AL AHLEIA INSURANCE CO. S.A.K.P.

ANNUAL REPORT

2013

AL AHLEIA INSURANCE CO. S.A.K.P.

Established in Kuwait on 12th June 1962
By virtue of Amiri Decree No. 37

Authorized and Paid Up Capital KD. 20,000,000
Commercial Register No. 9389
Insurance License No. 3

Registered in accordance with the Insurance
Companies and Agents Law No. 24 for 1961

H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT

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

BOARD OF DIRECTORS

Mr. Sulaiman Hamad Mohammed Al-Dalali
CHAIRMAN & MANAGING DIRECTOR

Mr. Ayman Abdullatif Ali Al-Shayea
VICE CHAIRMAN

Mr. Abdullah Mohammed Abdullah Al-Saad
DIRECTOR

Mr. Abdul Aziz Abdul Razzaq Al-Jassar
DIRECTOR

Mr. Emad Mohammed Abdul Rahman Al-Bahar
DIRECTOR

Mr. Emad Jassem Hamad Al-Sager
DIRECTOR

Mr. Ahmad Yousef Ibrahim Al-Ghanem
DIRECTOR

Mr. Adel Mohammed Ahmed Al-Ghanam
DIRECTOR

Mr. Abdul Mouhsen Jassem Mohammed Al-Kharafi
DIRECTOR

MANAGEMENT

Mr. Jamal Y. Al-Houlli
DEPUTY GENERAL MANAGER - MOTOR DEPT.

Mr. Jawad R. Saleh
DEPUTY GENERAL MANAGER - LIFE & HEALTH DEPT.

Mr. Mohammed A. Al-Sa'ad
DEPUTY GENERAL MANAGER - SUPPORTING DEPT.

Mr. Ghazi A. Al-Roumi
DEPUTY GENERAL MANAGER - PRODUCTION & BRANCHES DEPT.

Mr. Mohammed A. Samour
DEPUTY GENERAL MANAGER - MARINE & AVIATION DEPT.

Mr. Dawoud S. Al-Duwaisan
DEPUTY GENERAL MANAGER - FIRE & GENERAL ACCIDENT DEPT.

Dr. Fayeq H. Tawdros
ACTUARY

SISTER COMPANIES

Kuwait Reinsurance Co. K.S.C.P.

P.O.Box 21929, Al Safat 13080, Kuwait
Tel.: (965) 22432011/2 - Fax: (965) 22427823
E-mail: kuwaitre@ kuwaitre.com
www.kuwaitre.com

Trade Union Insurance Co. E.C.

P.O.Box 2211, Manama, Bahrain
Tel.: (973) 17506555
Fax: (973) 17100013

Burgan Insurance Company S.A.L.

(Formerly Arab Life Insurance Company S.A.L.)
E-mail: burgan@burgan-ins.com
www.burgan-ins.com

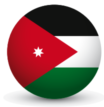
Beirut Branch
P.O.Box 11-7338 Riyad Al-Suluh,
Beirut 11072240, Lebanon
Tel.: (9611) 751851
Fax: (9611) 742569

Bhamdoon Branch
Tel.: (9615) 260300
Fax: (9615) 260311

Al-Brajna Tower Branch
Tel.: (9611) 451365

Tripoli Branch
P.O.Box: 206, Lebanon
Tel.: (9616) 627641
Fax: (9616) 441251

Saydah Branch
P.O.Box 969, Lebanon
Tel.: (9617) 728453
Fax: (9617) 728454



Arab Life & Accident Insurance Co. P.S.C.

P.O.Box 925250, Amman 11190, Jordan
Tel.: (9626) 5693180/7 - Fax: (9626) 5693188
E-mail: ala@wanadoo.jo
www.arab-insurance.com.jo

Al-Watania Insurance Co. Y.S.C.

Head Office - Sana'a, Yemen
P.O.Box 15497
Tel.: (9671) 272713/874
Fax: (9671) 272924
www.alwataniains.com

Iraq International Insurance Co. S.A.

Iraq - Baghdad, Al Karada Al Sharkya,
Babil Neighborhood,
District No. 925
Tel.: (9647) 904277242
E-mail: aliraqintins@yahoo.com

HEAD OFFICE & BRANCHES

HEAD OFFICE

Ahmad Al-Jaber Street, Al-Sharq, Kuwait
P.O.Box 1602 Safat, Postal Code 13017
Cable: Al-Ahleia
Tel.: (965) 1888444 - Fax: (965) 22430308 - 22411330
E-mail: aic@alahleia.com - www.alahleia.com

Shuwaikh Branch
Banks Street, Shuwaikh - Tel./Fax: 24832183

Sabhan Branch
Near Banks Group, Sabhan - Tel./Fax : 24748239

Hawalli Branch
Tunis street, Al-Rehab Complex, Hawalli - Tel./Fax: 22642157

Al-Soor Branch
Al-Soor Street, Mounzer Tower, Al-Salheiah - Tel./Fax: 22440350

Technical Testing Branch
Kuwait Motoring Co. - Tel./Fax: 24834400

Fahaheel Branch
Al-Daboos Street, Naif Al-Daboos Complex - Tel./Fax: 23910393

Salmiya Branch
Salem Al-Mubarak Street, Salmiya - Tel.: 25733380 - Fax: 25747042

Al-Jewan Branch
Al-Jewan Area, Ministry of Defence Co-op. - Tel./Fax: 24992481

Citizen Services Branch
Sabhan - Tel.: 24710989 - Fax: 24710897

BANKERS

IN KUWAIT

National Bank of Kuwait S.A.K.P.
Commercial Bank of Kuwait S.A.K.P.
Gulf Bank K.S.C.P.
Al-Ahli Bank of Kuwait S.A.K.P.
Ahli United Bank S.A.K.P.
Kuwait International Bank S.A.K.P.
Burgan Bank S.A.K.P.
Kuwait Finance House K.S.C.P.
Bank of Bahrain and Kuwait S.A.B
Warba Bank K.S.C.P.

ABROAD

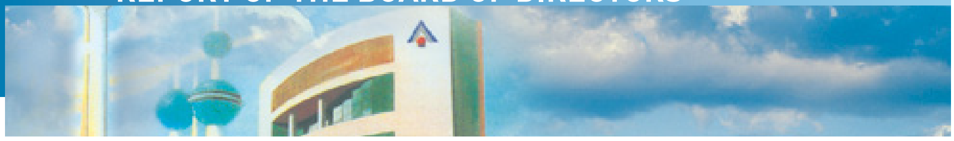
Ahli United Bank (UK) PLC, London
Arab African International Bank, Cairo
Bank Audi, Beirut

AGENDA

FOR THE FIFTIETH MEETING OF THE ANNUAL ORDINARY GENERAL ASSEMBLY

1. Listening to the Board of Directors' Report for the Financial year ending 31 December 2013 and approving the same.
2. Listening to the Auditors' Report for the Financial year ending 31 December 2013 and approving the same.
3. Discussing the General Balance Sheet and the Statement of Profit and Loss for the Financial year ending 31 December 2013 and approving the same.
4. Approving dealing with related parties.
5. Approving the proposal of distributing cash Dividends of KD. 6,272,438 to the Shareholders at 32% of the paid up capital i.e. thirty two fils per share, for the Shareholders of the Company as of the date of General Assembly's meeting, to be distributed within ten days from the date of the General Assembly meeting.
6. Approving discounting the sum of K.D 500,000 at 4.95% from the profit of the Financial year ending 31 December 2013 and to be added to the Special Voluntary Reserve.
7. Approving the proposal of the Board of directors for distributing KD. 180,000 a remuneration to the Members of the Board of Directors for the Financial year ending 31 December 2013.
8. Authorizing the Board of Directors to purchase or sell shared of the company at a percentage not exceeding 10% of the total number of the Company's shares as per the Article No. 25 of year 2012 as well as the instructions of the Capital Markets Authority No. (H.A.M/K.T.A/T.SH/6/2013) regarding organizing purchase of the Shareholders Companies to their own shares (Treasury Shares) and how to use and dispose the same.
9. Releasing the members of the Board of Directors of all matters relevant to their actions for the Financial year ending 31 December 2013.
10. Appointing or re-appointment of Auditors for the Financial year 2014, and Authorizing the Board of Directors to determine their remuneration.
11. Election of the Directors for the Board for the next three years.

REPORT OF THE BOARD OF DIRECTORS



Al Ahleia Insurance Company S.A.K.P.
Report of the Board of Directors

Submitted to the Shareholders during the 50th meeting of the Ordinary General Assembly at the Company's Head Office on Tuesday 8/4/2014 at 11:30 a.m.

Dear Shareholders,
It gives me and my fellow members of your Company's Board of Directors the pleasure to welcome you in our annual ordinary meeting and to present to you our brief report on the Company's activities during the year 2013. The Company is still continuing in success since 1962 as the Company was able to achieve a continuous and consistent returns to its Shareholders.

The Company achieved positive results in 2013 realizing a net profit of KD. 9,506,097 after amortizing unrealized losses in the profits and losses account of KD. 1,440,126 compared to profits of KD. 8,499,070 in 2012. The positive results achieved during the year positively reflect the success of the Company in overcoming challenges.

The Company's strategy has aimed at focusing on the quality of business and insurance services provided with securing maximum protection for the Company. Also, the Company management believes that corporate governance has become an essential means to improve performance to the highest degree while mitigating risks to minimal and safeguard the interests and rights of shareholders and policyholders by developing its governance framework according to the highest standards established by leading professional authorities and regulatory entities also the governance framework under consistently periodic review by the Board of Directors of the Company.

Success of the company is reflected in profitability ratios achieved based on the capital and the quality of assets which amount 159.3 million kuwaiti dinar (2012 – 158.9 million kuwaiti dinar) and strategy which reflect the effectiveness of risk management and corporate governance standards applied by the Company that protect it always from deterioration some economic markets inflicted many companies and shows that in all other financial indicators for Al-Ahleia average return on assets 6% and return on equity 10.3%.

In doing so, the company relied on diversification of revenues and extending its wide network insurance coverage regionally, as well as offering new insurance products. This has resulted in achieving recorded results, and continued to strengthen the company's provision in order to reinforce its position both locally and regionally.

