Annual Report 2014

GULF
INSURANCE
GROUP

Dar al-Athar al-Islamiyyah, one of Kuwait's leading cultural organizations, was created to manage activities related to The al-Sabah Collection. The collection includes one of the world's finest assemblages of arts from the Islamic world. The collection consists of over 30,000 priceless objects, including manuscripts, scientific instruments, carpets, fabrics, jewelry, ceramics, ivory, metalwork and glass from countries such as Spain, India, China and Iran.

This year, the annual reports of KIPCO Group companies each feature a different key ivory artifact from The al-Sabah Collection. The images used within the reports reflect KIPCO's commitment to protecting and promoting Kuwait's heritage, while helping to build the nation's future.

The item pictured here (LNS 18 I) is a Lathe-turned and carved elephant ivory box (lid missing). The item was made in Egypt or Syria during the 2nd century AH /8th century CE. The image is reproduced with the kind permission of The al-Sabah Collection, Dar al-Athar al-Islamiyyah.

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H.H. Sheikh Sabah
Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

H.H. Sheikh Nawaf
Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State
of Kuwait

Gulf Insurance Group K.S.C.P (gig)

Was established in 1962. It is a public shareholding company listed in the Kuwait Stock Exchange and a consistent market leader in Kuwait in terms of Premiums Written, both in life and Non-Life insurance.

Gulf Insurance provides innovative and comprehensive insurance solutions and covers a variety of risks related to Motor, Marine & Aviation, Property & Casualty, and Life & Health Insurance both in conventional and Takaful (Islamic insurance based on Shariah principles) basis. The group prides itself in its distinguished quality of products and superior customer service. Gulf Insurance enjoys lending utmost professional and personalized attention to both individual and corporate clients in their current and future insurance needs.

With operations in both life and Non-Life insurance segments, Gulf Insurance is currently the largest insurance company in Kuwait in terms of written and retained premiums, its activities are further supported by first class reinsurance security which allows the Group to successfully maintain its credit rating from Standards & Poor's of 'A-'/Stable outlook (Interactive financial strength and long-term counterparty) as well as the AM Best's financial strength rating of 'A-' (excellent) and issuer credit rating of "a-" with a revised positive outlook. The ratings of Gulf Insurance Group reflect its strong regional business profile, good level of profitability and adequate level of risk-adjusted capitalization.

In 2012, after 50 successful years of operation, a decision was made to unite the Group companies in the MENA region under one name and brand. Gulf Insurance Company became Gulf Insurance Group (gig) with a clear vision "to be the most admired insurance brand in the MENA region." The objective in doing so was to be recognized as a regional Arabian Insurance group with world-class offerings and standards.

gig's Main Shareholders:

Kuwait Projects Co. (KIPCO) The KIPCO Group is one of the biggest holding companies in the Middle East and North Africa, with consolidated assets of US$ 32 billion as at 31 December, 2014. The Group has significant ownership interests in over 60 companies operating across 24 countries. The group's main business sectors are financial services, media, real estate and manufacturing. Through its core companies, subsidiaries and affiliates, KIPCO also has interests in the education and medical sectors. The Group's core operating companies include Burgan Bank, United Gulf Bank and Gulf Insurance Group. In the media sector, the Group has a presence through the Orbit Showtime Network, the leading pay-tv operator in the region.

Fairfax Financial Holdings Limited is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax subsidiaries provide a full range of property and casualty products, maintaining a diversified portfolio of risks across all classes of business, geographic regions, and types of insured. Fairfax's corporate objective is to achieve a high rate of return on invested capital and build long-term shareholder value. The company has been under present management since 1985 and is headquartered in Toronto, Canada. Its common shares are listed on the Toronto Stock Exchange under the symbol FFH and in U.S. dollars under the symbol FFH.U.

Group Insurers of choice

By cultivating a team of around 300 local proficient and over 1000 life and Non-Life insurance consultants regionally, they are capable to offer clients the most practical advice and dedicated attention and with a growing network of over 13 branches accessible throughout Kuwait and having more than 50 branches across MENA region, the group has been able to realize its pledge to be the “insurer of choice”.

Over the years, Gulf Insurance has grown from being a leading personal and commercial insurer in Kuwait into a regional insurance solutions provider in Middle East and North Africa.

Subsidiaries	Country of Incorporation	Ticker (Stock Exchange)
AMIG: Arab Misr Insurance Group	Egypt	
AOIC: Arab Orient Insurance Company	Jordan	AOIC (ASE)
BKIC: Bahrain Kuwait Insurance Company	Bahrain	BKIC (BSE), BKIKWT (KSE)
DAIC: Dar Al Salam Insurance Company	Iraq	NDSA (ISX)
ELTC: Egyptian Life Takaful Company	Egypt	
FAJR: Fajr Al-Gulf Insurance & Reinsurance Company	Lebanon	
GIRI: Gulf Insurance & Reinsurance Company	Kuwait	
GlobeMed-Kuwait	Kuwait	
SKIC: Syrian Kuwaiti Insurance Company	Syria	SKIC (XDSE)
Associates		
Alliance insurance company	UAE	ALLIANCE (DFM)
Al Argan International Real Estate Company	Kuwait	ARGAN (KSE)
BURUJ: Buruj Cooperative Insurance Company	KSA	BURUJ (SSE)
ET: Egyptian Takaful - Property & Liability	Egypt	
UN: United Networks	Kuwait	

Awards & Certifications

Gulf Insurance is the first insurance company in Kuwait and the region to be awarded with the ‘ISO 27001 Certification’ in Information Security Management Systems by the British Standards Institution (BSI). In 2014, Gulf Insurance won numerous awards including “The Best Insurance Provider Middle East 2014” from Global Banking and Finance Review which is our third consecutive award in a row, “The Best Insurance Brand, Kuwait – 2014” awarded by Global Brands Magazine, and “The Best Non-Life Insurance Co. in Kuwait and The Best Life Insurance Co. in Kuwait – 2014” from World Finance, London.

Technology edge

gig’s capitalization and usage of the latest technologies has immensely contributed to the company’s operational efficiency, customer service satisfaction, and company profitability. gig’s state-of-the art web based information technology applications link of all its operations and that of subsidiaries in one unified universe. A comprehensive database of clients has been built over the years allowing improved customer relationship management, customer service and support, and cross selling all of which are crucial steps in customer retention.

As part of our continued efforts to promote customer convenience, gig was the first insurance company in Kuwait to launch online sales of insurance products over the internet (www.Clickgic.com). Applying the latest technologies with better, safer and easier access to various customer insurance product round the clock, this service was deployed in 2008 which allows customers to issue and renew Motor and Boat TPL insurance, renew Motor comprehensive insurance, and issue Travel Assist insurance and many other services on the move. The services can be obtained locally and abroad via K-NET or credit cards and customers can collect their policy from any of our branches or can utilize the gig delivery service, guaranteeing delivery within 48 hours.

In our continued efforts to introduce innovative technology solutions geared toward servicing our customers, gig was also the first insurance company in Kuwait and the region to introduce the sale and renewal of insurance product over smart phones. The iPhone application was launched in 2012 and recently Android application in 2014 offering online sale of Motor, Marine, Travel and Domestic Helper policies.

gig is also the first company in Kuwait to introduce the first online medical adjudication application in 2010. Serving more than 54,000 customers over 200 medical providers with over 1000 users connected online, the state of the art application has revolutionized the medical process shifting from the traditional paper based claims to fully electronic claims. The application allows medical providers to inquire about customer medical policy details, create new medical claims, obtain necessary approvals, and process treatments electronically with any use of paper. The application is connected online with a 24/7 call center to provide any assistance to customers and medical providers.

gig’s technology mission is to be the insurance leader in using innovative solutions to better serve our customer.

“Corporate Social Responsibility”

In line with our mission and Group’s ethics and beliefs, Gulf Insurance is always committed to coordinating and supporting initiatives that benefit society and functions as a dynamic member of the community.

Gulf Insurance’s CSR involvement covers a broad spectrum of activities. Its various sponsorships and participations reflect its ongoing dedication toward Corporate Social Responsibility and its active commitment and support for social causes.

Throughout 2014, Gulf Insurance has been involved in supporting numerous local causes and events spanning from health to education, sports, and more. These causes include Kuwait Occupational Assessment and Certification(KOSAC), Joining hands with Ministry of Interior towards traffic safety awareness, supporting Al Jahra Sporting Club, The Protégés youth program, Accounting club at Kuwait University, Kuwait English International School, Masharee Alkhair Charity Organization, The Journey of Hope with the aim of proclaiming the global humanitarian message for the benefit of the mentally challenged, Gulf Studies symposium at Centre for Gulf Studies, AUK and other major initiatives.

Gulf Insurance also prioritizes CSR internally, which was supported by its employees taking part in a blood donation campaign and diabetes & blood pressure testing drive held in gig premises. Moreover, Gulf Insurance is the first insurance company to build a partnership with Metal & Recycling Co. (MRC) on a waste management program called “Newair” where paper and plastic are recycled within the company to promote environmental awareness. Gulf Insurance built a recycling structure committed to Go Green and to lead the way in such concept.

gig works extensively to implement ambitious projects in order to meet the ever-changing customer requirements and exceed their expectations. The group is not only committed to the development of the insurance industry in Kuwait and MENA region; but also plans to continue its journey as an active member of society, giving back to its people in order to grow together.

Vision

“To be the most admired insurance brand, in the MENA region”

Mission

Achieving our vision will be through Investing in the best fit people, practices, processes and technology in ways that will add value to our clients.

The journey ahead

gig intends to implement many ambitious and futuristic projects in order to meet the ever-changing customer needs and exceed their expectations. Its dynamic leadership continuously strives to train and support human resources in order to develop the technical and administrative capabilities within its group of companies. Apart from being committed to the advancement of insurance industry both in Kuwait and in the Middle East region, gig plans to continue the regional expansion strategy towards establishing itself as a major player in the regional insurance markets and increasing its business portfolio. In this concern, gig intends to strengthen its presence in the regional markets, emerge as a consolidator of businesses and developed a unified branding strategy. Gulf Insurance celebrates 53 years since its establishment and looks forward to many more, growing from origin to excellence.

“Committed to the advancement of the insurance industry both in Kuwait and the MENA Region”

GIG Timeline Achievements

1962
Commenced operations; 2nd private insurance company in Kuwait.

1977
Government acquired 82% stake from share capital of Gulf Insurance Company.

1997
KIPCO became the major stake holder.

2000
Acquired majority stake by 90% in Saudi Pearl Insurance (SPI).

2003
Formed Fajr Al-Gulf Insurance and Reinsurance Company by merger of ITI Lebanon with Al-Fajr Insurance and Reinsurance Company, and GIC acquired 51% stake of the new company.

2005
Acquired majority stake by 54.33% in Egypt's Arab Misr Insurance Group (AMIG).

2006
Acquired majority stake in Bahrain Kuwait Insurance Company (BKIC) to 42% from 21.4%.

Increased stake in SPI to be 100%.

Established Syrian Kuwaiti Insurance Company (SKIC) with 44.4% direct stake.

2007
Increased its stake in BKIC to 50.22% from 42%. Increased stake in AMIG to 85.34%.

Established Gulf Life Insurance Company (GLIC) with 98.6% stake.

Established Takaful Insurance Unit at GIC, Kuwait.

2008

Increased stake in BKIC to 51.22%.

Obtained official approval for Buruj Cooperative Insurance Company (BCIC) , Saudi Arabia with 22.5% stake.

2009

Acquired the majority stake in Arab Orient Insurance Company (Jordan) by 55%.

Increase stakes in AMIG to 94.84%, SKIC to 53.79% and FAG to 54.70%.

2010

Fairfax acquired stake in GIC 41.26%.

Acquired Egyptian Life Takaful Insurance Company through GLIC with a stake of 59.5%.

Increased Stakes in AOIC to 88.67%, BKIC to 56.12% and GICLife to 99.80%, Buruj to 27.25%, & AMIG to 94.85%.

2011

Acquired majority stake by 51% in the Iraqi Composite insurer DAIC “Dar Assalam Insurance Company”.

Established Globe-Med , Kuwait, with majority stake by 51%.

Increased stake in SKIC to be 54.29% % from 53.79 %

2012

gig celebrating 50 years of success.

Acquired 20% stake of Alliance Insurance Company - UAE.

became the 1st insurance company in Kuwait to launch “iPhone Application” for its customers.

became the 1st insurance company in Kuwait having Double ‘A’ rating from S&P and A.M.BEST Europe (A-).

2013

Successfully established a Group , Gulf Insurance Group (gig).

Increased our stake in Arab orient Insurance Co., Jordan to 88.907%, Fajr Al Gulf Insurance & Re insurance Co, Lebanon to 88.0% and Egyptian Life Takaful Co, Egypt to 60.619%.

Switched the investment in Egyptian Takaful /Property& Liability from available for sale to an Associate Company.

2014

Successfully established the composite insurer, Gulf Insurance & Reinsurance (GIRI/ gig – Kuwait) with 100% stake.

Increased our stakes in “Arab Orient insurance company-Jordan” to become 90.183%

Increased our stakes in “Syrian Kuwaiti Insurance Company-Syria” to become 54.345%

Increased our stakes in our associate “Egyptian Takaful Property & Liability – Egypt” to become 25%.

United Networks became associate company to gig with percentage stake of 17.126%.

Our presence across the MENA Region & Local Branches Network

WE COVER KUWAIT

Reaching your protection

13 locations for your insurance:

- Shuwaikh Branch
- Airport Branch
- Farwaniya Branch
- Police Co-Op Branch South Surra
- Shamiya Branch
- Nugra Branch
- Salmiya Branch
- Al-Eqaila Branch
- Qurtoba Branch
- Fahahel Branch
- KNPC Branch (Ahmadi)
- Jahra Branch
- Khaitan Branch

GIG's Regional presence & Main Targets

MENA	Country	Business Line		
		General	Life	Takaful
GCC	Bahrain	●	●	
	Kuwait	●	●	●
	KSA	●	●	●
	UAE	●	●	
Non-GCC	Egypt	●	●	●
	Jordan	●		
	Lebanon	●	●	
	Syria	●	●	
	Iraq	●	●	
	Algeria*	○	●	
	Turkey	○	○	

● Existing Operations

○ Target Operations

* During 2014: gig successfully obtained the License of Algerian Gulf Life Insurance Company (AGLIC), the company shall proceed with its operations during 2015.

Dear shareholders,

It is my pleasure on behalf of the group's Board of Directors to welcome you and I am pleased to convey to you the 51st Annual Report of the group presenting you the most important achievements as well as local and global events that the group's operations have affected by during the financial year ended 31st December 2014 where, the most remarkable of which was the United Nations honoring of His Highness the Amir Sheikh / Sabah Al-Ahmad Al-Jaber Al-Sabah and the granting of his title of "Humanitarian Leader", as was the drop in oil prices and bleeding of stock exchange the most serious tragedies.

Kuwaiti oil prices dropped to its lowest level during the past five and half years recording $50.7 per barrel by the last day of 2014 hence, the Kuwaiti oil lost 52% of its value within a glut of oil supply and rising US production of shale oil, and so Kuwait lost as a result of the decline in oil prices in six months, an estimation of approximately "$14" billion. As for Kuwaiti stock exchange as well as the stock markets of the Gulf Cooperation Council (GCC), the Kuwait Stock Exchange was the most Gulf markets declined during 2014 under the impact of the continuing decline in oil prices, especially at the level of weighted indices as its gains had evaporated in the last three months of the year thus the market closed with all red indicators. The general index of Kuwait stock exchange was the most Gulf markets losing as it lost 13.5% while it gained around 27% during 2013. The Saudi market is the largest financial markets in the region however, its trend was shifted from rise to decline in the wake of sharp declines during the last months of 2014, and closed its sessions at 2.5% losses while its gains were approximately 25% in 2013. Muscat Securities Market (MSM) also ended the year losing 7% despite of the market's gains in 2013 of 18.6%. For other Gulf markets, Dubai market gains have shrunk to about 11.8% compared to the record gains by the end of 2013 of about 107% as for Abu Dhabi market gains which have declined during the year to 5.5% after reaching 63% in 2013. Qatar financial market had lost part of the gains achieved during 2014 to close at a balance in the green zone of 18.4% while market gains in 2013 were around 24% and finally the Bahrain financial market has maintained a large part of the gains which reached 14% by end of the year.

As for the global equity markets, China and the United States topped the list of the best performing equity markets among major economies. China had the best performance on the level of global equities where CSI 300 Index has ended 2014 with 52% gains. For Wall Street, the US Stocks closed at rise and S&P 500 Index has recorded gains of more than 10% for the third year in a row, while the European stocks ended by a rise of 3.5% in total with some notable exceptions such as the 30% losses of the Greece stocks that are loaded with debts as well as the Portuguese stocks.

For currencies, the European currency rate has fallen back to its lowest levels during the last trading days of this year since July 2012 reaching $1.2124, while the US dollar has gained more than 12% against a basket of main currencies achieving the strongest annual performance during its nearly ten years. The Japanese yen fell against the US dollar by 14% to reach 119,645 yen per dollar, while the Russian currency has seen its worst performance among other currencies as the Ruble continued decline after the official data showing the shrinking of the Russian economy as a results of the Western sanctions and the decline in oil prices which led to sharp losses of 78.5% over the year, posting the worst performance since Russia defaulted on its debt in 1998.

For Precious metals, Gold has tended towards $ 1,200 per ounce, maintaining a stable level after the sharp decline in 2013 when the price fell by nearly the third which was the first drop in "13" years. Silver and platinum headed to record an annual decline, while the palladium took the lead of the precious metals performance with a leap of 13% this year.

With regard to the internal developments, the Minister of Health issued the decision of adopting the Executive Regulations of the Health Insurance of Retirees No. 114 of 2014 which provides health insurance to retirees from citizens, and we hope the actual implementation of the law to be in the second or the third quarter of 2015 as we expect that the number of subscribers under the umbrella this law, more than one hundred thousand subscribers, which increases the size of the Kuwaiti insurance market premiums. The Minister of Commerce issued under Resolution No. 522 of 2014 of the Executive Regulations of Law No. 98 of 2013 in respect of the National Fund for the support and development of small and medium-sized projects, which may be accompanied by a demand for insurance services to cover various risks to those projects. Finally the decision was issued for the executive regulations of law no. 20/2014 regarding the electronic transactions.

It's also important to point out the multiple CMA awareness workshops for the purpose of defining how to apply the instructions and decisions issued by the Authority.

It should be noted also, the Memorandum of Understanding on the cooperation between the Ministry of Commerce and Industry and the Capital Markets Authority (CMA) dated 15/12/2014, which aims to reduce the documentary cycle and dismantling the regulatory tangles on joint-stock companies.

As for the events and developments of the group, 2014 was as an extension to the previous year was full of achievements and events have had a positive impact on the group's operations as well as results as follows: -

- Successfully renewal of the group's reinsurance treaty of the parent company and its subsidiaries, led by Hannover Re despite of the clear tightening of the reinsurance markets.
- Restructuring of our subsidiary in Kuwait (Gulf Life Insurance Company), where the company's business has been modified to include the general insurance business, besides the company's name which was also amended to Gulf Insurance and Reinsurance Company.
- Maintaining the financial strength rating of A- with a Stable Outlook from Standard & Poor's, and A- (Excellent) with a revised outlook to Positive from A.M. Best which is the highest among Kuwaiti insurance companies.
- Continuing restructuring of the group's investment portfolio to focus on investment in low-risk fixed income instruments where its portion of the total portfolio has increased to 55.6% compared to 53.8% last year.
- Continuing our regional expansion where we have established a life insurance company in Algeria with 42.5% ownership, as we have increased our shares in the Egyptian Takaful Insurance Company (Property) to reach 25% of its capital.
- Strengthening the capital of our subsidiaries where, Arab Misr Insurance Group's capital was increased by 28%, Gulf Insurance & Reinsurance Company's capital by 20%, Dar Al-Salam's capital by 10% and Arab Orient Insurance Company's capital by 7% which will improve the adequacy of each company's capital.
- Achieving a growth rate of double digits as expected where the net profits increased by 17.6% while the net investment income rose by 40% which increased the value of the net investment portfolio by 12.6%... etc.

Dear shareholders

The positive results achieved by your group this year demonstrate categorically good achievements, which were represented as follows:

- Higher written premiums by 10.5% reaching KD 173,602,355.
- Increase in net technical reserves by 9.1% reaching KD 106,782,654.
- Increase in new cash & investment portfolio by 12.6% reaching KD 190,934,618.
- Increase in shareholders' equity by 7.2% reaching KD 84,179,474.
- Increase in total assets by 8.4% reaching KD 347,219,331.
- Increase in net profit by 17.6% reaching KD 12,001,391.
- Increase in total comprehensive income by 30.1% to reach KD 13,297,167.

Additional details of the group's financial results during 2014 are as follows:

First: Non-Life Insurance Operations

Marine and Aviation Insurance Operations

Written premiums have increased from KD 7,762,620 to KD 8,491,058 by amount of KD 728,428 and 9.4% growth rate, consequently this led to an increase in the underwriting income of this LOB reaching KD 2,016,110 (23% out of total net underwriting income) with a growth of 1.75% as compared to last year.

Motor Operations

Despite of the increase in written premiums of KD 3,363,879 with a growth rate of 9.75% to reach KD 37,871,945 against KD 34,508,066; the loss ratio of this LOB had increased from 70% to 76% resulting in a sharp decline in the net underwriting income to reach KD 170,706 compared to KD 1,117,610 with a decline of KD 946,904 and a percentage decline of 84.75%.

Property Insurance Operations

Property insurance operations were characterized as relatively

stable business, where its written premiums have increased from KD 22,801,529 to KD 24,210,975 by amount of KD 1,409,446 and 6.2% growth rate, along with an increase in net underwriting income by 7.9% reaching KD 490,449.

Contracting and Engineering Insurance Operations

A significant growth was achieved in both of written premiums; which increased by 19.75% and by amount of KD 1,954,982 reaching KD 11,855,667, as well as the net underwriting income which also increased by amount of KD 144,723 reaching KD 614,456 and 30.8% growth rate compared to last year.

General Accident Insurance Operations

This LOB has continued to achieve good growth rates, where written premiums increased by amount of KD 1,464,313 and 13.9% growth rate reaching KD 12,035,773. In addition to an increase in net underwriting income reaching KD 2,509,048 (28.7% out of total net underwriting income) with a growth of 6.7% as compared to last year.

Second: Life and Medical Operations

Life Operations

This LOB achieved a growth in the written premiums by 7.2% to reach KD 18,917,511 compared with KD 17,642,643 in previous year; as well as the underwriting results had achieved profits of KD 374,413 compared to losses of KD 243,294 in 2013, that is after the remarkable improvement in the loss ratio which reached 82.3% compared to 92.3% in previous year.

Medical Operations

A great increase in both written premiums and net underwriting income for this important and promising LOB, the written premiums increased from KD 53,853,213 to reach KD 60,219,426 with amount of KD 6,366,213 and 11.8% growth rate, also the net underwriting income increased with amount of KD 218,774 and 9.3% growth rate to reach KD 2,577,090 compared with KD 2,358,316 in previous year which represents 29.4% out of net underwriting income.

gig Financial Position and Investment Activities

By looking at the group's financial position at the end of 2014, we can notice the following:

- Increase in the company's total assets by amount of KD 26,791,761 with a growth of 8.4%.
- Increase in the value of investments & cash by amount of KD 22,588,426 with a growth of 11.9%.
- Increase in total equities by amount of KD 6,563,345 with a growth of 6.9%.
- Increase in shareholders' equity by amount of KD 5,680,102 with a growth of 7.2%.
- Increase in bank overdrafts by amount of KD 1,157,476 with a growth of 5.7%.
- Decrease in premiums & insurance balances receivable by amount of KD 1,429,995 with a decline of 2.9%.
- Strengthen the total technical reserves with amount of KD 11,711,774 with a growth of 8.1%.

Overall, these are positive indicators showing the strength of the financial position of the group.

With regards to the investment activity; the group achieved this year net investment income amounted in KD 11,211,275 compared with KD 8,010,193 by an increase of KD 3,201,082 with a growth of 40%, as a result of increasing the investment portfolio by amount of KD 22,588,426. The main driver of this increase was Cash and Cash Equivalent and Time Deposits by amount of KD 16,816,507 which represents 74.5%, which highly contributed in restructuring the group's investment portfolio and made it more safe and secure against any probable fluctuations in the financial market. By end of 2014, the composition of the group's investments portfolio, which amounted in KD 212,466,618 compared with 2013 which was amounted in KD 189,878,192, is as follows:

	31/12/2014	31/12/2013
Long Term deposits & Cash equivalent	45.6%	42.1%
Bonds & treasury bills	14.6%	16.7%
Investments held for trading	9.3%	9.3%
Investments available for sale	16.6%	18.3%
Investments in associates	13.2%	12.8%
Loans secured by insurance policies	0.6%	0.6%
Real Estate investments	0.1%	0.2%
	100%	100%

Knowingly that the bank overdrafts amounted in KD 21,532,000 (KD 20,374,524 as of 31/12/2013) represent only 10.1% out of the total investment portfolio (10.7% in year 2013). It is worth to mention, the group continued to deduct 10% from the profit of the year to maximize the statutory reserve and voluntary reserve which amount in total as of 31/12/2014 KD 38,117,239 that is equivalent to 203.8% of the share capital (91.3% to statutory reserve and 112.5% to voluntary reserve).

The Board of Directors & the Executive Management
The board of directors consists of ten board members……and the board of directors have five committees initiated from it, Board Executive Committee, Board Investment Committee, Board Audit Committee, Board Risk Committee and Board Corporate Governance Committee.

The board of directors member's remuneration for this year is KD 155,000 (2013: KD 155,000).

The benefits and privileges of the executive management regardless of its nature or name amounted in KD 895,662 (2013: KD 870,236).

The company allocated two cars for the services related to the board.

Recommendations
It is the pleasure of Board of Directors to recommend to your esteemed General Assembly to distribute the available profits for the financial year amounted in KD 30,488,709 in this manner:

KD 1,250,915 10% for the statutory Reserve.
KD 1,250,915 10% for the voluntary Reserve.
KD 5,919,446 Cash dividends on shareholders which represents 33% out of the Share Capital (33 fils per share) compared with 30% in previous year taking into consideration the number of treasury shares at the time of the general assembly.

