the Financial Statements, it is also managing its political risk exposures that might affect negatively the business operations through risk monitoring and plans of action.

Warba Insurance recognizes the value of its human resource and the significance of ensuring qualified and orderly successions. It operates a succession planning framework covering key positions within the Company, and talent development programs based on periodical training needs analyses. Warba Insurance has an established policy on key persons dealing, which complies with the Kuwait Capital Markets Authority & Kuwait Stock Exchange guidelines issued. During the year, the Company has complied with relevant reporting and monitoring requirements as they are stipulated under these regulations

Warba Insurance has a separate compliance unit that ensures it meets all regulatory requirements stipulated by the Kuwait: Ministry of Commerce & Industry, Capital Markets Authority & Kuwait Stock Exchange. It also makes sure that it is in compliance with all rules and regulations of the relevant authorities that regulate fields that Warba Insurance operates in such as Kuwait Municipality, Fire Department, Ministry of Communication, Ports Authority and Coast Guard.



Global Overview & the Kuwait Market

Global:

The non-life premium growth in 2012 was 2.6% against life premium growth of 2.3%. This is mainly due to the recovery of major economies of the world with strong prediction to achieve higher growth in 2013. The overall premium growth in 2013 is 3.3%.

The global life and non-life premium reached the level of \$2,621 billion and \$1,992 billion making the total global premium income of \$4.6 trillion.

It is anticipated that emerging markets are likely to witness steep increase of premium volume as the penetration rate is very low when compared with developed countries which provides wide opportunities for growth in life and non life segments.

Kuwait Market:

The total market premium for Kuwait during 2012 is \$970M against \$819M in 2011. The share of life and non life premium is around 18.5% and 81.5% respectively. However the global scenario differs where the life insurance premium accounts for 56.8% of total premium. It is expected that the total premium of 2013 will exceed \$1.1B.

The overall penetration ratio of Kuwait in 2012 is 0.5% of GDP against the Asian nation's average of 5.73%, whereas the global percentage is 6.5%. This provides wide opportunity for the substantial growth of insurance premium in Kuwait in the ensuing years.

Reaffirmation of the ISO 9001 Certification

Warba Insurance Co was recertified as an ISO 9001:2008 Company during 2013.

The certificate is in recognition of the quality system of administrative work that exists within Warba Insurance, where the company follows a set of standards and procedures of the international level benchmarked against international standards to reach high levels of quality of administrative work and therefore the quality of services offered by the company that include:

- Customer centricity
- Leadership
- Staff participation
- Systematic management
- Continuous improvement of processes

- Fact based management
- Client partnership

The company's senior management increased the awareness and understanding of the importance of the quality of work in order to push and motivate policy and quality objectives within the company, assuring focus on the business requirements and the appropriateness of the processes that are applied within the organization. Management also maintains focus on making sure that the quality system effectively achieves the desired objectives using all resources thus the necessary and appropriate decisions to support the policy and quality objectives.

All these efforts resulted in the classification of the company at the forefront of organizations with managerial quality, as such Warba Insurance is also the first insurance companies that have successfully implemented the ISO9001:2008 and was awarded this certification from Kiwa Meyer.

Warba Insurance also joined the Standardization Organization for the Gulf Cooperation Council States in 2013



Insurance Activities

Marine Insurance and Aviation

Through this business line, the company provides insurance coverage for goods transported by sea, land and air through optimally tailored contracts that comply with the needs of different customers, according to the conditions prevailing globally. Also available is coverage securing the hulls of ships and aircraft, which covers loss or damage or expenses caused by these units, at sea or in the air.

Fire Insurance

This business line compensates the insured for the loss or damage to the property and real estate covered by any accident caused by any of the risks set forth under the conditions, limitations and exceptions set forth in the typical insurance policies issued by the company.

General Accident Insurance

This business line compensates the insured if exposed to financial loss directly - taking into account the conditions and exceptions set forth in this coverage and in any supplements that it may be accompanied by. Coverage includes acts of dishonesty of all kinds, in the case of death and/or permanent disability or partial disability resulting from accidents, workers' compensation, legal and professional responsibilities, travel insurance, and vehicle insurance.

Life insurance and Medical Treatment

This business line covers medical treatment expenses for participants in the program, whether these expenses as a result of visiting doctors or hospital admissions, while the purpose of Life Insurance is usually to safeguard savings and provide deserving compensation in the event of death or total/partial disability.

Human Resources & Administration

The Human Resources Division strives to provide the highest level of service, and reflects this commitment through focusing on our mission to support Warba's, vision of being one of the leading "customer centric" local insurers, through professional HR practices.

Our goals (supporting that mission) continue to include:

- Working collaboratively with other divisions, departments and branches.
- Recruiting and retaining staff that are best qualified for Warba's positions.
- Reviewing current and developing new, human resource-related policies and procedures.
- Conducting training for all employees to ensure all staff possesses the necessary tools to perform the job.
- Providing excellent service by treating each employee with respect, and recognizing that each concern or question deserves attention.
- Providing excellent HR support that aims at managing the compensation, benefits and logistics in order to meet the demands for an efficient and performing staff.

Information Systems

During the first half of the year 2013 Warba fully launched its core insurance application successfully as per its rollout plan that adheres to strict project management methodology that aimed at accomplishing a clear set of projects and initiatives as per the company's strategic vision.

The most critical of these projects is a core insurance application based on proprietary technology supplied by world renowned insurance solutions vendor NTTData to unify all systems of resources management whether financial or human. This application was structured to adhere to best practices and methods applied and used globally to support measuring and identifying key performance indicators (KPI's), while providing a set of reports to assist in decision-making. Also completed is a consolidated financial application based system from MS Dynamics AX, which aims to facilitate the preparation and monitoring of the annual budget with the provision of the necessary reports to follow up expenses and revenues by the approved budget. The system provides financial reporting of a consolidated balance sheet, income statement, statement of cash flows and other financial reports by directly linking the main unified system and the company's business units.

Information technology infrastructure development is among the strategic initiatives the company pursues, in addition to enhancing the security of information and communication, business continuity of technical services and the development of human resources capable of providing the necessary support with high quality for all users and management system.



Legal Affairs

Legal Affairs are part of unique skill set that the company keeps in house, which makes it one of the largest legal departments within insurance operations across Kuwait.

Legal Services has been a leading specialist legal protection department since its inception in 1996, initially providing a wide range of before the event guidance and then expanding into the after the event legal process, with which it gained a leading position in the professional legal capacity.

Legal Services offers a range of personal and commercial legal protection to the company through appointed litigators as well as through specialist schemes for solicitors..

These efforts all culminated in the accreditation of security systems, internal control systems and information technologies by the auditors of the IT systems Deloitte.

Marketing

In 2013, Warba Insurance continued its marketing exercises identifying areas of improvement and moving forward the company from sales oriented one to a brand driven one. The resulting positioning would serve as a central platform to re-energize the company around a more customer centric proposition. Consequently, a deployment program will be implemented to engage Warba Insurance employees in the change process and develop the new corporate culture in line with the new positioning. The year 2013 witnessed the maintenance of the traditional sponsorship of the Kidzania Edu-tainment Platform in Kuwait.

Anwar F. Al-Sabej
Chief Executive Officer

Corporate Governance Report for the Financial year ending on 31/12/2013 submitted to the 35th Annual General Assembly of Shareholders

Third: Corporate Governance Report



Corporate Compliance Report for the year ending 31 December 2013

The company adopts a policy that it abides by, and is thus committed to the norms and practices in the field of management and administration. The Board of Directors has endorsed the values and core standards that organize the behavior that is expected and required of members of staff in their dealings with shareholders, customers, fellow colleagues, insurance agents and brokers and other stakeholders in the company.