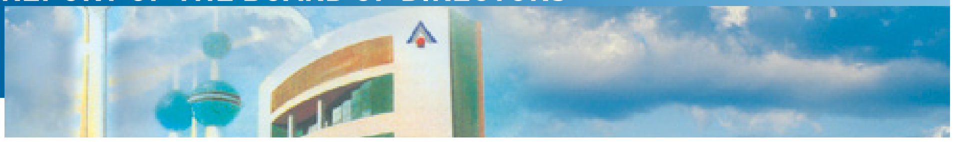
To present to you our brief report on the Company's activities during the year 2013, touching on the events that affected the insurance market in general and the performance of our Company in particular.

International insurance market witnessed stability in 2013, after gradual improvement that has occurred in 2012 the Company was able to renew its reinsurance renewals with large capacity and more features as result of its positive results over the past years.

Your Company have proved serious in their transactions through proper underwriting and increase participation in the result by raising the limits of their retention, such action being within your Company's strategies as shown in attached schedules and compared with result of previous years.

It is technically and statistically known that in order to increase retention without subjecting the financial position of the Company to any fluctuations, a larger number homogeneous risks should be relied on, which is our objective for reliance on the theory of probabilities.

REPORT OF THE BOARD OF DIRECTORS



The policy of regional expansion also helped promote and improve our risk profile through continuous efforts to increase personal insurances in addition to obtaining huge commercial and industrial insurances, of which shares can be exchanged with sister and co-insurance companies. Consequently, this would lead to the increasing of retentions. Beside the present sister companies in Jordan, Lebanon, Saudi Arabia, Egypt, Yemen and Iraq whose particulars are included in this report. The Top Management is working on a feasibility study of other Arab markets in preparation for increasing its expansion to achieve this general strategic objective.

Your Company continued to pursue its policy of attracting young promising Kuwaiti Nationals and encourage them to study and train in insurance, locally and abroad and assign to responsibilities that fit with their level of education and practice.

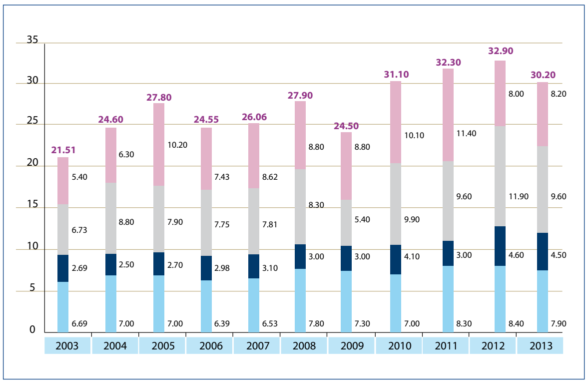
This would achieve job stability in the long run. In addition to the Company's efforts in expanding through new fields of traditional insurance and its concern with strengthening the management of branches and the marketing department, the development of inward reinsurance falls within its strategies and goals.

The figures below show that your Company has continued to reinforce capital and technical reserves to guarantee the success of its ambitions and achieve the other different objectives without being subject to any fluctuations in the future results and to fortify the foundations for growth and development.

The year 2013 was closed with the following information:

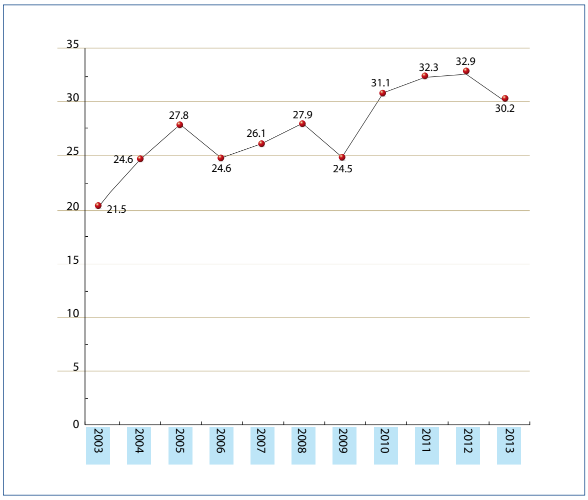
FIRST: INSURANCE ACTIVITIES

The gross annual production amounted to KD. 30.2 million against KD. 32.9 million in 2012 i.e. a decrease at the rate of 8.2%. The net technical return on insurance premiums totaled KD. 6 million (KD. 6.1 million in 2012).



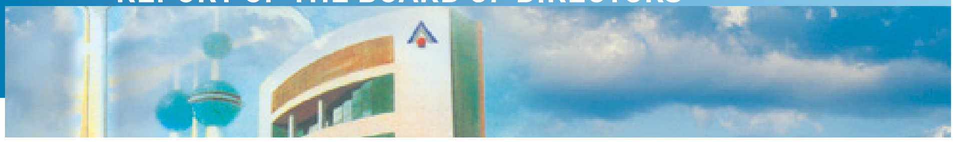
Gross Written Premiums
(in million KD)

Life & Health
G.A (Incl. Motor)
Fire
Marine & Aviation



Insurance Activity
(in million KD)

REPORT OF THE BOARD OF DIRECTORS



Here in after is a detailed summary of these aggregates:

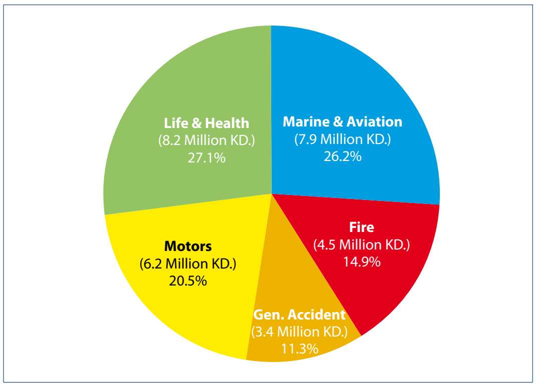
General Accident (Non-Life business):
Gross written premiums amounted to KD. 22,007,934 against KD. 24,865,488 in 2012, i.e. a decrease of KD. 2,857,554 at the rate of 11.5%. The profit of these departments totaled KD. 4,334,618 as against KD. 4,632,126 in 2012.

The Marine & Aviation business produced a net profit of KD. 1,978,675 as against KD. 2,534,695 in 2012, the General Accident (which includes Motor) ended with a net profit of KD. 1,659,750 as against net profit of KD. 1,569,597 in 2012 and the Fire KD. 696,193 against KD. 527,834 in 2012.

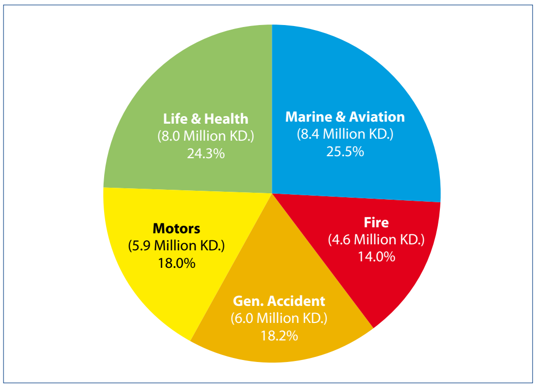
Life & Health Insurances:
Total premium income amounted to KD. 8,222,062 against KD. 8,010,180 in 2012, an increase of KD. 211,882 at the rate of 2.6%. The net profit amounted to KD. 1,650,574 against profit of KD. 1,452,695 in 2012, after reassessment of the Mathematical Reserve by the Company's Actuary and after increasing the same by KD. 442,000 to reach KD. 4,218,000 against KD. 3,776,000 in 2012. The Company's investment in life and health insurance made profits of KD. 202,278 against KD. 148,751 in 2012.

SECOND: OVERSEAS BUSINESS RUN-OFF
We continued following up the results of the Company's underwriting agreements under the overseas long-tail business and settling the parts maturing during the present financial year in a manner similar to what was followed in the previous years.

Apply the time bar limitation by the overseas and long tail business committee led to a sharp decline in outstanding claims.

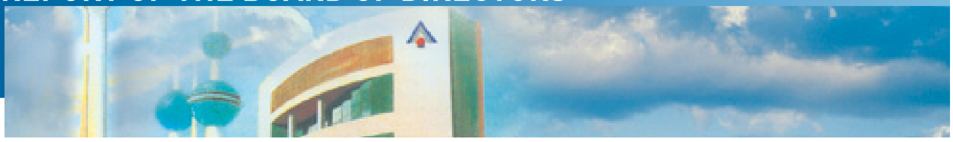


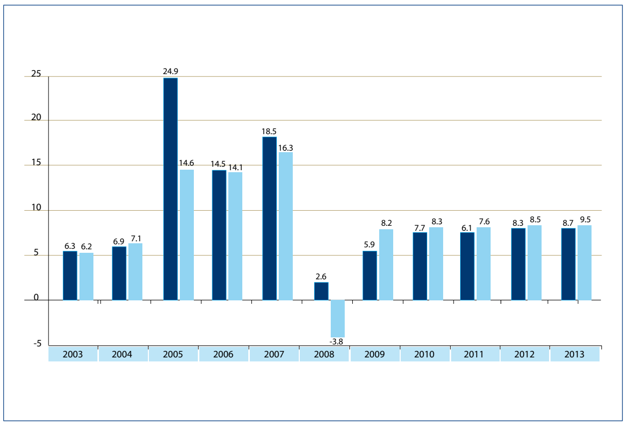
Source of Written Premiums 2013



Source of Written Premiums 2012

REPORT OF THE BOARD OF DIRECTORS

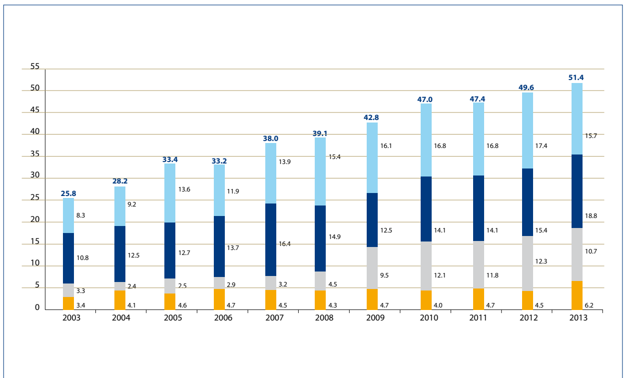




Growth of Recognized Net Profit & Unrecognized Profit in Shareholders' Equity
(in million KD)

Recognized Net Profit

Unrecognized Profit in Shareholders' Equity



Technical Reserves
(Unearned Premiums, Additional, Mathematical & Outstanding Claims Reserves)
(in million KD)

Life & Health

Fire

G.A (Incl. Motor)

Marine & Aviation

THIRD: INVESTMENTS ACTIVITIES

The Kuwaiti economy depends on the stability of oil prices, if oil price ranged between 103-105 U.S. Dollars a barrel in the financial year 2013-2014 it achieves a surplus in Kuwait budget about 12 billion KD. approximately.