The remaining amount KD 22,067,433 is to be retained forward to the next year.

at the end, and on behalf of the Members of the Board of Directors and its Executive Management, we would like to express our sincere appreciation to his highness the Amir, the Crown Prince, and to his highness the Prime Minister to their wise guidance of the state towards greater advancement, prosperity and stability. We would like also to take this opportunity to congratulate you and the Kuwaiti people on the National Celebrations of Independence and Liberation. We also would like to express our deepest appreciation to the Ministry of Commerce and Industry and its Department of Insurance Companies for their understanding to the situation of the local market and for seeking its best interests. A thank also goes to the Ministry of Interior represented by the General Traffic Department for their constant efforts to improve the compulsory traffic accident insurance sector. We also would like to thank the Capital Markets Authority (CMA), of course, we also would like to deeply thank and appreciate our distinguished clients and as well as local and international reinsurers and insurance brokers for giving us their trust and constant support and cooperation. We also thank our management and employees for their great effort and dedication which contributed in achieving the targeted goals, and finally we thank Kuwait Projects Company (Holding), our largest shareholder and Fairfax Financial Holding Limited, our second largest shareholder for their constant cooperation and support. We hope that 2015 will see the achievement of the goals for which we aspire. God Bless.

May peace and Allah's mercy and blessings.

Farqad A. Al-Sane
Chairman

GWP increased from KD 157,040,226 to KD 173,602,355 with increase of KD 16,562,129 and growth rate 10.5%, and an increase by the rate of 1% from the projected which is distributed as follows:-

Company	Contribution %	December 2014 KD	December 2013 KD	Difference KD	Change %
Gulf Insurance – Parent	9.3%	16,094,145	26,625,166	(10,531,021)	(39.6%)
Gulf Insurance & Reinsurance	38.5%	66,876,402	47,197,812	19,678,590	41.7%
Bahrain Kuwait Insurance	17.3%	30,053,856	28,774,665	1,279,191	4.4%
Arab Misr Insurance Group	9.3%	16,113,971	14,272,881	1,841,090	12.9%
Arab Orient Insurance	22%	38,209,189	34,461,936	3,747,253	10.9%
Syrian Kuwaiti Insurance	0.4%	751,379	1,005,931	(254,552)	(25.3%)
Fajr Al Gulf Ins. & Reinsu.	2.9%	5,110,788	4,701,932	408,856	8.7%
Dar El-Salam Insurance Co.	0.3%	392,626	(97)	392,723	0
Total	**100%**	**173,602,356**	**157,040,226**	**16,562,130**	**10.5%**

- Limited decrease in Group Net Underwriting Results after charged with all direct and indirect expenses from KD 5,086,683 to KD 5,063,921 with a decrease of KD 22,762 and a ratio of 0.4% but decreased from projected with 15% due to increase in the expense ratio from 18% to 20% in spite of the improvement in the loss ratio from 77% projected to 76%.

Following is the Group's Net Underwriting Results distributed on the company's group:-

Company	Contribution %	Net U/W Results KD		Difference	Combined Ratio	
		2014	2013	KD	2014	2013
Gulf Insurance – Parent	7.5%	379,142	1,372,568	(993,426)	95%	89%
Gulf Insurance & Reinsurance	31.1%	1,574,154	1,053,416	520,738	94%	95%
Bahrain Kuwait Insurance	31.4%	1,589,799	1,983,623	(393,824)	83%	78%
Arab Misr Insurance Group	25.1%	1,272,849	450,114	822,735	83%	93%
Arab Orient Insurance	33%	1,667,194	1,364,708	302,486	91%	92%
Syrian Kuwaiti Insurance	--	2,029	(863,922)	865,951	100%	184%
Fajr Al Gulf Ins. & Reinsu.	(30.4%)	(1,537,870)	(244,793)	(1,293,077)	140%	109%
Dar El-Salam Insurance Co.	2.3%	116,624	(29,031)	145,655	32%	126%
Total	**100%**	**5,063,921**	**5,086,683**	**(22,762)**	**94.4%**	**93.4%**

The Following points are illustrated from the below table:

- Increase in Net Investments and Cash Value from KD 169,503,667 to KD 190,934,618 by the amount of KD 21,430,951 with rate of 12.6%..... this resulted in increase in the net investments profits from KD 10,136,965 to KD 11,641,181 by the amount of KD 1,504,206 by rate of 14.8%.

Following, a table shows the Group's Investments Distributed by Investment Category:

Company	Cash & Deposits	Bonds & T. Bills	HFT Investments	AFS Investments	Investment in Assoc.	Loans & Others	Total
Gulf Insurance – Parent Without Subsidiaries	4,476,981	--	--	10,915,769	28,142,091	--	43,534,841
Gulf Insurance & Reins.	34,942,986	11,733,148	15,051,867	14,754,693	--	1,263,444	77,746,138
Bahrain Kuwait Insurance	28,349,586	2,760,100	--	8,931,309	--	--	40,040,996
Arab Misr Insurance Group	3,716,233	16,511,061	927,723	2,932	--	54,072	21,212,021
Arab Orient Insurance	16,971,133	414	2,138,487	--	--	--	19,110,034
Syrian Kuwaiti Insurance	3,284,408	--	9,797	198,173	--	5,552	3,497,930
Fajr Al Gulf Ins. & Reinsu.	2,505,669	--	--	1,833	--	56,748	2,564,250
Dar El-Salam Insurance Co.	661,487	--	--	365,973	--	173,213	1,200,673
Egyptian Life Takaful Ins Co	1,833,186	--	1,726,549	--	--	--	3,559,734
Total Investments	96,741,668	31,004,724	19,854,424	35,170,682	28,142,091	1,553,029	212,466,618
Less: Banks Liabilities	21,532,000						21,532,000
Net Inv.31/12/2014	75,209,668	31,004,724	19,854,424	35,170,682	28,142,091	1,553,029	190,934,618
% From Net Inv. 31/12/2014	39.4%	16.2%	10.4%	18.4%	14.7%	0.9%	--
Net Inv. 31/12/2013	59,550,636	31,677,003	17,739,588	34,686,157	24,242,332	1,607,951	169,503,667
% From Net Inv. 31/12/2013	35.1%	18.7%	10.5%	20.5%	14.3%	0.9%	--

- Increase in the net technical reserves for the company from KD 97,857,661 to KD 106,782,654 with an increase of KD 8,924,993 and growth rate 9.1%.
- Increase in shareholders' equity from KD 78,499,372 to KD 84,179,474 by the amount of KD 5,680,102 by ratio 7.2%, and after the dividends to shareholders for the year 2013 which amount of KD 5,5M and the purchase of the treasury shares by the amount of KD 2,1M.
- Increase in the Net profit to reach KD 12,001,391 against KD 10,202,495 with increase of KD 1,798,896 with growth rate 17.6%.... as a sequence to this, the profit per share amount 66.42 Fils against 55.67 Fils for the year 2013 a growth rate 19.3%.

The Following table illustrates the details of the Company's Net Profit.

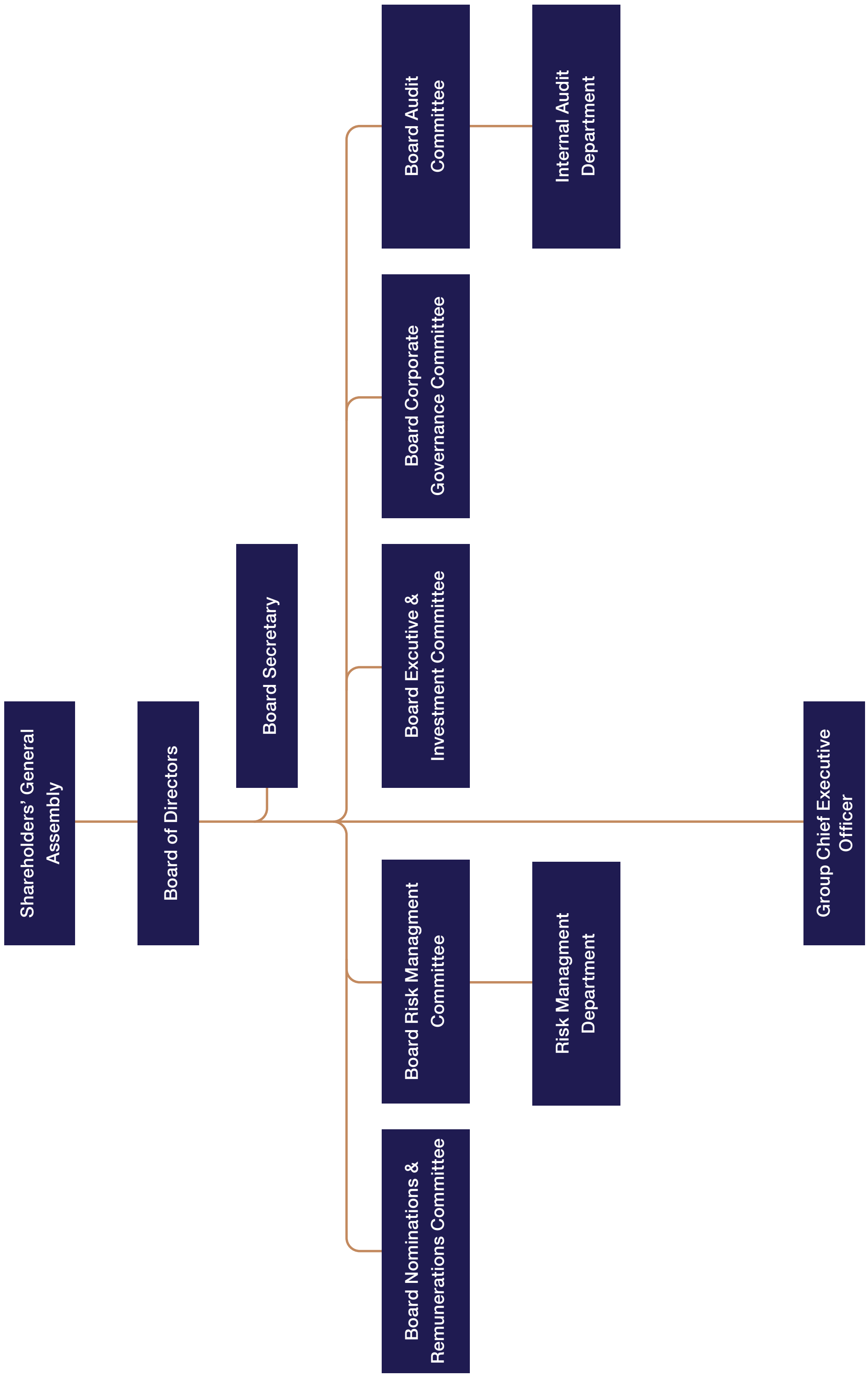
	2014 KD	2013 KD	Difference
Investment & Insurance Operations W/out Subsidiaries	3,219,995	3,390,989	**(170,994)**
Share of Gulf Insurance & Reins.'s Net Profit	3,612,614	1,631,877	**1,980,737**
Share of BKIC's Net Profit	1,791,088	1,609,054	**182,034**
Share of AMIG's Net Profit	2,342,863	1,781,071	**561,792**
Share of AOIC's Net Profit	1,821,483	1,459,623	**361,860**
Share of SKIC's Net Profit	298,836	312,381	**(13,545)**
Share of FAJR's Net Profit / Losses	(1,369,528)	(233,167)	**(1,136,361)**
Share of Dar Es Salam's Net Profit	64,256	9,380	**54,876**
Share of GlobeMed's Net Profit	206,930	190,087	**16,843**
Saudi Pearl Insurance Co.	31,002	51,202	**(20,200)**
Egyptian Life Takaful Ins Co	(18,148)	--	**(18,148)**
GIG's Net Profit	**12,001,391**	**10,202,497**	**1,798,894**
Earnings Per Share (EPS)	**66.42 Fils**	**55.67 Fils**	

The treasury shares number up to 31/12/2014 is 7,661,966 shares with ratio of 4.1% from the capital…..and the book value per share amount 469.3 Fils against 428,4 Fils as of 31/12/2013.

Governance Framework & Corporate Culture

Gulf Insurance Group adhere to the concept of "Corporate Governance" following the best practices and to be in compliance with the domestic regulations and applicable laws in each country the Group operates in.

The following diagram summarizes the governance structure of the Group, which is characterized by transparency and efficiency in addition to the initiated committees from the Board of Directors:-



One of the core values within the Group is the belief that reaching the highest standards of integrity is essential in business, The Group in constantly reviewing the implementation of governance concept, in order to enhance compliance according to the international standards and best practices , as well The direct responsibility of the Board of Directors is to endeavor to be in comply with the polices decreed by legislative & regulatory bodies.

Shareholders' Details & Shares Distribution as of 31 December 2014

Name	Number of shares	Percentage	Country
Kuwait Projects Company (Holding) - KIPCO	82,377,301	44.04%	Kuwait
Fairfax Financial Holding Limited (Fairfax - Middle East)	77,484,031	41.42%	Canada
Treasury Shares	7,661,966	4.10%	Kuwait
Heba Gulf Company (Holding)	1,633,077	0.87%	Kuwait
Kuwait Foundation for Advancement of Science	1,558,658	0.83%	Kuwait
KAMCO / Clients' Account	1,301,532	0.70%	Kuwait
Other Shareholders	15,022,560	8.04%	-
Total	**187,039,125**	**100.00%**	

Board Composition & Meeting

GIG's Board of Director is composed of ten (10) members, three (3) of them are executives and seven (7) are non-executives (including three (3) independents); All the Board of Directors' members are professionals with proven history of membership in the board of many companies and possess the necessary skills for this position, in addition to the experience & knowledge in the insurance industry, as well All Board of Directors' members are elected by the General Assembly every 3 years, During 2014, the Board of Directors held seven meetings & The following table shows the Board of Directors meetings attended by each member during the year:

BOD Members / Meetings	Annual Serial			1	2	3	4	5	6	7
	Accumulated Serial			346	347	348	349	350	351	*352
	Designation / Meeting Date	Dependency	Executive / Non Exec.	11/02/2014	11/02/2014	03/04/2014	04/05/2014	23/07/2014	28/10/2014	15/12/2014
Farqad Abdulla Al-Sane	Chairman	KIPCO	Executive	√	√	√	√	√	√	√
Faisal Hamad Al-Ayyar	Vice-Chairman	KIPCO	Executive	√	√	√	-	√	√	√
Khaled Saoud Al-Hassan	Chief Executive Officer	KIPCO	Executive	√	√	√	√	√	√	√
Mahmoud Ali Al-Sane	Member	KIPCO	Non-Exec.	√	√	√	√	-	√	√
Robert Queen McLean**	Member	Fairfax	Non-Exec.	√	√	-	√	√	√	√
Jean Cloutier	Member	Fairfax	Non-Exec.	√	√	-	√	√	√	√
Bijan Khosrowshahi	Member	Fairfax	Non-Exec.	√	√	-	√	-	√	√
Abdullah Mohammed Al-Mansour	Member	Independent	Non-Exec.	√	√	√	√	√	-	√
Abdul Ilah Mohammed Marafie	Member	Independent	Non-Exec.	√	√	-	-	√	√	√
Abdul Aziz Saoud Al-Fulaij	Member	Independent	Non-Exec.	√	√	√	√	√	√	√
Rafat Atiyya Al-Salamony	Board Secretary	Senior DGM-Finance	Executive	√	√	√	√	√	√	√

* The Board of Directors meeting No. (352) was held by circulation.

** Mr. / Robert Queen McLean has joined the Board during 2014.

Board Of Directors Roles

The Board's main roles include but are not limited to the following:-

1. Adopting the important objectives, strategies, plans and policies of the Group, and that includes, at a minimum:
   - The comprehensive strategy of the Group, major action plans and reviewing and guiding it.
   - The optimal capital structure of the Group and its financial objectives.
   - Clear policy for the distribution of profits regardless of its nature (cash/non-cash), which is in line with the interests of the shareholders and the Group.
   - Performance objectives, monitoring execution and the overall performance of the Group.
   - The organizational and functional structures of the Group and reviewing them periodically.
2. Adopting annual estimated budgets and interim and annual financial statements.
3. Overseeing major capital expenditures for the Group and the ownership and disposal of assets.
4. Ensuring the degree of compliance of the Group to the policies and procedures that ensure respecting the Group's applicable bylaws and internal regulations.
5. Ensuring the accuracy and soundness of the data and information that should be disclosed and that is according to the applicable policies and laws of disclosure and transparency.
6. Disclosing and publishing the Group's progress on a regular basis along with all the influential developments on it.
7. Laying down effective channels of communication that enables the Group's shareholders to continuously and periodically be informed of the various activities of the Group and any substantial development.
8. Implementing a corporate governance system for the Group and perform general supervision and monitoring over the degree of its effectiveness and amending it when needed.
9. Forming committees specialized arising from it according to a charter defining the duration of the committee, authorities, responsibilities and how the board monitors it, The decision to form a committee also includes the members and defining their roles, rights and duties, as well as evaluating the performance and actions of these committees and its primary members.
10. Ensuring that the organizational structure of the Group is transparent and clear, which allows for a process of decision making and achieving the principles of sound corporate governance and the segregation of powers and authorities between both the Board of Directors and the Executive Management, and in this light the board perform the following:
    - Adopting regulations and internal control systems relating to the Group and developing it and what follows that from defining roles, specialties, duties and responsibilities among the different organizational levels.
    - Adopting a delegation and execution policy for the tasks entrusted to the Executive Management.
11. Defining the authorities that have been delegated to the Executive Management , the procedures of decision making, the duration of the delegation, The board also defines the topics that it retains the authority to decide upon & The Executive Managements reports the authorities delegated to it on a periodical basis.
12. Monitoring and supervising the performance of Executive Management members and ensuring that they perform the roles entrusted to them and the Board of Directors is required to perform the following:
    - Ensuring that the Executive Management is operating according to the policies and regulations approved by the Board of Directors.
    - Holding periodical meetings with Executive Management to discuss the course of action and any obstacles or issues and reviewing and discussing the important information related to the Group's activity.
    - Implementing performance standards for the Executive Management which is in-line with the objective and strategies of the Group.
13. Identifying the remunerations that will be provided to the employees.
14. Appointment or dismissal of any member of the Executive Management, including the chief executive officer.
15. Implementing a policy organizing the relationship with stakeholders in order to protect their rights.
16. Implementing a mechanism to organize dealing with related parties, in order to limit conflict of interest.
17. Ensuring on a periodical basis the effectiveness and adequacy of internal control systems applicable in the Group and that includes;
    - Ensuring the soundness of the financial and accounting systems, including the systems related to preparing financial statements.
    - Ensuring the implementation of proper internal control systems to measure and manage risks and also through identifying the scope of risks the Group may face, establishing a convenient cultural environment to limit risks Group wide and raising it transparently with stakeholders and Group related parties.

Chairman Of The Board Of Directors & Group Chief Executive Officer

Roles of the chairman and Group Chief Executive Officer are distinct and fully separated, As both functions are independent of each other and there is a clear segregation of duties and responsibilities assigned to both positions.

The Roles And Responsibilities Of The Chairman Of The Board of Directors

The chairman of the Board of Directors is responsible for the proper functioning of the Board of Directors in a suitable and effective manner and that includes the members of the Board of Directors and independent members obtaining the complete and correct information in timely manner, The roles and responsibilities of the chairman of the Board of Directors Include but are not limited to the following:-

1. Ensuring that the board discusses all the major issues in an effective and timely manner.
2. Representing the Group and that is according to what is stipulated in the Group's bylaw.
3. Encouraging all board members in contributing fully and effective in all affairs of the board to ensure that the board is performing its functions in the interest of the Group .
4. Ensuring effective communication with shareholders and communicating their opinions to the Board of Directors.
5. Encouraging constructive relations and effective contribution between the board and the Executive Management and among the executive, non-executive and independent members.
6. Creating a culture that encourages constructive criticism revolving issues in which there is divergence of opinions between board members.

The Roles And Responsibilities Of The Executive Management

The executive management of the Group consists of a group of individuals who have been entrusted with performing the day to day operations of the Group (Chief Executive Officer, General Manager & his deputies, Assistants and senior executives or anyone under them). The primary role entrusted to the Chief Executive Officer is the following:

- Executing the Group's strategic plans, the policies and internal regulations relating to it and ensuring its adequacy and effectiveness.
- Complete responsibility on the overall performance of the Group and its results and that is through establishing an organizational structure that promotes accountability and transparency.

The following are some of the roles and responsibilities of the Executive Management that should be adhered to in light of the powers and authorities delegated to them by the Board of Directors:-

1. Execution of all the various policies, regulations and internal control systems of the Group, approved by the Board of Directors.
2. Executing strategies and annual plans approved by the Board of Directors.
3. Preparing periodical reports (financial and non-financial) regarding the advancements performed in the Group's activity in light of the strategic plans and goals of the Group and presenting these reports to the Board of Directors.
4. Implementing a complete accounting system that maintains ledgers, registers and accounts that views accurately and in details the financial data and income accounts, which allows maintaining the Group's assets and preparing financial statements according to the international accounting standards.
5. Managing day to day activities, as well as managing the Group's resources optimally and working on increasing profits and reducing expenditures and that is in accordance to the objectives and strategies of the Group.
6. Effective contribution in the establishment and development of ethical standards in the Group.
7. Implementing internal control and risk management systems and ensuring its effectiveness and adequacy, while taking into account and complying with Group's risk appetite that is approved by the Board of Directors.

Code Of Conduct

The Group's Code of Conduct covers the behavior of the Board of Directors members and executive management, which binds all signatories to perform their job in accurate and professional way, It also covers conflicts of interest, disclosure and confidentiality of insider information & insider trading policies.

Board Committees

The committees are formed and their members are appointed by the Board of Directors after each election cycle for the Board, The ramified committees from BOD is creating the link between the Executive Management and the Board of Directors, The purpose of the formation of these committees is to assist the Board of Directors in the conduct of the Group's business by examining many issues provided from the management to the Board & submit its recommendations to the Board of Directors with respect to that.

The Board may also set up temporary committees for specific tasks from time to time as required and the work of this committees end once the assigned task is completed, And the Board of Directors has set up five committees as follow:-

1. Board Executive & Investment Committee.
2. Board Audit Committee.
3. Board Risk Management Committee.
4. Board Corporate Governance Committee.
5. Board Nominations & Remunerations Committee.

The main roles of the initiated committees from the Board of Directors have been clarified in a specific charter for each committee, in addition the duties and authorities of the committees have been identified and delegated by the Board of Directors.

Board Executive & Investment Committee

The Board has delegated the following responsibilities to the Committee which held its meetings regularly and whenever it's necessary to be held, The committee comprises from five (5) members: The Chairman, Vice Chairman, Chief Executive Officer and two (2) Board of Director's members.

Duties And Responsibilities

The duties and responsibilities of the Executive & Investment Committee include but are not limited to the following:-

1. Developing and recommending of the strategic plans that reflect the long-terms objectives and the Group's priorities to be presented to Board of Director to take the necessary decision.
2. Follow up and monitoring the implementation of the strategies and policies approved by the Board.
3. Monitoring of the operating and financial results against the plans and budgets.
4. Monitoring the quality and effectiveness of the investment process against objectives.
5. Prioritizing allocation of capital, technical and human resources.
6. Ensuring the existence of efficient & effective management.
7. Monitoring the markets shares, trends and penetration.
8. Overseeing the persistence periodically and combined loss ratio, and to take the corrective actions on the right time.
9. Monitoring the implementation of Group expansion.
10. Monitoring the general position, performance of the Group's investments and its strategic investments in relation to investments in subsidiaries and associates.
11. Reviewing and monitoring the movements in the investment portfolio.
12. Following up & reviewing the investment portfolio diversification in light of the Group's investment strategy.
13. Discussing the proposals and recommendations presented by the Group's investment officers in light of the Group's investment strategy and raising its feedback to the Board for the necessary actions and approvals.
14. Monitoring the efficiency and quality of the investment process in light with the objectives and raising its feedback to the Board for the necessary actions and approvals.

The committee was held four times during 2014 as follows:-

Committee Members / Meetings	Annual Serial	1	2	3	4
	Accumulated Serial	52	53	54	55
	Designation / Meeting Date	11/02/2014	04/05/2014	23/07/2014	28/10/2014
Farqad Abdulla Al-Sane	Chairman	√	√	√	-
Faisal Hamad Al-Ayyar	Member	√	√	√	√
Khaled Saoud Al-Hassan	Member	√	√	√	√
Robert Queen McLean	Member	√	√	√	√
Bijan Khosrowshahi	Member	√	√	-	√
Rafat Atiyya Al-Salamony	Secretary of the committee	√	√	√	√

Board Audit Committee

The Audit Committee initiated from the Board of Directors is responsible for ensuring the adequacy & effectiveness of the internal control on behalf of the Board of Directors and to report the following to the Board of Directors:-

(a) The quality and integrity of financial reporting,
(b) The audit of the accuracy of such report,
(c) The soundness of Group internal controls,
(d) The methods of monitoring compliance with laws, regulations and internal policies.

The Audit Committee consist of four (4) members, two (2) of them are independent members & the chairman of the committee from the non-executive members of the Board, The Internal Audit officer attend the meetings and other Board members whether executives or non-executives can attend. The Financial Manager and a representative of the external auditor could attend as necessary and as per the committee request.

The Audit Committee oversees the audit matters on behalf of the Board, it has a responsibility to be satisfied that the internal audit is being conducted with proper professionalism and that its scope of work is appropriate.

Board Audit Committee meetings are held to allow the timely consideration of the issuance of the Group financial reports to the external parties, and the meetings held not less than four times a year.

Duties And Responsibilities

The duties and responsibilities of the Audit Committee include but are not limited to the following:-

1. Review the financial statements periodically before submitting to the Board of Directors, and submitting its opinions and recommendations in this regard to the Board of Directors and that's to ensure transparency and fairness in the financial reports.
2. The audit committee shall submit its recommendations to the board regarding appointment and reappointment of external auditor, as well as determining and changing their fees, Taking into account when recommending, that independence is ensured and reviewing their engagement letter.
3. Monitoring the external auditor's performance, to ensure that they are not providing services to Group except for services required by the audit profession.
4. Studying the external auditor's observations regarding the financial statements and following-up on its status.
5. Studying the accounting policies followed and provides its opinion and recommendation to the board regarding it.
6. Evaluate the adequacy of the internal control systems in the Group and prepares a report including the opinion and recommendation of the committee in this regard.
7. Supervising the internal audit department in the Group in order to verify the extent of its effectiveness in preforming its prescribed duties defined by the Board of Directors.
8. Recommend the recruitment, shifting and termination the chief internal auditor, and evaluate his performance and the performance of the internal audit department.
9. Revision and adaptation of the proposed audit plan, which is prepared by the internal auditor and provides its opinion on the same.
10. Reviewing the results of internal audit reports, and ensures that the corrective procedures have been taken regarding the observations which are contained in the report.
11. Reviewing the results of the regulatory authorities reports, and ensures that the necessary procedures have been taken in this regard.
12. Ensure the Group is complying with the regulations, policies, and instructions that are of relation to it.
13. Reviewing the proposed deals and transactions the Group performs with related parties and provide the proper recommendations to the board.

