Warba Insurance Company K.S.C.P
Kuwait

Consolidated Annual Financial Statements
And Independent Auditors' Report

31 December 2016

Contents

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080

www.deloitte.com

RSM

RSM Albazie & Co.

Arraya Tower 2, Floors 41 & 42
Abdulaziz Hamad Alsaqar St., Sharq
P.O. Box 2115, Safat 13022, State of Kuwait

T +965 22961000
F +965 22412761
www.rsm.global/kuwait

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Warba Insurance Company K.S.C.P. ("the Parent Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects and the possible effects of the matters described in the first paragraph and the second and third paragraphs respectively of the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As disclosed in note 36, in 2016 the Group has voluntarily changed its accounting policy to defer commission expense and to recognize it as an intangible asset. The change was accounted prospectively from the start of the current year though under IFRS it must be applied retrospectively. As a result, the profits for the years 2016 and 2015 are overstated by KD 772,000 and KD 89,000 respectively and opening retained earnings as of 1 January 2015 understated by KD 861,000.

Insurance contract liabilities as at 31 December 2016 includes an estimate of KD 3.44 million as actuarial reserve for life and medical claims based on an independent actuarial valuation report. We were unable to obtain sufficient appropriate audit evidence about the adequacy of the carrying amount of the above reserve as at 31 December 2016 because we were not able to assess the reasonableness of the key inputs and assumptions used in that report. Consequently we were unable to determine whether any adjustments to the above amount was necessary.

The Group's assets as at 31 December 2016 includes investments available for sale carried at KD 2.73 million net of a fair value decline of KD 0.9 million recognized in fair value reserve. We were unable to obtain sufficient appropriate audit evidence about whether there is any impairment losses to be recognized on the above investments available for sale as at 31 December 2016 as the Group has not assessed their fair value. Consequently we were unable to determine whether any adjustments to the above amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Insurance contract liabilities

Insurance contract liabilities include outstanding claim reserve and unearned premium of non-life insurance contract liabilities. As at 31 December 2016, the insurance contract liabilities are significant to the Group's total liabilities. We considered this area to be a key audit matter due to the significant degree of judgement involved to determine the best estimate ultimate cost of all claims incurred, whether reported or not and the materiality of the amount. The Group's policy on estimating insurance contract liabilities is disclosed in note 2.13

In assessing the outstanding insurance liabilities, our audit procedures included the following:

- Evaluating the design, implementation and operating effectiveness of key controls over the underwriting and claims estimation processes including that related to management's assessment of the reserve for claims and for updating it as more information becomes available;

- Recalculating on a sample basis the amount of individual claim reserves by comparing the estimated amount to appropriate underlying documentation, such as loss estimate reports from independent and experienced loss adjusters and validating the reasonableness of the liability adequacy test.

We also evaluated the adequacy of disclosures relating to insurance contract liabilities in note 14 to the consolidated financial statements.

Recoverability of receivables arising from insurance and reinsurance contracts

The receivables arising from insurance and reinsurance contracts are significant to the Group's consolidated financial statements as at 31 December 2016. The determination of the recoverable amount of a receivable involves significant management judgement. In making that determination management considers various factors including the age of a balance, existence of disputes, recent payment history and information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required. The basis of the impairment provision policy is disclosed in the accounting policies and disclosures related to credit risk are in note 33 to the consolidated financial statements.

We determined this to be a key audit matter because of the significant level of management judgement involved and due to the materiality of the amount involved.

Our audit procedures included evaluating the basis management used to check that there were no indicators of impairment. This included evaluating the ageing analysis, payments received subsequent to the year end, reviewing historical payment patterns and any correspondence with customers. We also considered management's policy for recognizing provisions on the doubtful receivables and if it was appropriate.

We selected a sample of receivable balances to evaluate if a provision for impairment was required and when required, if that had been recognized and the reasonableness of that amount. In order to evaluate the appropriateness of the judgements used, we verified whether balances were overdue, the customer's historical payments patterns and whether any post year end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

We also evaluated the adequacy of the disclosures relating to the receivables arising from insurance and reinsurance contracts given in Notes 6 and 7 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the annual report after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information we obtained prior to the date of this auditors' report, we conclude there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the net profit for the year is overstated due to prospective application of a voluntary change in accounting policy and we were unable to obtain sufficient appropriate evidence about the carrying amounts of the Group's actuarial reserve liability for life and medical claims and of investments available for sale as at 31 December 2016. Accordingly, the net profit for the year ended 31 December 2016 in the other information is overstated by KD 772,000 and we are unable to conclude whether or not the other information is materially misstated with respect to the other two matters.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WARBA INSURANCE COMPANY K.S.C.P. (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that except for the matters described in the second and third paragraph of the Basis for our qualified opinion section above, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, and its Executive Regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no material violation of Companies Law No. 1 of 2016, and its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2016 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