Of the recognized values, the realization of the highest standards of quality and preservation of such values that make up the essence of the work environment. The company is constantly reviewing and monitoring all its practices, in order to raise the efficiency and quality of adherence to and compliance with laws, recognized norms and practices both local and international.

The direct responsibility of the board of directors is the adherence to policies and rules that institute corporate governance.

- **Board of Directors Composition**

The Board of Directors is composed of seven members all voted for by the members of the general assembly of shareholders for a three year term as per the articles of establishment and company statutes. All board members have professional working backgrounds.

establishment of value for, and protection of shareholder equity – maintain a leading position for the company – endorsement of strategic goals and provision of resources in order that the management achieves these goals.

The Board of Directors meets not less than four times each year to discuss and sanction the meeting agenda made available to its members.

- **Tasks**
- Discussion and approval of company strategy, approval of estimated annual budget, and other midterm assessments.
- Discussion and approval of financial and operational performance.
- Discussion of risks and exposures that face the company and their evaluation and the decision to be taken to maintain company stability.
- Review of administrative and financial apparatus in the company.
- Review of risk, compliance, money laundry and terror financing policy apparatus.



Committee's that emanate from the board of directors all have members that have been selected for their extensive professional work experience as per the statutes of governance. The board regularly reviews the composition and participation of committee members and the workings of the committees.

The General Secretary of the Board of Directors provides technical and administrative support for the general assembly of shareholders, the Board of Directors, the emanating committees and the members of the board.

The General Secretary of the Board of Directors is elected by the board members in light of his professional experience as per the corporate governance guidelines.

The board of directors is composed of 6 non-executive members and one independent member.

- **The tasks and responsibilities of the Board of Directors**

The Board of Directors leads and manages the company. One of its most important tasks is the creation of,

- Be certain that the administrative development of the company and the substitution plans and the promotion of career levels are in fact effective and achieve their goals.
- Discussion and approval of the sale and purchase of shares.
- Approval for the appointment board members, board secretary, chief executive officer and upper management.
- Ensure value of shareholder equity through policies tailored for that task
- Ensure continued disclosure of all material information to regulatory entities.
- Ensure that there is no conflict of interest and complete transparency in transactions and other different activities.

- **Board of Directors Committee's**

Committees are established and members appointed from the Board of Directors as per the directives of regulatory entities and the guidelines for corporate governance and what the board

sees in the best interest of the company.

Committees emanating from the board are the link between the board of directors and the executive management of the company. The main benefit of establishing these committees is to assist the board of directors in streamlining company business through the study of multiple vital subjects that are submitted to the board of directors from the executive management and raise its recommendations to the board as per the committee's expertise.

The board also established temporary committees that serve specific tasks from time to time as per the need for their services, and their tenure is terminated once the task has been completed.

The general secretary of the board of directors provides the board members with copies of the transcripts of the committees in compliance with the guidelines of transparency and corporate governance.

- Department of Risk, Compliance, Anti - Money Laundry and Terrorism Funding

In light of the company's deep belief in the importance of having a department to evaluate the different risks that face the enterprise, an independent department that enjoys integrity, competence and efficiency that reports directly to the risk and compliance committee emanating

approved by the board.

- Monitoring of financial and operation results and comparing them to planned goals and budgeted estimations.
- Monitoring and evaluation of the efficiencies and quality of the investment operations and comparing them to planned goals and budgeted estimations.
- Raise reports regularly with regards exposure to risks and the necessary actions to avoid exposure and its control.
- Monitor the company's adherence to work with a legal framework conformable to corporate governance through establishment of policies and procedures for that purpose.
- Ensure the company adheres to all legal and regulatory commitments as per the regulatory entities.
- Develop and measure the adequacy and efficiency of the methodologies for measuring and assessing risks.
- Ensure the adequacy of liquidity and funding and the strength of the company's solvency.
- Evaluate and monitor the company investments and markets risks.
- Evaluate and monitor technical risk in the company.

	Committee	Composition	Sanction
1	Executive Committee	√	√
2	Audit Committee	√	√
3	Risk & Compliance	√	√
4	Governance	√	During 2014
5	Remuneration	√	During 2014
6	Nominations	√	During 2014

from the board of directors. The department is tasked with all risk, compliance, anti-money laundry and terrorism funding.

At the forefront of its priorities is the adherent to and compliance with all rules, regulations and instructions from regulatory authorities of the State of Kuwait derived from global professional best practices regarding risk, compliance, anti-money laundry and terrorism funding.

- Tasks of the Department of Risk, Compliance, Anti - Money Laundry and Terrorism Funding
- Establish unified view of risk on a corporate level to guarantee a highly efficient, coordinated management for any risks facing the company.
- Provide strategic guidance and adoption of risk initiatives
- Placement and development of strategic plans that reflect company long term goals and priorities.
- Pursuit of the execution of strategies and policies

- Evaluate and monitor operational risk in the company.

- Enhanced Performance

The board approved a work and functional behavior charter for all its members and approved its use for the executive management and the company staff. This charter highlights the areas of conflict of interest and the confidentiality requirements and responsibilities of each official's commitment to best practices.

- Corporate Social Responsibility

The company contributions towards the local community are an inseparable part of the company social role and one of its most important priorities. This translates into a lot of charitable and cultural activities to instill company values in recognition of the role of society.

Branches

- **Head Office**
Sharq – 14 Ahmed Al Jaber St – Warba Tower
T : 1808181 F : 22914242
EM : hq@warbaonline.com

- **Sharq Branch**
Sharq – Ahmed Al Jaber St – Emad Tower
T : 1808181 F : 22914541
EM : sharq@warbaonline.com

- **Hawally Branch**
Hawally – Tunis St – Al Madar Complex – Bldg 3 – Mez. Flr – Office 1
T : 1808181 F : 22655072
EM : hawally@warbaonline.com

- **Fahaheel Branch**
Fahaheel – Al Anoud Complex – Flr 2 – Office 222
T : 1808181 F : 23929382
EM : fahaheel@warbaonline.com

- **Qurain Branch**
West Abu Fatira – Qurain Markets – Complex 4 – Ground Flr – Bldg 29 – Office 9
T : 1808181 F : 25470093
EM : qurain@warbaonline.com

- **Farwaniya Branch**
Farwaniya – Habib Munwer St – Multaqa Complex – Mez. Flr – Office 1
T : 1808181 F : 24730093
EM : farwaniya@warbaonline.com

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2013

WITH INDEPENDENT AUDITORS' REPORT

AUDITORS REPORT



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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT**

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

CONTENTS

Independent auditors' report	
	<u>Pages</u>
Consolidated statement of financial position	3
Consolidated statement of income	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to consolidated financial statements	8 – 42

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Warba Insurance Company - K.S.C. (the Parent Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as of December 31, 2013 and the consolidated statements of income, 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 on the consolidated financial statements.

-2-

Opinion

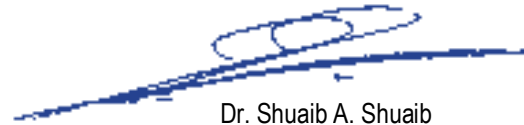
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Warba Insurance Company – K.S.C. and its subsidiary as of December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with 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 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 of Law No. 24 of 1961 and its amendments concerning insurance companies and insurance agents and its related rules and by the Parent Company's Articles of Association and Articles of Incorporation, and that an 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 Law No. 24 of 1961 and its amendments or of Parent Company's Articles of Association or Articles of Incorporation have occurred during the year ended December 31, 2013 that might have had a material effect on the business of the Group or on its consolidated financial position.