The committee was held four times during 2014 as follows:-

Committee Members / Meetings	Annual Serial	1	2	3	4
	Accumulated Serial	31	32	*33	34
	Designation / Meeting Date	11/02/2014	04/05/2014	23/07/2014	28/10/2014
Mahmoud Ali Al-Sane	Chairman	√	√	√	√
Abdul Ilah Mohammed Marafie	Member	√	-	√	√
Jean Cloutier	Member	√	√	√	√
Abdullah Mohammed Al-Mansour	Member	√	√	√	-
Mohammed Ahmed Ibrahim	DM - Internal Audit Department	√	√	√	√

* The Audit Committee meeting No. (33) was held by circulation.

Board Risk Management Committee

The purpose of the Risk Management Committee is to oversee & verify that the management is implementing the Group's policy in accordance with risk management framework and conducting risk management activities. The main purpose of the Risk Management Committee is to assist the Board in implementing its responsibilities with regards to the following:-

1. Review and approval of the Group's Risk Management Strategy.
2. Review and approval of the Risk Management policies & procedures.
3. Review and approval of risk limits and submit the necessary recommendations to the Board of Directors.
4. Review the adequacy of the Group's capital (economic, required from government & regulatory entities and rating agency) and how to allocate it to achieve the best return of the assessed risks.
5. Review and assess the performance and responsibilities of Risk Management department.

The Risk Management Committee consists of four (4) members, two (2) of them are independent members & the chairman of the committee from the non-executive members of the Board of Directors.

Duties And Responsibilities

The duties and responsibilities of the Risk Management Committee include but are not limited to the following:-

1. Preparing and reviewing the strategies and policies of risk management before it's approved by the Board of Directors and ensuring the execution of these strategies and policies and the same is consistent with the nature and size of the Group's activity.
2. Providing sufficient resources and adequate systems for the risk management department.
3. Evaluate the systems and mechanisms for identifying and monitoring various risks that the Group may be exposed to, in order to determine the weaknesses in this regard.
4. Assist the Board of Directors in identifying and assessing the acceptable level of the risks, to ensure that the Group does not breach this level of the risk after approval from the Board of Directors.
5. Reviewing the organization structure of the risk management department and submitting its recommendations in this regard, prior to its approval from the Board of Directors.
6. Ensuring that the staff of the risk management department are independent from the activities that leads to risk exposure.
7. Ensuring that the staff of the risk management department completely understand the risks surrounding the Group and work on increasing awareness of the employees regarding the risk culture.
8. Preparing periodic reports regarding the nature of the risks that the Group may be exposed to and submitting the same to the Board of Directors.
9. Reviewing the related issues raised by the audit committee which may affect managing the Group's risks.
10. The risk management committee convene its meetings on periodical basis, at least four times annually and the minutes of the meetings must be recorded.

The committee was held four times during 2014 as follows:-

Committee Members / Meetings	Annual Serial	1	2	3	4
	Accumulated Serial	12	13	*14	15
	Designation / Meeting Date	11/02/2014	04/05/2014	23/07/2014	28/10/2014
Mahmoud Ali Al-Sane	Chairman	√	√	√	√
Abdul Ilah Mohammed Marafie	Member	√	-	√	√
Jean Cloutier	Member	√	√	√	√
Abdullah Mohammed Al-Mansour	Member	√	√	√	-
Ahmed Galal Ragab	Assistant Manager - Risk Management Department	√	√	√	√

* The Risk Management Committee meeting No. (14) was held by circulation.

Board Corporate Governance Committee

The Corporate Governance Committee specialized in corporate governance applications & its primary role setting a Corporate Governance framework and guideline and supervise its implementation and amend it, when necessary.

The Board of Directors form a Corporate Governance Committee consisting of three (3) members, one of them is an independent member of the audit committee & the chairman of the committee should be the chairman of the Board of Directors.

Duties And Responsibilities

The duties and responsibilities of the Corporate Governance Committee include but are not limited to the following:-

1. Ensuring that the corporate governance standards and implementations are approved by the Board of Directors and are consistent with the capital markets authority's requirements regarding corporate governance.
2. Supervising the preparation and implementation of the corporate governance manual and reviewing and updating the same when necessary.
3. Coordinating with the audit committee to ensure compliance with the corporate governance manual.
4. Monitor the performance of the members of the Board of Directors and Executive Management based on the key performance indicators.
5. Monitor any subjects relating to corporate governance and providing the Board of Directors (annually at least) with the reports and recommendations based on the committee's results.
6. Prepare an annual report that includes the procedures and requirements regarding completion of the corporate governance rules and the extent of compliance with the same and this report is to be included in the annual report of the Group 's activity.

The committee was held two times during 2014 as follows:-

Committee Members / Meetings	Annual Serial	1	2
	Accumulated Serial	1	2
	Designation / Meeting Date	01/04/2014	06/05/2014
Farqad Abdulla Al-Sane	Chairman	√	√
Mahmoud Ali Al-Sane	Member	√	√
Abdullah Mohammed Al-Mansour	Member	√	√

Board Nominations & Remunerations Committee

The availability of professional experience and technical skills as well as the personal qualities and ethical standards in the nominated person for a membership in the Board of Directors or Executive Management, are considered the main cornerstones for the Group's financial soundness and an important aspect to prevent risks that the Group may be exposed to. Also, The equitable allocation of the remuneration attracts highly qualified and technical labor, as well as strengthening the concept of loyalty to the Group and accordingly maintaining qualified labor, motivating employees in all various levels to achieve the Group's objective and improve the Group's performance, based on that the Board of Directors has formed the Nominations and Remunerations Committee during 2014 which consist of three (3) members, one (1) of them are independent members from the Board & the chairman of the committee from the non-executive members of the Board.

Duties And Responsibilities

The duties and responsibilities of the Nominations & Remunerations Committee include but are not limited to the following:-

1. Recommending nominations and re-nominations for the membership of the Board of Directors, Board Committees and Executive Management, while taking into account not nominating any person who does not fulfill the requirements set out in the instructions of the authority regarding the rules of integrity and competency for candidates. taking into account the number of attendance, quality and effectiveness of contribution of the members in the Board of Directors meetings, the performance of their duties and responsibilities.
2. Annual review of the requirements for appropriate skills, in order to attract applicants seeking to fill executive position as needed, studying and reviewing these applications.
3. Preparing job descriptions for the executive, non-executive and independent members.
4. Recommending independent members for nomination and re-nomination through election from the general assembly and ensure the existence of independence for the independent member in the Board of Directors.
5. Establishing a clear policy for the remuneration of the board members, senior executives.
6. The annual revision of the remunerations policy and evaluation of its efficiency in achieving the objectives expected from it, such as attracting and maintaining highly qualified and technical labor that improve the Group's performance.

ERM Framework

Gulf Insurance Group (GIG) has implemented an effective structure and framework to lay the foundation for a productive and robust Enterprise Risk Management. Our ERM program aims at keeping pace with growing expectation of our shareholders, rating agencies, regulators and customers. This program consists of the conceptual framework, organizational approaches, and tools that integrate market, credit, liquidity, operational, and business risks in achieving the organization's objectives.

GIG has established a risk management function which directly reports into the board. Key risk issues and decisions concerning risks are communicated to the board. This structure provides the risk management department unfettered access to the board and ensures that the principle of independence is upheld.

GIG risk management framework is established with clear identified policies and procedures that are being developed for the group. GIG aims for its business to be 'in control' of significant risks. This means understanding the risk universe and identifying and assessing the major risks that the group is exposed to. Where risks have been assessed as not being under control, the factors contributing to this are known, documented and action plans to mitigate them are initiated. The Group's business continuity and disaster recovery plan is being finalized to be prepared for unexpected disruptive events and to mitigate its effects.

GIG has determined and articulated its risk appetite statement. ERM is monitoring closely the adherence to the appetite and tolerance of the board of directors. Our internal economic capital model is designed to measure the capital adequacy, assist in capital allocation and used as a monitoring tool for any breaching of the risk appetite and as an assist to the decision making process. The Group's performance is closely monitored through the comprehensive management information pack presented to the board as well as the top management.

Asset liability management model is the cornerstone for monitoring and revising strategies related to assets and liabilities in order to achieve the group's financial objectives. ALM assists in identifying assets – liabilities mismatches under a set of scenarios. It has been designed to include the simple idea of maturity-matching into a framework that includes sophisticated concepts such as duration matching, liquidity and currency check.

GIG's ERM function oversees the risk management processes of the group and supports them with reports and guidance on regular basis.

Board of Directors

Farqad Abdullah Al Sane (KIPCO)
Group Chairman

Mr. Al-Sane holds a Bachelor degree of Commerce in Accounting from Cairo University – Egypt. He held various management and board level positions for more than 30 successive years in Kuwait. He joined The Gulf Insurance Company (GIC) in 2001, he is currently the Group Chairman of Gulf Insurance Group. Mr. Al-Sane has diversified professional career started as Internal Auditor at the Kuwait Oil Company, Deputy General Manager of Wafra Real Estate Company; General Manager of Commercial Real Estate Company, Board Member of KIPCO Group; Board Member of United Real Estate Company; and the Chairman of Commercial Markets Complexes Company and Board Member in ALARGAN INTERNATIONAL REAL ESTATE COMPANY.

Faisal Hamad Al Ayyar (KIPCO)
Vice Chairman

Mr. Faisal Al Ayyar is Vice Chairman of the Kuwait Projects Co. (KIPCO). He joined the company in 1990 when it was a US$ 220 million regional investment company. Under his stewardship, KIPCO has developed into one of MENA's leading holding companies with interests in financial services, media, real estate and manufacturing with operations in 24 countries and consolidated assets of over US$ 30 billion. Of note are his leading role in the creation and development of OSN, the region's largest pay-TV company, the development of SADAFCO, a leading dairy and foodstuff producer in Saudi Arabia, and the expansion and subsequent sale of Wataniya Telecom, a major regional mobile operator.

Mr. Al Ayyar is Chairman of Panther Media Group - Dubai UAE (OSN). He is Vice Chairman of Gulf Insurance Group – Kuwait, United Gulf Bank – Bahrain, Jordan Kuwait Bank – Jordan, and Mashare'a Al-Khair Est. - Kuwait. He is a Board Member of Saudia Dairy & Foodstuff Co. – Kingdom of Saudi Arabia, and Gulf Egypt for Hotels & Tourism Co – Egypt. He is a Trustee of the American University of Kuwait – Kuwait and Honorary Chairman of the Kuwait Association for Learning Differences – Kuwait.

Mr. Al Ayyar began his career as a fighter pilot with the Kuwait Air Force. Honors include the Arab Bankers Association of North America's 2005 Achievement Award, the Tunis Arab Economic Forum and the Beirut Arab Economic Forum 2007 Achievement Awards and the Kuwait Economic Forum 2009 Award for his contribution to the investment sector and successes in the global financial market.

Khalid Saoud Al Hasan (KIPCO)
Board Member and Group CEO

Mr. Al- Hasan holds a Bachelor degree in Political Science and Economics from Kuwait University. His professional insurance and administrative experience exceeds 30 years in different executive positions. He joined GIC in 1978. He is the chairman of Syrian Kuwaiti Insurance Company - Syria. Vice Chairman of Arab Orient Insurance Company – Jordan, Arab Misr Insurance Group - Egypt, Bahrain Kuwait Insurance Company – Bahrain, Fajr Al- Gulf Insurance & Reinsurance Company – Lebanon and a Board member in Arab Reinsurance Company - Lebanon, Egyptian Takaful Property & Liability (ETP) – Egypt, Kuwait Reinsurance Company, Kuwait and for Buruj Cooperative Insurance Company – KSA.

Mahmoud Ali Al Sanea (Amaken)
Board Member

Mr. Mahmoud Al-Sanea holds a Master's degree in Business Administration and a Bachelor degree in the same field. Over four decades of his professional experience he has been Head of External Accounts, General Manager - Planning in Ministry of Communications. Director of Commercial Divisions and a member and secretary of Operating Board of Mobile Telecommunication Company (Zain). Vice Chairman & MD of Communication & Information Group, currently Mr. Al Sanea is the chairman & CEO of United Networks Company.

Abdul Ilah Mohammed Rafie Marafie (Independent)
Board Member

Mr. Marafie Holds Diploma in Computer Science. He is the Managing Director of the successful Marafie Group. He held several positions in Mohammed Rafie Husain Marafie Sons Company (1977 – 1998). He was also the Managing Director of Wara Real Estate Company (1978 – 1999), Chairman & Managing Director of Wataniya Telecom from May to October 1998, and a Board Member of Al-Bab Holding Company (1999 – 2001). Since April 2005, he is the Chairman of First Hotels Co. KSCC.

Bijan Khosrowshahi (Fairfax)
Board Member

Bijan Khosrowshahi is born in 1961, had his MBA, 1986 and Bachelor degree in Mechanical Engineering, Drexel University-USA, 1983, he is currently the President & CEO of Fairfax International, London and the Board member, Representative of Fairfax Financial Holdings Limited for the following companies: Gulf Insurance Group – Kuwait, Bahrain Kuwait Insurance – Bahrain, Arab Misr Insurance – Egypt, Commercial International Bank (CIB) – Egypt, Arab Orient Insurance Company – Jordan, Jordan Kuwait Bank – Jordan, Alliance Insurance P.S.C. – Dubai. Mr. Bijan previously held the position of President & CEO, Fuji Fire and Marine Insurance Company, Japan, President, AIG's General Insurance operations, Seoul, Korea (2001-2004), Vice Chairman and Managing Director, AIG Sigorta, Istanbul, Turkey (1997-2001), Regional Vice President, AIG's domestic property and casualty operations for the Mid-Atlantic region, USA, and held various underwriting and management positions with increasing responsibilities, AIG, USA since 1986, Board member, Foreign Affairs Council, Board member, Insurance Society of Philadelphia, Council member, USO, Korea, Chairman, Insurance committee of the American Chamber of Commerce, Korea, Member, Turkish Businessmen's Association.

Jean Cloutier (Fairfax)
Board Member

Mr. Cloutier received his bachelor's degree in actuarial sciences from Laval University in 1986. He is a fellow of the Casualty Actuarial Society and a member of the Canadian Institute of Actuaries. Mr. Cloutier joined Fairfax in 1999 as Vice President and Chief Actuary, becoming Vice President, International Operations in 2009 and is Chairman of Fairfax International from 2013 to present. From 1990 – 1999, he was Vice President Actuarial Services of Lombard Canada Limited, a Canadian property and casualty insurance company. Mr. Cloutier serves on the Board of a number of Fairfax Subsidiaries as well as Industry Organizations on behalf of Fairfax.

Quinn McLean (Fairfax)
Board Member

Quinn McLean is an Investment Analyst at Hamblin Watsa Investment Counsel, a wholly owned subsidiary of Fairfax Financial. Quinn is the International Manager for Fairfax insurance subsidiary investment portfolios in the Middle East/Africa (Gulf Insurance Group), Singapore (First Capital) and Malaysia (Pacific Insurance). His work involves frequent travel to the above regions to perform due diligence on potential and existing investments. Quinn is currently on the board of Gulf Insurance Group, Afgri Ltd (Agricultural company based in South Africa – Fairfax has a 40% stake) and First Capital (Singapore).

Quinn graduated with a Masters in Business Administration from the University of Toronto. Initial work experience was in the public accounting profession with three and a half years work experience in audit and tax (Obtained Chartered Accountant designation (CA, CPA) in 2004). Subsequently Quinn entered the investment management profession as an investment analyst working for an Institutional Investment Manager in Toronto, Canada focusing on international equities (Europe and Asia) for five years. Chartered Financial Analyst (CFA designation) obtained in 2008. Quinn joined Hamblin Watsa in July 2011 with a focus on international investments.

Mr. Abdulaziz Saoud Al Fulaij (Independent)
Board Member

Mr. Al- Fulaij is a prominent businessperson in Kuwait, running his own company called "Abdulaziz Saud Al-Fulaij Establishment" he's actively involved in the social and community services and activities in Kuwait.

Abdullah Mohammed Al Mansour (Independent)
Board Member

Mr. Al-Mansour Holds bachelor degree in Accounting from Cairo University- Egypt, he played a managerial roles in several banks like Commercial Bank of Kuwait CBK, Kuwait Finance House KFH and was a board member of several leading companies such as External Investments Company (1987-1994) National Investments Company (1990-1994), and Hotels Company (1988-2000), currently Mr. Al-Mansour is Board Member at CapCorp Investment Company (2010-2013).

Executive Management

Khalid Saoud Al Hasan
Member of the Board and
Group Chief Executive Officer

Qualification: Bachelor of Political Science, Faculty of Commerce, Economics & Political Science, Kuwait University; and successfully completed the course in Leadership and the Management of Change from Harvard University-USA.

Professional Experience: Mr. Al-Hasan joined GIC in November 1978. Since July 2014 he is the Group Chief Executive Officer, Gulf Insurance Group. Before, he was Assistant Manager – Fire and General Accident Department from 1979 to 1981, Manager – Fire and General Accident Department from 1981 to 1983, Deputy General Manager – Fire and General Accident Department from 1983 to 1991, General Manager from 1991 to 2002, Managing Director & CEO from February 2002 to July 2013, and Chief Executive Officer from July 2013.

Tareq Abdulwahab Al Sahhaf
General Manager

Qualification: Bachelor of Business Administration, College of Insurance, New York City.

Professional Experience: Mr. Al-Sahhaf joined GIC in January 1979. He was appointed General Manager in July 2007. Prior to that he was Assistant Manager – Marine & Aviation in 1981, Manager – Marine & Aviation Department in 1987, AGM – Marine & Aviation Department in 1991, and Deputy General Manager – Marine & Aviation in 1998.

Raafat Attia Al Salamony
Senior Deputy General Manager - Finance

Qualification: Bachelor of Commerce (Accounting), Alexandria University, Egypt.

Professional Experience: Mr. Al-Salamony joined GIC in September 1975. He is in his current position since 1 July 2012. Before that he was Manager – Finance & Accounts from 1986 to 1998, Deputy General Manager - Finance, from 1998 to 30/06/2012.

Anwar Salim Al Rafidi
Deputy General Manager – Property & Casualty

Qualification: Bachelor of Arts – Administration (Finance), California State University, USA.

Professional Experience: Mr. Al-Rufaidi joined GIC in February 1989. He is in his current position from 01 October 2014. Previously, he held the positions of Section Head – Fire & General Accident Department, Assistant Manager – Fire & General Accident Department, Manager – Fire & General Accident Department, and Assistant General Manager – Internal Branches. On 24 July 2006, he was promoted to the position of Deputy General Manager, Internal Branches and Production Affairs, with additional responsibilities for Takaful Insurance Unit and held the position until he was moved to the current department.

Ibrahim Zeinhom Mohammed Shaarawi

Assistant General Manager – Internal Branches, Production, and Takaful Unit

Qualification: Bachelor of Commerce in Insurance, Cairo University; and Master of Business Administration, Insurance & Risk Management, Woodfield University.

Professional Experience: Mr. Shaarawi joined GIC in April 1992. He became Assistant Manager, Property & Casualty Department in 2001, Department Manager of Property & Casualty in 2005, Senior Department Manager of Property & Casualty in 2010, and was promoted to the position of Assistant General Manager of Property & Casualty Department in July 2011. He is in the current department since 01 October 2014.

Thamer Ibrahim Arab

Assistant General Manager, Information Technology

Qualification: Bachelor of Science in Computer Science, California State University, Sacramento, USA

Professional Experience: Mr. Arab joined GIC in December 2006 as Information Technology Department Manager, became Executive Manager in 2010, and promoted to the current position in 2011. Mr. Arab is responsible to oversee the entire company Information Technology setup and operations. Prior to joining GIC, Mr. Arab's main experience was focused on the banking sector. He had worked for Burgan Bank as the Systems Development Manager. He had also worked for Industrial Bank of Kuwait for 10 years starting as a Systems Analyst and worked his way up to be the IT Manager as his last position in the bank. Mr. Arab had also worked abroad with Lockheed Martin – Information Technology Division in the U.S. where he was part of the California Statewide welfare automation system.

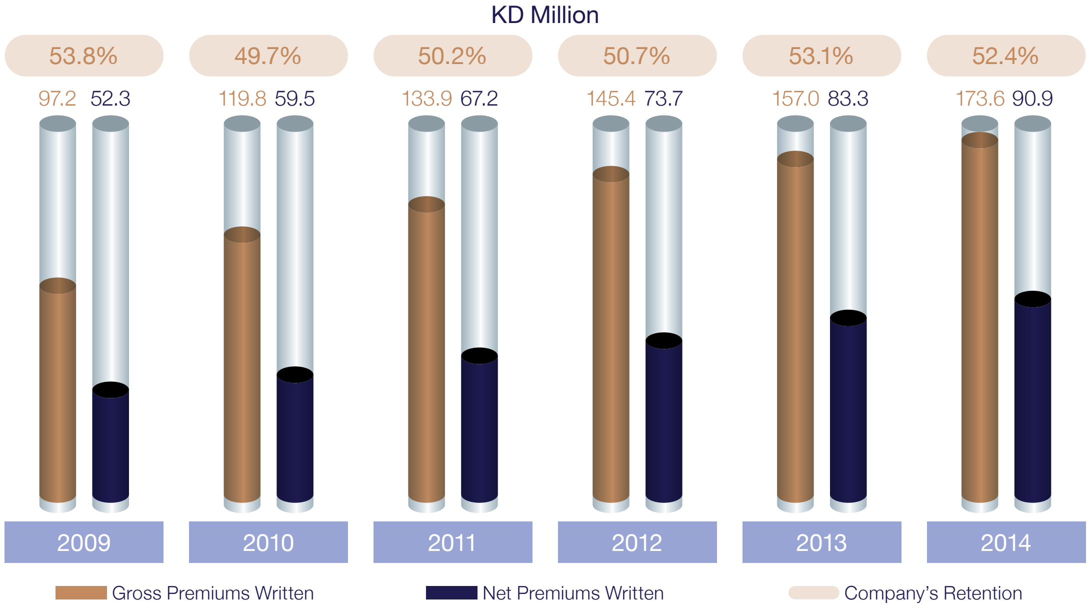
Sridharan Sundaresan

Executive Manager, Reinsurance

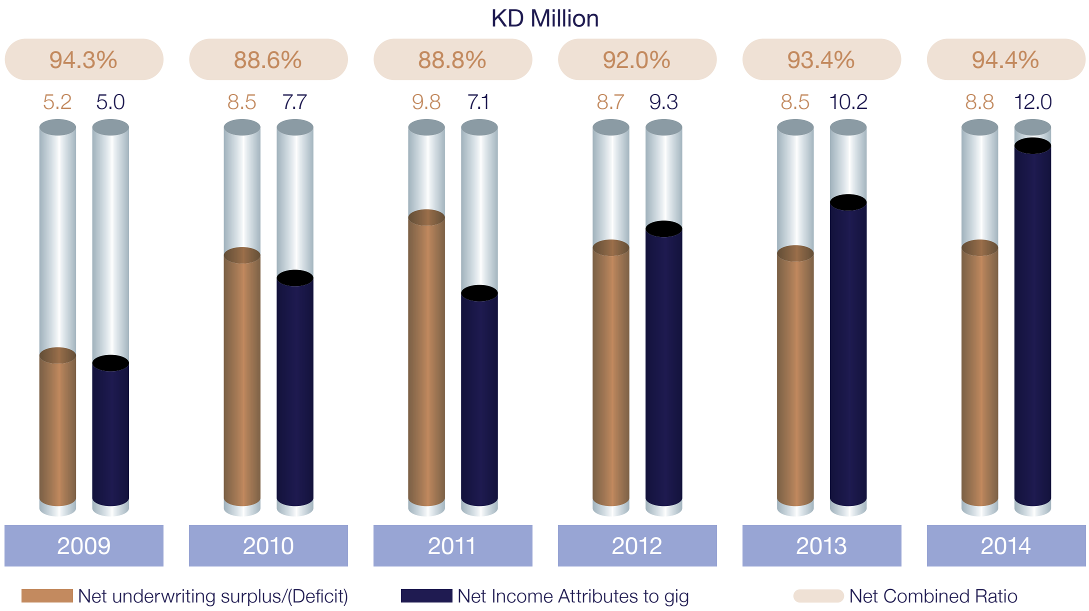
Qualification: Master of Arts from Annamalai University, Master of Business Administration from Indira Gandhi Open University, Fellow Member of the Insurance Institute of India (FIII), and Associate of the Chartered Insurance Institute (ACII), UK.

Professional Experience: Mr. Sridharan joined GIG on 15 September 2013 as Executive Manager, Reinsurance Department. In addition to managing the department with the overall objective of increasing business and profitability, his responsibilities include maintaining successful relationship with local, regional and international insurance and reinsurance companies and brokers to achieve an optimal reinsurance position on all lines of business. Before joining GIG, he has been Country Manager - Takaful International, Qatar from 2011 to 2013; Head of Reinsurance – Al Ahlia Insurance Company, Muscat from 2009 to 2011; in addition to holding senior positions in insurance companies in India since 1990.