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

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

Kuwait
19 March 2017

Consolidated Statement of Financial Position as at 31 December 2016

	Note	Kuwaiti Dinars 2016	2015
ASSETS			
Cash and cash equivalents	3	4,693,584	4,505,901
Fixed deposits	4	6,865,250	6,007,000
Investments at fair value through profit or loss	5	2,749,293	5,072,144
Insurance and reinsurance receivables	6	14,449,231	16,861,959
Other receivables	7	4,131,031	2,189,389
Loans secured by life insurance policies		38,505	23,903
Reinsurance share in reserve for outstanding claims	14	16,671,463	18,146,184
Investments available for sale	8	19,280,706	18,330,927
Investment in associates	10	5,743,791	5,529,104
Goodwill		62,240	62,240
Property and equipment	11	7,896,389	8,129,091
Total assets		82,581,483	84,857,842
LIABILITIES AND EQUITY			
Liabilities			
Bank overdraft	12	2,053,723	-
Accounts payable	13	4,839,713	4,022,763
Insurance contract liabilities	14	24,814,635	25,765,072
Insurance and reinsurance payables	15	3,758,032	6,097,647
Other payables	16	3,579,584	3,657,216
Total liabilities		39,045,687	39,542,698
Equity			
Share capital	17	17,278,874	17,278,874
Treasury shares	18	(1,275,970)	(1,270,570)
Treasury shares reserve		164,760	164,760
Statutory reserve	19	8,781,109	8,781,109
Voluntary reserve	20	9,206,054	9,206,054
General reserve		4,000,000	4,000,000
Cumulative changes in fair value		3,530,094	3,972,815
Share of other comprehensive income of associate		43,540	30,098
Retained earnings		1,549,175	2,848,907
Equity attributable to shareholders of the Parent Company		43,277,636	45,012,047
Non-controlling interest	9	258,160	303,097
Total equity		43,535,796	45,315,144
Total liabilities and equity		82,581,483	84,857,842

The accompanying notes 1 to 36 form an integral part of these consolidated financial statements.

WARBA INSURANCE
وربـــة للتأمـين

Anwar Jawad Bu-Khamseen
Chairman

Sheikh Mohammed Jarah Sabah Al-Sabah
Vice Chairman

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

Consolidated Statement of Profit or Loss - Year ended 31 December 2016

	Note	Kuwaiti Dinars 2016	2015
Revenue			
Gross premiums written		35,190,928	37,068,357
Premium ceded to reinsurers		(17,219,992)	(18,822,808)
Net premiums written		17,970,936	18,245,549
Movement in unearned premium reserve		228,911	(1,465)
Movement in life actuarial reserve		(425,289)	(363,413)
Net premiums earned		17,774,558	17,880,671
Commission received on ceded reinsurance		1,233,240	1,670,721
Policy Issuance fees		219,021	229,615
Net investment income from life insurance	21	97,622	75,656
		19,324,441	19,856,663
Expenses			
Net claims incurred		(11,804,786)	(10,875,033)
Commission and discounts		(1,857,076)	(3,111,923)
General and administrative expenses	22	(5,487,198)	(4,709,964)
		(19,149,060)	(18,696,920)
Net underwriting income		175,381	1,159,743
Net investment income from non-life insurance	21	719,214	987,099
Group's share of results from associates	10	201,245	73,461
Insurance services income		773,886	914,737
Other income		79,304	82,952
Foreign exchange (loss)/gain		(21,270)	127,291
		1,927,760	3,345,283
Other expenses			
Insurance services expense	23	(871,369)	(804,950)
Unallocated general and administrative expenses	22	(763,667)	(735,505)
		(1,635,036)	(1,540,455)
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		292,724	1,804,828
Contribution to KFAS	24	(2,570)	(16,815)
NLST	25	(10,517)	(47,442)
Zakat	26	(3,400)	(17,520)
Directors' fees		-	(35,000)
Profit for the year		276,237	1,688,051
Attributable to:			
Shareholders of the Parent Company		321,174	1,638,204
Non-controlling interest	9	(44,937)	49,847
		276,237	1,688,051
Earnings per share (fils)	27	1.98	10.10

The accompanying notes 1 to 36 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income - Year ended 31 December 2016

		Kuwaiti Dinars	
	Note	**2016**	**2015**
Profit for the year		276,237	1,688,051
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of investments available for sale	8	(442,721)	(1,032,571)
Transfer to statement of profit or loss on sale of financial assets available for sale		-	(291,077)
Share of other comprehensive income/(loss) from associates	10	13,442	(15,927)
Other comprehensive loss for the year		(429,279)	(1,339,575)
Total comprehensive (loss)/income for the year		(153,042)	348,476
Attributable to:			
Shareholders of the Parent Company		(108,105)	298,629
Non-controlling interest		(44,937)	49,847
Total comprehensive (loss)/income for the year		(153,042)	348,476

The accompanying notes 1 to 36 form an integral part of these consolidated financial statements.

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

Consolidated Statement of Changes in Equity - Year ended 31 December 2016

	Kuwaiti Dinars											
	Equity attributable to shareholders of the Parent Company											
	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	General reserve	Cumulative changes in fair value	Share of other comprehensive income of associate	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 December 2014	17,278,874	(1,255,986)	164,760	8,781,109	9,206,054	4,000,000	5,296,463	46,025	2,833,436	46,350,735	253,250	46,603,985
Profit for the year	-	-	-	-	-	-	-	-	1,638,204	1,638,204	49,847	1,688,051
Other comprehensive loss for the year	-	-	-	-	-	-	(1,323,648)	(15,927)	-	(1,339,575)	-	(1,339,575)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(1,323,648)	(15,927)	1,638,204	298,629	49,847	348,476
Cash dividend (Note 28)	-	-	-	-	-	-	-	-	(1,622,733)	(1,622,733)	-	(1,622,733)
Purchase of treasury shares	-	(14,584)	-	-		-	-	-	-	(14,584)	-	(14,584)
Balance at 31 December 2015	17,278,874	(1,270,570)	164,760	8,781,109	9,206,054	4,000,000	3,972,815	30,098	2,848,907	45,012,047	303,097	45,315,144
Profit for the year	-	-	-	-	-	-	-	-	321,174	321,174	(44,937)	276,237
Other comprehensive (loss)/income	-	-	-	-	-	-	(442,721)	13,442	-	(429,279)	-	(429,279)
Total comprehensive(loss)/ income for the year	-	-	-	-	-	-	(442,721)	13,442	321,174	(108,105)	(44,937)	(153,042)
Cash dividend (Note 28)	-	-	-	-	-	-	-	-	(1,620,906)	(1,620,906)	-	(1,620,906)
Purchase of treasury shares	-	(5,400)	-	-	-	-	-	-	-	(5,400)	-	(5,400)
Balance at 31 December 2016	17,278,874	(1,275,970)	164,760	8,781,109	9,206,054	4,000,000	3,530,094	43,540	1,549,175	43,277,636	258,160	43,535,796

The accompanying notes 1 to 36 form an integral part of these consolidated financial statements.