The total spending that is expected in the next financial year about 21.9 billion KD. and is expected to achieve a surplus of 11.7 billion KD. before deducting the allowances reserve fund for future generations and is considered the sixteenth surplus in budget of Kuwait respectively.

Inflation rate in Kuwait 2.7 % in 2013, its lowest level in nine years.

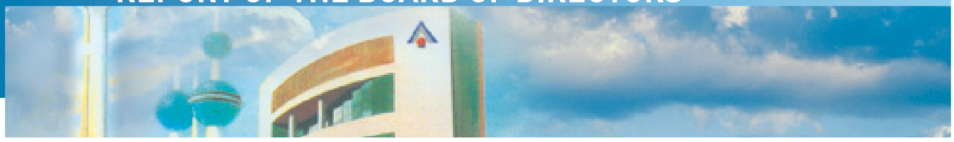
The investment of the Company in 2013 made a profit of KD. 3,980,745 after amortization of KD. 1,440,126 in the profit and loss account as unrealized losses (Impairment) of the Company's investments, against profit of KD. 3,522,416 in 2012 in addition to recording KD. 8,728,263 as unrealized profits in equity.

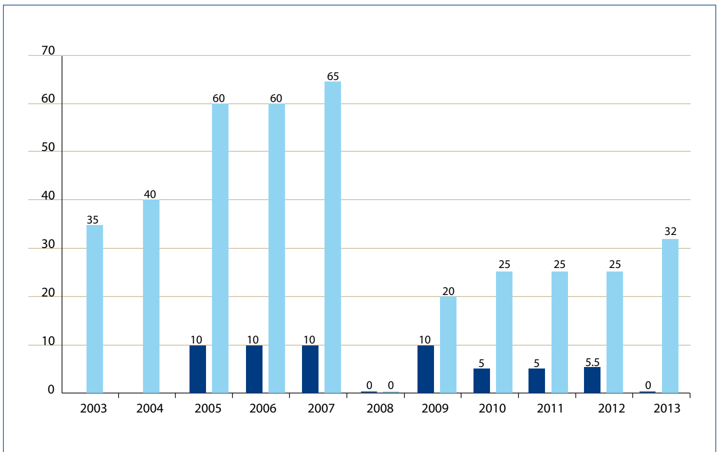
FOURTH: PROFIT & LOSS ACCOUNT

The result of the Company's operations from both insurance and investments activities, after deducting the reserves, provisions and various items usually charged to the profit and loss account, indicates that the activities for the year have yielded a net profit of KD 9,506,097 against profit of KD. 8,499,070 in 2012.

By adding profit brought forward from the previous year of KD. 9,405,298 the gross profit allowable for distribution amounts to KD. 18,911,395 compared to KD. 17,398,178 for the year 2012.

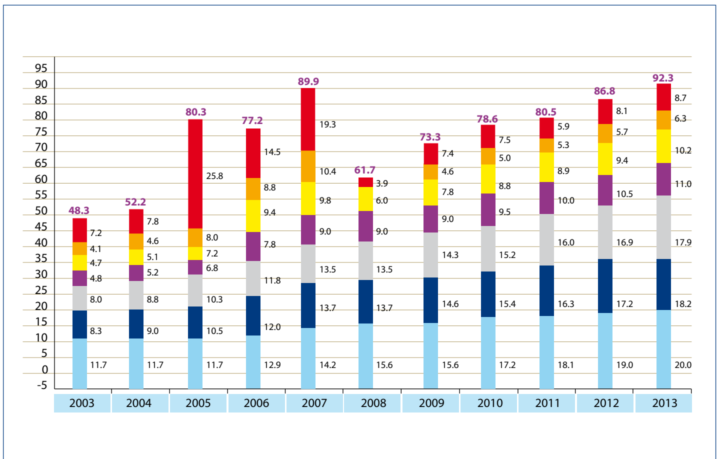
REPORT OF THE BOARD OF DIRECTORS





Cash Dividends & Bonus Share

- Cash Dividends (Fils)
- Bonus Shares (%)



Shareholders Equity - the value of Bonus Shares is not deducted (in million KD)

- The Fair Value & Treasury Profit
- Proposed Dividend
- Retained Earnings
- Voluntary Reserve
- General Reserve
- Statutory Reserve
- Capital

The Board of Directors of your Company recommends to deduct the amount of KD. 1,009,104 i.e. 10% of this year profit and add it to the Statutory Reserve, KD. 1,009,104 i.e. another 10% to the General Reserve, discounting the sum of KD. 500,000 From the year's profit to be added to the Special Voluntary Reserve and an amount of KD. 95,344 for Kuwait Foundation for the Advancement of Sciences representing the 1% earmarked year's profit as legally determined, and an amount of KD. 221,145 to support the National Workforce and an amount of KD. 88,458 to Zakat Tax. The Board of Directors also recommends the distribution of the sum of KD. 6,272,438 to the Shareholders of the Company on the Paid-up Capital at the rate of 32%, i.e. thirty two fils per share.

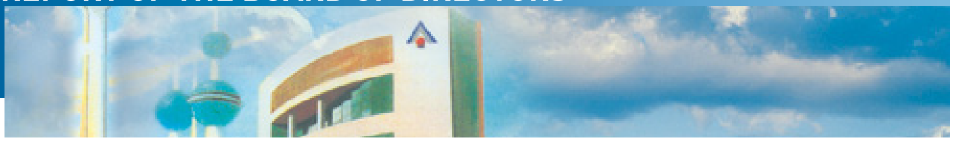
The Board of Directors also suggests to allocate KD. 180,000 as Directors remuneration for the fiscal year ending 31/12/2013 and to carry forward the remaining net profit of KD. 715,452 to the next year.

On the basis of all the foregoing, the Statutory Reserve shall become KD.18,171,431 the General Reserve KD. 17,931,906, the Special Voluntary Reserve KD. 11,000,000 and the profits carried forward to the next year KD. 10,120,749 beside the additional technical reserves in the various insurance branches reaching KD. 6,700,000.

FIFTH: BOARD OF DIRECTORS' AUTHORIZATION TO PURCHASE OR SELL THE COMPANY'S SHARES

The Board of Directors recommends authorizing it to purchase or sell the Company's shares, such purchase to be limited to 10% of the number of shares, in accordance with article No. 175 of the law No. 25 of year 2012.

REPORT OF THE BOARD OF DIRECTORS



SIXTH: GRATITUDE AND APPRECIATION

In concluding our report we extend our appreciation and gratitude to H.H. the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, as the ruler of Kuwait for his leadership and noble prudence and H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Crown prince, and appeal to Almighty God to support them in continuing their efforts for the advancement and prosperity of the State of Kuwait, reinforcing the Kuwaiti economy, supporting national companies and providing comprehensive patronage for the citizens of their Country and to their nation for a more constructive and prosperous future, and we pray the Almighty God to bless them with strength and good health.

We would like also to express our thanks to the Ministry of Commerce and Industry, represented by the Administration of Insurance Companies, for their attention and understanding of the local market circumstances. Our thanks is also extended to the Ministry of Interior represented by the Traffic Department for their continuous efforts to control the roads and develop the compulsory motor insurance.

As well, we extend a special gratitude to the Company's valuable Shareholders and clients for their continuous trust and support. Our appreciation and gratitude also goes to our Reinsurer's for their support and prompt reaction to our legitimate needs.

On this occasion, the Board of Director s would like to place on record their appreciation for the great efforts and full devotion of the Company's management on all administrative and technical levels, as well as the employees, which leads towards Company progress and prosperity in a unique family environment and team work so as to offer the best.

We conclude this annual report by appealing to God Almighty to provide us the blessing of security and stability.

May His peace, mercy and blessings be with you always.

Sulaiman Hamad M. Al-Dalali
Chairman And Managing Director

FINANCIAL STATEMENTS

Contents

AUDITORS' REPORT

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-21st Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel. : +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Abdullatif Al-Majid & Co.
Allied Accountants
Certified Public Accountants - Expert

P.O. Box 5506 safat- 13056 Kuwait
Tel: 22432082/3/4 - Fax: 22402640
E-mail: mail.kw@parkerrandall.com

Independent Auditors' Report to the Shareholders of Al-Ahleia Insurance Company S.A.K.P.

Report on the Financial Statements

We have audited the accompanying financial statements of Al-Ahleia Insurance Company S.A.K.P. (the "Company"), which comprise the statement of financial position as at 31 December 2013, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's board of directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, as amended, and by the Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, as amended or of the Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Company or on its financial position.