Financial Highlights

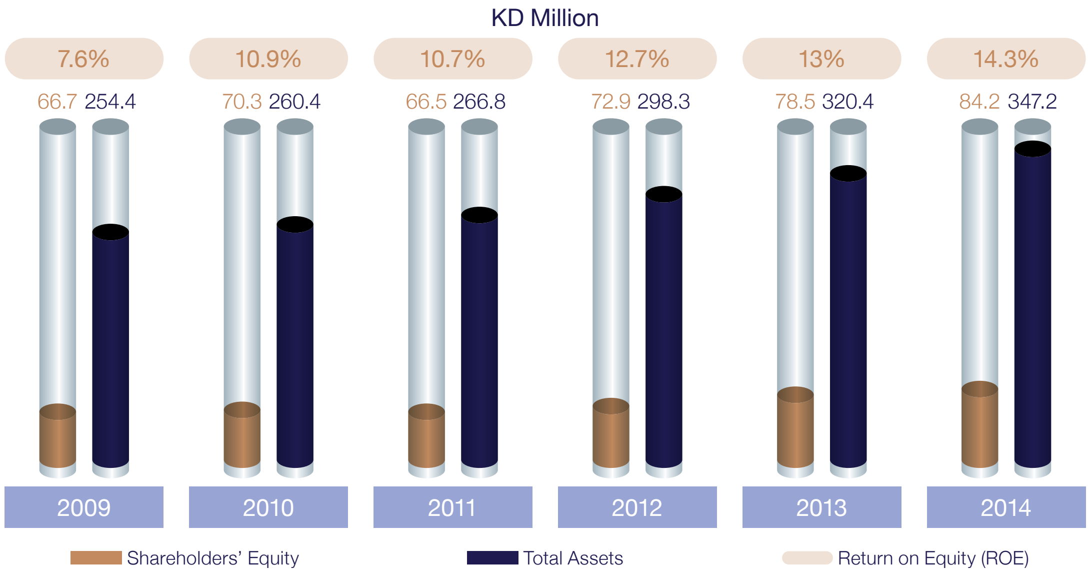


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Gross Premiums Written	97.2	119.8	133.9	145.4	157.0	173.6	10.5%	12.3%
Net Premiums Written	52.3	59.5	67.2	73.7	83.3	90.9	9.1%	11.7%
Company's Retention	53.8%	49.7%	50.2%	50.7%	53.1%	52.4%	-0.7%	

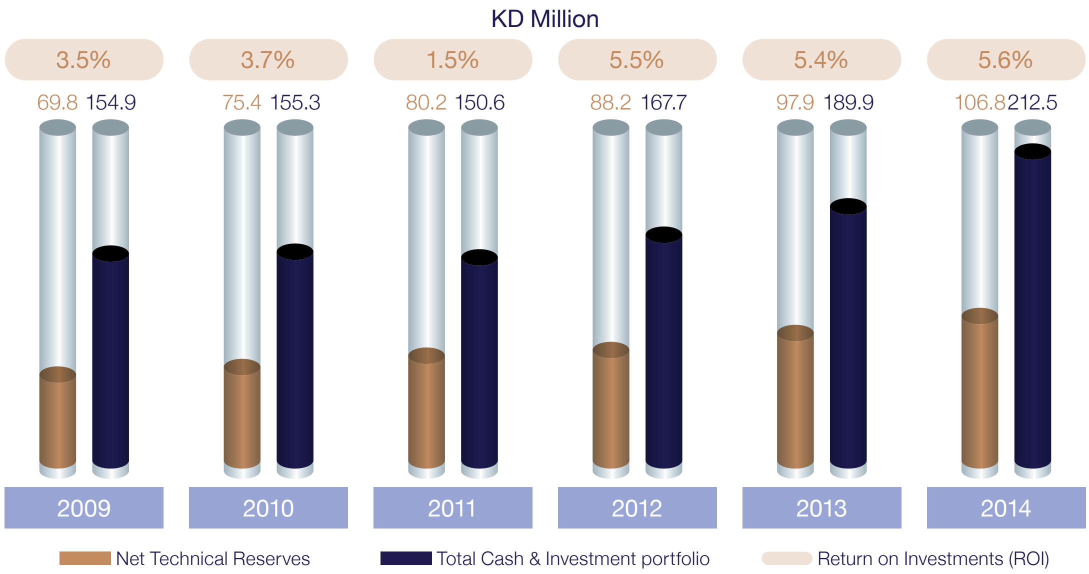


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net underwriting surplus/(Deficit)	5.2	8.5	9.8	8.7	8.5	8.8	3.1%	11.2%
Net Income Attributes to gig	5.0	7.7	7.1	9.3	10.2	12.0	17.6%	18.9%
Net Combined Ratio*	94.3%	88.6%	88.8%	92.0%	93.4%	94.4%	1.0%	

*Net Combined Ratio including the un-allocated expenses



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Shareholder's Equity	66.7	70.3	66.5	72.9	78.5	84.2	7.2%	4.8%
Total Assets	254.4	260.4	266.8	298.3	320.4	347.2	8.4%	6.4%
Return on Equity (ROE)	7.6%	10.9%	10.7%	12.7%	13.0%	14.3%	1.3%	



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net Techincal Reserves	69.8	75.4	80.2	88.2	97.9	106.8	9.1%	8.9%
Total Cash & Investment portfolio	154.9	155.3	150.6	167.7	189.9	212.5	11.9%	6.5%
Return on Investment (ROI)	3.5%	3.7%	1.5%	5.5%	5.4%	5.6%	0.1%	

10.5%	17.6%	11.9%	15%	12%
Growth in Premiums Written	Growth in Net Income Attributes to gig	Growth in Total Cash & Investment potrfolio	Growth in Investment Income	Growth in Revenue

	2009	2010	2011	2012	2013	2014	GR 13/14
Profitability Ratio	5.3%	7.1%	7.4%	6.0%	5.4%	5.0%	-0.4%
U/W Leverage	64.2%	72.0%	82.2%	83.0%	87.4%	89.3%	1.8%

Business Strategy

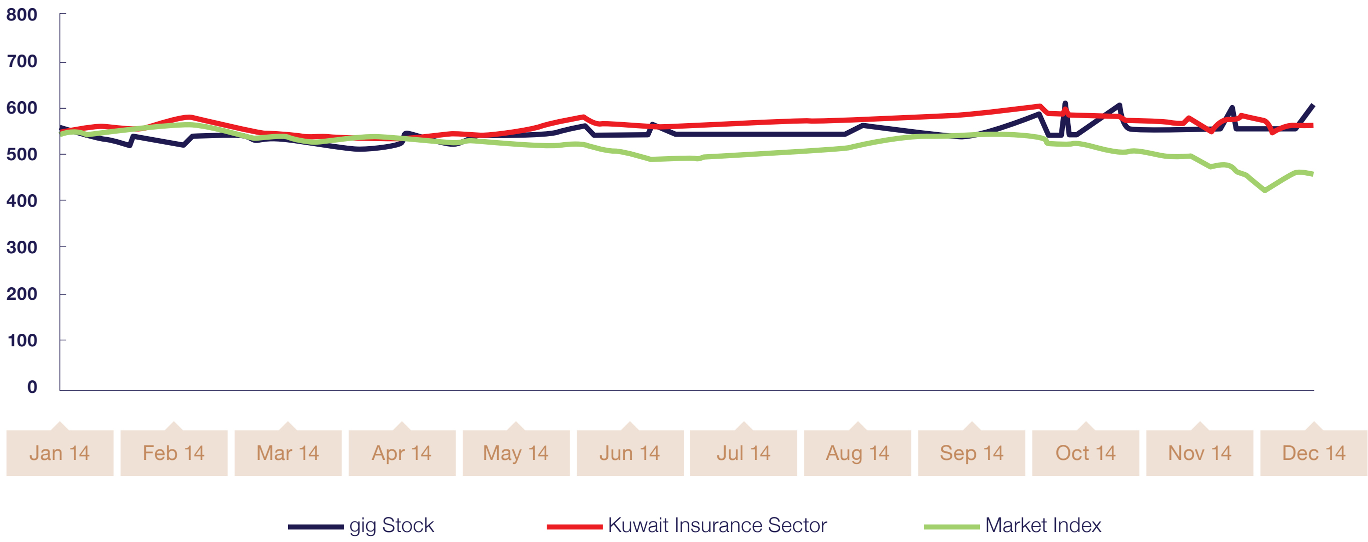
An overview

gig strategy aims to serve ,develop and strengthen the insurance sector in MENA region, raise awareness of insurance for individuals and institutions in order to raise the impotency of the insurance sector role to serve and support the National and Arabian economies in effective & professional manner.

gig is performing an in-depth and periodic studies and analysis to determine the real needs of the domestic and regional markets. gig is working to post the markets with the best ,innovative and high quality insurance solutions and services. by using the modern and latest technology, the most advanced advertising methods and marketing campaigns. as well as develop plans & programs to promote human resources, marketing capabilities, monitor changes in the international insurance industry and competition in the domestic and regional markets that will allow gig to become the best insurance leader in the insurance industry with a unique benchmark in the Arab world and MENA region, distinguish gig from others, reinforce our leadership position in the markets that we operates in and to give us the ability to serve our customers professionally.

gig strategy also aims to maximize the added value for customers and stakeholders, continue our expansion plan, development and career path plans for our employees to strengthen their technical capabilities and experiences, maximize the technical and investment income and develop the insurance and investment plans to ensure the optimal utilization of our assets while reducing exposure to risk in conformity with international standards for the insurance industry. And to support and serve the Kuwaiti investments in MENA region, and offer our services to Kuwaiti and non-Kuwaiti investors.

2014... Stock market performance



SUBSIDIARIES

Subsidiaries

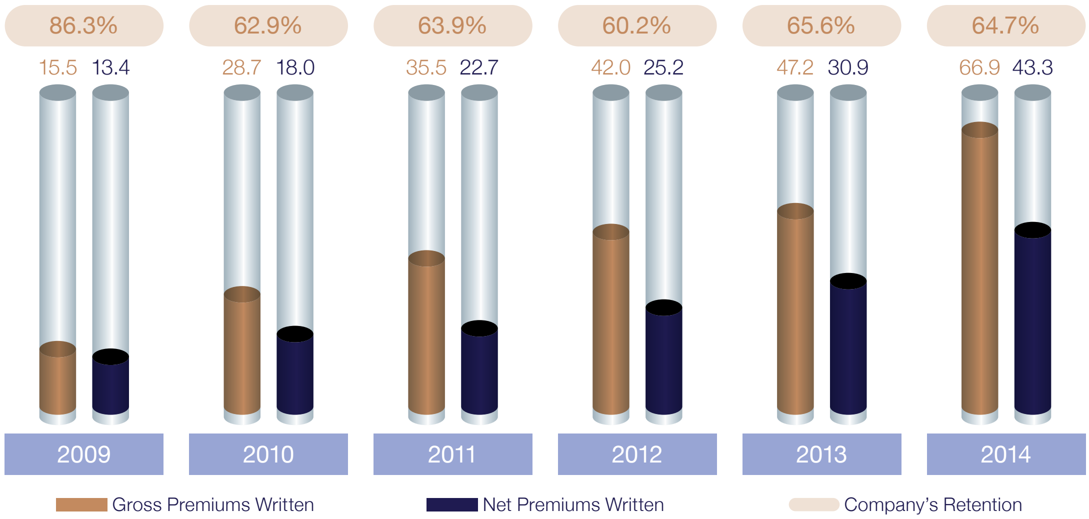
GIG's stake in GIRI is ~ 100%

Tel: +965 1802080
Website: www.gulfins.com.kw

Gulf Insurance and Reinsurance Company (GIRI) was established at the end of 2007 under the name of Gulf Life Insurance Company (GLIC) in line with the global practice of separating life insurance business from other general insurance businesses. On September 2014 the company has successfully changed its name to be Gulf Insurance and Reinsurance Company (GIRI) and transferred the Non-life Insurance portfolio of GIC to GIRI effectively from July 1st 2014. GIRI had changed its license to practices all lines of business through 13 branches distributed across Kuwait. nowadays, the company operates with paid-up capital of KD 12 million from being KD 5 million in 2007.

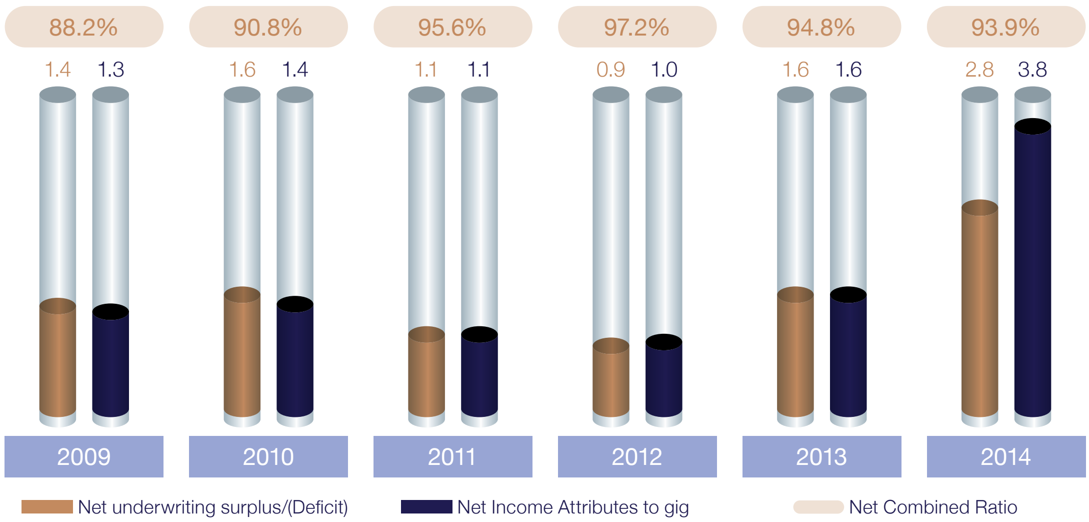
Currently GIRI is the largest insurance company in Kuwait in terms of written and retained premiums segments and its activities are further supported by first class reinsurance security. Company's headcount are 283 employees . The company maintained AM Best credit rating of A- (Excellent) /positive outlook.

KD Million



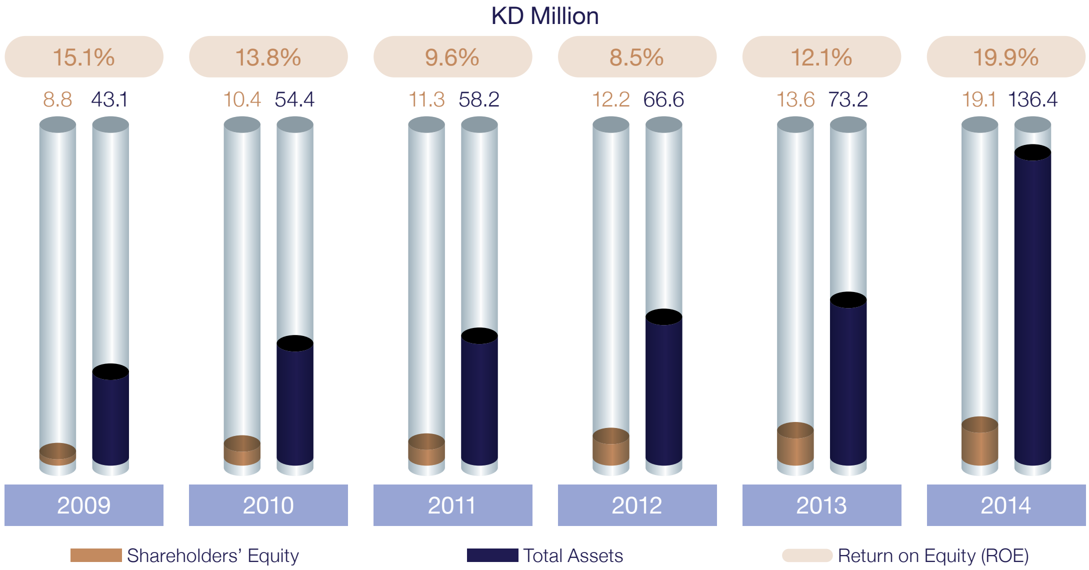
	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Gross Premiums Written	15.5	28.7	35.5	42.0	47.2	66.9	41.7%	33.9%
Net Premiums Written	13.4	18.0	22.7	25.2	30.9	43.3	39.8%	26.4%
Company's Retention	86.3%	62.9%	63.9%	60.2%	65.6%	64.7%	-0.9%	

KD Million

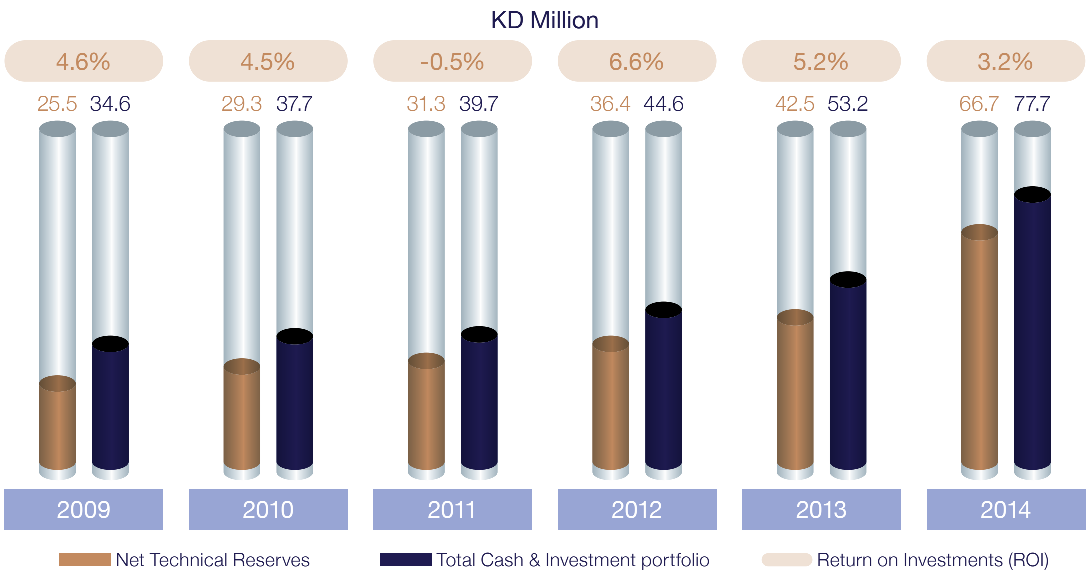


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net underwriting surplus/(Deficit)	1.4	1.6	1.1	0.9	1.6	2.8	69.4%	14.4%
Net Income Attributes to gig	1.3	1.4	1.1	1.0	1.6	3.8	132.2%	23.3%
Net Combined Ratio*	88.2%	90.8%	95.6%	97.2%	94.8%	93.9%	-0.9%	

*Net Combined Ratio including the un-allocated expenses



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Shareholder's Equity	8.8	10.4	11.3	12.2	13.6	19.1	40.7%	16.8%
Total Assets	43.1	54.4	58.2	66.6	73.2	136.4	86.4%	25.9%
Return on Equity (ROE)	15.1%	13.8%	9.6%	8.5%	12.1%	19.9%	7.8%	



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net Techincal Reserves	25.5	29.3	31.3	36.4	42.5	66.7	56.9%	21.2%
Total Cash & Investment portfolio	34.6	37.7	39.7	44.6	53.2	77.7	46.1%	17.6%
Return on Investment (ROI)	4.6%	4.5%	-0.5%	6.6%	5.2%	3.2%	-2.0%	

	2009	2010	2011	2012	2013	2014	GR 13/14
Profitability Ratio	9.0%	5.5%	3.1%	2.0%	3.4%	4.1%	0.7%
U/W Leverage	152.6%	173.4%	170.7%	176.3%	194.2%	226.7%	32.6%

Subsidiaries

Arab Misr Insurance Group | gig GULF INSURANCE GROUP

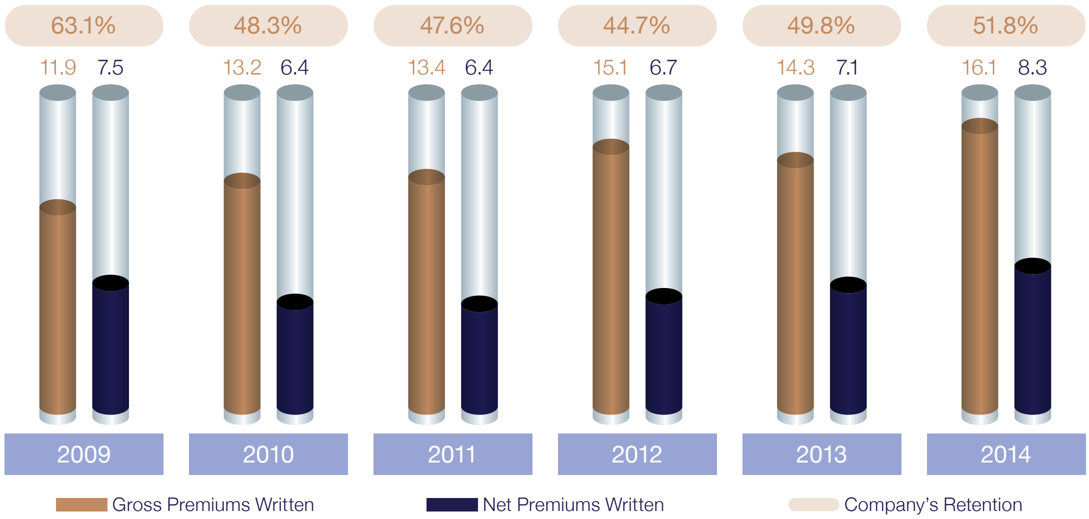
GIG's stake in AMIG is ~ 94.85%

Tel: (002) (02) 24517620
Website: www.gig.com.eg

Arab Misr Insurance Group (AMIG) was established in 1993 as an Egyptian Non-Life insurance company where its authorized capital is EGP 500 million and paid-up capital is EGP 160 million. The company practices all lines of Non-Life insurance business through 16 branches covering most of Egypt and employing around 256 employees.

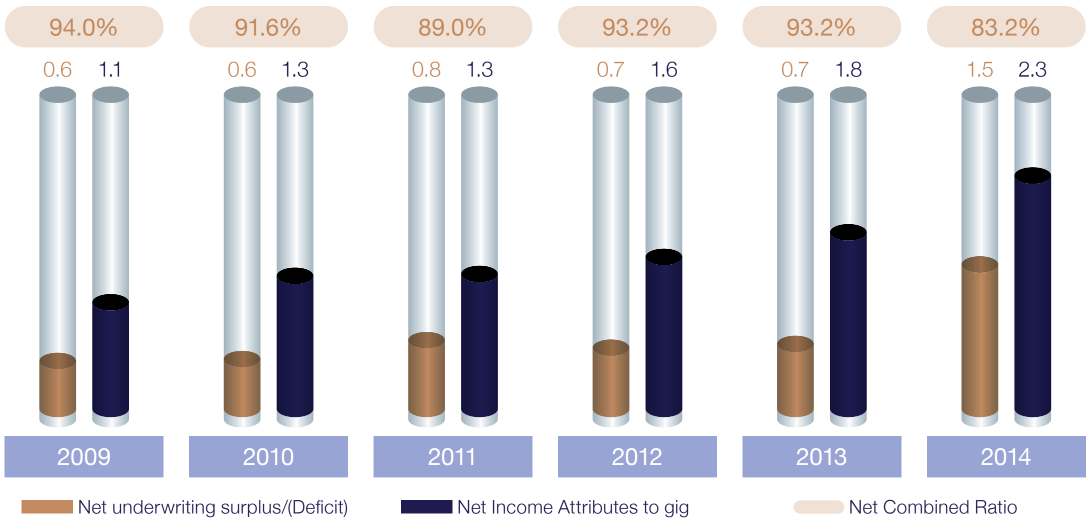
The company ranked as market Leader being number 1 in the private sector in terms of underwriting insurance surplus plus the designated investment income and number 2 in terms of gross written premiums in the Egyptian insurance non-life private sector. The company maintained AM Best credit rating of B++ (good)/Negative outlook.