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

Consolidated Statement of Cash Flows - Year ended 31 December 2016

	Note	Kuwaiti Dinars 2016	2015
Cash flows from operating activities			
Profit for the year before KFAS, NLST, Zakat and Directors' fees		292,724	1,804,828
Adjustments:			
Net investment income	21	(816,836)	(1,062,755)
Group's share of results from associates	10	(201,245)	(73,461)
Depreciation	11	313,807	324,233
		(411,550)	992,845
Changes in operating assets and liabilities:			
Insurance and reinsurance receivables		2,412,728	1,648,656
Other receivables		(1,915,677)	274,168
Reinsurance share in reserve for outstanding claims		1,474,721	(2,864,111)
Insurance contract liabilities		(950,437)	1,904,429
Accounts payable		816,950	420,807
Insurance and reinsurance payable		(2,339,615)	(746,406)
Other payables		(109,657)	(5,504)
Net cash (used in)/from operating activities		(1,022,537)	1,624,884
Cash flows from investing activities			
Net movement in fixed deposits		(858,250)	4,076,500
Payments for purchase of investments at fair value through profit or loss		(1,835,071)	(6,039,613)
Proceeds from sale of investments at fair value through profit or loss		4,056,325	3,077,470
Movements in loans secured by life insurance policies		(14,602)	(3,754)
Payments for purchase of investments available for sale		(1,418,000)	(2,000,000)
Proceeds from sale of investments available for sale		-	1,125,016
Payments for purchase of property and equipment	11	(81,105)	(84,786)
Dividends received	21	680,398	770,920
Rental income received	21	8,400	8,400
Interest income received		229,170	118,852
Net cash from investing activities		767,265	1,049,005
Cash flows from financing activities			
Bank overdraft		2,053,723	(790,533)
Dividend paid to shareholders		(1,605,368)	(1,560,145)
Purchase of treasury shares		(5,400)	(14,584)
Net cash from/(used in) financing activities		442,955	(2,365,262)
Net increase in cash and cash equivalents		187,683	308,627
Cash and cash equivalents at beginning of year		4,505,901	4,197,274
Cash and cash equivalents at end of year	3	4,693,584	4,505,901

The accompanying notes 1 to 36 form an integral part of these consolidated financial statements.

1. Corporate Information

Warba Insurance Company K.S.C.P. (the Parent Company) was incorporated as a Public Kuwaiti Shareholding Company in the State of Kuwait in accordance with the Amiri Decree of 24 October 1976. Its shares are listed on the Kuwait Stock Exchange.

The consolidated financial statements incorporate the financial statements of Warba Insurance Company K.S.C.P. and its subsidiary WAPMED TPA Services Company K.S.C.C. in which it has an equity interest of 54.57% (31 December 2015: 54.57%).

The objects of the Parent Company and its subsidiary (together "the Group") are to underwrite life and non-life insurance risks such as fire, general accidents, marine and aviation and others; lend funds against life insurance policies; and to invest in permitted securities and investment properties.

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

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on July 12, 2016 and was published in the Official Gazette on July 17, 2016 which cancelled the Executive Regulations of Law No. 25 of 2012. The adoption of the new Companies Law and its executive regulations is not expected to have any effect on the reporting entity.

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on 19 March 2017. The Parent Company's Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 New and revised accounting standards

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for

a) the adoption of the amendments to the existing standards relevant to the Group, effective from 1 January 2016, which did not result in any material impact on the accounting policies, financial position or performance of the Group; and

b) the voluntary change in accounting policy for deferral of commission expenses as disclosed in note 2.8.

Management is of the view that deferring commission expense provides more relevant and reliable information about the Company's financial performance and financial position to the economic decisions of the users of the financial statements. This change in accounting policy has been applied prospectively and the effect of this change is disclosed in note 36.

Standards and Interpretations issued but not yet adopted

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

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018)

On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 incorporating a new expected loss impairment model and introducing limited amendments to the classification and measurement requirements for financial assets. This version supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted and will replace IAS 39 Financial Instruments: Recognition and Measurement. The Group is currently evaluating its impact.

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

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)

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

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with profit and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective for financial years beginning on or after 1 January 2017)

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Group is currently evaluating the impact.

2.3 Business combinations

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

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

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

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

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

2.4 Basis of consolidation

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

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights;

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

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

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

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

2.5 Cash and cash equivalents

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

2.6 Financial instruments

Classification

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

Recognition/derecognition

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

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

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

Measurement

Financial instruments

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available for sale

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

Financial liabilities/equity

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

Impairment and uncollectability of financial assets

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

Impairment is determined as follows:

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

b. for financial assets carried at fair value, impairment is the difference between cost and fair value.

c. for financial assets carried at cost, impairment is the difference between the carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

Offsetting

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

2.7 Investment in associates

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

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

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

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

2.8 Deferred policy acquisition costs

Commission expense that varies with and are related to securing new contracts and renewing existing contracts are treated as deferred acquisition costs and capitalized as an intangible asset. This is computed as a proportion of the net premium earned on the same basis as the unexpired premium reserve. All other costs are recognized as expenses when incurred.