Waleed A. Al Osaimi
Licence No. 68 A
EY
Al-Aiban, Al-Osaimi & Partners

Abdullatif A. H. Al-Majid
(Licence No. 70 A)
of Parker Randall
(Allied Accountants)

5 March 2014
Kuwait

INCOME STATEMENT
For the year ended 31 December 2013

	Notes	*2013* *KD*	*2012* *KD*
Revenue:			
Gross premiums		**30,229,996**	32,875,668
Premiums ceded to reinsurers		**(16,875,350)**	(19,846,333)
Net premiums		**13,354,646**	13,029,335
Movement in unearned premiums		**(330,279)**	(717,387)
Net premiums earned		**13,024,367**	12,311,948
Commission income on ceded reinsurance		**6,323,471**	5,549,012
Policy issuance fees		**619,784**	565,529
Net investment income	3	**3,980,745**	3,522,416
Other income		**863,995**	300,086
Total revenue		**24,812,362**	22,248,991
Expenses:			
Claims incurred	9	**(7,027,581)**	(6,298,981)
Commissions		**(3,751,181)**	(2,907,397)
Movement in life mathematical reserve		**(442,000)**	(335,100)
Maturity and cancellations of life insurance policies		**(186,017)**	(176,516)
Administrative expenses		**(3,314,539)**	(3,492,622)
Total expenses		**(14,721,318)**	(13,210,616)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND DIRECTORS' FEES		**10,091,044**	9,038,375
Contribution to KFAS		**(95,344)**	(82,746)
NLST		**(221,145)**	(197,542)
Zakat		**(88,458)**	(79,017)
Directors' fees	12	**(180,000)**	(180,000)
PROFIT FOR THE YEAR		**9,506,097**	8,499,070
BASIC AND DILUTED EARNINGS PER SHARE	4	**48.54 fils**	43.43 fils

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	***2013 KD***	*2012 KD*
Profit for the year		**9,506,097**	8,499,070
Other comprehensive income:			
Other comprehensive income to be reclassified to the income statement in subsequent period :			
Financial assets available for sale:			
Net change in fair values		**817,787**	1,796,545
Transferred to income statement on sale	3	**(1,698,876)**	(803,617)
Impairment loss transferred to income statement	3	**1,440,126**	1,076,633
		559,037	2,069,561
Share of other comprehensive (loss) income of associates	6	**(84,934)**	78,738
Foreign currency translation adjustment	6	**45,942**	15,932
TOTAL OTHER COMPERHENSIVE INCOME FOR THE YEAR		**520,045**	2,164,231
TOTAL COMPERHENSIVE INCOME FOR THE YEAR		**10,026,142**	10,663,301

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	*2013* KD	*2012* KD
ASSETS			
Property and equipment	5	**2,805,026**	2,938,055
Investment in associates	6	**16,449,296**	15,349,179
Financial assets available for sale	7	**72,890,578**	74,708,867
Loans secured by life insurance policyholders		**155,088**	180,358
Premiums and insurance receivables	8	**11,790,946**	10,138,232
Reinsurance recoverable on outstanding claims	9	**27,186,890**	26,827,941
Other debit balances	10	**2,374,254**	2,105,022
Fixed deposits	11	**25,135,948**	20,164,630
Bank balances and cash		**558,219**	6,514,831
TOTAL ASSETS		**159,346,245**	158,927,115
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**20,000,000**	18,953,248
Statutory reserve	13	**18,171,431**	17,162,327
General reserve	13	**17,931,906**	16,922,802
Special voluntary reserve	13	**11,000,000**	10,500,000
Treasury shares	14	**(1,478,157)**	(1,579,956)
Treasury shares reserve		**1,414,775**	1,385,068
Cumulative changes in fair values reserve		**8,728,263**	8,254,160
Foreign currency translation reserve		**135,856**	89,914
Retained earnings		**16,393,187**	15,090,504
Total equity		**92,297,261**	86,778,067
LIABILITIES			
Liabilities arising from insurance contracts:			
Outstanding claims reserve	9	**35,948,524**	34,910,977
Unearned premiums reserve	9	**4,519,561**	4,189,282
Life mathematical reserve	9	**4,218,000**	3,776,000
Incurred but not reported reserve	9	**6,700,000**	6,700,000
Total liabilities arising from insurance contracts		**51,386,085**	49,576,259
Insurance payables	15	**9,119,457**	15,278,281
Other credit balances	16	**6,458,356**	6,883,574
Premiums received in advance		**85,086**	410,934
Total liabilities		**67,048,984**	72,149,048
TOTAL EQUITY AND LIABILITIES		**159,346,245**	158,927,115

Sulaiman Hamad M. Al-Dalali
Chairman And Managing Director

Ayman Abdullatif A. Al-Shayea
Vice Chairman

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Share capital KD	Statutory reserve KD	General reserve KD	Special voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair values reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total equity KD
Balance at 1 January 2013	18,953,248	17,162,327	16,922,802	10,500,000	(1,579,956)	1,385,068	8,254,160	89,914	15,090,504	86,778,067
Profit for the year	-	-	-	-	-	-	-	-	9,506,097	9,506,097
Other comprehensive income for the year	-	-	-	-	-	-	474,103	45,942	-	520,045
Total comprehensive income for the year	-	-	-	-	-	-	474,103	45,942	9,506,097	10,026,142
Issue of bonus shares (Note 12)	1,046,752	-	-	-	-	-	-	-	(1,046,752)	-
Cash dividend (Note 12)	-	-	-	-	-	-	-	-	(4,638,454)	(4,638,454)
Sale of treasury shares	-	-	-	-	101,799	29,707	-	-	-	131,506
Transfer to reserves	-	1,009,104	1,009,104	500,000	-	-	-	-	(2,518,208)	-
At 31 December 2013	**20,000,000**	**18,171,431**	**17,931,906**	**11,000,000**	**(1,478,157)**	**1,414,775**	**8,728,263**	**135,856**	**16,393,187**	**92,297,261**
Balance at 1 January 2012	18,050,713	16,258,490	16,018,965	10,000,000	(1,642,331)	1,369,420	6,105,861	73,982	14,217,231	80,452,331
Profit for the year	-	-	-	-	-	-	-	-	8,499,070	8,499,070
Other comprehensive income for the year	-	-	-	-	-	-	2,148,299	15,932	-	2,164,231
Total comprehensive income for the year	-	-	-	-	-	-	2,148,299	15,932	8,499,070	10,663,301
Issue of bonus shares (Note 12)	902,535	-	-	-	-	-	-	-	(902,535)	-
Cash dividend (Note 12)	-	-	-	-	-	-	-	-	(4,415,588)	(4,415,588)
Purchase of treasury shares	-	-	-	-	(16,578)	-	-	-	-	(16,578)
Sale of treasury shares	-	-	-	-	78,953	15,648	-	-	-	94,601
Transfer to reserves	-	903,837	903,837	500,000	-	-	-	-	(2,307,674)	-
At 31 December 2012	18,953,248	17,162,327	16,922,802	10,500,000	(1,579,956)	1,385,068	8,254,160	89,914	15,090,504	86,778,067

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	*2013* *KD*	*2012* *KD*
OPERATING ACTIVITIES			
Profit for the year		**9,506,097**	8,499,070
Adjustments to reconcile profit for the period to net cash flows for:			
Share of results of associates	3	**(1,135,413)**	(1,598,328)
Gain on sale of financial assets available for sale	3	**(1,698,876)**	(803,617)
Impairment loss on financial assets available for sale	3	**1,440,126**	1,076,633
Interest income on bonds and fixed deposits	3	**(468,595)**	(441,417)
Dividend income	3	**(2,033,319)**	(1,589,210)
Depreciation	5	**179,081**	170,298
Interest expense		**23,625**	30,857
Provision for employees' end of service benefits		**141,761**	98,929
		5,954,487	5,443,215
Changes in operating assets and liabilities:			
Premiums and insurance receivables		**(1,652,714)**	(293,812)
Reinsurance recoverable on outstanding claims		**(358,949)**	(1,677,207)
Other debit balances		**(11,535)**	352,043
Liabilities arising from insurance contracts		**1,809,826**	2,224,751
Insurance payables		**(6,158,824)**	6,390,107
Other credit balances		**(561,043)**	(94,452)
Premiums received in advance		**(325,848)**	(465,176)
Cash flows (used in) from operations		**(1,304,600)**	11,879,469
Employees' end of service benefits paid		**(110,364)**	(32,080)
Net cash flows (used in) from operating activities		**(1,414,964)**	11,847,389
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(46,052)**	(96,482)
Additional subscription in associates	6	**(3,696)**	(24,476)
Purchase of financial assets available for sale		**(6,326,964)**	(8,284,251)
Proceeds from sale of financial assets available for sale		**8,963,041**	10,093,424
Movement in loans secured by life insurance policyholders		**25,270**	13,174
Fixed deposits		**(4,971,318)**	(4,733,236)
Dividend income received	3	**2,033,319**	1,543,312
Interest income received		**210,897**	229,457
Net cash flows used in investing activities		**(115,503)**	(1,259,078)
FINANCING ACTIVITIES			
Dividend paid		**(4,557,651)**	(4,338,072)
Purchase of treasury shares		**-**	(16,578)
Sale of treasury shares		**131,506**	94,601
Net cash flows used in financing activities		**(4,426,145)**	(4,260,049)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(5,956,612)**	6,328,262
Bank balances and cash at the beginning of the year		**6,514,831**	186,569
BANK BALANCES AND CASH AT THE END OF THE YEAR		**558,219**	6,514,831

The attached notes 1 to 23 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

1 CORPORATE INFORMATION

The financial statements of Al-Ahleia Insurance Company S.A.K.P. (the "Company") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 5 March 2014. The annual general assembly of the shareholders has the power to amend these financial statements after issuance.

The financial statements of the Company for the year ended 31 December 2012 have been approved by the shareholders' Annual General Assembly on 23 April 2013.

The Company is a Kuwaiti Shareholding Company registered in 1962 under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. It is engaged in various insurance activities, including reinsurance as set forth in the Company's Articles of Association, article No. 3.

The New Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the Executive Regulations, the Companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

The Company's registered head office address is at P. O. Box 1602, Safat 13017, Kuwait.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Basis of preparation
The financial statements have been prepared on the historical cost convention as modified to include the measurement at fair value of financial assets available for sale.

The financial statements are presented in Kuwaiti Dinars (KD), which is the functional and presentation currency of the Company.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Product classification
Insurance contracts
Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts
Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or the other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Gross premiums
Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums 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 the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums
Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Commissions and policy issuance fees
Insurance and investment contracts policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Interest income
Interest income is recognised using the effective interest rate method.

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

Realised gains and losses
Realised gains and losses recorded in the income statement include gains and losses on financial assets. Gains and losses on sale of investments are calculated as the difference between net sales proceeds and the carrying value and are recorded on occurrence of the sale transactions.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income statement as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Company and those not reported at the reporting date.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Company'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.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Policy acquisition costs
Those direct and indirect costs incurred during the financial period arising from the writing or renewals of insurance contracts are deferred to the extent that those costs are recoverable out of future premiums. All other acquisition costs are recognised as expenses when incurred.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognised in the income statement. DAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are settled or disposed of.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

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

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

Reinsurance contracts held
The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

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

The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or 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 related reinsurance contract.