KD Million



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Gross Premiums Written	11.9	13.2	13.4	15.1	14.3	16.1	12.9%	6.2%
Net Premiums Written	7.5	6.4	6.4	6.7	7.1	8.3	17.3%	2.1%
Company's Retention	63.1%	48.3%	47.6%	44.7%	49.8%	51.8%	1.9%	

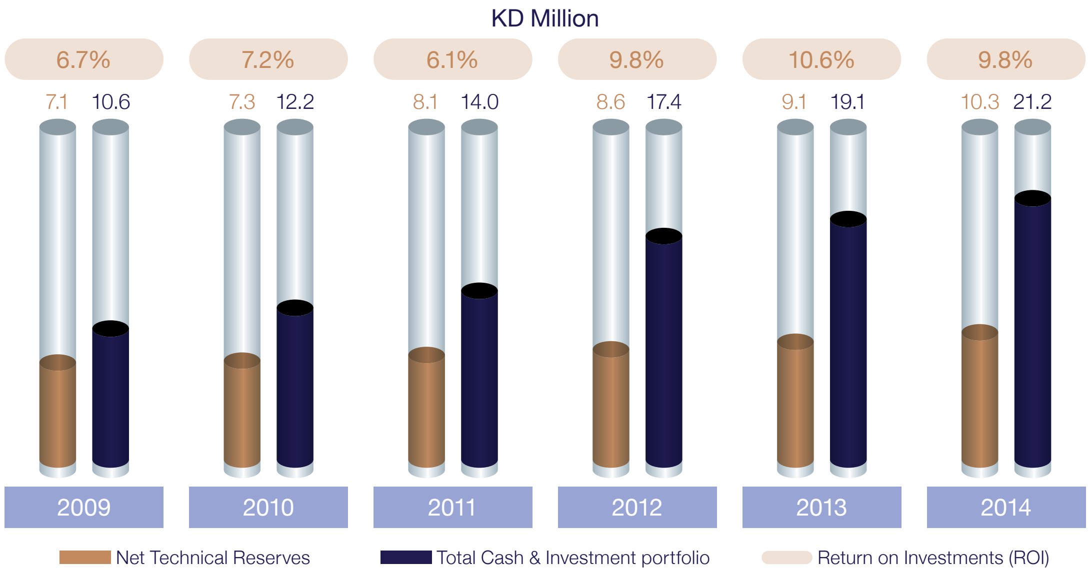
KD Million



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net underwriting surplus/(Deficit)	0.6	0.6	0.8	0.7	0.7	1.5	126.4%	21.3%
Net Income Attributes to gig	1.1	1.3	1.3	1.6	1.8	2.3	31.5%	16.7%
Net Combined Ratio*	94.0%	91.6%	89.0%	93.2%	93.2%	83.2%	-10.0%	

*Net Combined Ratio including the un-allocated expenses

	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Total Equity	4.6	5.2	5.8	6.6	7.3	9.5	30.2%	15.8%
Total Assets	18.0	20.4	21.7	25.2	29.4	30.7	4.3%	11.2%
Return on Equity (ROE)	23.7%	25.5%	23.2%	26.0%	25.7%	26.0%	0.3%	



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net Techincal Reserves	7.1	7.3	8.1	8.6	9.1	10.3	14.3%	7.8%
Total Cash & Investment portfolio	10.6	12.2	14.0	17.4	19.1	21.2	10.9%	14.9%
Return on Investment (ROI)	6.7%	7.2%	6.1%	9.8%	10.6%	9.8%	-0.9%	

	2009	2010	2011	2012	2013	2014	GR 13/14
Profitability Ratio	4.9%	4.8%	5.9%	4.3%	4.7%	9.5%	4.8%
U/W Leverage	165.2%	122.4%	109.4%	102.6%	97.4%	87.7%	-9.7%

Subsidiaries

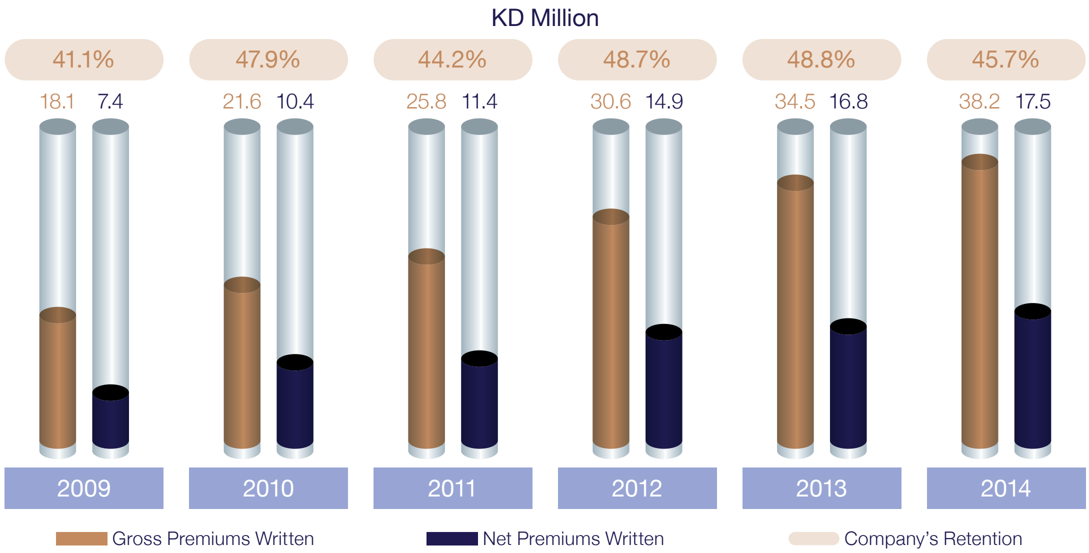
Arab Orient Insurance | gig GULF INSURANCE GROUP

GIG's stake in AOIC is ~ 90.18%

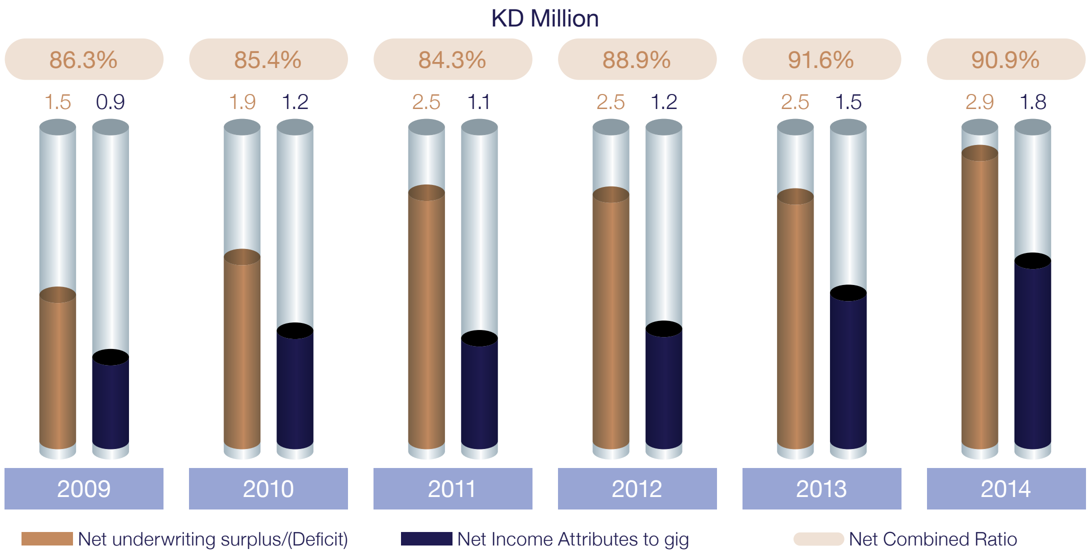
Tel: +962 6 5654550
Website: www.gig.com.jo

Arab Orient Insurance Company (AOIC) was established in 1996 and licensed to underwrite all the general insurance business. It has eight branches distributed in all over the kingdom in addition to the Head Quarter in Jabal Amman, and employing around 285 employees.

Its earned reputation of speedy settlement of legitimate claims and its strong market positioning coupled with excellent reinsurance security placed the company in a unique position that enabled it to maintain credit rating of B++ (Good)/Stable from AM Best for the 9th consecutive year. The paid up capital is Jordanian Dinars 21.44 million, AOIC ranked as the Jordanian market Leader in terms of gross written premiums for the 9th consecutive year and market lead in terms of underwriting results. The Company is listed in the Jordanian stock exchange market.

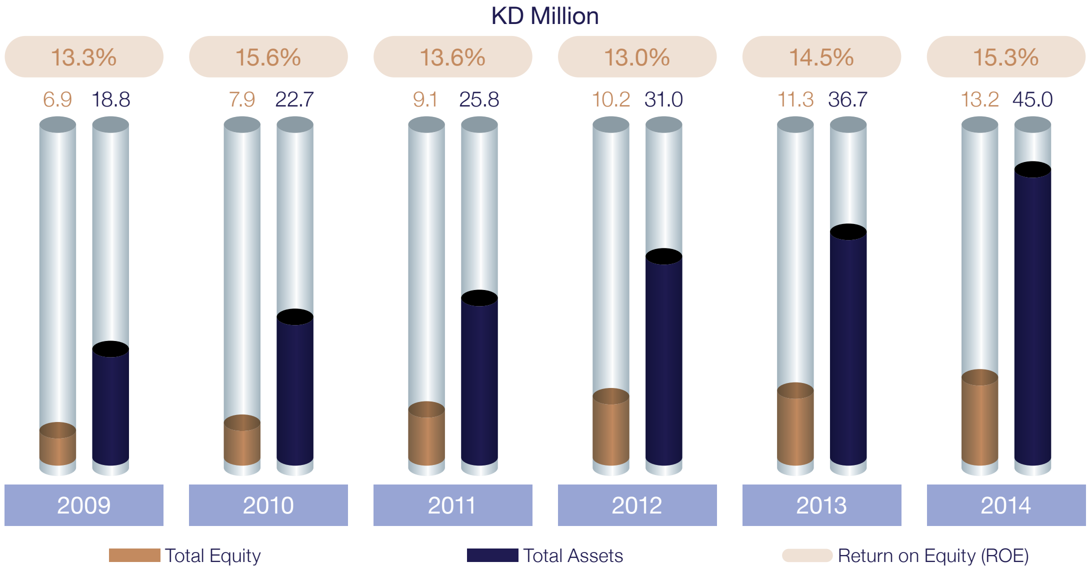


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Gross Premiums Written	18.1	21.6	25.8	30.6	34.5	38.2	10.9%	16.1%
Net Premiums Written	7.4	10.4	11.4	14.9	16.8	17.5	3.9%	18.6%
Company's Retention	41.1%	47.9%	44.2%	48.7%	48.8%	45.7%	-3.1%	

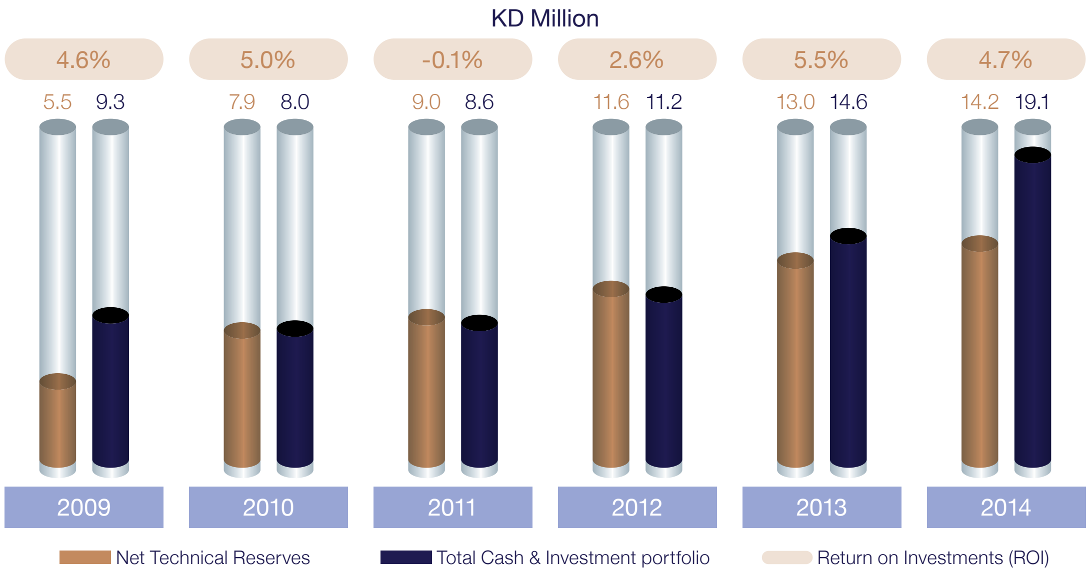


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net underwriting surplus/(Deficit)	1.5	1.9	2.5	2.5	2.5	2.9	15.2%	14.7%
Net Income Attributes to gig	0.9	1.2	1.1	1.2	1.5	1.8	24.8%	14.7%
Net Combined Ratio*	86.3%	85.4%	84.3%	88.9%	91.6%	90.9%	-0.7%	

*Net Combined Ratio including the un-allocated expenses



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Total Equity	6.9	7.9	9.1	10.2	11.3	13.2	16.9%	13.9%
Total Assets	18.8	22.7	25.8	31.0	36.7	45.0	22.4%	19.0%
Return on Equity (ROE)	13.3%	15.6%	13.6%	13.0%	14.5%	15.3%	0.8%	



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net Techincal Reserves	5.5	7.9	9.0	11.6	13.0	14.2	8.6%	20.8%
Total Cash & Investment portfolio	9.3	8.0	8.6	11.2	14.6	19.1	30.6%	15.5%
Return on Investment (ROI)	4.6%	5.0%	-0.1%	2.6%	5.5%	4.7%	-0.7%	

	2009	2010	2011	2012	2013	2014	GR 13/14
Profitability Ratio	8.2%	8.7%	9.7%	8.2%	7.4%	7.7%	0.3%
U/W Leverage	107.8%	130.6%	125.9%	146.7%	148.5%	131.9%	-16.6%

Subsidiaries

Bahrain Kuwait Insurance | gig GULF INSURANCE GROUP

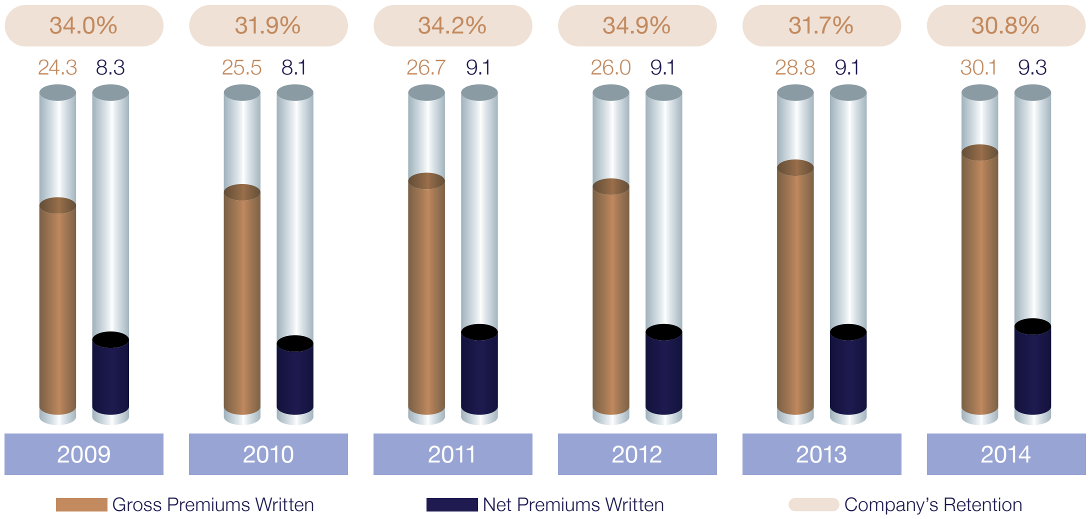
GIG's stake in BKIC is ~ 56.12%

Tel: +973 17 119999
Website: www.bkic.com

Bahrain Kuwait Insurance Company (BKIC) was established in 1975. By virtue of its shareholding structure, BKIC is allowed to operate as a national insurance company both in Bahrain and Kuwait, the only company to enjoy such a privilege. Its authorized capital is Bahraini Dinars 10 million and issued capital and paid up is Bahraini Dinars 7.15 million. the company obtained AM Best credit rating of A- (Excellent) / Stable outlook. BKIC has 4 branches (3 in Bahrain and 1 in Kuwait). BKIC is involved in all classes of insurance. It has grown to occupy a leading position in the Bahrain insurance market.

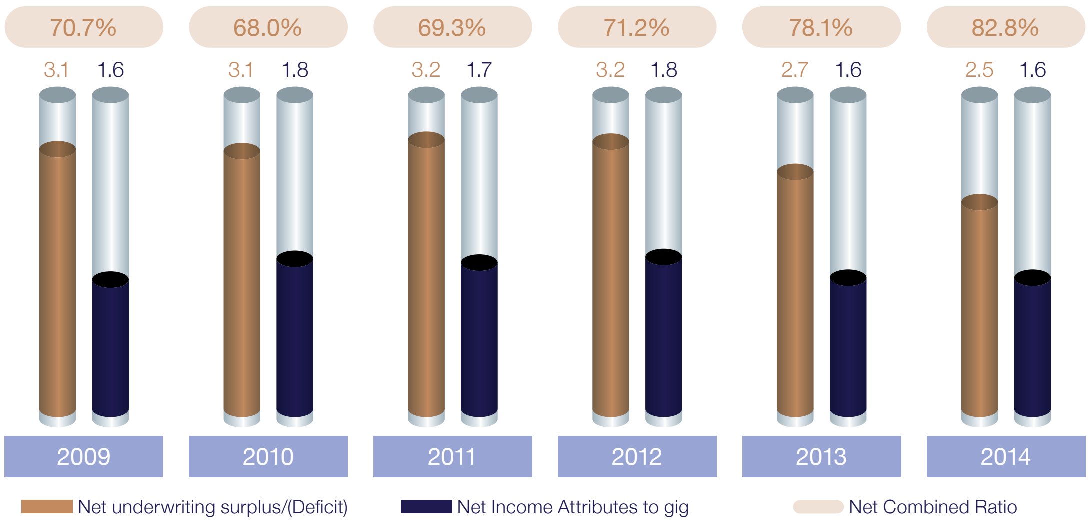
BKIC has been a leader in community service and it prides itself on being in the forefront of training and manpower development activity. The company employs around 168 employees in its various operations. The company is listed on both Bahrain Stock Exchange and Kuwait Stock Exchange. The company ranked as the Bahraini market Leader in terms of gross written premiums for the 6th consecutive year.

KD Million



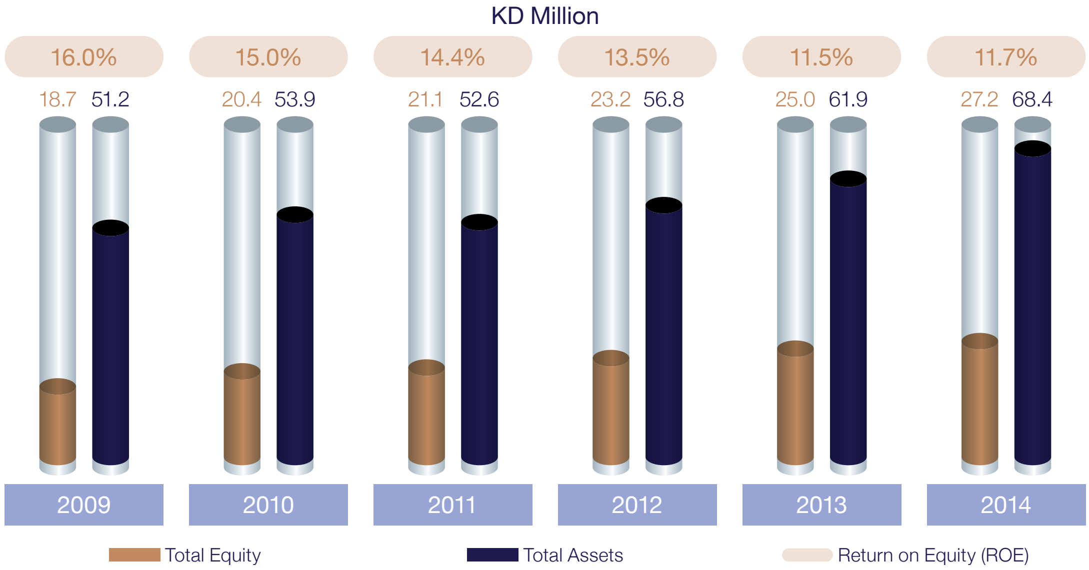
	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Gross Premiums Written	24.3	25.5	26.7	26.0	28.8	30.1	4.4%	4.3%
Net Premiums Written	8.3	8.1	9.1	9.1	9.1	9.3	1.5%	2.3%
Company's Retention	34.0%	31.9%	34.2%	34.9%	31.7%	30.8%	-0.9%	

KD Million

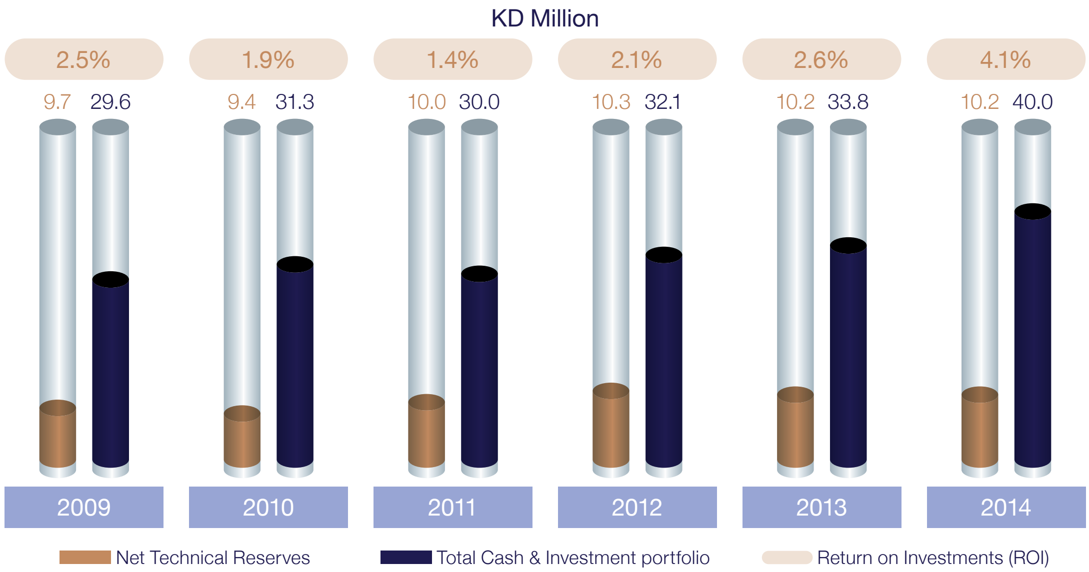


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net underwriting surplus/(Deficit)	3.1	3.1	3.2	3.2	2.7	2.5	-10.0%	-4.4%
Net Income Attributes to gig	1.6	1.8	1.7	1.8	1.6	1.8	11.3%	2.3%
Net Combined Ratio*	70.7%	68.0%	69.3%	71.2%	78.1%	82.8%	4.8%	

*Net Combined Ratio including the un-allocated expenses



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Total Equity	18.7	20.4	21.1	23.2	25.0	27.2	8.9%	7.8%
Total Assets	51.2	53.9	52.6	56.8	61.9	68.4	10.5%	5.9%
Return on Equity (ROE)	16.0%	15.0%	14.4%	13.5%	11.5%	11.7%	0.3%	



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net Techincal Reserves	9.7	9.4	10.0	10.3	10.2	10.2	0.5%	1.1%
Total Cash & Investment portfolio	29.6	31.3	30.0	32.1	33.8	40.0	18.5%	6.3%
Return on Investment (ROI)	2.5%	1.9%	1.4%	2.1%	2.6%	4.1%	1.5%	

	2009	2010	2011	2012	2013	2014	GR 13/14
Profitability Ratio	12.7%	12.2%	12.2%	12.3%	9.5%	8.2%	-1.3%
U/W Leverage	44.3%	39.7%	43.2%	39.1%	36.6%	34.1%	-2.5%

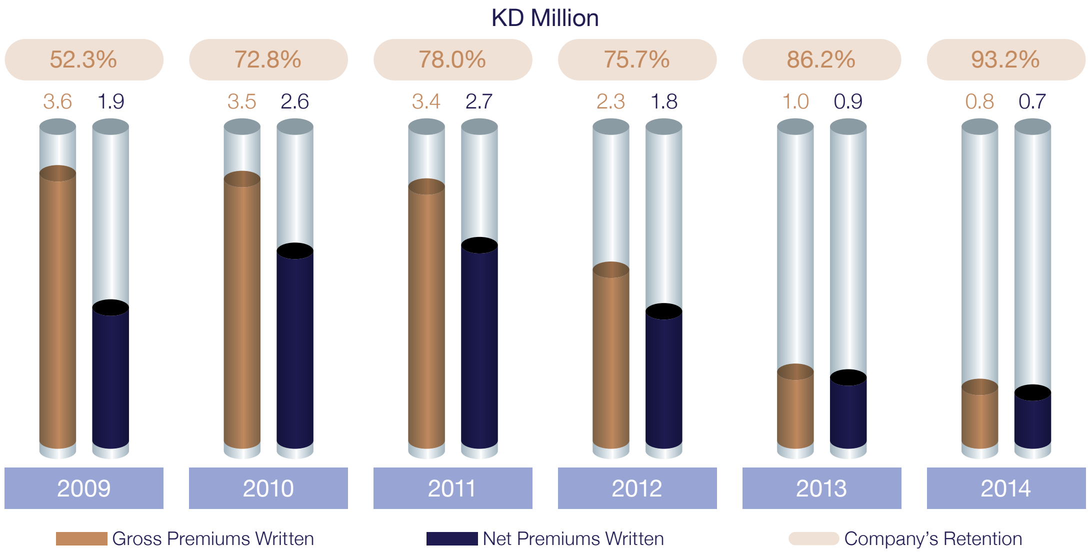
Subsidiaries

Syrian Kuwaiti Insurance | gig GULF INSURANCE GROUP

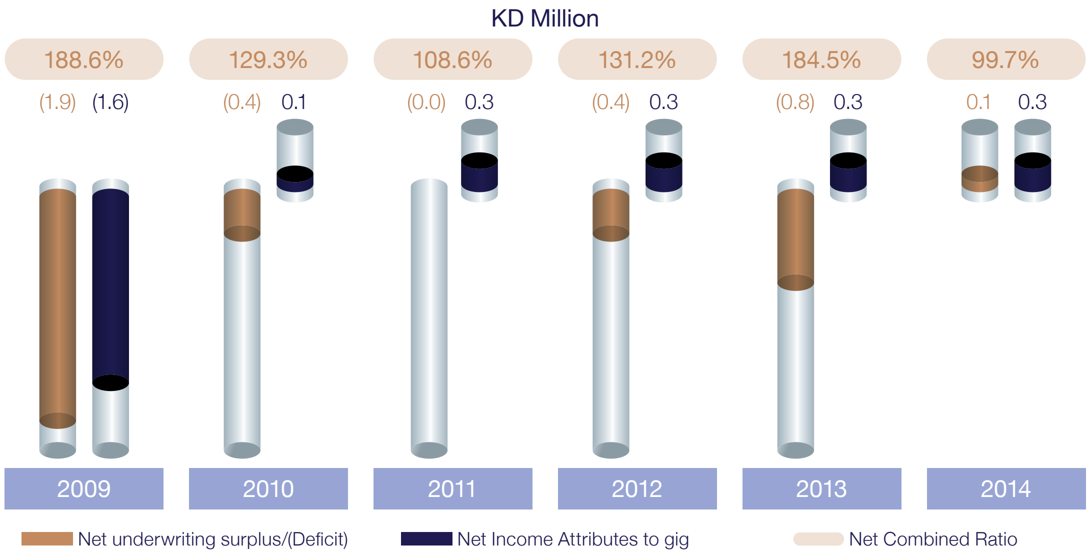
GIG's stake in SKIC is ~ 54.35%

Tel: +963 11 9276
Website: www.gig.com.sy

Syrian Kuwaiti Insurance Company (SKIC) is a Syrian joint stock company established in February 6, 2006; following the ministerial decree number 13 and received its operating license number 44/100 from the Syrian Insurance Supervisory Commission in October 10, 2006. The Company started its operation with an authorized and fully paid-up capital of SYP 850 Million and the company was able to acquire 7% from Syrian insurance market during the first year of operations. The Syrian Kuwaiti Insurance is one of the pioneer insurance companies in the Syrian Market as a member of Gulf Insurance Group – Kuwait (GIG). The company listed in Damascus Stock Exchange. The company practices all lines of business through 3 branches. The Company employs around 59 employees.