2.9 Goodwill

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

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

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

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

2.10 Property and equipment

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

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

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

	Years
Buildings	35
Furniture and equipment	4
Computers	4 - 7

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

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

2.11 Fair value measurements

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

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

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

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

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

2.12 Impairment of non-financial assets

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

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

2.13 Insurance contract liabilities – recognition and measurement

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

Reserve for outstanding claims

This represents the Group's estimate of its liability for reported claims, which are unpaid on the consolidated statement of financial position date based on the policy disclosed in note. 2.17. Although the Group's management believes that the amount of reserve is adequate, the ultimate cost of claims cannot be known with certainty at the consolidated statement of financial position date.

Reserve for unexpired risks

General insurance

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

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

Life Insurance

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

Liability adequacy test

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

Reinsurance contracts held

In order to minimize financial exposure from large claims the Group enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurance recoverable on outstanding claims" in the consolidated statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to "receivables arising from insurance contracts".

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

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

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

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

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

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

2.14 End of service indemnity

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

2.15 Treasury shares

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

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

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

2.16 Revenue recognition

Gross premium

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

Reinsurance premium

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

Commission earned

Commission earned are recognized at the time policies are underwritten for reinsurance business.

Policy issuance fees

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

Dividend income

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

Interest income

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

Realised gains and losses

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

Insurance service income

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

2.17 Claims

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

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

2.18 Provisions for liabilities

Provisions are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation and the amount can be reliably estimated.

2.19 Contingencies

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

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

2.20 Accounting for Operating leases

Where Group is a lessor

Operating leases

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

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

Where Group is a lessee

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

2.21 Foreign currency

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

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

2.22 Segment reporting

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

2.23 Significant accounting judgments, estimates and assumptions

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

Judgements

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

Revenue recognition

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

Provision for doubtful debts

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

Classification of investments

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

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

Impairment of financial assets available for sale

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

Estimation uncertainty and assumptions

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

Fair value of unquoted equity investments

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

Provision for doubtful debts

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

Sources of uncertainty in the estimation of outstanding claims

Non life

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

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

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

Life

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

Reinsurance

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

3. Cash and cash equivalents

	Kuwaiti Dinars	
	2016	**2015**
Cash on hand and at banks	1,409,361	3,468,305
Cash in portfolios	3,284,223	1,037,596
	4,693,584	4,505,901

Cash and cash equivalent are denominated in the following currencies:

	Kuwaiti Dinars	
	2016	**2015**
Kuwaiti Dinar	1,333,319	2,611,538
US Dollar	3,360,265	1,894,363
	4,693,584	4,505,901

4. Fixed deposits

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

Fixed deposits are denominated in the following currencies:

	Kuwaiti Dinars	
	2016	**2015**
Kuwaiti Dinar	6,324,250	5,469,000
US Dollar	459,000	456,000
UAE Dhs	82,000	82,000
	6,865,250	6,007,000

The Insurance Companies and Agent Law No. 24 of 1961 as amended, requires the Parent Company to deposit in a Kuwaiti bank or in a Kuwaiti branch of a foreign bank, a deposit amounting to KD 500,000 for general insurance and KD 500,000 for life insurance (2015 - KD 500,000 for general insurance and KD 500,000 for life insurance business).

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

Accordingly, fixed deposits amounting to KD 4,674,250 (2015 - KD 4,169,000) are under lien to the Ministry of Commerce to comply with local insurance regulations. The Parent Company cannot utilize any of these deposits unless they are replaced with an equal financial instrument within the limits prescribed in the law.

The effective interest rate on fixed deposits was 1% to 2.9% per annum (2015 – 0.875% to 1.813%).

5. Investments at fair value through profit or loss

	Kuwaiti Dinars	
	2016	**2015**
Held for trading		
Quoted shares	1,577,097	1,824,493
Investments in fund	118,717	2,236,302
Investments in Bonds	1,053,479	1,011,349
	2,749,293	5,072,144

The movement during the year is as follows:

	Kuwaiti Dinars	
	2016	**2015**
Balance at the beginning of the year	5,072,144	2,253,984
Additions	1,835,071	6,039,613
Disposals	(3,957,385)	(3,062,484)
Unrealized loss on change in fair value (Note - 21)	(200,537)	(158,969)
Balance at the end of the year	2,749,293	5,072,144

6. Insurance and reinsurance receivables

	Kuwaiti Dinars	
	2016	**2015**
Outstanding premium	12,594,646	14,557,514
Insurance and reinsurance companies	1,815,526	1,644,366
	14,410,172	16,201,880
Less: Provision for doubtful accounts	(1,755,304)	(1,627,467)
	12,654,868	14,574,413
Advance insurance premium	1,794,363	2,287,546
	14,449,231	16,861,959

Outstanding premium

As of 31 December 2016, premium receivables amounting to KD 1,657,304 (2015 - KD 1,627,467) were impaired and fully provided for and KD 5,240,038 (2015 – KD 4,889,536) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these account receivables is as follows:

	Kuwaiti Dinars	
	2016	**2015**
Less than 3 months	5,697,304	8,040,511
3 to 6 months	1,640,647	1,437,259
More than 6 months	3,599,391	3,452,277
Impaired	1,657,304	1,627,467
	12,594,646	14,557,514

Insurance and reinsurance companies

As of 31 December 2016, receivable from Insurance and reinsurance companies amounting to KD 98,000 (2015: Nil) were impaired.

The movement of provision for doubtful debts is as follows:

	Kuwaiti Dinars	
	2016	**2015**
Balance at beginning of the year	1,627,467	1,402,467
Charge for the year (Note 22)	350,000	225,000
Written off during the year	(222,163)	-
Balance at the end of the year	1,755,304	1,627,467

The Group does not hold any collateral as security.