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

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

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Company calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve and accumulated losses brought forward should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
The Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat
Contribution to Zakat is calculated in accordance with the requirements of Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Property and equipment
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

• Buildings on freehold land	25 years
• Leasehold properties	20 to 25 years
• Furniture, fixtures, equipment and motor vehicles	3 to 5 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year end and adjusted prospectively, if appropriate.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the income statement as an expense.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Investment in associates
The Company's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associates. Where there has been a change recognised directly in other comprehensive income of the associates, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits or losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates.

The share of profit of the associates is included as part of net investment income in the income statement. This is profit attributable to equity holders of the associates and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
The financial statements of the associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring its accounting policies in line with the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss on the Company's investment in associates. The Company determines at each reporting date, whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associates, the Company measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associates upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the income statement.

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets
Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, financial asset available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include financial assets available for sale, loans and other receivables and insurance receivables (include reinsurance receivables). At 31 December, the Company did not have any derivatives designated as hedging instruments.

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

Financial assets available for sale
Financial assets available for sale include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of income, or determined to be impaired, at which time the cumulative loss is recognised in the statement of income and removed from the cumulative changes in fair values reserve.

The Company evaluates its available for sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets available for sale (continued)
For a financial asset reclassified out of the financial assets available for sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

Loans and other receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'finance income' in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Insurance receivables (including reinsurance)
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

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

- the rights to receive the cash flows from the asset have expired;
- the Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

Financial assets carried at amortised cost for financial assets carried at amortised cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Financial assets available for sale

For financial assets available for sale, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as financial assets available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

(iii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include insurance payables and other credit balances. Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

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

Outstanding claims reserve (OCR)
Outstanding claims comprise the estimated cost of claims incurred and reported but not settled at the reporting date. Provisions for reported claims not paid as at the reporting date is made on the basis of individual case estimates.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

Unearned premiums reserve
The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

Life mathematical reserve
The reserve for the life business at the reporting date represents the mathematical liability of policies in force at that date as determined by the Company's actuaries.

Incurred but not reported reserve
The incurred but not reported reserve includes amounts reserved for claims incurred but not reported at the reporting date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

Employees' end of service benefits
The Company provides end of service benefits to its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to social security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares
Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or cancelled. 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 equity (treasury shares reserve) which is not distributable. Any realised 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 realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividend is 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.

Foreign currencies
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement with the exception of differences on foreign monetary items that form part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(*i*) Judgement
In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Classification of investments
Classification of investments is based on management's intention at acquisition and requires considerable judgment.

(*ii*) Estimation 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 described below.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimates and assumptions (continued)

(*ii*) Estimation and assumptions (continued)

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Fair value of financial instruments
Where the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Non-life insurance contract liabilities
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and outstanding claims reserve for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or maker factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a regular basis.

Life insurance contract liabilities (Life mathematical reserve)
The main assumptions used relate to mortality and morbidity rates, longevity, investment return, expenses, lapse and surrender rates and discount rates. The Company base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

2.3 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended International Accounting Standards Board ("IASB") standard effective as of 1 January 2013:

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

IFRS 7 Disclosures Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, for example, where a subsidiary is controlled with less than a majority of voting rights. The Company does not have any subsidiaries.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. The standard does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. However, the Company expects no significant impact from the adoption of the amendments on its financial position or performance.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Company is currently assessing the impact of the this amendment on its financial position or performance. Amendments to IAS 32 become effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

3 NET INVESTMENT INCOME

	2013 ***KD***	*2012* *KD*
Share of results of associates (Note 6)	**1,135,413**	1,598,328
Gain on sale of financial assets available for sale	**1,698,876**	803,617
Impairment loss on financial assets available for sale	**(1,440,126)**	(1,076,633)
Interest on bonds and fixed deposits	**468,595**	441,417
Dividend income	**2,033,319**	1,589,210
Other investment income	**84,668**	166,477
	3,980,745	3,522,416

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic 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). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Company did not have any diluted shares as at 31 December.

	2013 ***KD***	*2012* *KD*
Profit for the year	**9,506,097**	8,499,070
	Shares	Shares
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**195,859,733**	195,676,508
Basic and diluted earnings per share	**48.54 fils**	43.43 fils

The basic and diluted earnings per share have been adjusted for the current and previous year following the shareholders' approval of bonus shares at the Extraordinary General Assembly meeting held on 23 April 2013 (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

5 PROPERTY AND EQUIPMENT

	Freehold land KD	*Buildings on freehold land KD*	*Leasehold properties KD*	*Furniture, Fixtures equipment and motor vehicles KD*	*Total KD*
Cost:					
At 1 January 2012	1,725,500	2,910,884	248,242	1,835,253	6,719,879
Additions	-	-	-	96,482	96,482
At 31 December 2012	1,725,500	2,910,884	248,242	1,931,735	6,816,361
Additions	-	-	-	46,052	46,052
Disposal	-	-	-	(38,000)	(38,000)
At 31 December 2013	1,725,500	2,910,884	248,242	1,939,787	6,824,413
Depreciation:					
At 1 January 2012	-	1,733,454	169,259	1,805,295	3,708,008
Charge for the year	-	116,435	3,871	49,992	170,298
At 31 December 2012	-	1,849,889	173,130	1,855,287	3,878,306
Charge for the year	-	116,435	3,871	58,775	179,081
Disposal	-	-	-	(38,000)	(38,000)
At 31 December 2013	-	1,966,324	177,001	1,876,062	4,019,387
Net carrying amount:					
At 31 December 2013	**1,725,500**	**944,560**	**71,241**	**63,725**	**2,805,026**
At 31 December 2012	1,725,500	1,060,995	75,112	76,448	2,938,055

6 INVESTMENTS IN ASSOCIATES

The Company has the following investment in associates:

	Ownership percentage		*Country of incorporation*	***2013 KD***	*2012 KD*
	2013	*2012*			
Iraq International Insurance Company S.A (Closed)	**20.00%**	20.00%	Iraq	**122,387**	93,910
AL-Watania Insurance Company Y.S.C. (Closed)	**22.50%**	22.50%	Yemen	**139,128**	138,286
Burgan Insurance Company S.A.L. (formerly Arab Life Insurance Company S.A.L.)	**49.37%**	49.37%	Lebanon	**396,141**	360,864
Arab Life and Accident Insurance Company P.S.C.	**27.94%**	27.70%	Jordan	**946,984**	954,769
Trade Union Insurance Company E.C.	**20.95%**	20.95%	Bahrain	**3,079,512**	2,528,527
Kuwait Reinsurance Company K.S.C.P.	**30.00%**	30.00%	Kuwait	**11,765,144**	11,272,823
				16,449,296	15,349,179

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

6 INVESTMENTS IN ASSOCIATES (continued)

The movement of the investment in associates during the year is as follows:

	2013 KD	*2012 KD*
Carrying value at 1 January	**15,349,179**	13,379,884
Additional subscription in associates	**3,696**	24,476
Transfer from financial assets available for sale	-	251,821
Share of results of associates (Note 3)	**1,135,413**	1,598,328
Share of other comprehensive (loss) income	**(84,934)**	78,738
Foreign currency translation adjustment	**45,942**	15,932
Carrying value at 31 December	**16,449,296**	15,349,179

The following table illustrates summarised financial information of the Company's material investment in its associates:

	Kuwait Reinsurance Company K.S.C.P. KD	*Trade Union Insurance Company E.C. KD*	***2013 KD***	*2012 KD*
Current assets	68,180,246	14,077,860	**82,258,106**	75,449,035
Non-current assets	37,666,644	108,401	**37,775,045**	31,109,642
Current liabilities	(4,710,558)	(612,679)	**(5,323,237)**	(4,110,733)
Non-current liabilities	(60,008,755)	(2,900)	**(60,011,655)**	(52,055,448)
Equity	41,127,577	13,570,682	**54,698,259**	50,392,496
Proportion of the Company's ownership	30.00%	20.95%		
Carrying value of the investment	11,765,144	3,079,512	**14,844,656**	13,801,350
Share of associates' results for the year				
Revenue	3,680,100	2,767,174	**6,447,274**	5,308,352
Company's share for the profit of the year	556,626	536,742	**1,093,368**	1,641,699
Company's share of associates' other comprehensive loss for the year	(92,983)	-	**(92,983)**	(82,861)

Investment in associates includes Kuwait Reinsurance Company, a listed Company on the Kuwait Stock Exchange. The fair value of this associate based on bid prices as at 31 December 2013 amounted to KD 6,749,604 (2012: KD 5,879,654).

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

7 FINANCIAL ASSETS AVAILABLE FOR SALE

	2013 KD	*2012 KD*
Local equity securities:		
Quoted	**20,086,608**	21,332,913
Unquoted	**8,264,321**	9,142,834
	28,350,929	30,475,747
Foreign equity securities:		
Quoted	**4,693,854**	5,030,695
Unquoted	**19,078,049**	18,820,397
	23,771,903	23,851,092
Unquoted foreign funds	**20,417,746**	20,032,028
Bonds	**350,000**	350,000
	72,890,578	74,708,867

As at 31 December 2013, quoted equity securities are carried at fair value. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 82,714 (2012: KD 252,682) was recognised in the income statement for the year ended 31 December 2013.

As at 31 December 2013, unquoted equity securities of KD 11,462,776 (2012: KD 11,852,342) are carried at fair value determined by the management of the Company using an appropriate valuation method based on the latest financial information available. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 1,004,450 (2012: KD 409,781) was recognised in the income statement for the year ended 31 December 2013.

As at 31 December 2013, unquoted equity securities of KD 2,222,941 (2012: KD 2,222,941) are carried at cost due to the non-availability of reliable measures of their fair values. Management has performed a review of these investments to assess whether any impairment has occurred in their value and no impairment indications noted.

Managed funds are carried at net asset values reported by the investment manager. Management has performed a review of these investments to assess whether any impairment has occurred in their value and accordingly, an impairment loss of KD 352,962 (2012: KD 414,170) has been recorded in the income statement for the year ended 31 December 2013.

Bonds are carried at fair value which approximates its carrying value at the reporting date.