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



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

State of Kuwait
March 13, 2014

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
<u>ASSETS</u>			
Cash and cash equivalents	3	4,034,461	2,346,420
Fixed deposits	4	6,672,000	4,379,000
Investments at fair value through income statement	5	2,157,600	2,219,054
Insurance and reinsurance receivables	6	18,327,971	19,287,805
Other receivables	7	2,839,222	5,013,699
Loan secured by life insurance policies		20,010	13,681
Investments available for sale	8	18,888,479	19,567,759
Investment in an associate	9	2,856,293	3,733,550
Investment properties	10	4,200,000	4,340,000
Reinsurance share in reserve for outstanding claims		16,539,611	29,234,758
Goodwill		62,240	62,240
Property and equipment	11	8,632,161	8,664,155
Total assets		85,230,048	98,862,121
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Insurance contract liabilities	12	23,525,537	34,222,637
Accounts payable		3,537,770	3,711,256
Insurance and reinsurance payables	13	7,617,116	9,763,091
Other credit balances	14	3,977,855	3,561,910
Total liabilities		38,658,278	51,258,894
Equity:			
Share capital	15	17,278,874	17,278,874
Treasury shares	16	(1,255,986)	(40,586)
Treasury shares reserve		164,760	164,760
Statutory reserve	17	8,781,109	8,781,109
Voluntary reserve	18	9,049,254	8,930,389
General reserve		4,000,000	4,000,000
Cumulative change in fair value		5,696,428	5,812,843
Share of other comprehensive income of associate		21,101	27,740
Retained earnings		2,625,787	2,471,948
Equity attributable to shareholders of the Parent Company		46,361,327	47,427,077
Non-controlling interest		210,443	176,150
Total equity		46,571,770	47,603,227
Total liabilities and equity		85,230,048	98,862,121

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



Anwar Jawad Bu-Khamseen
Chairman



Sheikh / Mohammed Jarah Sabah Al-Sabah
Vice Chairman

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Revenue:			
Premiums written		30,854,659	26,269,667
Reinsurance share		(16,849,101)	(16,387,467)
Net premiums written		14,005,558	9,882,200
Movement in reserve for unexpired risks		231,151	(37,337)
Movement in reserve for life insurance fund		(835,109)	(177,391)
Net premiums earned		13,401,600	9,667,472
Net commissions		(951,239)	182,909
Issuance fees		199,115	158,902
Net investment income from life insurance	19	21,337	28,901
		12,670,813	10,038,184
Expenses:			
Net claims incurred		(7,554,474)	(4,662,487)
General and administrative expenses		(4,330,829)	(4,509,687)
		(11,885,303)	(9,172,174)
Net underwriting income	26	785,510	866,010
Net investment income from non-life insurance	19	618,190	334,051
Insurance services income		691,192	560,909
Other income		140,588	23,775
		2,235,480	1,784,745
Other expenses:			
Insurance services expense		(614,315)	(559,971)
Unallocated general and administrative expenses		(466,830)	(349,524)
Profit for the year from continuing operations		1,154,335	875,250
Discontinued operations:			
Profit for the year from discontinued operation	9	68,613	195,814
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		1,222,948	1,071,064
Contribution to Kuwait Foundation for the Advancement of Science (KFAS)	21	(10,919)	(8,726)
National Labor Support Tax (NLST)	22	(23,309)	(21,829)
Zakat	23	(8,357)	(6,774)
Board of directors' remuneration		(10,500)	(10,500)
Net profit for the year		1,169,863	1,023,235
Attributable to:			
Shareholders of the Parent Company		1,135,570	1,020,557
Non-controlling interest		34,293	2,678
		1,169,863	1,023,235
Earnings per share from continuing operations (fils)	24	6.29	4.78
Earnings per share from discontinued operations (fils)	24	0.40	1.13

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

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Net profit for the year		1,169,863	1,023,235
Other comprehensive income:			
<u>Items that may be reclassified subsequently to consolidated statement of income</u>			
Changes in fair value of investments available for sale	8	(116,415)	1,281,146
Share of other comprehensive income of associate	9	21,101	26,475
Share of other comprehensive income of associate transfer to statement of income on disposal of discontinued operation	9	(27,740)	-
Other comprehensive (loss) income for the year		(123,054)	1,307,621
Total comprehensive income for the year		1,046,809	2,330,856
Attributable to:			
Shareholders of the Parent Company		1,012,516	2,328,178
Non-controlling interest		34,293	2,678
Total comprehensive income for the year		1,046,809	2,330,856

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

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

(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 change in fair value	Share of other comprehensive income of associate	Retained earnings	Total	Non-controlling interest	Total equity
Balance at December 31, 2011	17,278,874	(40,586)	164,760	8,781,109	8,823,550	4,000,000	(8,753,309)	(195,171)	13,953,645	44,012,872	173,472	44,186,344
Prior years adjustments (Note 32)	-	-	-	-	-	-	13,285,006	196,436	(11,532,549)	1,948,893	-	1,948,893
Balance at December 31, 2011 (Adjusted)	17,278,874	(40,586)	164,760	8,781,109	8,823,550	4,000,000	4,531,697	1,265	2,421,096	45,961,765	173,472	46,135,237
Total comprehensive income for the year	-	-	-	-	-	-	1,281,146	26,475	1,020,557	2,328,178	2,678	2,330,856
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(862,866)	(862,866)	-	(862,866)
Transfer to voluntary reserve	-	-	-	-	106,839	-	-	-	(106,839)	-	-	-
Balance at December 31, 2012	17,278,874	(40,586)	164,760	8,781,109	8,930,389	4,000,000	5,812,843	27,740	2,471,948	47,427,077	176,150	47,603,227
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(116,415)	(6,639)	1,135,570	1,012,516	34,293	1,046,809
Purchase of treasury shares	-	(1,215,400)	-	-	-	-	-	-	-	(1,215,400)	-	(1,215,400)
Cash dividends (Note 25)	-	-	-	-	-	-	-	-	(862,866)	(862,866)	-	(862,866)
Transfer to voluntary reserve	-	-	-	-	118,865	-	-	-	(118,865)	-	-	-
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

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

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Cash flows from operating activities:			
Net profit for the year before KFAS, NLST, Zakat and Board of Directors' remuneration		1,222,948	1,071,064
Adjustments:			
Net investment income		(708,140)	(558,766)
Depreciation	11	350,045	414,671
		<u>864,853</u>	<u>926,969</u>
Changes in operating assets and liabilities:			
Insurance and reinsurance receivables and other receivables		373,251	(325,123)
Net movement of insurance and reinsurance companies		10,549,172	(9,906,607)
Insurance contract liabilities		(10,697,100)	9,048,570
Accounts payable		(173,486)	208,031
Other credit balances		360,856	209,833
Net cash generated from operating activities		<u>1,277,546</u>	<u>161,673</u>
Cash flows from investing activities:			
Net movement in fixed deposits		(2,293,000)	(1,135,000)
Proceeds from sale of investments at fair value through income statement		-	1,010,210
Paid for purchase of investments available for sale	8	(58,074)	(309,565)
Proceeds from sale of investments available for sale		861,807	544,500
Proceeds from disposal of discontinued operations	9	3,729,600	-
Paid for purchase of property and equipment	11	(318,051)	(461,338)
Interest income received		58,719	94,935
Cash dividends received		497,356	427,251
Cash dividends received from associate	9	-	67,201
Rental income received		8,400	14,130
Net cash generated from investing activities		<u>2,486,757</u>	<u>252,324</u>
Cash flows from financing activities:			
Dividends paid to shareholders		(860,862)	(842,514)
Purchase of treasury shares		(1,215,400)	-
Net cash used in financing activities		<u>(2,076,262)</u>	<u>(842,514)</u>
Net increase (decrease) in cash and cash equivalents		1,688,041	(428,517)
Cash and cash equivalents at the beginning of year		2,346,420	2,774,937
Cash and cash equivalents at the end of year	3	<u>4,034,461</u>	<u>2,346,420</u>
Non-cash transaction			
Settlement of due from a related party against business combination	9	<u>2,786,100</u>	-

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

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

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 Kuwait Stock Exchange.