7. Other receivables

	Kuwaiti Dinars	
	2016	**2015**
Due from related parties	2,655,461	1,965,054
Deferred acquisition cost	587,956	-
Accrued income	176,504	159,789
Prepaid expenses	441,693	25,964
Refundable Deposit	242,903	16,835
Other	26,514	21,747
	4,131,031	2,189,389

Other receivables do not contain impaired assets.

8. Investments available for sale

	Kuwaiti Dinars	
	2016	**2015**
Quoted securities	11,273,162	11,799,182
Unquoted securities	4,589,544	4,531,745
Investment in Bonds	3,418,000	2,000,000
	19,280,706	18,330,927

Bonds classified as Investments available for sale carry interest rate ranging from 4.75% to 6.5% per annum (2015: 4.75%) and mature in 10 years.

Movement during the year is as follows:

	Kuwaiti Dinars	
	2016	**2015**
Balance at the beginning of the year	18,330,927	18,488,514
Additions	1,418,000	2,000,000
Disposals	-	(1,125,016)
Impairment loss (Note - 21)	(25,500)	-
Change in fair value	(442,721)	(1,032,571)
Balance at the end of the year	19,280,706	18,330,927

Investments available for sale are denominated in the following currencies:

	Kuwaiti Dinars	
	2016	**2015**
Kuwaiti Dinar	17,837,507	17,795,432
US Dollar	940,702	32,998
Others	502,497	502,497
	19,280,706	18,330,927

Quoted shares with a fair value of KD 1,854,000 (2015 – KD 2,016,000) are under lien to the Ministry of Commerce and Industry.

Unquoted equity securities amounting KD 844,105 (2015 – KD 964,805) are carried at cost less impairment loss since their fair values cannot be reliably determined.

9. Subsidiary

The subsidiary WAPMED TPA Services Company – K.S.C.C is a closed Kuwaiti shareholding company incorporated in the state of Kuwait. The principal activity of the subsidiary is providing administrative and technical services to insurance companies and to manage and organize health insurance, evaluating the therapeutic services provided by the medical centers for the insured and issuing special cards for the policy holders. The Parent Company holds 54.57% (2015 – 54.57%) of its equity interest.

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

	Kuwaiti Dinars	
	2016	**2015**
Current assets	987,381	764,284
Non- current assets	113,306	121,929
Current liabilities	(376,585)	(113,269)
Non- current liabilities	(155,843)	(105,771)
Equity	568,259	667,173
Equity attributable to the Parent Company	310,099	364,076
Non-controlling interest	258,160	303,097
	568,259	667,173
Revenue	773,886	914,737
(Loss)/profit for the year	(98,914)	109,370
(Loss)/profit attributable to the Parent Company	(53,977)	59,523
(Loss)/profit attributable to the non-controlling interest	(44,937)	49,847
	(98,914)	109,370
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(98,914)	109,370
Net cash from/(used in) operating activities	217,883	(21,895)
Net cash (used in)/from investing activities	(154,684)	40,822
Net increase in cash and cash equivalents	63,199	18,927

10. Investment in associates

Investment in associates consists of the following:

Name of the associates	Principal activity	Country of incorporation	Ownership Percentage 2016	Ownership Percentage 2015
Ritaj Takaful Insurance Company - K.S.C.C.	Takaful insurance	Kuwait	25.1	25.1
Partners Real Estate Company – WLL	Real estate	Kuwait	40.5	40.5

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

Ritaj Takaful Insurance Company KSCC

	Kuwaiti Dinars 2016	Kuwaiti Dinars 2015
Current assets	6,266,216	4,133,118
Non- current assets	6,930,730	9,674,371
Current liabilities	(474,931)	(1,460,461)
Equity	12,722,015	12,347,028
Revenue	465,988	491,393
Profit for the year	321,431	292,674
Other comprehensive income/(loss) for the year	53,556	(63,455)
Total comprehensive income for the year	374,987	229,219

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

	Kuwaiti Dinars 2016	Kuwaiti Dinars 2015
Net assets of the associate	12,722,015	12,347,028
Proportion of the Group's ownership interest	25.1%	25.1%
Carrying amount of the Group's interest	3,193,225	3,099,104

Partners Real Estate Company - WLL

	Kuwaiti Dinars 2016	Kuwaiti Dinars 2015
Current assets	11,452	1,177,196
Non- current assets	6,372,345	4,822,804
Current liabilities	(86,103)	-
Equity	6,297,694	6,000,000
Revenue	324,041	-
Profit for the year	297,694	-

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

	Kuwaiti Dinars 2016	Kuwaiti Dinars 2015
Net assets of the associate	6,297,694	6,000,000
Proportion of the Group's ownership interest	40.5%	40.5%
Carrying amount of the Group's interest	2,550,566	2,430,000

The movement during the year is as follows:

	Kuwaiti Dinars	
	2016	**2015**
Balance at the beginning of the year	5,529,104	5,471,570
Group share of result of associates	201,245	73,461
Group share of other comprehensive income/(loss) from associate	13,442	(15,927)
Balance at the end of the year	5,743,791	5,529,104

11. Property and equipment

	Kuwaiti Dinars			
	Land and buildings	**Furniture and equipment**	**Computer**	**Total**
Cost				
At 31 December 2014	8,625,006	563,484	1,562,910	10,751,400
Additions	-	18,984	65,802	84,786
At 31 December 2015	8,625,006	582,468	1,628,712	10,836,186
Additions	-	24,183	56,922	81,105
At 31 December 2016	8,625,006	606,651	1,685,634	10,917,291
Accumulated depreciation				
At 31 December 2014	935,051	403,136	1,044,675	2,382,862
Charge for the year	141,409	50,655	132,169	324,233
At 31 December 2015	1,076,460	453,791	1,176,844	2,707,095
Charge for the year	141,384	47,274	125,149	313,807
At 31 December 2016	1,217,844	501,065	1,301,993	3,020,902
Net book value				
At 31 December 2016	7,407,162	105,586	383,641	7,896,389
At 31 December 2015	7,548,546	128,677	451,868	8,129,091

The Head office building and related land are under lien to the Ministry of Commerce and Industry for an amount of KD 2,955,780 (2015 - KD 2,955,780), to comply with local insurance regulations.