8 PREMIUMS AND INSURANCE RECEIVABLES

	2013 KD	*2012 KD*
Policyholders' accounts receivable		
Premiums receivable	**7,693,304**	6,765,859
Allowances for impaired receivables	**(644,701)**	(687,452)
Net policyholders' accounts receivable	**7,048,603**	6,078,407
Insurance and reinsures accounts receivable		
Reinsures receivable	**4,880,814**	4,198,941
Allowances for impaired receivables	**(138,471)**	(139,116)
Net insurance and reinsures accounts receivable	**4,742,343**	4,059,825
Total premiums and insurance receivables	**11,790,946**	10,138,232

As at 31 December 2013, premiums as well as insurance and reinsurance receivables at nominal value of KD 783,172 (2012: KD 826,568) were impaired and fully provided for.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

8 PREMIUMS AND INSURANCE RECEIVABLES (continued)

Movements in the allowance for impairment of premiums and insurance receivables were as follows:

	2013 KD	*2012 KD*
At 1 January	**826,568**	841,789
Reversal of impairment	**(43,396)**	(15,221)
At 31 December	**783,172**	826,568

9 LIABILITIES ARISING FROM INSURANCE CONTRACTS

31 December 2013	***Marine and aviation KD***	***Accident KD***	***Fire KD***	***Life and health KD***	***Total KD***
OUTSTANDING CLAIMS RESERVE:					
Gross balance at the beginning of the year	**2,789,385**	**8,708,181**	**10,857,026**	**12,556,385**	**34,910,977**
Reinsurance recoverable on outstanding Claims	**(2,362,812)**	**(3,666,994)**	**(10,417,423)**	**(10,380,712)**	**(26,827,941)**
Net balance at the beginning of the year	**426,573**	**5,041,187**	**439,603**	**2,175,673**	**8,083,036**
Gross claims incurred during the year	**4,119,108**	**5,412,967**	**825,627**	**2,404,472**	**12,762,174**
Reinsurance recoverable	**(3,259,521)**	**(976,998)**	**(328,919)**	**(1,169,155)**	**(5,734,593)**
Claims incurred	**859,587**	**4,435,969**	**496,708**	**1,235,317**	**7,027,581**
Gross claims paid during the year	**(1,409,441)**	**(4,287,267)**	**(1,451,438)**	**(4,576,481)**	**(11,724,627)**
Reinsurance recoverable	**999,961**	**183,766**	**1,021,748**	**3,170,169**	**5,375,644**
Paid during the year	**(409,480)**	**(4,103,501)**	**(429,690)**	**(1,406,312)**	**(6,348,983)**
NET BALANCE AT THE END OF THE YEAR	**876,680**	**5,373,655**	**506,621**	**2,004,678**	**8,761,634**
Presented in the statement of financial position as follows:					
Outstanding claims reserve	**5,499,052**	**9,833,881**	**10,231,215**	**10,384,376**	**35,948,524**
Reinsurance recoverable on outstanding Claims	**(4,622,372)**	**(4,460,226)**	**(9,724,594)**	**(8,379,698)**	**(27,186,890)**
NET BALANCE AT THE END OF THE YEAR	**876,680**	**5,373,655**	**506,621**	**2,004,678**	**8,761,634**
Unearned premiums reserve	**323,776**	**3,790,295**	**405,490**	**-**	**4,519,561**
Life mathematical reserve	**-**	**-**	**-**	**4,218,000**	**4,218,000**
Incurred but not reported reserve	**383,040**	**5,191,350**	**25,610**	**1,100,000**	**6,700,000**

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

9 LIABILITIES ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2012	*Marine and aviation KD*	*Accident KD*	*Fire KD*	*Life and health KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:					
Gross balance at the beginning of the year	3,002,731	8,055,875	10,468,634	12,211,473	33,738,713
Reinsurance recoverable on outstanding claims	(2,687,397)	(3,450,925)	(10,145,946)	(8,866,466)	(25,150,734)
Net balance at the beginning of the year	315,334	4,604,950	322,688	3,345,007	8,587,979
Gross claims incurred during the year	1,735,798	4,554,535	1,384,208	6,450,868	14,125,409
Reinsurance recoverable	(1,250,332)	(468,899)	(969,901)	(5,137,296)	(7,826,428)
Claims incurred	485,466	4,085,636	414,307	1,313,572	6,298,981
Gross claims paid during the year	(1,949,144)	(3,902,229)	(995,816)	(6,105,956)	(12,953,145)
Reinsurance recoverable	1,574,917	252,830	698,424	3,623,050	6,149,221
Paid during the year	(374,227)	(3,649,399)	(297,392)	(2,482,906)	(6,803,924)
NET BALANCE AT THE END OF THE YEAR	426,573	5,041,187	439,603	2,175,673	8,083,036
Presented in the statement of financial position as follows:					
Outstanding claims reserve	2,789,385	8,708,181	10,857,026	12,556,385	34,910,977
Reinsurance recoverable on outstanding claims	(2,362,812)	(3,666,994)	(10,417,423)	(10,380,712)	(26,827,941)
NET BALANCE AT THE END OF THE YEAR	426,573	5,041,187	439,603	2,175,673	8,083,036
Unearned premiums reserve	411,060	3,332,359	445,863	-	4,189,282
Life mathematical reserve	-	-	-	3,776,000	3,776,000
Incurred but not reported reserve	518,778	5,009,138	72,084	1,100,000	6,700,000

10 OTHER DEBIT BALANCES

	2013 KD	*2012 KD*
Accrued income	**297,217**	276,111
Reserve retained by reinsurers	**366,042**	337,462
Other debit balances	**1,710,995**	1,491,449
	2,374,254	2,105,022

NOTES TO THE FINANCIAL STATEMENTS
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11 FIXED DEPOSITS

Fixed deposits as at 31 December 2013 are placed with local financial institutions and mature within one year from the placement date. Fixed deposits are denominated in Kuwaiti Dinars and carry an average effective interest rate of 1.91% (2012: 2.44%) per annum.

12 SHARE CAPITAL, CASH DIVIDEND AND BONUS SHARES

Share capital
The authorised, issued and fully paid up share capital consists of 200,000,000 shares of 100 fils each (31 December 2012: 189,532,484) which was issued in form of cash and bonus shares.

Cash dividend and bonus shares
On 23 April 2013, the ordinary Annual General Assembly Of the Company's shareholders approved the payment of cash dividend of 25% for the year ended 31 December 2012 (2011: 25%), totalling KD 4,638,454 (2011: KD 4,415,588) and Board of Directors' fees of KD 180,000 (2011: KD 172,500).

On the same date, the Extraordinary General Assembly Of the Company's Shareholders approved the increase of share capital from KD 18,953,248 to KD 20,000,000 through issuance of 10,467,516 bonus shares of 100 fils each for the year ended 31 December 2012 (2011: 9,025,354 shares), mark has also been in the commercial register on 7 May 2013.

On 5 March 2014, the Company's board of directors have proposed a distribution of cash dividend of 32 fils per share (2012: 25 fils and 5.52280843% bonus shares of paid up share capital) and board of directors' fees of KD 180,000 (2012: KD 180,000) for the year ended 31 December 2013. This proposal is subject to the approval by Annual Ordinary General Assembly Meeting of the Company's Shareholders.

13 RESERVES

Statutory reserve
As required by the Companies Law and the Company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers since the reserve exceeds 50% of paid up share capital.

Only the part of the reserve in excess of 50% of paid up share capital is freely distributable. Distribution of the balance is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when accumulated profits are not sufficient for the payment of a dividend of that amount.

General reserve
In accordance with the Company's articles of association, 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees has been transferred to general reserve.

Special voluntary reserve
In accordance with the Company's articles of association, the board of directors can resolve to transfer certain amount of the profit for the year to the special voluntary reserve. This transfer can be suspended at the discretion of the general assembly. Special voluntary reserve is available for distribution.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

14 TREASURY SHARES

	2013	*2012*
Number of shares	**3,990,545**	4,042,130
Percentage of issued shares (%)	**2.00**	2.13
Market value (KD)	**1,895,509**	2,263,593

Reserves equivalent to the cost of treasury shares held are not available for distribution.

15 INSURANCE PAYABLES

	2013 *KD*	*2012* *KD*
Policyholders payables	**3,001,014**	2,370,900
Reinsurance payables	**4,486,923**	11,399,045
Claims payables	**936,241**	815,099
Other insurance payables	**695,279**	693,237
	9,119,457	15,278,281

16 OTHER CREDIT BALANCES

	2013 *KD*	*2012* *KD*
Reserve retained on reinsurance business	**1,186,438**	1,134,979
Other payables	**5,271,918**	5,748,595
	6,458,356	6,883,574

17 SEGMENT INFORMATION

The Company operates in two segments, general risk insurance and life and health insurance. There are no inter-segment transactions. The Company's assets and operations are located in Kuwait. Following are the details of those two primary segments:

A) Segment information – Income statement

Year ended 31 December 2013:	*Marine and aviation KD*	*Accident KD*	*Fire KD*	*Total general risk insurance KD*	*Life and health KD*	*Total KD*
Revenue:						
Gross premiums	7,876,297	9,584,274	4,547,363	22,007,934	8,222,062	30,229,996
Premiums ceded to reinsurers	(6,131,329)	(2,078,008)	(3,763,311)	(11,972,648)	(4,902,702)	(16,875,350)
Net premiums	1,744,968	7,506,266	784,052	10,035,286	3,319,360	13,354,646
Movement in unearned premiums	87,284	(457,936)	40,373	(330,279)	-	(330,279)
Net premiums earned	1,832,252	7,048,330	824,425	9,705,007	3,319,360	13,024,367
Commission income on ceded reinsurance	2,180,131	1,111,707	900,442	4,192,280	2,131,191	6,323,471
Policy issuance fees	-	619,784	-	619,784	-	619,784
Total revenue	4,012,383	8,779,821	1,724,867	14,517,071	5,450,551	19,967,622
Expenses:						
Claims incurred	(859,587)	(4,435,969)	(496,708)	(5,792,264)	(1,235,317)	(7,027,581)
Commissions	(589,120)	(1,762,480)	(205,000)	(2,556,600)	(1,194,581)	(3,751,181)
Movement in life mathematical reserve	-	-	-	-	(442,000)	(442,000)
Maturity and cancellations of life insurance policies	-	-	-	-	(186,017)	(186,017)
Administrative expenses for insurance business	(585,001)	(921,622)	(326,966)	(1,833,589)	(742,062)	(2,575,651)
Total expenses	(2,033,708)	(7,120,071)	(1,028,674)	(10,182,453)	(3,799,977)	(13,982,430)
Net underwriting results	1,978,675	1,659,750	696,193	4,334,618	1,650,574	5,985,192
Net investment income				3,778,467	202,278	3,980,745
Other income				714,089	149,906	863,995
Other administrative expenses				(279,321)	(233)	(279,554)
Unallocated expenses				(459,334)	-	(459,334)
Profit before contribution to KFAS, NLST, Zakat and Directors' fees						10,091,044