The objects of the Parent Company and its subsidiary are to underwrite life and non- life insurance risks such as fire, general accidents, land, marine and aviation and others, lend funds which resulted from issuance of insurance policies and to invest in permitted securities.

The Companies Law was issued on November 26, 2012 by the Decree No. 25 of 2012 (the "Companies Law"), and had cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended by the Law No. 97 of 2013 dated March 27, 2013. The Executive Charter of the new amended law was issued on September 29, 2013 and was published in the Official Gazette on October 6, 2013. As stated in article No. (3) of the Executive Charter, all companies have a grace period of one year from the Executive Charter's publication date to comply with the new amended law requirements

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

The total number of employees of the Group is 343 employees (2012 – 322 employees).

The consolidated financial statements were authorized to be issued by the Parent Company's Board of Directors on March 13, 2014. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. 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 and are prepared under the historical cost principle except for investments at fair value through income statement, quoted investments available for sale and investment properties. 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, 2013:

IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories:

- a) Items that will not be reclassified subsequently to consolidated statement of income.
- b) Items that may be reclassified to consolidated statement of income when specific conditions are met.

The amendments are effective for annual periods beginning on or after July 1, 2012.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

IAS 28 Investments in associates and joint ventures.

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in other entities IAS 28 Investments in Associates has been renamed to IAS 28 Investments in Associates and Joint Ventures and describes the application of the equity method to investments in Joint Ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 7 Offsetting financial assets and financial liabilities and related disclosures

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

This IFRS

- a) defines fair value
- b) sets out in a single IFRS a framework for measuring fair value and
- c) Requires disclosures about fair value measurements.

IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after 1 January 2013.

Standards and Interpretations issued but not effective

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

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

IFRS 9 Financial Instruments:

The standard, which was earlier effective for annual periods beginning on or after January 1, 2015 and now deferred specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

Amendments to IAS 32 offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right of set off" and "simultaneous realization and settlement". These are effective for annual periods beginning on or after January 1, 2014.

Amendments to IFRS 10, IFRS 12 Investment Entities.

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2014.

The implementation of these amendments and standards will not have material impact on consolidated financial statements of the Group.

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(v).

b) Basis of Consolidation

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

Name of Subsidiary	Country of Incorporation	Percentage of holding	
		2013	2012
WAPMED TPA Services Company – K.S.C (Closed)	Kuwait	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.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

The 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 Company considers all relevant facts and circumstances in assessing whether or not the Company'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 Company 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 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.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

c) Cash and cash equivalents

Cash in hand, call deposits and time deposits with banks whose original maturities do not exceed a period of three months are classified as cash and cash equivalents in the consolidated financial statements.

d) Financial Instruments

Classification and measurement:

The Group classifies financial assets as "at fair value through income statement", "receivables" and "available for sale". Financial liabilities are classified as "other than at fair value through income statement".

Recognition and de-recognition:

All financial assets and liabilities are initially recognized at its fair value plus, (except for financial instruments classified as "at fair value through income statement"), transaction costs that are directly attributable to the acquisition of the financial instrument.

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognized when Group's contractual rights to the cash flows from the financial asset expire or when the Group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all risks and rewards of ownership and it no longer has control over the asset or portion of the asset. If the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when Group's obligation specified in the contract is discharged.

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

At fair value through income statement:

Financial assets "at fair value through income statement" are further divided into two sub categories: "held for trading" and "designated at fair value through income statement at inception". A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy.

Financial assets "at fair value through income statement" are subsequently re-measured at fair value and gains or losses arising from changes in fair value are included in the consolidated statement of income.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

Loans and receivables:

These are non-derivative financial assets. They have fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortized cost using the effective yield method, less any provision for impairment.

Available for sale:

These are non derivative financial assets and they are not included in any of the above classifications and are principally those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, changes in interest rates or prices. These are subsequently re-measured and carried at fair value. Any resultant unrealized gains and losses arising from changes in fair value are taken to cumulative change in fair value in consolidated statement of comprehensive income. When the available for sale asset is disposed off or is impaired, the related accumulated change in fair value earlier reported in the consolidated statement of comprehensive income are transferred to the consolidated statement of income.

Financial liabilities:

Financial liabilities are carried at amortized cost using the effective yield method.

Fair values:

Fair values are estimated based on quoted current bid prices or using the current market rate of interest for that instrument. The fair value of interest-bearing financial instruments is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Fair values of unquoted instruments are estimated using price/ earnings models or discounted cash flow techniques, market price of similar instruments or broker's quotes.

Impairment:

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that a specified asset, or a group of similar assets, may be impaired.

In the case of financial assets classified as available for sale, a significant or prolonged decline in the value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, 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 the consolidated statement of income, is removed from consolidated statement of comprehensive income and recognized in the consolidated statement of income. Impairment loss recognized in the consolidated statement of income on available for sale financial assets that are equity instruments are not reversed through the consolidated statement of income.

Credit risk provision for impairment of loans and receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collaterals discounted at the original effective rate of interest and the current interest rate for fixed and floating rate loans respectively.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

e) Associates

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognized at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Under the equity method, the Group recognizes in the consolidated statement of income, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognizes in statement of other comprehensive income. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or 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.

f) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

g) Business combination and goodwill

Business Combinations

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

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

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

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably. The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

Goodwill

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

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

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

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

h) 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 income 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.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

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

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.

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

i) 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 consolidated statement of financial position date.

Reserve for unexpired risks:

General insurance

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

The reserve is calculated at 30% (2012 – 40%) of annual premiums earned net of reinsurance for Fire and General Accidents Departments and 15% (2012 – 25%) 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 consolidated statement of financial position date based on historical loss ratios.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

j) 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 income and an unexpired risk provision is created.

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

k) 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 recoverable on outstanding claims" in the consolidated statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to "receivables arising from insurance contracts".

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

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

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

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

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

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

l) End of service indemnity

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

m) Share capital

Ordinary shares are classified as equity.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

n) Treasury shares

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

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issuance 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 company in the Group purchases the Parent Company's equity shares (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the equity of Parent Company's shareholders 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 equity of Parent Company's shareholders.

o) Revenue recognition

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 premiums. Commissions earned are recognized at the time policies are written. Dividend income is recognized when the right to receive payment is established and interests on fixed deposits are recognized on time proportion basis using effective yield method. Gain on sale of investments is measured as the difference between the sale proceeds and the carrying amount of the investment at the date of sale, and is recognized at the time of the sale.

p) Provisions for liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

q) Contingencies

Contingent assets are not recognized as an asset until realization becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

r) Accounting for Operating leases

Where Group is a lessor:

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

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

Where Group is a lessee:

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

s) Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Group it is the Kuwaiti Dinar. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

Translation differences on non-monetary assets measured at fair value are considered as part of changes in their fair value.

t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

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.

u) Dividend distribution

Dividend distribution to the parent company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent company's shareholders.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

v) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements of 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:

(i) 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.