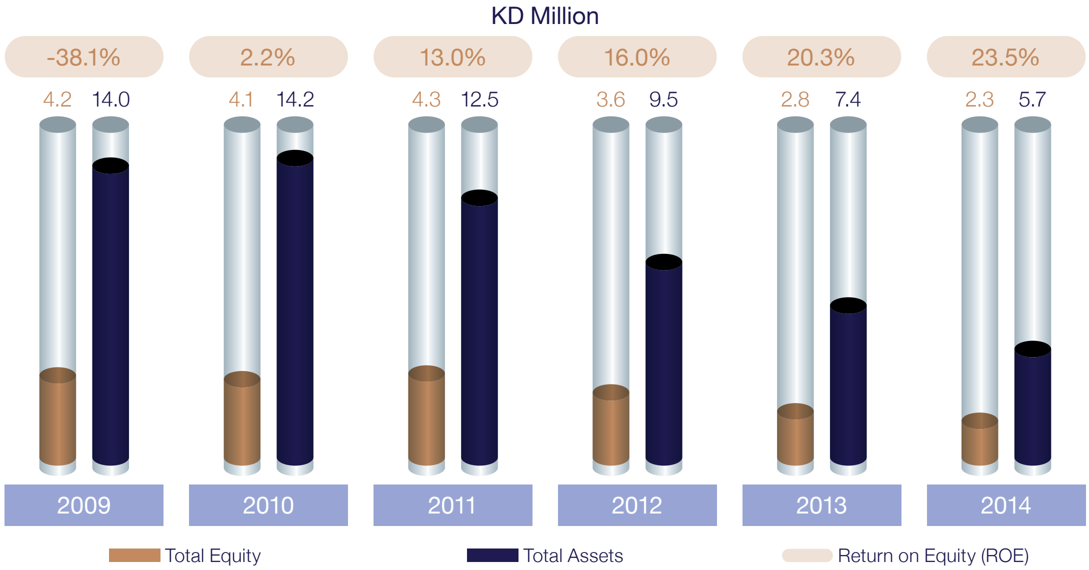


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Gross Premiums Written	3.6	3.5	3.4	2.3	1.0	0.8	-25.3%	-27.0%
Net Premiums Written	1.9	2.6	2.7	1.8	0.9	0.7	-19.2%	-18.1%
Company's Retention	52.3%	72.8%	78.0%	75.7%	86.2%	93.2%	7.0%	

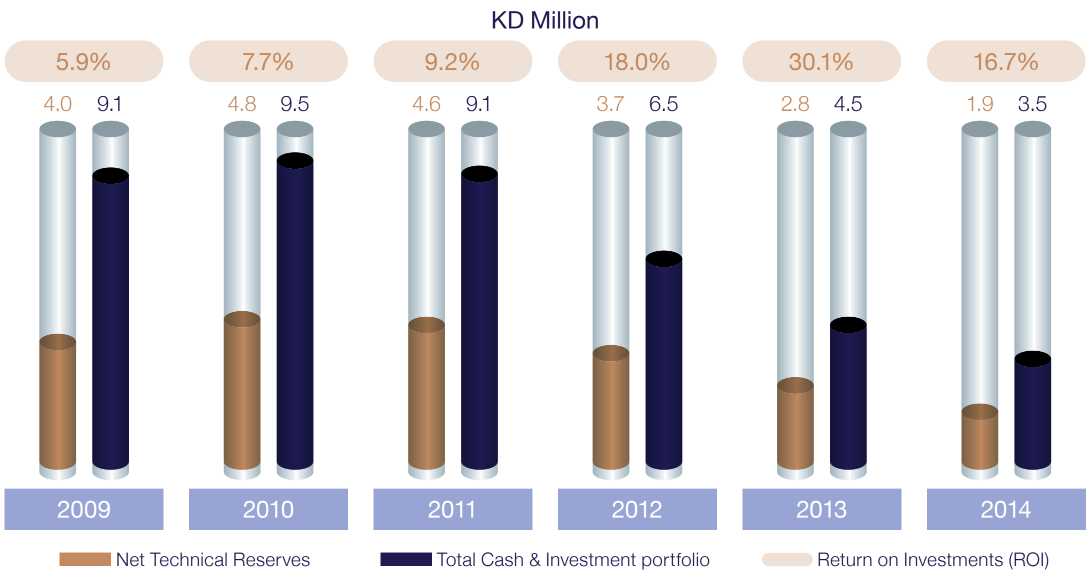


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net underwriting surplus/(Deficit)	(1.9)	(0.4)	(0.0)	(0.4)	(0.8)	0.1	111.9%	-154.5%
Net Income Attributes to gig	(1.6)	0.1	0.3	0.3	0.3	0.3	-4.3%	-171.6%
Net Combined Ratio*	188.6%	129.3%	108.6%	131.2%	184.5%	99.7%	-84.8%	

*Net Combined Ratio including the un-allocated expenses



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Total Equity	4.2	4.1	4.3	3.6	2.8	2.3	-17.5%	-10.9%
Total Assets	14.0	14.2	12.5	9.5	7.4	5.7	-23.3%	-16.4%
Return on Equity (ROE)	-38.1%	2.2%	13.0%	16.0%	20.3%	23.5%	3.2%	



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net Techincal Reserves	4.0	4.8	4.6	3.7	2.8	1.9	-33.5%	-14.0%
Total Cash & Investment portfolio	9.1	9.5	9.1	6.5	4.5	3.5	-22.8%	-17.4%
Return on Investment (ROI)	5.9%	7.7%	9.2%	18.0%	30.1%	16.7%	-13.3%	

	2009	2010	2011	2012	2013	2014	GR 13/14
Profitability Ratio	-51.6%	-11.8%	-0.3%	-17.3%	-75.6%	12.0%	87.6%
U/W Leverage	45.5%	62.1%	61.4%	49.5%	30.6%	29.9%	-0.7%

Subsidiaries

Fajr Al Gulf Insurance | gig GULF INSURANCE GROUP

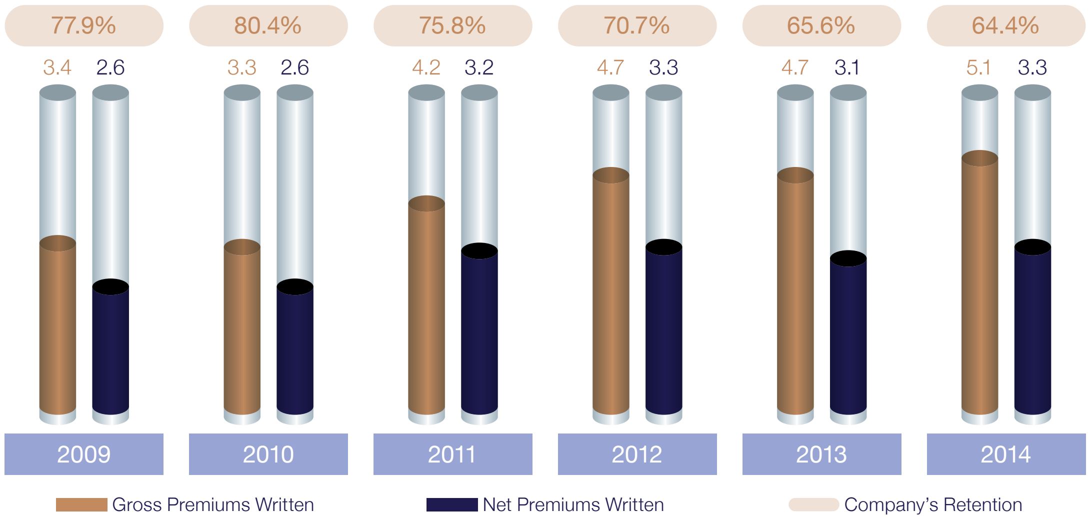
GIG's stake in FAJR AL-GULF is 92.70%

Tel: +961 1 423 323
Website: www.gig.com.lb

FAJR AL-GULF Insurance & Reinsurance Company (FAJR) was established in 1991 as a Lebanese shareholding company by a group of internationally known businessmen, On August 18th 2003 the company merged with International Trust Insurance Co, during the last years gig worked to increase the paid-up capital of Fajr Al Gulf to reach LL 7.14 billion.

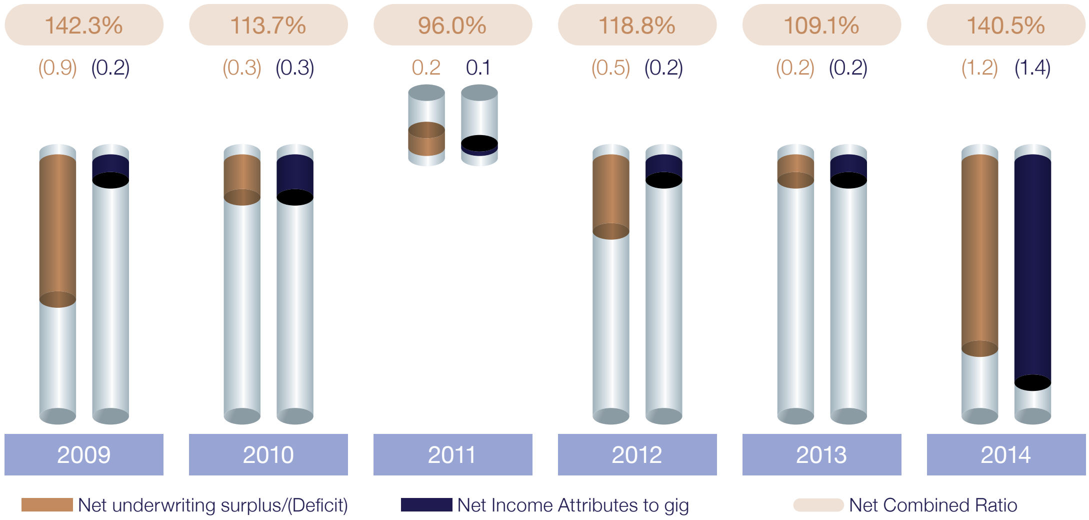
The company practices all lines of business through 4 branches in Lebanon. The Company employs around 39 employees in its various operations, and has an extensive network of consultants.

KD Million



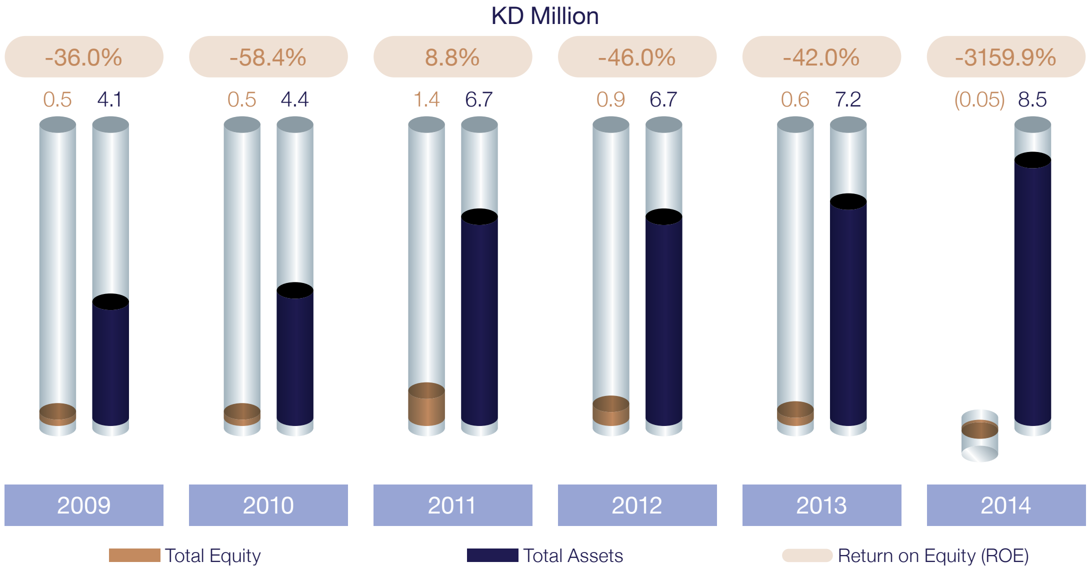
	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Gross Premiums Written	3.4	3.3	4.2	4.7	4.7	5.1	8.7%	8.7%
Net Premiums Written	2.6	2.6	3.2	3.3	3.1	3.3	6.6%	4.6%
Company's Retention	77.9%	80.4%	75.8%	70.7%	65.6%	64.4%	-1.2%	

KD Million

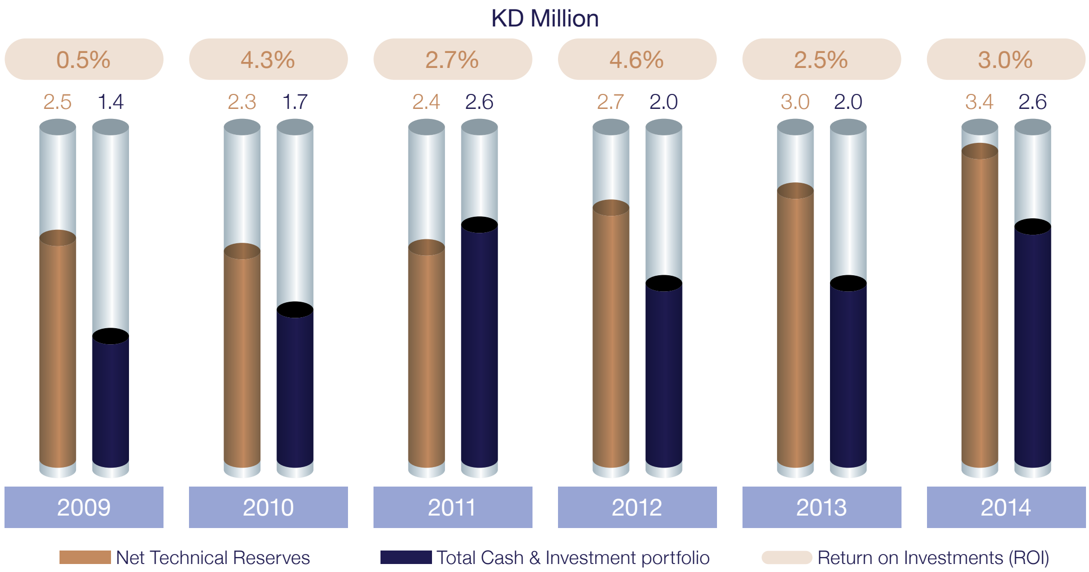


	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net underwriting surplus/(Deficit)	(0.9)	(0.3)	0.2	(0.5)	(0.2)	(1.2)	-496.5%	6.1%
Net Income Attributes to gig	(0.2)	(0.3)	0.1	(0.2)	(0.2)	(1.4)	-487.4%	48.6%
Net Combined Ratio*	142.3%	113.7%	96.0%	118.8%	109.1%	140.5%	31.4%	

*Net Combined Ratio including the un-allocated expenses



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Total Equity	0.5	0.5	1.4	0.9	0.6	(0.05)	-107.7%	-161.9%
Total Assets	4.1	4.4	6.7	6.7	7.2	8.5	18.8%	15.7%
Return on Equity (ROE)	-36.0%	-58.4%	8.8%	-46.0%	-42.0%	-3159.9%	-3118.0%	



	2009	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Net Techincal Reserves	2.5	2.3	2.4	2.7	3.0	3.4	11.2%	6.2%
Total Cash & Investment portfolio	1.4	1.7	2.6	2.0	2.0	2.6	31.2%	13.1%
Return on Investment (ROI)	0.5%	4.3%	2.7%	4.6%	2.5%	3.0%	0.5%	

	2009	2010	2011	2012	2013	2014	GR 13/14
Profitability Ratio	-25.6%	-10.5%	3.9%	-11.4%	-4.1%	-22.7%	-18.6
U/W Leverage	493.9%	479.8%	234.3%	364.0%	488.6%	-6806.5%	-7295.1%

Subsidiaries

Dar Al Salam Insurance | gig GULF INSURANCE GROUP

GIG's stake is 51%

Tel: (+964) 7706607809

Dar Al Salam Insurance Company has been established In June 2000 as first privately owned Insurance Company in Iraq under license number 1/2000 and started its operations at October of the same year, licensed to operate in all insurance types, Now its paid up capital is 3.1 Billion Iraqi Dinars.

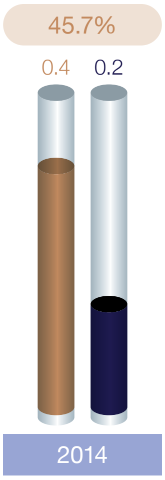
The company's head office located in Baghdad and has two branches in Al-Holla & Karbela'a plus an agent in AL-Mossel as well as many producers in Iraq.

In December 2011 GIG acquired a majority stake in DAS by 51%, the company is listed in Baghdad Stock Exchange.

	2014
Gross Premiums Written	0.4
Net Premiums Written	0.2
Company's Retention	45.7%

Gross Premiums Written
Net Premiums Written
Company's Retention

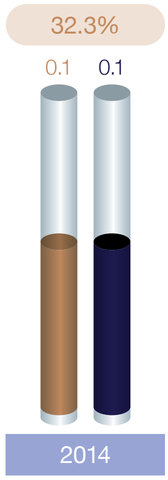
KD Million



	2014
Net underwriting surplus/(Deficit)	0.1
Net Income Attributes to gig	0.1
Net Combined Ratio*	32.3%

Net underwriting surplus/(Deficit)
Net Income Attributes to gig
Net Combined Ratio

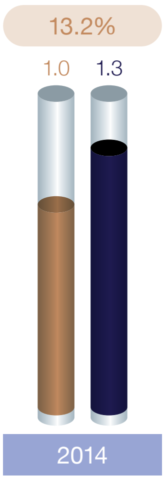
KD Million



	2014
Total Equity	1.0
Total Assets	1.3
Return on Equity (ROE)	13.2%

Total Equity
Total Assets
Return on Equity (REO)

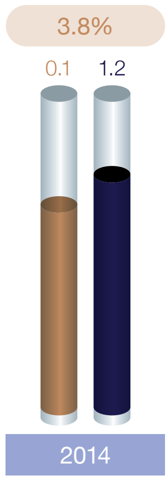
KD Million



	2014
Net Techincal Reserves	0.1
Total Cash & Investment portfolio	1.2
Return on Investment (ROI)	3.8%

Net Technical Reserves
Total Cash & Investment portfolio
Return on Investments (ROI)

KD Million



*Net Combined Ratio including the un-allocated expenses

	2014
Profitability Ratio	33.3%
U/W Leverage	18.8%

Egyptian Takaful-Life | gig GULF INSURANCE GROUP

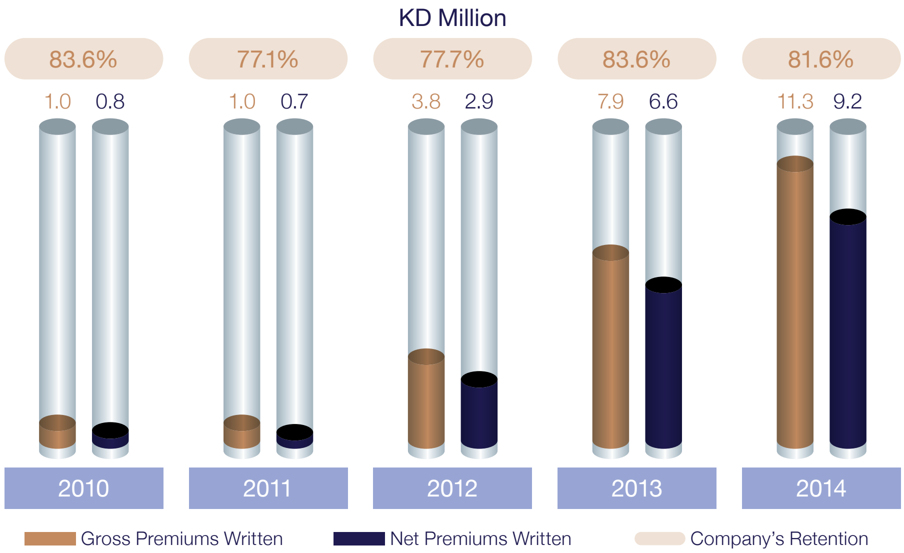
GIG's stake in ETLC is 59.5%

Tel: +202 16825
Website: www.giglt.com.eg

Egyptian Life Takaful Company (ELTC) was established in 2006 as a steppingstone to promote and strengthen the Takaful industry in Egypt. and it is considered to be the first joint Takaful Insurance company in Egypt with an authorized capital of EGP 500 million, the issued and paid up capital is EGP 130 million.

It has wide geographical distribution network & offering a wide range of highly innovative individual and corporate Takaful products. The adopted strategy of the company allows it to achieve rapid growth in the Egyptian Takaful insurance market through 9 branches and employs 173 employees.

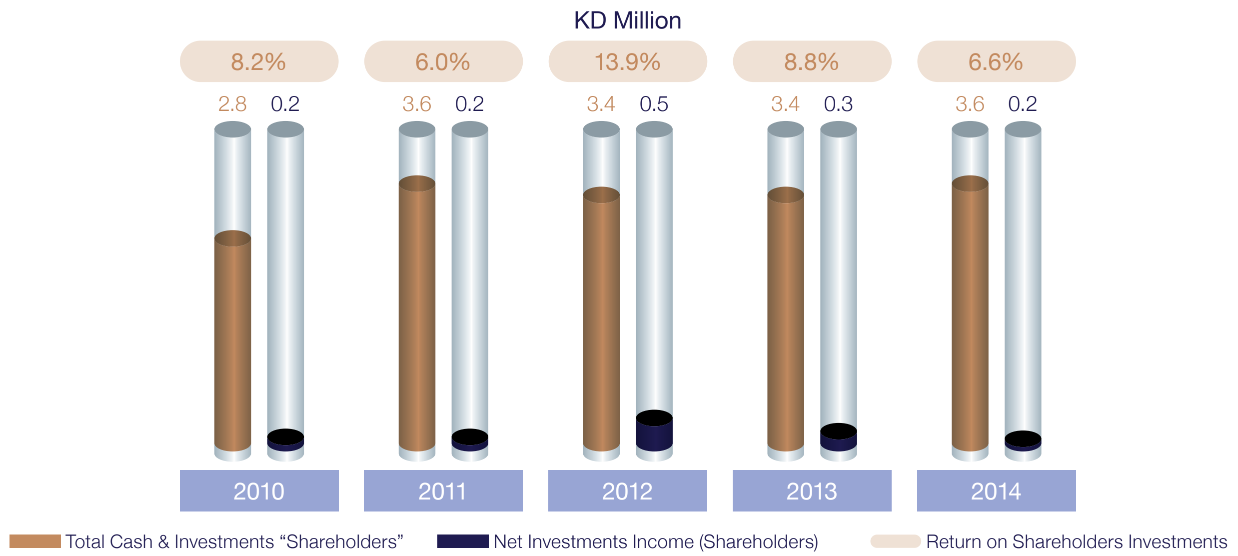
Egyptian Life Takaful Company (ELTC) is regulated by the Egyptian Financial Supervisory Authority (EFSA) and Shariah Supervisory Committee.



	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Gross Premiums Written	1.0	1.0	3.8	7.9	11.3	43.2%	84.5%
Net Premiums Written	0.8	0.7	2.9	6.6	9.2	39.7%	83.4%
Company's Retention	83.6%	77.1%	77.7%	83.6%	81.6%	-2.0%	

	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Total Equity	3.1	5.0	5.2	6.0	6.1	1.1%	18.1%
Total Assets	-	0.1	0.2	0.1	(0.05)	-152.6%	-
Return on Equity (ROE)	4.4%	3.5%	7.6%	2.4%	-1.3%	-3.7%	

Subsidiaries



	2010	2011	2012	2013	2014	GR 13/14	5 years CAGR %
Total Cash & Investments “Shareholders”	2.8	3.6	3.4	3.4	3.6	5.5%	6.1%
Net Investments Income (Shareholders)	0.2	0.2	0.5	0.3	0.2	-20.4%	0.8%
Return on Shareholders Investments	8.2%	6.0%	13.9%	8.8%	6.6%	-2.2%	

Gulf Insurance Group K.S.C.P. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

Building a better
working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014, 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 Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI	DR. SAUD HAMAD AL-HUMAIDI
LICENCE NO. 68 A	LICENSE NO. 51 A
EY	OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
AL AIBAN, AL OSAIMI & PARTNERS	MEMBER OF BAKER TILLY INTERNATIONAL

11 February 2015
Kuwait

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2014

	Notes	***2014*** ***KD***	*2013* *KD*
Revenue:			
Premiums written		**173,602,355**	157,040,226
Reinsurance premiums ceded		**(82,665,805)**	(73,722,870)
Net premiums written		**90,936,550**	83,317,356
Movement in unearned premiums reserve		**(919,895)**	(4,394,624)
Movement in life mathematical reserve		**(148,030)**	(1,755,699)
Net premiums earned		**89,868,625**	77,167,033
Commission received on ceded reinsurance		**11,900,829**	11,248,974
Policy issuance fees		**3,274,787**	3,369,374
Net investment income from life insurance	3	**429,906**	2,126,772
		105,474,147	93,912,153
Expenses:			
Claims incurred		**68,478,377**	58,769,117
Commission and discounts		**10,537,860**	9,670,114
Increase in incurred but not reported reserve		**219,605**	799,434
Maturity and cancellations of life insurance policies		**1,919,210**	1,368,308
General and administrative expenses		**15,566,823**	14,814,205
		96,721,875	85,421,178
Net underwriting income		**8,752,272**	8,490,975
Net investment income	3	**11,211,275**	8,010,193
Net sundry income		**395,910**	429,535
		20,359,457	16,930,703
Other charges:			
Unallocated general and administrative expenses		**(5,994,363)**	(4,368,794)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT TAX AND DIRECTORS' FEES		**14,365,094**	12,561,909
Contribution to KFAS		**(116,076)**	(104,932)
NLST		**(170,584)**	(186,677)
Zakat tax		**(66,102)**	(72,196)
Directors' fees		**(155,000)**	(155,000)
PROFIT FOR THE YEAR		**13,857,332**	12,043,104
Attributable to:			
Equity holders of the Parent Company		**12,001,391**	10,202,495
Non-controlling interests		**1,855,941**	1,840,609
		13,857,332	12,043,104
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**66.42 fils**	55.67 fils

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	***2014 KD***	*2013 KD*
Profit for the year		**13,857,332**	12,043,104
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates	6	**207,384**	102,927
Net unrealised gain on investments available for sale		**375,421**	1,565,115
Net realised gain transferred to statement of income on disposal of investments available for sale	3	**(2,796,748)**	(427,812)
Transfer to statement of income on impairment of investments available for sale	3	**118,015**	175,914
Exchange differences on translation of foreign operations		**831,944**	(1,398,362)
Other comprehensive income not to be reclassified to income statement in subsequent periods:			
Revaluation of freehold land and building	5	**2,559,760**	-
Other comprehensive income for the year		**1,295,776**	17,782
Total comprehensive income for the year		**15,153,108**	12,060,886
ATTRIBUTABLE TO:			
Equity holders of the Parent Company		**13,297,167**	10,220,277
Non-controlling interests		**1,855,941**	1,840,609
		15,153,108	12,060,886