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

17 SEGMENT INFORMATION (continued)

A) Segment information – Income statement (continued)

Year ended 31 December 2012:	*Marine and aviation KD*	*Accident KD*	*Fire KD*	*Total general risk insurance KD*	*Life and health KD*	*Total KD*
Revenue:						
Gross premiums	8,441,340	11,851,439	4,572,709	24,865,488	8,010,180	32,875,668
Premiums ceded to reinsurers	(6,574,018)	(4,695,706)	(3,691,020)	(14,960,744)	(4,885,589)	(19,846,333)
Net premiums	1,867,322	7,155,733	881,689	9,904,744	3,124,591	13,029,335
Movement in unearned premiums	81,631	(640,692)	(158,326)	(717,387)	-	(717,387)
Net premiums earned	1,948,953	6,515,041	723,363	9,187,357	3,124,591	12,311,948
Commission income on ceded reinsurance	2,532,008	1,265,374	793,132	4,590,514	958,498	5,549,012
Policy issuance fees	-	565,529	-	565,529	-	565,529
Total revenue	4,480,961	8,345,944	1,516,495	14,343,400	4,083,089	18,426,489
Expenses:						
Claims incurred	(485,466)	(4,085,636)	(414,307)	(4,985,409)	(1,313,572)	(6,298,981)
Commissions	(694,396)	(1,664,435)	(286,674)	(2,645,505)	(261,892)	(2,907,397)
Movement in life mathematical reserve	-	-	-	-	(335,100)	(335,100)
Maturity and cancellations of life insurance policies	-	-	-	-	(176,516)	(176,516)
Administrative expenses for insurance business	(766,404)	(1,026,276)	(287,680)	(2,080,360)	(543,314)	(2,623,674)
Total expenses	(1,946,266)	(6,776,347)	(988,661)	(9,711,274)	(2,630,394)	(12,341,668)
Net underwriting results	2,534,695	1,569,597	527,834	4,632,126	1,452,695	6,084,821
Net investment income				3,373,665	148,751	3,522,416
Other income				158,014	142,072	300,086
Other administrative expenses				(288,086)	(533)	(288,619)
Unallocated expenses				(580,329)	-	(580,329)
Profit before contribution to KFAS, NLST, Zakat and Directors' fees						9,038,375

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

17 SEGMENT INFORMATION (continued)

B) Segment information – Statement of financial position

	General risk insurance KD	*Life and health insurance KD*	*Total KD*
31 December 2013			
Assets	**139,537,092**	**19,809,153**	**159,346,245**
Liabilities	**47,325,253**	**19,723,731**	**67,048,984**
31 December 2012			
Assets	137,190,096	21,737,019	158,927,115
Liabilities	50,349,824	21,799,224	72,149,048

Takaful Insurance Department

In 2009, The Company established a new insurance unit named Takaful Insurance for life and non-life insurance which will be specialised in issuing Islamic insurance products. The impact of the related premiums written and net profit on the Company's financial statements is immaterial to be disclosed separately.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

18 RELATED PARTY TRANSACTIONS

Related parties represent major i.e. shareholders, associated companies, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such party. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the income statement are as follows:

	Associates KD	***Other related parties KD***	***2013 KD***	*2012 KD*
Gross premiums	**935,481**	**3,064,966**	**4,000,447**	3,287,978
Claims incurred	**356,694**	**1,281,604**	**1,638,298**	985,451

Balances with related parties included in the statement of financial position are as follows:

	Associates KD	***Other related parties KD***	***2013 KD***	*2012 KD*
Premiums and insurance balances receivable	**464,070**	**3,393,464**	**3,857,534**	3,402,698
Other credit balances	**122,660**	**106,807**	**229,467**	208,313

Compensation of key management personnel:

	2013 KD	*2012 KD*
Salaries and other short term benefits	**318,267**	306,382
Employees' end of service benefits	**14,700**	33,222
	332,967	339,604

19 CONTINGENCIES

(a) As at 31 December 2013, the Company had future capital commitments with respect to purchase of financial assets available for sale amounting to KD 4,736,393 (2012: KD 5,041,387).

(b) The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

20 STATUTORY GUARANTEES

In accordance with the Kuwaiti Law:

(a) Investments of KD 90,000 (2012: KD 90,000) have been deposited with a Kuwaiti bank as security to underwrite general insurance business;
(b) Investments of KD 45,000 (2012: KD 45,000) have been deposited with a Kuwaiti bank in respect of the Company's right to transact life assurance business;
(c) Other investments, in the form of deposits and bonds amounting to KD 6,411,343 (2012: KD 6,466,000) are held in Kuwait.
(d) The Company's premises with net carrying amount of KD 944,559 (2012: KD 1,060,995) have been mortgaged with the Ministry of Commerce and Industry.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT

(a) Governance framework

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

The Company is establishing a risk management function with clear terms of reference from the Company's board of directors, its committees and the associated executive management committees. This will be supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Also, a Company policy framework including risk profiles for the Company, risk management, control and business conduct standards for the Company's operations.

(b) Regulatory framework

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

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

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait.
- For marine insurance contracts, at least 15% of the premiums collected in the previous year are to be retained in Kuwait.
- For all other types of insurance, at least 30% of the premiums collected in the previous year are to be retained in Kuwait.
- The funds retained in Kuwait should be invested as under:
  - A 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% could be invested in foreign securities (foreign government bonds or foreign securities - bonds and shareholding companies).
  - A maximum of 30% should be invested in Kuwaiti companies' shares or bonds.
  - A maximum of 15% should be in a current account with a bank operating in Kuwait.

(c) Insurance risk

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

The Company's internal audit is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, 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 Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a quota share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders 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 Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

Insurance risk is divided into risk of life insurance and investment contracts and risk of non-life insurance contracts as follows:

(1) Life insurance contracts

Life insurance contracts offered by the Company include term insurance, life and disability, endowment, investment and pension (individual policies).

Term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

Pension plans are contracts when retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or sum assured whichever is greater. Some contracts give the policyholder the option at retirement to take a cash sum or pension annuity allowing the policyholders the option of taking the more valuable of the two. Provision of additional death benefits may be provided by cancellation of units or through supplementary term assurance contracts. Certain personal pension plans also include contribution protection benefits that provide for payment of contributions on behalf of policyholders in periods of total disability. For contracts with discretionary participation features (DPF), changes in the level of pensions are based on the rate of return declared annually by the insurer which is not guaranteed.

Guaranteed annuities are single premium products which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period usually of five years, irrespective of death.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets. For contracts with DPF the guaranteed minimum may be increased by the addition of bonuses. These are set at a level that takes account of expected market fluctuations, such that the cost of the guarantee is generally met by the investment performance of the assets backing the liability. However in circumstances when there has been a significant fall in investment markets, the guaranteed maturity benefits may exceed investment performance and these guarantees become valuable to the policyholder. Certain pure endowment pensions contain the option to apply the proceeds towards the purchase of an annuity earlier than the date shown on the contract or to convert the contract to ‘paid up’ on guaranteed terms. The majority of the mortgage endowment contracts offered by the Company have minimum maturity values subject to certain conditions being satisfied.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

21 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

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

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

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

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

The table below sets out the concentration of life insurance and investment contracts by type of contract:

31 December 2013 **Type of contract**	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Term insurance	**18,947**	**(17,613)**	**1,334**
Life and disability	**1,058,629**	**(1,055,729)**	**2,900**
Medical	**401,704**	**(399,817)**	**1,887**
Endowment individual policies	**832,076**	**(823,329)**	**8,747**
Pensions (individual policies)	**154,863**	**(154,863)**	**-**
Total life insurance contracts	**2,466,219**	**(2,451,351)**	**14,868**
Total investment contracts and participation feature	**4,203,132**	**-**	**4,203,132**
Other life insurance contracts liabilities	**11,484,376**	**(8,379,698)**	**3,104,678**

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

31 December 2012 Type of contract	*Gross liabilities* *KD*	*Reinsurers' share of liabilities* *KD*	*Net liabilities* *KD*
Term insurance	33,652	(18,761)	14,891
Life and disability	2,703,044	(2,658,513)	44,531
Medical	359,248	(9,138)	350,110
Endowment individual policies	757,107	(733,500)	23,607
Pensions (individual policies)	196,342	-	196,342
Total life insurance contracts	4,049,393	(3,419,912)	629,481
Total investment contracts and participation feature	3,146,519	-	3,146,519
Other life insurance contracts liabilities	13,656,385	(10,380,712)	3,275,673

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

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

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

• ***Mortality and morbidity rates***
Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides, reflecting recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by occupation, underwriting class and contract type.

An increase in the actual mortality rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

• ***Longevity***
Assumptions are based on standard rates, adjusted when appropriate to reflect the Company's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by occupation, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

• ***Investment return***
The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(1) Life insurance contracts (continued)

Key assumptions (continued)

• ***Expenses***
Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

• ***Lapse and surrender rates***
Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

• ***Discount rate***
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on Central Bank of Kuwait rate, adjusted for the Company's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

Sensitivities
The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist they are the main reason for the asymmetry of sensitivities.

(2) Non-life insurance contracts

The Company principally issues the following types of general insurance contracts: marine and aviation, accident and fire. Risks under non-life insurance policies usually cover twelve month duration.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and terrorist activities which are only covered in fire line of business.

Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risk that may involve significant litigation.

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

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

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by management.