(ii) 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.

(iii) Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through income statement" or "available for sale". The Group follows the guidance in IAS 39 on classifying its investments.

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

(iv) Impairment of investments

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment 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.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

(b) Estimates and assumptions

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

(i) Fair value of unquoted equity investments

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

(ii) Provision for doubtful debts

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

(iii) Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognized in the consolidated statement of income. Two main methods were used to determine the fair value of the investment properties:

- a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

3. Cash and cash equivalents

	<u>2013</u>	<u>2012</u>
Cash on hand and at banks	3,983,108	2,295,178
Cash in portfolios	51,353	51,242
	<u>4,034,461</u>	<u>2,346,420</u>

Cash and cash equivalents are denominated in the following currencies:

	<u>2013</u>	<u>2012</u>
Kuwaiti Dinar	3,273,311	2,079,860
US Dollar	744,605	262,342
Euro	16,545	4,218
	<u>4,034,461</u>	<u>2,346,420</u>

There is no material difference between the fair value and the carrying value of cash and cash equivalents.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

4. Fixed deposits

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

Fixed deposits include KD 2,919,000 as of December 31, 2013 (2012 – KD 2,919,000) held in Kuwait under lien to the Ministry of Commerce and Industry in accordance with the insurance regulations of Kuwait.

The effective interest rate on fixed deposits was 1.5% (2012 – 1.7%) per annum.

5. Investments at fair value through income statement

	<u>2013</u>	<u>2012</u>
Quoted shares	1,848,325	1,898,761
Investment fund	133,934	133,843
Investment portfolio	175,341	186,450
	<u>2,157,600</u>	<u>2,219,054</u>

The carrying amounts of the above investments are classified as held for trading.

The movement during the year is as follows:

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the year	2,219,054	3,343,929
Disposals	-	(393,100)
Unrealized loss from change in fair value	(61,454)	(731,775)
Balance at the end of the year	<u>2,157,600</u>	<u>2,219,054</u>

6. Insurance and reinsurance receivables

	<u>2013</u>	<u>2012</u>
Outstanding premiums (a)	14,176,102	13,778,500
Less: Provision for doubtful debts	(1,430,000)	(1,430,000)
	<u>12,746,102</u>	<u>12,348,500</u>
Advance insurance premiums	3,475,849	4,232,373
Insurance and reinsurance companies	2,106,020	2,706,932
	<u>18,327,971</u>	<u>19,287,805</u>

The fair values of insurance and reinsurance receivables approximate their carrying values as of December 31.

a) Outstanding premiums

As of December 31, 2013, Outstanding premiums by an amount of KD 6,150,522 (2012 – KD 6,355,434) were past due but not impaired. These balances relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of the receivables more than 3 months is as follows:

	<u>2013</u>	<u>2012</u>
3 to 6 months	5,506,629	5,482,755
6 to 12 months	643,893	872,679
	<u>6,150,522</u>	<u>6,355,434</u>

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

- b) The maximum exposure to credit risk at the date of consolidated statement of financial position is the fair value of each class of receivable mentioned above. The other classes within insurance and reinsurance receivables do not contain past due or impaired assets. The Group does not hold any collateral as security.

7. Other receivables

	<u>2013</u>	<u>2012</u>
Due from related parties	1,657,262	4,702,541
Advance payment to purchase property	760,000	-
Prepaid expenses	202,548	215,654
Accrued revenue	175,860	49,174
Other	43,552	46,330
	<u>2,839,222</u>	<u>5,013,699</u>

The fair values of the other receivables approximate their carrying values as of December 31.

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

8. Investments available for sale

	<u>2013</u>	<u>2012</u>
Quoted:		
Equity securities	14,222,728	14,574,080
Investment portfolio	104,696	385,024
	<u>14,327,424</u>	<u>14,959,104</u>
Unquoted:		
Equity securities	4,561,055	4,608,655
	<u>18,888,479</u>	<u>19,567,759</u>

The movement during the year is as follows:

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the year	19,567,759	18,685,378
Additions	58,074	309,565
Disposals	(570,166)	(544,500)
Impairment loss	(50,773)	(163,830)
Changes in fair value	(116,415)	1,281,146
Balance at the end of the year	<u>18,888,479</u>	<u>19,567,759</u>

Investments available for sale are denominated in the following currencies:

	<u>2013</u>	<u>2012</u>
Kuwaiti Dinar	18,783,783	19,182,735
US Dollar	104,696	385,024
	<u>18,888,479</u>	<u>19,567,759</u>

Investments available for sale include quoted securities amounting to KD 2,610,000 as of December 31, 2013 (2012 – KD 2,655,000) which are under lien to the Ministry of Commerce and Industry.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

Unquoted equity securities are carried at cost less impairment loss since their fair values cannot be reliably determined.

9. Investment in an associate

The investment in an associate consists of the following:

Name of the associate	Country of Incorporation	Ownership Percentage		2013	2012
		2013	2012		
Ritaj Takaful Insurance Company - K.S.C. (Closed)	Kuwait	25.1%	33.6%	2,856,293	3,733,550

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

	2013	2012
Balance at the beginning of the year	3,733,550	3,578,462
Acquisition of additional shares	2,786,100	-
Disposal	(3,779,116)	-
Profit from discontinued operation	118,129	195,814
Group's share of results from associate	4,269	-
Group's share of associate's cumulative changes in fair value	21,101	26,475
Group's share of associate's cumulative changes in fair value transfer to statement of income on disposal of discontinued operation	(27,740)	-
Dividends received	-	(67,201)
Balance at the end of the year	2,856,293	3,733,550

The summarized financial information related to Ritaj Takaful Insurance Co. - K.S.C. (Closed) is as follows:

Summarized statement of financial position:

	2013	2012
Current assets	4,833,264	5,586,915
Non-current assets	7,662,023	6,587,207
Total assets	12,495,287	12,174,122
Current liabilities	1,115,634	1,062,363
Total Liabilities	1,115,634	1,062,363
Net assets	11,379,653	11,111,759

Summarized statement of income:

	2013	2012
Revenue	531,319	735,410
Expenses	(262,237)	(152,628)
Net profit for the year	269,082	582,782

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

Business Combination, Discontinued Operations and Disposal of a Subsidiary

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

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

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

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

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

Profit for the year from discontinued operations:

	<u>2013</u>	<u>2012</u>
Profit from discontinued operations	118,129	195,814
Loss on disposal	(49,516)	-
	<u>68,613</u>	<u>195,814</u>

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

10. Investment properties

	Land
At December 31, 2011	2,251,107
Prior years adjustments (Note 32)	1,948,893
At December 31, 2011 (Adjusted)	4,200,000
Change in fair value	140,000
At December 31, 2012	4,340,000
Change in fair value	(140,000)
At December 31, 2013	4,200,000

The fair value of investment property at December 31, 2013 was calculated through estimation of independent valuers.

The Group's management has complied with Capital Market Authority decision dated July 23, 2012 with respect to guideline for fair value of investment properties.

In estimating the fair value of investment properties, the Group had used sale comparison method, considering the nature and usage of the investment properties.