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	*2014* *KD*	*2013* *KD*
ASSETS			
Property and equipment	5	**15,682,210**	12,882,183
Investment in associates	6	**28,142,091**	24,242,332
Goodwill	7	**8,998,351**	8,998,351
Financial instruments:			
Investments held to maturity		**19,271,576**	19,918,966
Debt securities (loans)		**11,733,148**	11,758,037
Investments available for sale	8	**35,170,682**	34,686,156
Investments carried at fair value through income statement	9	**19,854,424**	17,739,589
Loans secured by life insurance policies		**1,266,153**	1,185,432
Premiums and insurance balances receivable	10	**47,164,201**	48,594,196
Reinsurance recoverable on outstanding claims	11	**50,140,310**	47,353,529
Property held for sale		**286,876**	422,519
Other assets	12	**12,767,641**	12,721,119
Time deposits	13	**23,565,538**	21,321,046
Cash and cash equivalents	14	**73,176,130**	58,604,115
TOTAL ASSETS		**347,219,331**	320,427,570
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities arising from insurance contracts:	11		
Outstanding claims reserve (gross)		**98,444,923**	87,510,097
Unearned premiums reserve (net)		**32,654,100**	31,336,565
Life mathematical reserve (net)		**21,697,645**	21,550,883
Incurred but not reported reserve (net)		**4,126,296**	4,813,645
Total liabilities arising from insurance contracts		**156,922,964**	145,211,190
Premiums received in advance		**761,444**	280,055
Insurance payable	15	**44,382,066**	41,327,905
Other liabilities	16	**21,762,413**	17,938,797
Bank overdrafts	14	**21,532,000**	20,374,524
TOTAL LIABILITIES		**245,360,887**	225,132,471
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	17	**18,703,913**	18,703,913
Share premium		**3,600,000**	3,600,000
Treasury shares	18	**(3,967,705)**	(1,837,125)
Treasury shares reserve		**2,051,215**	2,051,215
Statutory reserve	19	**17,081,913**	15,830,998
Voluntary reserve	20	**21,035,326**	19,784,411
Other reserve		**(3,054,726)**	(3,015,966)
Cumulative changes in fair values		**2,068,735**	4,164,663
Foreign currency translation adjustments		**(3,885,836)**	(4,717,780)
Revaluation reserve		**2,559,760**	-
Retained earnings		**27,986,879**	23,935,043
		84,179,474	78,499,372
Non-controlling interests		**17,678,970**	16,795,727
Total equity		**101,858,444**	95,295,099
TOTAL LIABILITIES AND EQUITY		**347,219,331**	320,427,570

Farqad A. Al-Sane
Chairman

The attached notes 1 to 29 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and Subsidiaries (Formerly Gulf Insurance Company K.S.C. and Subsidiaries)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to equity holders of the Parent Company												
	Share capital	*Share premium*	*Treasury shares*	*Treasury share reserve*	*Statutory reserve*	*Voluntary reserve*	*Other reserve*	*Cumulative changes in fair values*	*Foreign Currency translation adjustments*	*Revaluation reserve*	*Retained earning*	*Sub total*	*Non-controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Balance at 1 January 2014	18,703,913	3,600,000	(1,837,125)	2,051,215	15,830,998	19,784,411	(3,015,966)	4,164,663	(4,717,780)	-	23,935,043	78,499,372	16,795,727	95,295,099
Profit for the year	-	-	-	-	-	-	-	-	-	-	12,001,391	12,001,391	1,855,941	13,857,332
Other comprehensive (loss) income	-	-	-	-	-	-	-	(2,095,928)	831,944	2,559,760	-	1,295,776	-	1,295,776
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(2,095,928)	831,944	2,559,760	12,001,391	13,297,167	1,855,941	15,153,108
Dividend for 2013 (Note 17)	-	-	-	-	-	-	-	-	-	-	(5,447,725)	(5,447,725)	-	(5,447,725)
Purchase of treasury shares	-	-	(2,130,580)	-	-	-	-	-	-	-	-	(2,130,580)	-	(2,130,580)
Change in ownership of a subsidiary (Note 27)	-	-	-	-	-	-	(38,760)	-	-	-	-	(38,760)	-	(38,760)
Transfer to reserves	-	-	-	-	1,250,915	1,250,915	-	-	-	-	(2,501,830)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(972,698)	(972,698)
Balance at 31 December 2014	**18,703,913**	**3,600,000**	**(3,967,705)**	**2,051,215**	**17,081,913**	**21,035,326**	**(3,054,726)**	**2,068,735**	**(3,885,836)**	**2,559,760**	**27,986,879**	**84,179,474**	**17,678,970**	**101,858,444**

The attached notes 1 to 29 form part of these consolidated financial statements.

Gulf Insurance Group K.S.C.P. and Subsidiaries (Formerly Gulf Insurance Company K.S.C. and Subsidiaries)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2014

	Attributable to equity holders of the Parent Company													
	Share capital	*Share premium*	*Treasury shares*	*Treasury share reserve*	*Statutory reserve*	*Voluntary reserve*	*Other reserve*	*Cumulative changes in fair values*	*Foreign Currency translation adjustments*	*Retained earnings*	*Revaluation reserve*	*Sub total*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2013	18,703,913	3,600,000	(1,780,131)	2,051,215	14,766,173	18,719,586	(3,010,734)	2,748,519	(3,319,418)	20,445,815	-	72,924,938	15,856,329	88,781,267
Profit for the year	-	-	-	-	-	-	-	-	-	10,202,495	-	10,202,495	1,840,609	12,043,104
Other comprehensive income (loss)	-	-	-	-	-	-	-	1,416,144	(1,398,362)	-	-	17,782	-	17,782
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	1,416,144	(1,398,362)	10,202,495	-	10,220,277	1,840,609	12,060,886
Dividend for 2012 (Note 17)	-	-	-	-	-	-	-	-	-	(4,583,617)	-	(4,583,617)	-	(4,583,617)
Purchase of treasury shares	-	-	(56,994)	-	-	-	-	-	-	-	-	(56,994)	-	(56,994)
Change in ownership of a subsidiary (Note 27)	-	-	-	-	-	-	(5,232)	-	-	-	-	(5,232)	-	(5,232)
Transfer to reserves	-	-	-	-	1,064,825	1,064,825	-	-	-	(2,129,650)	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(901,211)	(901,211)
Balance at 31 December 2013	18,703,913	3,600,000	(1,837,125)	2,051,215	15,830,998	19,784,411	(3,015,966)	4,164,663	(4,717,780)	23,935,043	-	78,499,372	16,795,727	95,295,099

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	***2014 KD***	*2013 KD*
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat tax and directors' fees		**14,365,094**	12,561,909
Adjustments for:			
Depreciation	5	**4,115,133**	857,734
Net investment income		**(9,154,293)**	(8,451,788)
Impairment losses	3	**234,570**	250,027
Share of results of associates	6	**(2,163,938)**	(1,567,799)
Gain arising on reclassification of investments available for sale to investment in associates	6	**(127,614)**	(367,405)
		7,268,952	3,282,678
Changes in operating assets and liabilities:			
Investments carried at fair value through income statement		**(2,698,982)**	186,942
Premiums and insurance balances receivable		**1,429,995**	2,915,362
Reinsurance recoverable on outstanding claims		**(2,786,781)**	(6,627,609)
Other assets		**288,807**	8,223,894
Liabilities arising from insurance contracts		**11,711,774**	16,246,047
Premiums received in advance		**481,389**	47,460
Insurance payable		**3,054,161**	(1,703,969)
Other liabilities		**3,912,229**	(129,405)
Cash from operations		**22,661,544**	22,441,400
Paid to KFAS		**(107,213)**	(106,211)
Paid to NLST		**(183,807)**	(177,131)
Paid to Zakat		**(22,905)**	(63,420)
Paid to directors		**(155,000)**	(125,000)
Net cash from operating activities		**22,192,619**	21,969,638
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(4,478,145)**	(2,629,250)
Proceeds from sale of property and equipment		**144,559**	15,953
Purchase of investment in a subsidiary	27	**(188,025)**	(30,934)
Purchase of investment in associates	6	**(719,417)**	(674,099)
Dividends received from associates	7	**933,958**	591,878
Purchase of investment held to maturity		**647,390**	(1,120,916)
Movement in debt securities (loans)		**24,889**	(724,884)
Net movement on investments available for sale		**(109,105)**	(2,303,732)
Movement in loans secured by life insurance policies		**(80,721)**	(208,379)
Purchase of property held for sale		**135,643**	191,322
Time deposits		**(2,244,492)**	1,882,359
Interest received		**3,915,200**	2,989,791
Dividends received		**1,435,858**	1,444,872
Net cash used in investing activities		**(582,408)**	(576,019)
FINANCING ACTIVITIES			
Dividends paid		**(5,447,724)**	(3,498,345)
Purchase of treasury shares		**(2,130,580)**	(56,994)
Dividends to non-controlling interest		**(972,698)**	(901,211)
Net cash used in financing activities		**(8,551,002)**	(4,456,550)
Foreign currency translation adjustments		**355,330**	(1,818,992)
INCREASE IN CASH AND CASH EQUIVALENTS		**13,414,539**	15,118,077
Cash and cash equivalents at beginning of the year		**38,229,591**	23,111,514
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**51,644,130**	38,229,591

The attached notes 1 to 29 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and subsidiaries (the “Group”) for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 11 February 2015. The Shareholders’ General Assembly has the power to amend the consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962, and is listed on the Kuwait Stock Exchange. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Parent Company is 44.04% (2013: 44.04%) owned by Kuwait Projects Company Holding K.S.C. (previously the “Ultimate Parent Company” and 41.42% (31 December 2012: 41.42%) by Fairfax Middle East Limited Company.

The address of the Parent Company’s registered office is at Ahmed Al Jaber Street, Shark, Kuwait City P.O. Box 1040 Safat, 13011 State of Kuwait.

The Group employs 1,292 employees as at 31 December 2014 (31 December 2013: 1,352 employees).

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPERATION

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

The consolidated financial statements have been prepared on a historical cost convention modified to include the measurement at fair value of investments carried at fair value through income statement and investments available for sale. The consolidated financial statements are presented in Kuwaiti Dinars which is the functional and reporting currency of the Parent Company.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable 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 liability simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2014.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

2.2 BASIS OF CONSOLIDATION (continued)

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Product classification

Insurance contracts

Insurance contracts are those contracts when the Group (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 Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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.

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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

Revenue recognition

Premiums earned
Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the consolidated statement of income in order that revenue is recognised over the period of risk.

Commissions earned and paid
Commissions earned and paid are recognised at the time of recognition of the related premiums.

Policy issuance fees
Insurance and investment contract 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

Rental income
Rental income is recognised on a straight line basis over the term of the lease.

Realised gains and losses
Realised gains and losses include gain and loss on financial assets and 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 consolidated statement of income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the reporting date.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the 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.

Policy acquisition costs
Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts are capitalised as an intangible asset. The Deferred policy Acquisition Costs (DAC) are subsequently amortised over the term of the insurance contracts to which they relate as premiums are earned.

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held

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

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

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

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

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

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

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

Taxation

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat represent levies/taxes imposed on the entity at the flat percentage of net profits less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax /levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

Investments in associates

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

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

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The Group's share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associates and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)
The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group 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 Group 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 'share of results of associates' in the consolidated statement of income.

Upon loss of significant influence over the associates, the Group measures and recognises any retaining 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 retained investment and proceeds from disposal is recognised in profit or loss.

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 Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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 Group commits to purchase or sell the asset.

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

Investments held to maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortized cost, using the effective interest rate, less impairment. The effective interest rate, amortization is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

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 effective interest rate, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in 'net investment income' in the consolidated statement of income. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Investments available for sale
Investments available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as "loans and receivables". After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in other comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of income. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

Investments carried at fair value through income statement

Investments carried at fair value through income statement include financial assets held for trading and those designated at fair value through income statement at inception. Investments typically bought for the purpose of selling in the near term are classified as held for trading. For investments designated as at fair value through income statement, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value.

Fair value adjustments and realised gain and loss are recognised in the consolidated statement of income.

Receivables

Accounts receivable are stated at their face value less impairment losses or provision for doubtful accounts.

Cash and cash equivalents

Cash includes cash on hand and at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of placement and that are subject to an insignificant risk of change in value. Cash and cash equivalents in the consolidated statement of cash flows are presented net of bank overdrafts.

De-recognition of financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset 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 Group's continuing involvement in the asset.

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 Group could be required to repay.

In that case, the Group 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 Group has retained.

Impairment of financial assets

The Group 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 re-organization 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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

fair values of financial instruments and further details as to how they are measured are provided in Note 29.

Financial liabilities
Financial liabilities consist of insurance payable and certain items under other payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

Initial recognition and measurement
Financial liabilities are initially recognised at fair value.

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

Insurance payables
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.

De-recognition of financial liabilities
A financial liability is derecognised when the obligation specified in the contract 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 consolidated statement of income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair values
The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in the financial statements.

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

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

The Group must be able to access the principal or the most advantageous market at the measurement date.

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole:

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

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

Investments with no reliable measure of their fair value and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Outstanding claims reserve
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 are 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned premium 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 Group's actuaries.

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

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on reporting date.

Treasury shares
Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group 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 gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Employees' share option reserve
Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

Equity-settled transactions
The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the Parent Company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the consolidated statement of income.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

ii) Group companies
On consolidation, assets and liabilities of foreign operations are translated into Kuwaiti dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Contingencies
Contingent liabilities are not recognised in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:
- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

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, provision for outstanding claims (OCR) and 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 the Group'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 geographical area, as well as 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 market 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 quarterly basis.

Life insurance contract liabilities (Life mathematical reserve)
The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group'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.

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

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Classification of investments
Management decides on acquisition of an investment whether it should be classified as available for sale or investments carried at fair value through income statement or held to maturity investments. The Group classifies investments as carried at fair value through income statement if the fair value can be reliably determined. The Group classifies investment as "held to maturity" if they meet the relevant criteria for each classification. All other investments are classified as available for sale.

Impairment of investments
The Group treats investments available for sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement. In addition the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Goodwill impairment testing
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which goodwill is allocated.

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new accounting policy to carry land and building at fair value, adopting the following new and amended IFRSs recently issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) interpretations effective as of 1 January 2014:

Property and equipment
Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Land is not depreciated. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Furniture and fixtures, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value.

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

Building	20 – 50	Years
Furniture and fixtures	1 – 2	Years
Motor vehicles	1 – 4	Years
Leasehold improvements	Up to 7	Years

2.4 CHANGE IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New and amended policies, standards and interpretations (continued)
The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

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 consolidated statement of income in the year the asset is derecognised.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)
These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and 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 amendment has not resulted in material impact on the financial position or performance of the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. Though these amendments have not resulted in any additional disclosures currently, the same would continue to be considered for future disclosures.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have not resulted in material impact on the financial position or performance of the Group.

New and revised IASB Standards issued but not yet effective

IFRS 9 Financial Instruments (effective for annual periods on or after 1 January 2018)
Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

IFRS 15 – Revenue from Contracts with customers
IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The parent company is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 NET INVESTMENT INCOME

Net investment income for **life insurance** analysed by category for the year, is as follows:

	Debt securities (loans) KD	*Investments carried at fair value through income statement KD*	*Time and call deposits KD*	***2014 Total KD***	*2013 Total KD*
Realised gain	-	113,273	-	**113,273**	180,830
Unrealised (loss) gain	-	(389,221)	-	**(389,221)**	596,759
Dividend income	-	41,070	-	**41,070**	195,459
Interest income	909,387	-	237,836	**1,147,223**	1,033,166
Gain (loss) on financial instruments	909,387	(234,878)	237,836	**912,345**	2,006,214
Other investment income	-	28,403	-	**28,403**	131,998
Total investment income (loss)	909,387	(206,475)	237,836	**940,748**	2,138,212
Financial charges and other expenses	(500,000)	(10,842)	-	**(510,842)**	(11,440)
Total investment expense	(500,000)	(10,842)	-	**(510,842)**	(11,440)
Net investment income (loss)	409,387	(217,317)	237,836	**429,906**	2,126,772

3 NET INVESTMENT INCOME (continued)

Net investment income for **non-life insurance**, analysed by category for the year, is as follows:

	Investment in associates KD	*Investments held to maturity KD*	*Investments available for sale KD*	*Investments carried at fair value through income statement KD*	*Property held for sale KD*	*Time and call deposits KD*	*Other investment income KD*	***2014 Total KD***	*2013 Total KD*
Realised gain	-	-	2,796,748	652,587	1,126,360	-	-	**4,575,695**	532,331
Unrealised gain	-	-	-	18,571	-	-	-	**18,571**	490,340
Dividends income	-	-	1,361,103	74,755	-	-	-	**1,435,858**	1,249,413
Interest income	-	1,792,893	-	-	-	1,881,920	240,387	**3,915,200**	5,052,249
Gain on financial instruments	-	1,792,893	4,157,851	745,913	1,126,360	1,881,920	240,387	**9,945,324**	7,324,333
Share of result from associates (Note 6)	2,163,938	-	-	-	-	-	-	**2,163,938**	1,567,799
Gain arising on reclassification of investment available for sale (Note 6)	127,614	-	-	-	-	-	-	**127,614**	367,405
Rental income	-	-	-	-	20,657	-	-	**20,657**	64,671
Other investment income	-	-	-	-	-	-	319,579	**319,579**	277,305
Total investment income	2,291,552	1,792,893	4,157,851	745,913	1,147,017	1,881,920	559,966	**12,577,112**	9,601,513
Financial charges	-	-	(488,152)	-	-	(1,240)	-	**(489,392)**	(955,119)
Impairment loss	-	(116,555)	(118,015)	-	-	-	-	**(234,570)**	(250,027)
Other investment expenses	-	(78,212)	(563,663)	-	-	-	-	**(641,875)**	(386,174)
Total investment expense	-	(194,767)	(1,169,830)	-	-	(1,240)	-	**(1,365,837)**	(1,591,320)
Net investment income	2,291,552	1,598,126	2,988,021	745,913	1,147,017	1,880,680	559,966	**11,211,275**	8,010,193

4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic earnings per share are calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares, less weighted average number of treasury shares outstanding during the year. Diluted earnings per share are calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less weighted average number of treasury shares, outstanding during the year 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 which is reserved from employees' share option scheme.

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

	2014	*2013*
Profit for the year attributable to equity holders of the Parent Company (KD)	**12,001,391**	10,202,495
	Shares	*Shares*
Number of shares outstanding at the beginning of the year	**187,039,125**	187,039,125
Weighted average number of treasury shares	**(6,357,553)**	(3,756,439)
Weighted average number of shares outstanding during the year	**180,681,572**	183,282,686
Basic and diluted earnings per share	**66.42 fils**	55.67 fils

5 PROPERTY AND EQUIPMENT

	Land	*Buildings*	*Leasehold improvements*	*Computers*	*Furniture and fixtures*	*Motor vehicles*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Cost:							
At 1 January 2014	4,871,092	9,383,273	1,207,573	4,853,992	3,108,509	611,004	24,035,443
Additions	110,261	10,132	605,606	2,039,813	1,554,790	157,543	4,478,145
Fair value adjustment	2,220,000	339,760	-	-	-	-	2,559,760
Disposals	-	(56,748)	(333,262)	(1,699,555)	(1,490,467)	(96,009)	(3,676,041)
Foreign currency translation adjustment	55,744	(10,971)	455	97,941	(55,335)	3,033	90,867
At 31 December 2014	7,257,097	9,665,446	1,480,372	5,292,191	3,117,497	675,571	27,488,174
Accumulated Depreciation:							
At 1 January 2014	-	3,601,110	900,719	3,825,074	2,547,575	278,782	11,153,260
Charge for the year	-	241,407	174,893	2,062,151	1,469,669	167,013	4,115,133
On disposals	-	-	(331,277)	(1,661,050)	(1,452,474)	(86,681)	(3,531,482)
Foreign currency translation adjustment	-	46,221	(4,598)	76,716	(49,405)	119	69,053
At 31 December 2014	-	3,888,738	739,737	4,302,891	2,515,365	359,233	11,805,964
Net carrying amount:							
At 31 December 2014	**7,257,097**	**5,776,708**	**740,635**	**989,300**	**602,132**	**316,338**	**15,682,210**

Part of the Parent Company's premises with net carrying amount of KD 1,260,000 (2013: KD 1,260,000) have been mortgaged with the Ministry of Commerce and Industry.

5 PROPERTY AND EQUIPMENT (continued)

	Land *KD*	*Buildings* *KD*	*Leasehold improvements* *KD*	*Computers* *KD*	*Furniture and fixtures* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:							
At 1 January 2013	3,670,705	8,791,282	1,235,030	4,458,800	3,046,541	566,537	21,768,895
Additions	1,215,405	676,035	3,753	447,372	100,463	186,222	2,629,250
Disposals	-	-	(5,351)	(7,905)	(21,049)	(110,294)	(144,599)
Foreign currency translation differences	(15,018)	(84,044)	(25,859)	(44,275)	(17,446)	(31,461)	(218,103)
At 31 December 2013	4,871,092	9,383,273	1,207,573	4,853,992	3,108,509	611,004	24,035,443
Accumulated Depreciation:							
At 1 January 2013	-	3,420,415	809,687	3,559,798	2,407,303	293,664	10,490,867
Charge for the year	-	192,345	84,823	307,588	175,031	97,947	857,734
On disposals	-	-	(5,351)	(7,053)	(13,914)	(102,328)	(128,646)
Foreign currency translation differences	-	(11,650)	11,560	(35,259)	(20,845)	(10,501)	(66,695)
At 31 December 2013	-	3,601,110	900,719	3,825,074	2,547,575	278,782	11,153,260
Net carrying amount:							
At 31 December 2013	4,871,092	5,782,163	306,854	1,028,918	560,934	332,222	12,882,183

6 INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

	Country of incorporation	*Percentage of ownership*		*Principal activity*
		2014	*2013*	
Al-Buruj Co-Operative Insurance Company (A Saudi Joint Stock Company)	Kingdom of Saudi Arabia	**27%**	27%	Insurance activities
Al-Argan International Real Estate Company K.S.C.	State of Kuwait	**20%**	20%	Real Estate Activities
Alliance Insurance Company P.S.C.	United Arab Emirates	**20%**	20%	Insurance Activities
Egyptian Takaful Property and Liability S.A.E.*	Egypt	**25%**	17%	Insurance Activities
United Networks Company K.S.C.C**	State of Kuwait	**17%**	17%	Communication & Broadcasting Activities

*During the current year, the Parent Company has acquired additional stake of 8% in Egyptian Takaful Property and Liability S.A.E from a non-related party, as a result, the Parent Company's equity interest has increased to 25%.

*During the current year , management was able to exercise a significant influence over United Network Company K.S.C.C which resulted in reclassifying the investment from "investment available for sale" to "investment in associates" (Note 3).

Carrying amount of investment in associates

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

	2014	*2013*
	KD	*KD*
Carrying value at 1 January	**24,242,332**	21,344,080
Additions	**719,417**	674,099
Dividends received	**(933,958)**	(591,878)
Share of results of associates (Note 3)	**2,163,938**	1,567,799
Transfers from investments available for sale	**1,138,750**	809,935
Gain arising on reclassification of investment available for sale (Note 3)	**127,614**	367,405
Share of other comprehensive income of associates	**207,384**	102,927
Foreign currency translation adjustment	**476,614**	(32,035)
Carrying value at 31 December	**28,142,091**	24,242,332

	2014	*2013*
	KD	*KD*
Share of associates' financial position:		
Assets	**59,649,720**	49,342,493
Liabilities	**(34,107,335)**	(27,524,289)
	25,542,385	21,818,204
Goodwill	**2,599,706**	2,424,128
Net assets	**28,142,091**	24,242,332
Share of associates' revenues and net profit (loss):		
Revenues	**2,741,277**	1,890,872
Net profit	**2,163,938**	1,567,799

6 INVESTMENT IN ASSOCIATES (continued)

Investment in associates include quoted associate with a carrying value of KD 25,054,771 (2013: KD 23,336,882) having a market value of KD 24,662,274 (2013: KD 26,833,458).

7 GOODWILL

Goodwill has been allocated to five individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is shown below:

	2014	*2013*
	KD	*KD*
Arab Misr Insurance Group Company S.A.E.	**308,340**	308,340
Bahrain Kuwaiti Insurance Company (B.S.C.)	**2,625,935**	2,625,935
Arab Orient Insurance Company J.S.C.	**5,292,099**	5,292,099
Dar Al-Salam Insurance Company	**604,073**	604,073
Egypt Life Takaful Insurance Company (S.A.E.)	**167,904**	167,904
	8,998,351	8,998,351

Movement on goodwill during the year is as follows:

	2014	*2013*
	KD	*KD*
At I January	**8,998,351**	8,998,351
Impairment of goodwill	**-**	-
	8,998,351	8,998,351

The recoverable amount of each segment unit has been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The average discount rate used was 15% (2013: 15%) applied to cash flow projections over a five years period. Cash flows beyond the five year period are extrapolated using a projected growth rate of 3% (2013: 3%).

The calculation of value in use for each segment unit is sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

Interest margins
Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions
These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on published industry research.

7 GOODWILL (continued)

Inflation rates
Estimates are obtained from published indices for countries where the Group operates.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

8 INVESTMENTS AVAILABLE FOR SALE

	2014 ***KD***	*2013* *KD*
Quoted equity securities	**21,697,303**	16,677,873
Unquoted equity securities	**13,310,002**	17,651,647
Unquoted managed funds	**163,377**	356,636
	35,170,682	34,686,156

Included in investments available for sale are unquoted equity securities with a value of KD 94,756 (31 December 2013: KD 265,180) which are carried at cost as the fair value could not be reliably measured. Information for such investments is usually restricted to periodic investment performance reports from the investment managers. Management has performed a review of its unquoted investments to assess whether impairment has occurred in the value of these investments. Based on the latest financial information available in respect of these investments and their operations, management is of the view that the value of these investments is not impaired.

Impairment loss of KD 118,015 (31 December 2013: KD 175,914) has been made against quoted securities on which there has been a significant or prolonged decline in fair value below cost.

9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	2014 ***KD***	*2013* *KD*
Held for trading:		
Quoted securities	**5,008,511**	4,574,878
Designated upon initial recognition:		
Managed funds of quoted securities	**14,845,913**	13,164,711
	19,854,424	17,739,589

10 PREMIUMS AND INSURANCE BALANCES RECEIVABLE

	2014 ***KD***	*2013* *KD*
Policyholders' accounts receivable		
Premiums receivable	**45,649,423**	46,799,418
Insured debts receivable	**414,960**	300,838
	46,064,383	47,100,256
Provision for doubtful debts	**(5,417,592)**	(5,306,913)
Net policyholders' accounts receivable	**40,646,791**	41,793,343

	2014 ***KD***	*2013* *KD*
Insurance and reinsures' accounts receivable		
Reinsures receivable	**7,167,192**	7,383,719
Provision for doubtful debts	**(649,782)**	(582,866)
Net insurance and reinsures' accounts receivable	**6,517,410**	6,800,853
Total premiums and insurance balances receivable	**47,164,201**	48,594,196

The Group's terms of business require amounts to be paid within the underwriting year and as such these receivables are remeasured at cost. Arrangements with the reinsurance companies normally require settlement on a quarterly basis.