(3) General risk insurance contracts

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

31 December 2013	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Marine and Aviation	**6,205,868**	**(4,622,372)**	**1,583,496**
Accident	**18,815,526**	**(4,460,226)**	**14,355,300**
Fire	**10,662,315**	**(9,724,594)**	**937,721**
Total	**35,683,709**	**(18,807,192)**	**16,876,517**
31 December 2012			
Marine and Aviation	3,719,223	(2,362,812)	1,356,411
Accident	17,049,678	(3,666,994)	13,382,684
Fire	11,374,973	(10,417,423)	957,550
Total	32,143,874	(16,447,229)	15,696,645

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

Other key assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(c) Insurance risk (continued)

(3) General risk insurance contracts (continued)

Sensitivities
The non-life insurance claims provision is sensitive to the above key assumptions. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process which is indicated in the table below:

31 December 2013	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	+10%	**120,019**	**99,836**	**99,836**
Average number of claims	+10%	**218**	**218**	**218**
31 December 2012	*Change in assumption*	*Impact on gross liabilities KD*	*Impact on net liabilities KD*	*Impact on profit KD*
Average claim cost	+10%	103,465	86,928	86,928
Average number of claims	+10%	215	215	215

(d) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Company is developing its policies and procedures to enhance the Company's mitigation of credit risk exposures.

- A Company credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are monitored by the management.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(1) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	31 December 2013		
Exposure credit risk by classifying financial assets according to type of insurance	***General insurance KD***	***Life and health insurance KD***	***Total KD***
Financial assets available for sale (debt securities)	-	**350,000**	**350,000**
Loans secured by life insurance policyholders	-	**155,088**	**155,088**
Policyholders accounts receivable (gross)	**6,041,052**	**1,652,252**	**7,693,304**
Reinsurance receivables (gross)	**3,782,966**	**1,097,848**	**4,880,814**
Reinsurance recoverable on outstanding claims	**18,807,192**	**8,379,698**	**27,186,890**
Other debit balances	**1,997,915**	**79,122**	**2,077,037**
Fixed deposits	**17,419,733**	**7,716,215**	**25,135,948**
Bank balances	**557,924**	**295**	**558,219**
Total credit risk exposure	**48,606,782**	**19,430,518**	**68,037,300**

	31 December 2012		
Exposure credit risk by classifying financial assets according to type of insurance	*General insurance KD*	*Life and health insurance KD*	*Total KD*
Financial assets available for sale (debt securities)	-	350,000	350,000
Loans secured by life insurance policyholders	-	180,358	180,358
Policyholders accounts receivable (gross)	5,167,857	1,598,002	6,765,859
Reinsurance receivables (gross)	3,682,204	516,737	4,198,941
Reinsurance recoverable on outstanding claims	16,447,229	10,380,712	26,827,941
Other debit balances	1,847,476	28,018	1,875,494
Fixed deposits	12,078,173	8,086,457	20,164,630
Bank balances	6,512,467	2,364	6,514,831
Total credit risk exposure	45,735,406	21,142,648	66,878,054

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets by classifying assets according to international credit ratings of the counterparties.

Exposure credit risk by classifying financial assets according to international credit rating agencies	***A*** ***KD***	***B*** ***KD***	***Not rated*** ***KD***	***Total*** ***KD***
31 December 2013				
Financial assets available for sale (debt securities)	-	-	**350,000**	**350,000**
Loans secured by life insurance policyholders	-	-	**155,088**	**155,088**
Policyholders accounts receivable (gross)	-	-	**7,693,304**	**7,693,304**
Premiums and insurance receivable (gross)	**4,392,733**	**488,081**	-	**4,880,814**
Reinsurance recoverable on outstanding claims	**24,468,201**	**2,718,689**	-	**27,186,890**
Other debit balances	-	-	**2,077,037**	**2,077,037**
Fixed deposits	**25,135,948**	-	-	**25,135,948**
Bank balances	**558,219**	-	-	**558,219**
Total credit risk exposure	**54,555,101**	**3,206,770**	**10,275,429**	**68,037,300**

Exposure credit risk by classifying financial assets according to international credit rating agencies	*A* *KD*	*B* *KD*	*Not rated* *KD*	*Total* *KD*
31 December 2012				
Financial assets available for sale (debt securities)	-	-	350,000	350,000
Loans secured by life insurance policyholders	-	-	180,358	180,358
Policyholders accounts receivable (gross)	-	-	6,765,859	6,765,859
Premiums and insurance receivable (gross)	3,779,047	419,894	-	4,198,941
Reinsurance recoverable on outstanding claims	24,145,147	2,682,794	-	26,827,941
Other debit balances	-	-	1,875,494	1,875,494
Fixed deposits	20,164,630	-	-	20,164,630
Bank balances	6,514,831	-	-	6,514,831
Total credit risk exposure	54,603,655	3,102,688	9,171,711	66,878,054

The Company does not have any material past due but not impaired financial assets at 31 December 2013 and 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

(2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Company has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The table below summarises the maturity profile of the Company's financial liabilities. The maturities financial liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile of financial liabilities at 31 December was as follows:

31 December 2013	***Within 1 year KD***	***More than 1 year KD***	***Total KD***
Insurance payables	**7,790,335**	**1,329,122**	**9,119,457**
Other credit balances	**2,958,356**	**3,500,000**	**6,458,356**
	10,748,691	**4,829,122**	**15,577,813**

31 December 2012	*Within 1 year KD*	*More than 1 year KD*	*Total KD*
Insurance payables	13,385,999	1,892,282	15,278,281
Other credit balances	1,883,574	5,000,000	6,883,574
	15,269,573	6,892,282	22,161,855

3) Market risk

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

Market risk comprises three types of risk: currency risk, interest rate risk and equity price risk.

(i) Currency risk

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

The Company's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange rate risk. Thus the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contracts liabilities are expected to be settled. The currency risk is effectively managed by the Company through financial instruments.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit due to changes in fair value of currency sensitive assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

21 RISK MANAGEMENT (continued)

(d) Financial risks (continued)

3) Market risk (continued)

(i) Currency risk (continued)

The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are nonlinear. The effect of decreases in profit and other comprehensive income is expected to be equal and opposite to the effect of the increases shown.

		2013		*2012*	
	Change in Variables	***Impact on profit for the year KD***	***Impact on other comprehensive income KD***	*Impact on profit for the year KD*	*Impact on other comprehensive income KD*
USD	±5%	**305,127**	**1,234,180**	310,268	1,361,170
JD	±5%	**14,635**	**34,042**	15,045	35,536
EGP	±5%	**4,986**	**72,773**	5,380	89,181
Euro	±5%	**7,210**	**160,000**	7,028	151,794
GBP	±5%	**2,413**	**43,210**	2,214	41,472
Others	±5%	**41,786**	**199,766**	42,327	193,344

(ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its interest bearing assets and liabilities.

The sensitivity of the income statement is the effect of the assumed changes in interest rates, on the Company's profit before contribution to KFAS, NLST, Zakat and directors' fees, based on floating rate financial assets and financial liabilities held at 31 December 2013 and 2012.

The Company is not exposed to interest rate risk as majority of its interest bearing assets and liabilities are stated at fixed interest rates.

(iii) Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Company manages this risk through diversification of investments in terms of geographical distribution and industrial concentration.

The effect on other comprehensive income as a result of a change in the fair value of financial assets available for sale at 31 December due to ±10% change in the following market indices with all other variables held constant is as follows:

	2013	*2012*
Market indices		
Kuwait	± **2,008,661**	± 2,133,291
Other GCC countries	± **469,385**	± 503,070

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

22 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issues new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 35% and 60%. The Company includes within net debt, liabilities arising from insurance contracts, payables and term loans less cash and cash equivalent. Capital includes equity of the Company.

	2013	*2012*
	KD	*KD*
Liabilities arising from insurance contracts	**51,386,085**	49,576,259
Payables	**15,662,899**	22,572,789
Less: Bank balances and cash	**(558,219)**	(6,514,831)
Net debt	**66,490,765**	65,634,217
Total capital	**92,297,261**	86,778,067
Total capital and net debt	**158,788,026**	152,412,284
Gearing ratio	**42%**	43%

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of debt securities, loans secured by life insurance policyholders, policyholder's accounts receivable, insurance and reinsurance accounts receivable, reinsurance recoverable on outstanding claims, other debit balances, fixed deposits and bank balances.

Financial liabilities consist of insurance payables and other credit balances.

The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost (Note 7), are not materially different from their carrying values.

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

31 December 2013	***Total fair value*** *KD*	***Quoted prices in active markets (Level 1)*** *KD*	***Significant observable inputs (Level 2)*** *KD*	***Significant unobservable inputs (Level 3)*** *KD*
Financial assets available for sale:				
Quoted	**24,780,462**	**24,780,462**	-	-
Unquoted	**45,887,175**	-	**11,462,776**	**34,424,399**
Total	**70,667,637**	**24,780,462**	**11,462,776**	**34,424,399**
31 December 2012				
Financial assets available for sale:				
Quoted	26,363,608	26,363,608	-	-
Unquoted	45,439,106	-	-	45,439,106
Total	71,802,714	26,363,608	-	45,439,106

During the year ended 31 December 2013, unquoted financial assets available for sale of KD 11,462,776 (2012: KD 11,852,342) have been transferred from level 3 to level 2 as the management has used an observable inputs in determining the fair value of these investments.

Level 3 includes investments in unquoted foreign funds amounting to KD 20,417,746 (2012: KD 20,032,028) that have been valuated using the Net Asset Value provided by the investment managers.

Description of significant unobservable inputs to valuation is as follows:

	Valuation technique	***Significant unobservable inputs***	***Range***	***Sensitivity of the input to fair value***
Unquoted shares	DCF	Terminal growth rate	4%	1% increase (decrease) in the terminal growth rate would not result in a significant change in fair value of these investments.
		Weighted Average Cost of Capital (WACC)	17%	
Unquoted shares in real estate projects	Market comparison	Price per square metre	KD 28-107	1% increase (decrease) in the price per square metre would result in increase (decrease) in fair value by KD 54,128.

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23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	At 1 January KD	*Transfer to level 2 KD*	*Net results recorded in the statement of comprehensive income KD*	*Net results recorded in the income statement KD*	*Net purchases and (disposals) KD*	*At 31 December KD*
2013						
Financial assets available for sale:						
Unquoted	**45,439,106**	**(11,852,342)**	**509,103**	**(352,962)**	**681,494**	**34,424,399**
2012						
Financial assets available for sale:						
Unquoted	45,774,188	-	1,880,734	(414,170)	(1,801,646)	45,439,106

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