Following is the description of valuation techniques used and key inputs to valuation:

Class of investment property	Valuation technique	Level 3
Land	Sales comparison method	4,200,000

11. Property and equipment

	Land and buildings	Furniture and equipment	Computer and software	Total
Cost :				
At December 31, 2011	8,624,905	273,947	982,671	9,881,523
Additions	101	202,571	258,666	461,338
At December 31, 2012	8,625,006	476,518	1,241,337	10,342,861
Additions	-	80,443	237,608	318,051
Disposals	-	(24,037)	(885)	(24,922)
At December 31, 2013	8,625,006	532,924	1,478,060	10,635,990
Accumulated depreciation:				
At December 31, 2011	510,822	213,759	539,454	1,264,035
Charge for the year	141,409	73,422	199,840	414,671
At December 31, 2012	652,231	287,181	739,294	1,678,706
Charge for the year	141,411	84,182	124,452	350,045
Related to disposals	-	(24,037)	(885)	(24,922)
At December 31, 2013	793,642	347,326	862,861	2,003,829
Net book value :				
At December 31, 2013	7,831,364	185,598	615,199	8,632,161
At December 31, 2012	7,972,775	189,337	502,043	8,664,155

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 (2012 – KD 2,955,780) in accordance with insurance regulations in Kuwait.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

12. Insurance contract liabilities

	<u>2013</u>	<u>2012</u>
Reserve for outstanding claims	19,125,085	30,426,142
Reserve for unexpired risks	3,312,790	2,970,879
Reserve for life insurance fund	1,087,662	825,616
	<u>23,525,537</u>	<u>34,222,637</u>

The reserve for outstanding claims comprises of:

	Marine and aviation	Fire	General accident	Life and Medical	Total
2013					
Reserve for outstanding claims:					
Gross balance at beginning of the year	1,340,607	17,371,880	7,195,948	4,517,707	30,426,142
Reinsurance share	(1,191,986)	(17,165,280)	(6,588,596)	(4,288,896)	(29,234,758)
Net balance at beginning of the year	148,621	206,600	607,352	228,811	1,191,384
Incurred during the year – net	178,041	124,970	4,311,691	2,939,772	7,554,474
Paid during the year – net	(108,720)	(155,973)	(2,915,686)	(2,980,004)	(6,160,383)
Net balance at end of the year	217,941	175,597	2,003,357	188,579	2,585,475
Represented in:					
Gross outstanding claims at end of the year	1,302,266	3,718,693	10,065,122	4,039,004	19,125,085
Reinsurance share	(1,084,325)	(3,543,096)	(8,061,765)	(3,850,425)	(16,539,611)
	217,941	175,597	2,003,357	188,579	2,585,475
Reserve for unexpired risks	98,305	103,128	2,038,265	1,073,092	3,312,790
2012					
Reserve for outstanding claims:					
Gross balance at beginning of the year	1,773,746	8,785,815	5,522,709	3,970,700	20,052,970
Reinsurance share	(1,651,854)	(8,599,720)	(4,591,701)	(3,798,038)	(18,641,313)
Net balance at beginning of the year	121,892	186,095	931,008	172,662	1,411,657
Incurred during the year – net	361,802	178,145	3,916,628	205,912	4,662,487
Paid during the year – net	(335,073)	(157,640)	(4,240,284)	(149,763)	(4,882,760)
Net balance at end of the year	148,621	206,600	607,352	228,811	1,191,384
Represented in:					
Gross outstanding claims at end of the year	1,340,607	17,371,880	7,195,948	4,517,707	30,426,142
Reinsurance share	(1,191,986)	(17,165,280)	(6,588,596)	(4,288,896)	(29,234,758)
	148,621	206,600	607,352	228,811	1,191,384
Reserve for unexpired risks	97,362	54,178	2,319,310	500,029	2,970,879

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

13. Insurance and reinsurance payables

	<u>2013</u>	<u>2012</u>
Unearned premiums	4,367,618	5,106,150
Insurance and reinsurance companies	2,769,867	3,681,710
Reserve for reinsurance premiums ceded	49,894	507,023
Reserve for life insurance department	256,160	304,767
Provision for supervision fees	173,577	163,441
	<u>7,617,116</u>	<u>9,763,091</u>

14. Other credit balances

	<u>2013</u>	<u>2012</u>
Provision for end of service indemnity	2,076,938	1,824,394
Dividends payable	1,003,103	1,001,099
Accrued staff leave	439,416	369,307
Accrued expenses	376,710	319,281
National Labor Support Tax payable	45,138	21,829
Zakat payable	15,131	6,774
Kuwait Foundation for the Advancement of Science (KFAS) payable	10,919	8,726
Board of Directors' remuneration payable	10,500	10,500
	<u>3,977,855</u>	<u>3,561,910</u>

15. Share capital

Authorized, issued, and fully paid-up capital comprises of 172,788,740 shares of 100 fils each (2012 - 172,788,740 shares of 100 fils each) and all shares are in cash.

16. Treasury shares

	<u>2013</u>	<u>2012</u>
Number of shares	10,515,470	215,470
Percentage to paid-up shares (%)	6.08%	0.12%
Market value (KD)	1,198,764	23,702
Cost (KD)	1,255,986	40,586

According to 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 hold the treasury shares.

17. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Incorporation, 10% of the profit for the year 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 Incorporation. Since the reserve has reached 50% of the capital, the Board of Directors have resolved to discontinue transfer to statutory reserve.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

18. Voluntary reserve

As required by the Parent Company's Articles of Incorporation, 10% of the profit for the year 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.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
 (All amounts are in Kuwaiti Dinars)

19. Net investment income

	Fixed deposits and saving accounts	Investments at fair value through income statement	Investments available for sale	Investment in associate	Investment properties	Others	2013	2012
<u>Net investment income from life insurance</u>								
Interest income	25,169	-	-	-	-	-	25,169	28,901
Foreign currency exchange	-	-	-	-	-	(3,832)	(3,832)	-
	<u>25,169</u>					<u>(3,832)</u>	<u>21,337</u>	<u>28,901</u>
<u>Net investment income from non-life insurance</u>								
Interest income	61,711	-	-	-	-	-	61,711	52,339
Unrealized loss from changes in fair value	-	(61,454)	-	-	(140,000)	-	(201,454)	(591,775)
Realized gain	-	18,582	291,641	-	-	-	310,223	617,110
Dividend income	-	69,781	427,575	-	-	-	497,356	427,251
Impairment loss	-	-	(50,773)	-	-	-	(50,773)	(163,830)
Share of results from associate	-	-	-	4,269	-	-	4,269	-
Rental Income	-	-	-	-	8,400	-	8,400	14,130
Foreign currency exchange	-	-	-	-	-	(11,542)	(11,542)	(21,174)
	<u>61,711</u>	<u>26,909</u>	<u>668,443</u>	<u>4,269</u>	<u>(131,600)</u>	<u>(11,542)</u>	<u>618,190</u>	<u>334,051</u>
	<u>86,880</u>	<u>26,909</u>	<u>668,443</u>	<u>4,269</u>	<u>(131,600)</u>	<u>(15,374)</u>	<u>639,527</u>	<u>362,952</u>
Net investment income (loss)								

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

20. General and administrative expenses

	<u>2013</u>	<u>2012</u>
Staff cost	3,252,255	2,908,213
Depreciation	331,037	396,480
Other expenses	1,214,367	1,554,518
	<u>4,797,659</u>	<u>4,859,211</u>

21. Contribution to Kuwait Foundation for the Advancement of Science (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Group after deducting its share of income from shareholding subsidiary and associate and transfer to statutory reserve.

22. National Labor Support Tax

National Labor Support Tax is calculated at 2.5% of the profit of the Group after deducting cash dividends received from listed companies subject to the same law in accordance with Law No. 19 of 2000 and Ministerial resolution No. 24 of 2006 and their executive regulations.

23. Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group after deducting its share of profit from Kuwaiti shareholding subsidiary and associate subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their executive regulations.

24. 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:

	<u>2013</u>	<u>2012</u>
Profit for the year from continuing operations attributable to the Parent Company's shareholders	1,066,957	824,743
Profit for the year from discontinued operations attributable to the Parent Company's shareholders	68,613	195,814
<u>Number of shares outstanding :</u>		
Number of issued shares at beginning of the year	172,788,740	172,788,740
Less : Weighted average number of treasury shares	(3,234,922)	(215,470)
Weighted average number of outstanding shares	169,553,818	172,573,270
Earnings per share from continuing operations (Fils)	6.29	4.78
Earnings per share from discontinued operations (Fils)	0.40	1.13

25. Dividends

The Board of Directors' meeting held on March 13, 2014 recommends a cash dividend of 7 fils per share and remuneration for Board of Directors amounting to KD 10,500 for the year ended December 31, 2013. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

Shareholders' annual general assembly meeting held on April 8, 2013 approved the consolidated financial statements for the year ended December 31, 2012 and approved the cash dividends of 5 fils per share for the year ended December 31, 2012 (2011 – 5 fils per share) to all the registered shareholders as of the date of the meeting.

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.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

The segment information is as follows:

(a) Year ended December 31, 2013

	Marine & aviation	Fire	General accidents	Total general risk insurance	Life & medical insurance	Total
Revenue:						
Premiums written	1,710,473	3,307,172	12,163,692	17,181,337	13,673,322	30,854,659
Reinsurance share	(1,055,109)	(2,963,413)	(5,369,471)	(9,387,993)	(7,461,108)	(16,849,101)
Net premiums written	655,364	343,759	6,794,221	7,793,344	6,212,214	14,005,558
Movement in reserve for unexpired risks	(943)	(48,950)	281,044	231,151	-	231,151
Movement in reserve for life insurance fund	-	-	-	-	(835,109)	(835,109)
Net premiums earned	654,421	294,809	7,075,265	8,024,495	5,377,105	13,401,600
Net commission	150,660	136,805	(762,266)	(474,801)	(476,438)	(951,239)
Issuance fees	5,683	400	177,152	183,235	15,880	199,115
Net investment income for life insurance	-	-	-	-	21,337	21,337
	810,764	432,014	6,490,151	7,732,929	4,937,884	12,670,813
Expenses:						
Net claims incurred	(178,041)	(124,970)	(4,311,691)	(4,614,702)	(2,939,772)	(7,554,474)
General and administrative expenses	(361,837)	(450,033)	(2,029,438)	(2,841,308)	(1,489,521)	(4,330,829)
	(539,878)	(575,003)	(6,341,129)	(7,456,010)	(4,429,293)	(11,885,303)
Net underwriter profit (loss)	270,886	(142,989)	149,022	276,919	508,591	785,510
Assets						
			74,235,410		10,994,638	85,230,048
Liabilities						
			26,145,503		12,512,775	38,658,278
Non-cash expenses			936,181		87,095	1,023,276
Capital expenditure			314,655		3,396	318,051

**WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

(All amounts are in Kuwaiti Dinars)

	Marine & aviation	Fire	General accidents	Total general risk insurance	Life & medical insurance	Total
(a) Year ended December 31, 2012						
Revenue:						
Premiums written	2,474,491	3,720,464	10,256,620	16,451,575	9,818,092	26,269,667
Reinsurance share	(2,085,042)	(3,585,017)	(4,458,342)	(10,128,401)	(6,259,066)	(16,387,467)
Net premiums written	389,449	135,447	5,798,278	6,323,174	3,559,026	9,882,200
Movement in reserve for unexpired risks	(19,853)	(7,171)	(10,313)	(37,337)	-	(37,337)
Movement in reserve for life insurance fund	-	-	-	-	(177,391)	(177,391)
Net premiums earned	369,596	128,276	5,787,965	6,285,837	3,381,635	9,667,472
Net commission	350,913	255,074	(482,101)	123,886	59,023	182,909
Issuance fees	5,674	414	149,128	155,216	3,686	158,902
Net investment income for life insurance	-	-	-	-	28,901	28,901
	726,183	383,764	5,454,992	6,564,939	3,473,245	10,038,184
Expenses:						
Net claims incurred	(361,802)	(178,145)	(2,427,285)	(2,967,232)	(1,695,255)	(4,662,487)
General and administrative expenses	(510,255)	(391,231)	(2,286,111)	(3,187,597)	(1,322,090)	(4,509,687)
	(872,057)	(569,376)	(4,713,396)	(6,154,829)	(3,017,345)	(9,172,174)
Net underwriter profit (loss)	(145,874)	(185,612)	741,596	410,110	455,900	866,010
Assets				87,045,760	11,816,361	98,862,121
Liabilities				39,312,527	11,946,367	51,258,894
Non-cash expenses				870,421	167,228	1,037,649
Capital expenditure				455,527	5,710	461,237

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

Statement of financial position for life insurance segment

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	381,015	370,410
Fixed deposits	1,539,000	1,189,000
Insurance and reinsurance receivables	5,145,961	5,903,343
Other receivables	51,950	45,722
Loan secured by life insurance policies	20,010	13,681
Reinsurance share in reserve for outstanding claims	3,850,425	4,288,896
Property and equipment	6,277	5,309
Total assets	<u>10,994,638</u>	<u>11,816,361</u>
<u>LIABILITIES AND H.O CURRENT ACCOUNT</u>		
Insurance contracts' liabilities :		
Reserve for outstanding claim	4,039,004	4,517,707
Reserve for unexpired risk	1,073,092	500,029
Reserve for life insurance	1,087,662	825,616
Total insurance contracts' liabilities	<u>6,199,758</u>	<u>5,843,352</u>
Accounts payable	1,357,575	468,898
Insurance and reinsurance payables	4,749,923	5,394,852
Other credit balances	205,519	239,265
Total liabilities	<u>12,512,775</u>	<u>11,946,367</u>
Head office current account	<u>(1,518,137)</u>	<u>(130,006)</u>
Total liabilities and H.O current account	<u>10,994,638</u>	<u>11,816,361</u>

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 in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

A. Consolidated statement of financial position:

	<u>2013</u>	<u>2012</u>
<u>Insurance activities</u>		
Insurance services receivable	1,157,262	841,007
Insurance services payable	80,583	131,337
<u>Investment activities</u>		
Investments at fair value through income statement	175,341	186,450
Investments available for sale	10,410,077	10,315,211
Deposits and bank balances	7,482,711	4,615,336
<u>Other activities</u>		
Current account	500,000	3,861,534

B. Consolidated statement of income:

	<u>2013</u>	<u>2012</u>
Premiums written	332,917	321,104

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

C. Compensation to key management personnel

	<u>2013</u>	<u>2012</u>
Short term employee benefits	192,473	133,035
Post employment benefits	36,355	-
	<u>228,828</u>	<u>133,035</u>

28. Capital commitments and contingent liabilities

	<u>2013</u>	<u>2012</u>
Capital commitments	472,348	98,632
Letter of guarantee for others	1,512	5,495

29. Insurance Risk Management

The Group issues contracts that transfer insurance risk. This section summarizes these risks and the way the Group manages them.

Insurance risk

The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year.

The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

Sources of uncertainty in the estimation of future claim payments

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. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. 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. On this basis, the Group has recognized KD 1.49 million as recoverable amounts in the current year which has been netted from general accident net incurred claims. The Group considers that adequate provision is available for any similar claims against the Group. Large claims are assessed on a case-by-case basis or projected separately.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

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.