12. Bank overdraft

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

13. Accounts payable

	Kuwaiti Dinars	
	2016	**2015**
Trade payable	4,732,285	3,918,040
Due to related parties	107,428	104,723
	4,839,713	4,022,763

14. Insurance contract liabilities

	Kuwaiti Dinars	
	2016	**2015**
Reserve for outstanding claims	19,269,819	20,416,634
Reserve for unexpired risks	3,757,853	3,872,800
Reserve for life insurance fund	1,786,963	1,475,638
	24,814,635	25,765,072

The reserve for outstanding claims comprises of:

	Kuwaiti Dinars				
2016	**Marine and aviation**	**Fire**	**General accident**	**Life and medical**	**Total**
Reserve for outstanding claims:					
Gross balance at beginning of the year	1,144,830	4,015,811	10,316,479	4,939,514	20,416,634
Reinsurance share	(833,577)	(3,452,842)	(9,409,070)	(4,450,695)	(18,146,184)
Net balance at beginning of the year	311,253	562,969	907,409	488,819	2,270,450
Incurred during the year – net	290,413	100,668	4,441,122	6,972,583	11,804,786
Paid during the year – net	(306,269)	(149,938)	(4,161,719)	(6,858,954)	(11,476,880)
Net balance at end of the year	295,397	513,699	1,186,812	602,448	2,598,356
Represented by:					
Gross outstanding claims at end of the year	1,181,689	3,619,537	9,619,604	4,848,989	19,269,819
Reinsurance share	(886,292)	(3,105,838)	(8,432,792)	(4,246,541)	(16,671,463)
	295,397	513,699	1,186,812	602,448	2,598,356
Reserve for unexpired risks	71,845	182,048	1,853,953	1,650,007	3,757,853
2015					
Reserve for outstanding claims:					
Gross balance at beginning of the year	1,320,793	3,811,622	9,313,716	4,430,951	18,877,082
Reinsurance share	(971,321)	(3,198,983)	(6,996,338)	(4,115,431)	(15,282,073)
Net balance at beginning of the year	349,472	612,639	2,317,378	315,520	3,595,009
Incurred during the year – net	252,462	633,581	3,817,875	6,171,115	10,875,033
Paid during the year – net	(290,681)	(683,251)	(5,227,844)	(5,997,816)	(12,199,592)
Net balance at end of the year	311,253	562,969	907,409	488,819	2,270,450
Represented by:					
Gross outstanding claims at end of the year	1,144,830	4,015,811	10,316,479	4,939,514	20,416,634
Reinsurance share	(833,577)	(3,452,842)	(9,409,070)	(4,450,695)	(18,146,184)
	311,253	562,969	907,409	488,819	2,270,450
Reserve for unexpired risks	102,803	162,337	2,071,617	1,536,043	3,872,800

15. Insurance and reinsurance payables

	Kuwaiti Dinars	
	2016	**2015**
Unearned premiums	2,124,979	2,693,619
Insurance and reinsurance companies	1,146,440	2,908,082
Reserve for life insurance department	241,858	242,076
Reserve for reinsurance premiums ceded	33,139	42,544
Provision for supervision fees	211,616	211,326
	3,758,032	6,097,647

16. Other payables

	Kuwaiti Dinars	
	2016	**2015**
Provision for end of service indemnity	1,674,735	1,598,062
Dividends payable	1,121,971	1,106,433
Accrued staff leave	499,170	395,847
Accrued expenses	262,321	440,097
Kuwait Foundation for the Advancement of Science (KFAS) Payable	2,570	16,815
National labor support tax payable	10,517	47,442
Zakat payable	8,300	17,520
Board of Directors' remuneration payable	-	35,000
	3,579,584	3,657,216

17. Share capital

The authorized, issued, and fully paid-up share capital comprises of 172,788,740 shares of 100 fils each (2015 - 172,788,740 shares of 100 fils each) fully paid up in cash.

18. Treasury shares

	2016	2015
Number of shares	10,698,171	10,648,171
Percentage to paid-up shares (%)	6.19%	6.16%
Market value (KD)	1,059,119	1,086,113
Cost (KD)	1,275,970	1,270,570

The Parent Company's management has allotted an amount equal to treasury shares balance from the voluntary reserve as of the consolidated financial statement date. Such amount will not be available for distribution during the treasury shares holding period. Treasury shares are not pledged.

19. Statutory reserve

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

20. Voluntary reserve

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

21. Net investment income

	Kuwaiti Dinars	
	2016	2015
Interest income	255,135	136,341
Dividend income from available for sale investments	502,830	599,988
Dividend income from fair value through profit or loss investments	177,568	170,932
Realised gain from available for sale investments	-	291,077
Realised gain from fair value through profit or loss investments	98,940	14,986
Rental income	8,400	8,400
Unrealised gain/(loss) from fair value through profit or loss investments (Note - 5)	(200,537)	(158,969)
Impairment loss on available for sale investments (Note - 8)	(25,500)	-
Total	816,836	1,062,755
Disclosed in the consolidated statement of profit or loss as follows:		
Net investment income from non-life	719,214	987,099
Net investment income from life insurance	97,622	75,656
	816,836	1,062,755

22. General and administrative expenses

	Kuwaiti Dinars	
	2016	2015
Staff cost	3,708,272	3,406,279
Depreciation	298,455	308,833
Provision for doubtful debts (Note 6)	350,000	225,000
Other expenses	1,894,138	1,505,357
	6,250,865	5,445,469
Disclosed in the consolidated statement of profit or loss as follows:		
General and administrative expenses	5,487,198	4,709,964
Unallocated general and administrative expenses	763,667	735,505
	6,250,865	5,445,469

23. Insurance service expenses

	Kuwaiti Dinars	
	2016	2015
Staff cost	530,433	502,188
Depreciation	15,351	15,400
Other expenses	325,585	287,362
	871,369	804,950

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

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

25. National Labour Support Tax

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

26. Zakat

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

27. Earnings per share

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

	Kuwaiti Dinars	
	2016	2015
Profit for the year attributable to the Parent Company's shareholders	321,174	1,638,204
Number of shares outstanding:		
Number of issued shares at beginning of the year	172,788,740	172,788,740
Less: Weighted average number of treasury shares	(10,691,614)	(10,537,292)
Weighted average number of outstanding shares	(162,097,126)	162,251,448
Earnings per share (Fils)	1.98	10.10

28. Dividends

The Board of Directors' meeting held on 19 March 2017 recommended not to distribute cash dividends or bonus shares and no directors' remuneration be paid for the year ended 31 December 2016. This recommendation is subject to the approval of the Parent Company's Annual General Assembly.

The Parent Company's shareholders at their general assembly meeting held on 22 March 2016 approved the consolidated financial statements for the year ended 31 December 2015 and cash dividend of 10 fils per share (2014: 10 fils per share), for the year ended 31 December 2015 to all the registered shareholders as of the date of the meeting.

29. Segment information

The Group has four principal business segments:

- Marine and aviation

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

- Fire

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

- General accident

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

- Life and medical insurance

  Providing various life insurance cover for individuals and Companies.

Notes to the Consolidated Financial Statements - 31 December 2016

	Kuwaiti Dinars					
	Marine & aviation	Fire	General accidents	Total general risk insurance	Life and medical	Total
Year ended 31 December 2016						
Revenues:						
Gross premiums written	1,023,043	3,124,909	16,628,735	20,776,687	14,414,241	35,190,928
Premium ceded to reinsurers	(544,077)	(2,518,084)	(10,448,894)	(13,511,055)	(3,708,937)	(17,219,992)
Net premiums written	478,966	606,825	6,179,841	7,265,632	10,705,304	17,970,936
Movements in unearned premium reserve	30,958	(19,711)	217,664	228,911	-	228,911
Movements in life mathematical reserve	-	-	-	-	(425,289)	(425,289)
Net premiums earned	509,924	587,114	6,397,505	7,494,543	10,280,015	17,774,558
Commission received on ceded reinsurance	134,470	204,130	462,961	801,561	431,679	1,233,240
Policy issue fees	5,004	431	211,060	216,495	2,526	219,021
Net investment income from life insurance	-	-	-	-	97,622	97,622
	649,398	791,675	7,071,526	8,512,599	10,811,842	19,324,441
Expenses						
Net incurred claims	(290,413)	(100,668)	(4,441,122)	(4,832,203)	(6,972,583)	(11,804,786)
Commission and discounts	(92,128)	(80,043)	(619,204)	(791,375)	(1,065,701)	(1,857,076)
General and administrative expenses	(239,538)	(494,588)	(2,523,812)	(3,257,938)	(2,229,260)	(5,487,198)
	(622,079)	(675,299)	(7,584,138)	(8,881,516)	(10,267,544)	(19,149,060)
Net underwriting income	27,319	116,376	(512,612)	(368,917)	544,298	175,381
Net investment income from non-life insurance				719,214	-	719,214
Group's share of result from associates				201,245	-	201,245
Insurance service income				773,886	-	773,886
Other income				79,166	138	79,304
Foreign exchange loss				(9,669)	(11,601)	(21,270)
				1,394,925	532,835	1,927,760
Insurance service expenses				(871,369)	-	(871,369)
Unallocated general and administrative expenses				(763,667)	-	(763,667)
Profit for the year				(240,111)	532,835	292,724
Assets				66,708,444	15,873,039	82,581,483
Liabilities				26,214,883	12,830,804	39,045,687
Non-cash expenses				1,089,579	74,814	1,164,393
Capital expenditure				68,930	12,175	81,105

Notes to the Consolidated Financial Statements - 31 December 2016

Year ended 31 December 2015

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

Statement of financial position for life insurance segment

	Kuwaiti Dinars	
	2016	2015
ASSETS		
Cash and cash equivalents	2,717,889	828,397
Fixed deposits	1,189,000	1,189,000
Investments at fair value through profit or loss	-	1,061,158
Insurance and reinsurance receivables	7,114,226	6,996,058
Other receivables	552,291	193,244
Loans secured by life insurance policies	38,505	23,903
Reinsurance share in reserve for outstanding claims	4,246,541	4,450,695
Property and Equipment	14,587	7,357
Total assets	15,873,039	14,749,812
LIABILITIES AND HEAD OFFICE CURRENT ACCOUNT		
Insurance contract liabilities		
Reserve for outstanding claim	4,848,989	4,939,514
Reserve for unexpired risk	1,650,007	1,536,043
Reserve for life insurance fund	1,786,963	1,475,638
Total insurance contract liabilities	8,285,959	7,951,195
Accounts payable	2,090,903	2,054,477
Insurance and reinsurance payables	2,210,216	2,909,091
Other payables	243,726	256,851
Total liabilities	12,830,804	13,171,614
Head office current account	3,042,235	1,578,198
Total liabilities and H.O current account	15,873,039	14,749,812

30. Related party disclosures

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

Balances included in the consolidated statement of financial position:

	Kuwaiti Dinars	
	2016	2015
Insurance activities		
Insurance services receivable	2,655,461	1,965,054
Other receivables	200,000	-
Insurance services payable	107,428	104,723
Investment activities		
Investments at fair value through profit or loss	14,420	15,680
Investments available for sale	8,363,193	8,944,226
Deposits and bank balances	5,330,565	6,685,415

Transactions included in the consolidated statement of profit or loss:

	Kuwaiti Dinars	
	2016	2015
Premiums written	302,653	402,227
Dividend income	274,377	273,747
Compensation to key management personnel		
Short term employee benefits	292,548	302,625
Post-employment benefits	35,014	9,727
Board of Director's remuneration	-	35,000
	327,562	347,352

31. Capital commitments and contingent liabilities

	Kuwaiti Dinars	
	2016	**2015**
Letter of guarantee for others	1,504,000	1,002,000
Capital commitments	536,868	984,769

32. Insurance Risk Management

Insurance risk

The principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group manages the insurance risk through the careful selection and implementation of its underwriting strategy guidelines together with the adequate reinsurance arrangements and proactive claims handling.

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

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

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

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

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

Sensitivities

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

At 31 December 2016, if the key assumptions for insurance claims had been 10% higher/lower with all other assumptions held constant, profit for the year would be lower/ higher by KD 1,180,478 (31 December 2015: KD 1,087,503).

33. Financial risk management

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

Governance framework

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

Asset Liability Management (ALM) framework

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

Financial risk

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

(a) Market risk

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

(i) *Foreign exchange risk*

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

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

	Kuwaiti Dinars	
Year	**Impact on the consolidated statement of profit or loss**	**Impact on the consolidated statement of profit or loss and other comprehensive income**
2016		
US Dollar	± 261,905	± 47,035
2015		
US Dollar	± 344,182	± 1,650

(ii) Interest rate risk

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

(iii) Equity price risk

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

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

As at 31 December 2016, 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 78,855 (2015 – KD 91,225) and comprehensive income would have increased/ decreased by KD 329,910 (2015 – KD 356,522) and in addition if the Bahrain Stock Exchange index had increased/ decreased by 5% comprehensive income would have increased/ decreased by KD 232,613 (2015 – KD 231,786).

(b) Credit risk

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

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

	Kuwaiti Dinars	
	2016	**2015**
Cash equivalents	4,693,584	4,505,901
Fixed deposits with banks	6,865,250	6,007,000
Investments at fair value through profit or loss - Bonds	1,053,479	1,011,349
Insurance and other receivables	14,449,231	16,861,959
Other receivables	3,101,382	2,163,425
Loans secured by life insurance policies	38,505	23,903
Reinsurance share in reserve for outstanding claims	16,671,463	18,146,184
Investments available for sale - Bonds	3,440,702	2,000,000
	50,313,596	50,719,721

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

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

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

(c) Liquidity risk

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

Maturity table for financial liabilities:

	Kuwaiti Dinars		
	3 – 12 months	**1 – 5 Years**	**Total**
2016			
Bank overdraft	2,053,723	-	2,053,723
Accounts payable	1,693,900	3,145,813	4,839,713
Insurance and reinsurance payables	1,895,203	1,862,829	3,758,032
Other credit balances	584,649	2,994,935	3,579,584
	6,227,475	8,003,577	14,231,052
2015			
Accounts payable	1,407,967	2,614,796	4,022,763
Insurance and reinsurance payables	3,273,245	2,824,402	6,097,647
Other credit balances	833,321	2,823,895	3,657,216
	5,514,533	8,263,093	13,777,626

34. Capital Risk Management

The Group's objectives when managing capital are:

To ensure adequate funds are available to underwrite risks and maintain investor, creditor and market conditions;

To make available funds for future development of the business;

To safeguard the Group's ability to continue as a going concern so that it can continue to operate;

To provide adequate return to shareholders and benefits to its other shareholders.

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

Furthermore in order to protect against the impact of large claims and catastrophes, the Parent Company is required under law to maintain technical reserves depending on the exposure to various types of underwriting exposures. The details of this reserve are given in note 14.

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

Regulatory framework

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

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

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

- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.

The funds retained in Kuwait should be invested as follows:

- A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
- A maximum of 25% may be invested in foreign securities
- A maximum of 30% may be invested in Kuwaiti companies' shares or bonds
- A maximum of 15% may be invested in a current account with a bank operating in Kuwait

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

35. Fair value measurement

Fair value

As at 31 December 2016, the Group held the following financial instruments measured at fair value.

	Kuwaiti Dinars			
	Level 1	Level 2	Level 3	Total
2016				
Investment at fair value though profit or loss	2,749,293	-	-	2,749,293
Investment available for sale	11,273,162	3,418,000	3,745,440	18,436,602
Total	14,022,455	3,418,000	3,745,440	21,185,895
2015				
Investment at fair value though profit or loss	5,072,144	-	-	5,072,144
Investment available for sale	11,799,182	2,000,000	3,566,940	17,366,122
Total	16,871,326	2,000,000	3,566,940	22,438,266

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

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

During the years 2016 and 2015 there were no transfers between Level 1, Level 2 and Level 3.

36. Change in accounting policy

As disclosed in note 2.2.b, the Group has voluntarily changed its accounting policy for commission expense by treating as a deferred acquisition cost and recognizing it as an intangible asset as disclosed in note 2.8. The Group has recognized the resultant amount of KD 588,000 in assets as deferred acquisition costs. The Group has applied this change prospectively from the start of the current year. Had the Group accounted for it retrospectively, the profits for the years 2016 and 2015 would be lower by KD 772,000 and KD 89,000 respectively and opening retained earnings as of 1 January 2015 higher by KD 861,000.