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 main sections for risk management 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 obligations arising from its underwritings.

The Group's risk management is conducted by its senior management in accordance with policies approved by the Board of Directors. The various risks that the Group is exposed to and the processes in place to manage those risks are described below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The financial assets, other than investments in equities are exposed to credit risk. The value of these financial assets on consolidated statement of financial position represents the maximum amount exposed to this risk. The Group seeks to mitigate this risk by dealing with credit worthy parties including banks, financial institutions, insurance and reinsurance companies and non-concentration of its assets with one counter party.

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

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	4,034,461	2,346,420
Fixed deposits	6,672,000	4,379,000
Insurance and reinsurance receivables	18,327,971	19,287,805
Other receivables	2,636,674	4,798,045
	<u>31,671,106</u>	<u>30,811,270</u>

Due from insurance and reinsurance companies represents amounts receivable from reinsurance claims net of premiums for policies ceded, and other receivables primarily represent amounts due against premiums for policies underwritten by the Group. These are generally due for payment within a period of one month from the date of issue of the policy. The Group is selective in extending credit facilities to its customers and has a good track record of collecting its debts. Furthermore, credit risk with respect to receivables is limited due to dispersion across large number of customers. Cash and cash equivalents and fixed deposits are placed with banks which are rated by reputed international rating agencies.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

Market risks:

(a) Interest rate risk

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

(b) Foreign currency risk

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

The following table demonstrates the sensitivity to a reasonably possible change of + 5% in the foreign exchange between US Dollar and Kuwaiti Dinar.

Year	Effect on consolidated statement of income (KD)	Effect on consolidated statement of comprehensive income (KD)
2013		
US Dollar	± 108,994	± 5,235
2012		
US Dollar	± 33,085	± 19,251

(c) Equity price risk

This is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, caused by factors specific to the instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity price risk from investments held by the Group and classified either as "at fair value through income statement" or as "available for sale". The Group's investments are primarily exposed to the Kuwait Stock Exchange index.

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

At December 31, 2013, if the Kuwait Stock Exchange index had increased/ decreased by 5%, the profit for the year of the Group would have increased/ decreased by KD 92,416 (2012 – KD 94,938) and comprehensive income would have increased/ decreased by KD 711,136 (2012 – KD 728,704).

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

(d) Liquidity risk

It is the risk that the Group may not be able to meet its financial obligations as they fall due. The policy of the Group is to ensure that sufficient liquidity is available at all times to meet contractual obligations, including loss claims. Liquidity risk management of the Group includes maintaining sufficient cash and marketable securities, having adequate amount of credit facilities and investing in securities which can be easily closed out. The Group also has the option to raise additional capital to meet funding requirements.

Maturity table for financial liabilities:

2013	3 – 12 months	1 – 5 years	Total
Accounts payable	530,665	3,007,105	3,537,770
Insurance and reinsurance payables	2,709,441	4,907,675	7,617,116
Other credit balances	676,235	3,301,620	3,977,855
	<u>3,916,341</u>	<u>11,216,400</u>	<u>15,132,741</u>
2012	3 – 12 months	1 – 5 years	Total
Accounts payable	556,688	3,154,568	3,711,256
Insurance and reinsurance payables	5,498,249	4,264,842	9,763,091
Other credit balances	607,598	2,954,312	3,561,910
	<u>6,662,535</u>	<u>10,373,722</u>	<u>17,036,257</u>

Fair value measurement:

The Group measures financial assets such as investments available for sale investments and non – financial assets such as investment properties 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 consolidated 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.

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
 (All amounts are in Kuwaiti Dinars)

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31.

2013	Level 1	Level 2	Total
Investments at fair value through income statement	2,157,600	-	2,157,600
Investments available for sale:			
Quoted shares	14,222,728	-	14,222,728
Investment portfolio	-	104,696	104,696
Total investments available for sale	14,222,728	104,696	14,327,424
	16,380,328	104,696	16,485,024
2012	Level 1	Level 2	Total
Investments at fair value through income statement	2,219,054	-	2,219,054
Investments available for sale:			
Quoted shares			
Investment portfolio	14,574,080	-	14,574,080
Total investments available for sale	-	385,024	385,024
	14,574,080	385,024	14,959,104
	16,793,134	385,024	17,178,158

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 cash and cash equivalents and payables 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.

The fair value details of investment properties are mentioned in Note (10).

31. Capital Risk Management

The Group's objectives when managing capital are:

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

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

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

Furthermore, in order to protect against the impact of large claims and catastrophes, the Group is required under law to maintain technical reserves depending on the exposure to various types of underwriting exposures.

Law No. 24 of 1961, Law No.13 of 1962, and Decree No. 5 of 1989, Decree No. 578 of 2013 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 the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in State of Kuwait.
- For marine insurance contracts, at least 15% (2012 - 25%) of the premiums collected in the previous year are to be retained in State of Kuwait.
- For all other types of insurance, at least 30% (2012 - 40%) of the premiums collected in the previous year are to be retained in State of 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 State of Kuwait
 - A maximum of 25% may be invested in foreign securities.
 - A maximum of 30% should be invested in Kuwaiti companies' shares or bonds
 - A maximum of 15% should be in a current account with a bank operating in State of Kuwait.

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

Pursuant to Ministerial Order No. 578 dated December 22, 2013 and based on the interpretation and a confirmation received from the Controller of Insurance, Ministry of Commerce, the Group has change during the year ended December 31, 2013, the percentage of calculating the unexpired risk reserve to be 30% of annual premiums earned net of reinsurance for Fire and General Accidents Departments and 15% for Marine and Aviation department.

32. Prior year adjustment

During the previous years and up to December 31, 2011, the Group recognized impairment losses of investments available for sale below its initial cost by an amount of KD 13,285,006 in cumulative change in fair value under "consolidated statement of comprehensive income" rather than in the consolidated statement of income. During the period ended December 31, 2011, the Group has restated comparative figures as follows:

- Decreased retained earnings balance as of December 31, 2011 by KD 13,285,006.
- Increased the cumulative change in fair value balance as of December 31, 2011 by KD 13,285,006.

During the previous years and up to December 31, 2011, Ritaj Takaful Insurance Company - K.S.C.(Closed) "associate" recognized impairment losses of investments available for sale below its initial cost by an amount of KD 584,631 in cumulative change in fair value under "statement of comprehensive income" rather than in the statement of income. During the year ended December 31, 2012 the associate has restated comparative figures, accordingly, the Group has restated comparative figures related to its share of result and its share of other comprehensive income of associate as follows:

WARBA INSURANCE COMPANY - K.S.C. AND ITS SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(All amounts are in Kuwaiti Dinars)

- Decreased retained earnings balance as of December 31, 2011 by KD 196,436.
- Increased share of comprehensive income from associate balance as of December 31, 2011 by KD 196,436.

During the year ended December 31, 2012 the Group has changed the accounting policy for investment property from cost to fair value method. Accordingly, the Group has restated comparative figures of consolidated financial statements as follows:

- Increased retained earnings balance as of December 31, 2011 by KD 1,948,893.
- Increased investment property balance as of December 31, 2011 by KD 1,948,893.

Accordingly, the cumulative effect on consolidated statement of financial position as of December 31, 2011 as follows:

- The retained earnings balance has been decreased by KD 11,532,549.
- Cumulative change in fair value has been increased by 13,285,006.
- Share of comprehensive income of associate increased by KD 196,436.
- Investment property balance increased by KD 1,948,893.