Movements in the allowance for impairment of policyholders' accounts receivable were as follows:

	2014 ***KD***	*2013* *KD*
At 1 January	**5,306,913**	5,114,101
Charge for the year	**253,088**	366,403
Amounts written off	**(142,409)**	(173,591)
At 31 December	**5,417,592**	5,306,913

Movements in the allowance for insurance and reinsurers' accounts receivable were as follows:

	2014 ***KD***	*2013* *KD*
At 1 January	**582,866**	537,238
Charge for the year	**66,916**	45,628
At 31 December	**649,782**	582,866

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

31 December 2014	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	4,079,991	23,108,067	18,266,892	12,255,855	7,153,175	13,320,461	9,325,656	87,510,097
Reinsurance recoverable on outstanding claims	(3,622,801)	(6,371,140)	(16,540,898)	(11,228,875)	(2,771,447)	(2,791,962)	(4,026,406)	(47,353,529)
Net balance at beginning of the year	457,190	16,736,927	1,725,994	1,026,980	4,381,728	10,528,499	5,299,250	40,156,568
Foreign currency translation difference	(3,205)	(516,764)	(23,724)	85,250	(62,800)	13,209	(18,658)	(526,692)
Incurred during the year (net)	323,451	25,708,693	1,726,223	807,938	1,652,932	13,138,609	25,120,531	68,478,377
Paid during the year (net)	(182,920)	(23,086,146)	(1,806,512)	(518,472)	(1,663,308)	(8,541,948)	(24,004,334)	(59,803,640)
NET BALANCE AT END OF THE YEAR	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	48,304,613
Represented in:								
Gross balance at end of the year	3,229,442	23,558,629	18,984,155	15,945,136	7,749,533	18,114,103	10,863,925	**98,444,923**
Reinsurance recoverable	(2,634,926)	(4,715,919)	(17,362,174)	(14,543,440)	(3,440,981)	(2,975,734)	(4,467,136)	**(50,140,310)**
NET BALANCE AT END OF THE YEAR	594,516	18,842,710	1,621,981	1,401,696	4,308,552	15,138,369	6,396,789	**48,304,613**
Unearned premiums reserve (net)	502,672	16,762,122	1,226,883	988,694	2,552,624	102,400	10,518,705	**32,654,100**
Life mathematical reserve (net)	-	-	-	-	-	19,821,545	1,876,100	**21,697,645**
Incurred but not reported reserve (net)	248,295	2,373,930	395,169	415,776	687,586	-	5,540	**4,126,296**

There are no material claims for which the amounts and timing of claims are not settled within one year of the consolidated statement of financial position date.

11 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS (continued)

31 December 2013	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Life KD*	*Medical KD*	*Total KD*
OUTSTANDING CLAIMS RESERVE:								
Gross balance at beginning of the year	2,630,072	21,021,930	16,464,563	7,904,328	6,532,659	12,243,109	10,781,171	77,577,832
Reinsurance recoverable on outstanding claims	(2,150,097)	(5,040,181)	(14,988,790)	(7,374,029)	(2,282,616)	(3,253,497)	(5,636,710)	(40,725,920)
Net balance at beginning of the year	479,975	15,981,749	1,475,773	530,299	4,250,043	8,989,612	5,144,461	36,851,912
Foreign currency translation difference	(7,136)	(1,267,030)	(65,192)	(41,165)	(78,398)	(1,175)	(38,123)	(1,498,219)
Incurred during the year (net)	210,049	20,615,937	1,721,542	1,057,280	1,247,512	11,752,372	22,164,425	58,769,117
Paid during the year (net)	(225,698)	(18,593,729)	(1,406,129)	(519,434)	(1,037,429)	(10,212,310)	(21,971,513)	(53,966,242)
NET BALANCE AT END OF THE YEAR	457,190	16,736,927	1,725,994	1,026,980	4,381,728	10,528,499	5,299,250	40,156,568
Represented in:								
Gross balance at end of the year	4,079,991	23,108,067	18,266,892	12,255,855	7,153,175	13,320,461	9,325,656	87,510,097
Reinsurance recoverable	(3,622,801)	(6,371,140)	(16,540,898)	(11,228,875)	(2,771,447)	(2,791,962)	(4,026,406)	(47,353,529)
NET BALANCE AT END OF THE YEAR	457,190	16,736,927	1,725,994	1,026,980	4,381,728	10,528,499	5,299,250	40,156,568
Unearned premiums reserve (net)	494,454	15,915,486	1,228,373	803,352	2,700,849	79,447	10,114,604	31,336,565
Life mathematical reserve (net)	-	-	-	-	-	19,918,434	1,632,449	21,550,883
Incurred but not reported reserve (net)	445,622	1,751,235	417,063	373,309	811,527	1,001,413	13,476	4,813,645

12 OTHER ASSETS

	2014 *KD*	*2013* *KD*
Accrued interest income	**817,802**	689,387
Inward reinsurance retentions	**43,325**	40,713
Refundable claims	**187,426**	146,644
Amounts due from related parties (Note 26)	**1,402,689**	1,402,689
Prepaid expenses and others	**10,316,399**	10,441,686
	12,767,641	12,721,119

13 TIME DEPOSITS

Time deposits of KD 23,565,538 (2013: KD 21,321,046) are placed with local and foreign banks and carry an average effective interest rate of 4% (2013: 4%) per annum. Time deposits mature within one year.

14 CASH AND CASH EQUIVALENTS

	2014 *KD*	*2013* *KD*
Cash on hand and at banks	**15,499,503**	13,907,786
Short term deposits and call accounts	**57,676,627**	44,696,329
Cash and cash equivalents in the consolidated statement of financial Position	**73,176,130**	58,604,115
Bank overdrafts	**(21,532,000)**	(20,374,524)
Cash and cash equivalents in the consolidated statement of cash flows	**51,644,130**	38,229,591

15 INSURANCE PAYABLE

	2014 *KD*	*2013* *KD*
Policyholders and agencies payables	**13,119,709**	13,222,947
Insurance and reinsurance payables	**30,984,002**	27,231,563
Amount due to policyholders of Takaful unit (Note 28)	**278,355**	873,395
	44,382,066	41,327,905

16 OTHER LIABILITIES

	2014 *KD*	*2013* *KD*
Accrued expenses and others	**13,853,875**	9,797,309
Reserve for reinsurance premiums	**1,353,317**	1,508,065
KFAS, NLST and Zakat payables	**352,762**	363,805
Provision for end of service indemnity	**6,047,459**	6,114,618
Proposed directors' fees	**155,000**	155,000
	21,762,413	17,938,797

17 SHARE CAPITAL

Authorised, issued and fully paid capital consists of 187,039,125 shares of 100 fils each (2013: 187,039,125 shares) which was fully paid in cash.

Cash dividends, bonus shares and directors' fees
The Ordinary Annual General Assembly of the Parent Company's shareholders held on 3 April 2014 approved the payment of cash dividends amounting to KD 5,447,725 for the year ended 31 December 2013 (2012: KD 4,583,617), which represents 30% of paid up share capital (2012: 25%).

On 11 February 2015, the Board of Directors of the Parent Company have proposed cash dividend of 33fils per share (31 December 2013: 30 fils). This proposal is subject to the approval by Annual General Meeting of the shareholders of the Parent Company.

Directors' fees of KD 155,000 for the year ended 31 December 2014 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' fees of KD 155,000 for the year ended 31 December 2013 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 3 April 2014.

18 TREASURY SHARES

	2014	*2013*
Number of shares (share)	**7,661,966**	3,792,976
Percentage of issued shares (%)	**4.096%**	2.028%
Market value (KD)	**4,290,701**	2,086,137

19 STATUTORY RESERVE

As required by the Companies' Law and the Parent Company's Articles of Association, 10% of profit attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat tax and directors' fees has been transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers since the reserve exceeds 50% of the share capital.

There are no restrictions on distribution of amounts in excess of 50% of the share capital. Distribution of the remaining balance of the reserve is limited to the amount required to enable the payment of a dividend of 5% of the share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of this amount.

20 VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the profit attributable to the equity holder of the Parent Company before contribution to KFAS, NLST, Zakat tax and directors' fees has been transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of shareholders' General Assembly upon a recommendation by the board of directors. Voluntary reserve is available for distribution.

21 SEGMENT INFORMATION

a) Segmental consolidated statement of income

The Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. Following are the details of those two primary segments:

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offers savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

Unallocated category comprises of assets and liabilities' relating to the Group's investing activities which do not fall under the Group's primary segments.

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result and is measured consistently with the results in the consolidated financial statements.

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
Year ended 31 December 2014:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	8,491,058	37,871,945	24,210,975	11,855,667	12,035,773	94,465,418	18,917,511	60,219,426	79,136,937	**173,602,355**
Reinsurance premiums ceded	(6,694,146)	(3,354,404)	(21,722,335)	(10,307,770)	(7,164,307)	(49,242,962)	(3,032,127)	(30,390,716)	(33,422,843)	**(82,665,805)**
Net premiums written	1,796,912	34,517,541	2,488,640	1,547,897	4,871,466	45,222,456	15,885,384	29,828,710	45,714,094	**90,936,550**
Movement in unearned premiums	(8,383)	(673,928)	512	(164,468)	181,324	(664,943)	(12,108)	(242,844)	(254,952)	**(919,895)**
Movement in life mathematical reserve	-	-	-	-	-	-	95,621	(243,651)	(148,030)	**(148,030)**
Net premiums earned	1,788,529	33,843,613	2,489,152	1,383,429	5,052,790	44,557,513	15,968,897	29,342,215	45,311,112	**89,868,625**
Commission received on ceded reinsurance	2,010,153	483,150	3,379,187	1,752,486	1,309,642	8,934,618	832,364	2,133,847	2,966,211	**11,900,829**
Policy issuance fees	204,311	1,758,714	86,471	87,815	125,371	2,262,682	20,889	991,216	1,012,105	**3,274,787**
Net investment loss from life insurance	-	-	-	-	-	-	244,375	185,531	429,906	**429,906**
Total revenue	4,002,993	36,085,477	5,954,810	3,223,730	6,487,803	55,754,813	17,066,525	32,652,809	49,719,334	**105,474,147**
Expenses:										
Claims incurred	323,451	25,708,693	1,726,223	807,938	1,652,932	30,219,237	13,138,609	25,120,531	38,259,140	**68,478,377**
Commission and discounts	790,298	4,852,867	1,732,674	780,896	1,084,404	9,241,139	453,740	842,981	1,296,721	**10,537,860**
Movement in incurred but not reported Reserve	(199,269)	550,004	(27,184)	38,636	(133,934)	228,253	-	(8,648)	(8,648)	**219,605**
Maturity and cancellations of life insurance Policies	-	-	-	-	-	-	1,919,210	-	1,919,210	**1,919,210**
General and administrative expenses	1,072,403	4,803,207	2,032,648	981,804	1,375,353	10,265,415	1,180,553	4,120,855	5,301,408	**15,566,823**
Total expenses	1,986,883	35,914,771	5,464,361	2,609,274	3,978,755	49,954,044	16,692,112	30,075,719	46,767,831	**96,721,875**
Net underwriting income	2,016,110	170,706	490,449	614,456	2,509,048	5,800,769	374,413	2,577,090	2,951,503	**8,752,272**
Net investment income						11,211,275				**11,211,275**
Net sundry income						390,342			5,568	**395,910**
Depreciation						(3,644,816)			(470,317)	**(4,115,133)**
Unallocated general and administrative expenses						(739,937)			(1,139,293)	**(1,879,230)**
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' fees						13,017,633			1,347,461	**14,365,094**

21 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

	General risk insurance						*Life and medical insurance*			
Year ended 31 December 2013:	*Marine and aviation KD*	*Motor vehicles KD*	*Property KD*	*Engineering KD*	*General Accidents KD*	*Total general risk insurance KD*	*Life KD*	*Medical KD*	*Total life and medical insurance KD*	*Total KD*
Revenue:										
Premiums written	7,762,630	34,508,066	22,801,529	9,900,685	10,571,460	85,544,370	17,642,643	53,853,213	71,495,856	157,040,226
Reinsurance premiums ceded	(5,996,709)	(2,634,130)	(20,545,780)	(8,583,981)	(5,737,676)	(43,498,276)	(3,178,082)	(27,046,512)	(30,224,594)	(73,722,870)
Net premiums written	1,765,921	31,873,936	2,255,749	1,316,704	4,833,784	42,046,094	14,464,561	26,806,701	41,271,262	83,317,356
Movement in unearned premiums	(9,525)	(2,414,731)	(126,890)	(24,295)	(196,149)	(2,771,590)	(1,854)	(1,621,180)	(1,623,034)	(4,394,624)
Movement in life mathematical reserve	-	-	-	-	-	-	(1,736,273)	(19,426)	(1,755,699)	(1,755,699)
Net premiums earned	1,756,396	29,459,205	2,128,859	1,292,409	4,637,635	39,274,504	12,726,434	25,166,095	37,892,529	77,167,033
Commission received on ceded reinsurance	1,850,850	354,280	3,111,985	1,799,439	1,016,713	8,133,267	778,505	2,337,202	3,115,707	11,248,974
Policy issuance fees	160,660	1,776,102	87,916	72,726	108,176	2,205,580	67,781	1,096,013	1,163,794	3,369,374
Net investment loss from life insurance	-	-	-	-	-	-	1,596,967	529,805	2,126,772	2,126,772
Total revenue	3,767,906	31,589,587	5,328,760	3,164,574	5,762,524	49,613,351	15,169,687	29,129,115	44,298,802	93,912,153
Expenses:										
Claims incurred	210,049	20,615,937	1,721,542	1,057,280	1,247,511	24,852,319	11,752,372	22,164,426	33,916,798	58,769,117
Commission and discounts	680,327	4,342,668	1,579,829	759,387	855,910	8,218,121	766,100	685,893	1,451,993	9,670,114
Movement in incurred but not reported Reserve	(260,177)	650,909	14,260	154,689	(160,247)	399,434	400,000	-	400,000	799,434
Maturity and cancellations of life insurance Policies	-	-	-	-	-	-	1,368,308	-	1,368,308	1,368,308
General and administrative expenses	1,156,002	4,862,463	1,558,456	723,485	1,467,118	9,767,524	1,126,201	3,920,480	5,046,681	14,814,205
Total expenses	1,786,201	30,471,977	4,874,087	2,694,841	3,410,292	43,237,398	15,412,981	26,770,799	42,183,780	85,421,178
Net underwriting income	1,981,705	1,117,610	454,673	469,733	2,352,232	6,375,953	(243,294)	2,358,316	2,115,022	8,490,975
Net investment income						8,010,193			-	8,010,193
Net sundry income						422,027			7,508	429,535
Depreciation						(472,393)			(385,341)	(857,734)
Unallocated general and administrative expenses						(2,872,070)			(638,990)	(3,511,060)
Profit for the year before contribution to KFAS, NLST, Zakat tax and Directors' fees						11,463,710			1,098,199	12,561,909

21 SEGMENT INFORMATION (continued)

b) Segment consolidated statement of financial position

31 December 2014	*General risk insurance KD*	*Life and medical insurance KD*	*Un-allocated KD*	***Total KD***
Total assets	**200,901,310**	**91,710,156**	**54,607,865**	**347,219,331**
Total liabilities	**139,265,117**	**74,980,649**	**31,115,121**	**245,360,887**

As a result of the Group's restructure plan (Note 26) , the management has designated all balances relating to its investments activities within unallocated category since these activities does not relate to any of the primary two segments.

31 December 2013	*General risk insurance KD*	*Life and medical insurance KD*	*Total KD*
Total assets	226,108,462	94,319,108	320,427,570
Total liabilities	152,650,551	72,481,920	225,132,471

21 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	KD 2014	*KD 2013*	***KD 2014***	*KD 2013*	***KD 2014***	*KD 2013*	***KD 2014***	*KD 2013*
Segment revenue	**59,779,557**	52,133,881	**7,363,677**	6,821,759	**38,330,913**	34,956,513	**105,474,147**	93,912,153
Segment results (net underwriting income)	**3,997,811**	4,369,860	**1,232,405**	1,170,419	**3,522,056**	2,950,696	**8,752,272**	8,490,975
Profit for the year attributable to equity holders of the Parent Company	**7,751,729**	6,033,684	**1,138,366**	750,919	**3,111,296**	3,417,892	**12,001,391**	10,202,495
Total assets	**215,427,749**	217,635,602	**34,879,176**	26,475,406	**96,912,406**	76,316,562	**347,219,331**	320,427,570
Total liabilities	**160,907,055**	136,565,939	**19,854,290**	19,871,358	**64,599,542**	68,695,174	**245,360,887**	225,132,471

22 STATUTORY GUARANTEES

The following amounts are held in Kuwait as security for the order of the Minister of Commerce and Industry in accordance with the Ministerial Decree No. 27 of 1966 and its amendments:

	2014 ***KD***	*2013* *KD*
Current accounts and deposits at banks	**20,996,188**	19,921,072
Loans secured by life insurance policies	**1,182,471**	977,053
	22,178,659	20,898,125

Foreign deposits of KD 25,796,759 (2013: KD 25,469,715) held outside the State of Kuwait as security for the subsidiary companies' activities.

23 CONTINGENT LIABILITIES

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 6,986,076 (2013: KD 4,182,478).

The Group 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.

24 COMMITMENTS

The Group does not have future commitments with respect to purchase financial instruments. (2013: Nil).

25 RISK MANAGEMENT

(a) Governance framework

The Group's risk and financial management objective is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Risk management also protects policyholders fund by ensuring that all liabilities towards the policyholders are fulfilled in duly matter. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group established a risk management function with clear terms of reference from the Parent Company's board of directors, its committees and the associated executive management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the board of directors to executive and senior managers.

25 RISK MANAGEMENT (continued)

(b) Regulatory framework

Law No. 24 of 1961, Law No.13 of 1962, which were subsequently amended by decrees No.510 and 511 of 2011 and decrees No. 578 and 579 of 2013, and the rules and regulations issued by the Ministry of Commerce provide the regulatory framework for the insurance industry in Kuwait. All insurance companies operating in Kuwait are required to follow these rules and regulations.

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

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in 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 follows:
  - A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait
  - A maximum of 25% may be invested in foreign securities (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.

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

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

(c) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

Capital management objectives

The capital management objectives are:

- To maintain the required level of financial stability of the Group thereby providing a degree of security to policyholders
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximize the shareholders returns through obtaining the best return on capital.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

In reporting financial strength, capital and solvency is measured using the rules prescribed by the Ministry of Commerce (MOC). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written.

25 RISK MANAGEMENT (continued)

(c) Capital management objectives, policies and approach (continued)

Capital management policies

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Ministry of commerce, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Capital management approach

The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholders fund.

The Group's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics through the Group's internal Capital Model. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The capital requirements are routinely forecasted on a periodic basis using the Group's internal Capital Model, and assessed against both the forecasted available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the board.

The Group's internal capital model structure has been changed to reflect the new Group restructure that occurred during the year.

(d) Insurance risk

The principal risk the Group 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 Group 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 and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, underwriting discipline, prudent claims management practices as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a reinsurance program covering the Group to benefit from high commission income derived from economy of scale in a portfolio which is well balanced and to spread the risk in which the Group is exposed.

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 Group 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 Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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

(1) Life insurance contracts

Life insurance contracts offered by the Group include whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, group life and disability, credit life (banks), group medical including third party administration (TPA), preferred global health and Balsam.

Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Pensions 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 higher value of the fund accumulated or sum assured. Most contracts give the policyholder the option at retirement to take a cash sum at guaranteed conversion rates allowing the policyholders the option of taking the more valuable of the two. Under unitized pensions, a percentage of the premium is applied towards the purchase of accumulation units in one or more of the linked funds. 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 Group 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 Group is exposed to are as follows.
- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected.
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

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

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

The Group reinsures its annuity contracts to mitigate its risk, the reinsurers participating in the treaty are highly rated and the risk is spread with a number of reinsurers to minimize the risk of default.

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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2014			*2013*		
Type of contract	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*	*Gross liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Whole life insurance	**120,061**	**68,836**	**51,225**	38,729	2,971	35,758
Term insurance	**216,869**	**4,057**	**212,812**	332,685	43,818	288,867
Pure endowment	**1,589,774**	**-**	**1,589,774**	1,886,794	-	1,886,794
Group life and disability	**539,205**	**260,433**	**278,772**	557,616	279,845	277,771
Group medical including TPA	**1,772,904**	**495**	**1,772,409**	1,493,291	2,117	1,491,174
Credit life (Banks)	**4,114,302**	**2,741,511**	**1,372,791**	4,971,484	3,404,334	1,567,150
Preferred global health	**54,825**	**-**	**54,825**	55,237	-	55,237
Balsam	**83,400**	**34,461**	**48,939**	87,623	-	87,623
Misk individual policies	**300,000**	**-**	**300,000**	275,000	-	275,000
Total life insurance contract	**8,791,340**	**3,109,793**	**5,681,547**	9,698,459	3,733,085	5,965,374
Unitised pensions (Misk individual policies)	**16,016,098**	-	**16,016,098**	15,585,509	-	15,585,509
Total investments contracts	**16,016,098**	-	**16,016,098**	15,585,509	-	15,585,509
Total life insurance and investment contracts	**24,807,438**	**3,109,793**	**21,697,645**	25,283,968	3,733,085	21,550,883
Other life insurance contract liabilities	**28,983,566**	**7,442,869**	**21,540,697**	26,391,601	5,363,107	21,028,494

The geographical concentration of the Group's life insurance and investment contracts with Discretionary Participation Feature (DPF) liabilities is noted below. The disclosure is based on the countries where the business is written.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

	2014			2013		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net Liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net liabilities KD
Kuwait	**8,791,340**	**3,109,793**	**5,681,547**	9,698,459	3,733,085	5,965,374

Investment contracts

	2014			2013		
	Gross liabilities KD	Reinsurers' share of liabilities KD	Net Liabilities KD	Gross liabilities KD	Reinsurers' share of liabilities KD	Net Liabilities KD
Kuwait	**5,641,392**	**-**	**5,641,392**	5,131,124	-	5,131,124
Europe	**10,374,706**	**-**	**10,374,706**	10,454,385	-	10,454,385
Total	**16,016,098**	**-**	**16,016,098**	15,585,509	-	15,585,509

The assumptions that have been provided by an external independent actuarial are as follows:

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

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

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 Group's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract type.

An increase in 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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

• Longevity
Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Group's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, 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.

• 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 Group'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 Group'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.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

The assumptions that have the maximum effect on the consolidated financial position and consolidated statement of income of the Group are listed below.

Portfolio assumptions by type of business impacting net liabilities	*Mortality and morbidity rates*		*Investment return*		*Lapse and surrender rates*		*Discount rates*		*Renewal expenses*		*Inflation rate*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
Investment contracts:												
With fixed and guaranteed terms	**A49/52**	A49/52	**3%**	3%	**N/A**	N/A	**3%**	4%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	3%
Non-guaranteed terms	**A49/52**	A49/52	**N/A**	N/A	**N/A**	N/A	**3%**	4%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	3%
Life term assurance:												
Males	**A49/52**	A49/52	**4%**	4%	**N/A**	N/A	**3%**	4%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	3%
Females	**A49/52 3yr**	A49/52-3yr	**4%**	4%	**N/A**	N/A	**3%**	4%	**5% of AP+1% of SA**	5% of AP+1% of SA	**2%**	3%

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(1) Life insurance contracts (continued)

Sensitivities

The analysis below is performed, by an independent third party actuarial with experience and qualifications, for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit if significant. 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.

Life insurance contracts

31 December 2014

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(16,000)
Expenses	10%	203,000	203,000	(203,000)
Discount rate	-1%	110,000	110,000	(110,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

31 December 2013

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity	Conservative	Reduction	Reduction	Positive
Investment return	-1%	-	-	(19,000)
Expenses	10%	180,000	180,000	(180,000)
Discount rate	-1%	110,000	110,000	(110,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

Investment contracts

31 December 2014

	Change in assumptions	***Impact on gross liabilities***	***Impact on net liabilities***	***Impact on profit***
Mortality/morbidity	-1%	-	-	(45,000)
Investment return	10%	67,500	67,500	(67,500)
Expenses	-1%	139,000	139,000	(139,000)
Discount rate	N/A	N/A	N/A	N/A
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate				

31 December 2013

	Change in assumptions	*Impact on gross liabilities*	*Impact on net liabilities*	*Impact on profit*
Mortality/morbidity				
Investment return	-1%	-	-	(46,000)
Expenses	10%	60,000	60,000	(60,000)
Discount rate	-1%	150,000	150,000	(150,000)
Longevity	N/A	N/A	N/A	N/A
Lapse and surrenders rate	N/A	N/A	N/A	N/A

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts

The Group principally issues the following types of general insurance contracts: marine and aviation, property, motor, and general accidents. 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 Group to multiple insurance risks. The Group has adequately reinsured for insurance risk that may involve significant litigation.

These risks vary in relation to the type of risk insured, location of the risk insured and by industry.

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

The below risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. 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 and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (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 Group's risk appetite as decided by management.

In additions; the Group also have an excess of loss agreements which cover both of the catastrophic and risk excess of loss.

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

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

	2014			2013		
Concentration of insurance contract liabilities by type of contract:	***Gross liabilities***	***Reinsurer's share of liabilities***	***Net liabilities***	*Gross liabilities*	*Reinsurer's share of liabilities*	*Net liabilities*
	KD	***KD***	***KD***	*KD*	*KD*	*KD*
Marine and Aviation	**5,082,262**	**3,736,779**	**1,345,483**	5,888,467	4,491,200	1,397,267
Motor vehicles	**43,444,378**	**5,465,616**	**37,978,762**	40,452,348	6,048,700	34,403,648
Property	**29,734,373**	**26,490,340**	**3,244,033**	27,315,565	23,944,134	3,371,431
Engineering	**22,874,374**	**20,068,208**	**2,806,166**	18,222,596	16,018,956	2,203,640
General Accidents	**13,270,007**	**5,721,245**	**7,548,762**	11,910,797	4,016,693	7,894,104
Total	**114,405,394**	**61,482,188**	**52,923,206**	103,789,773	54,519,683	49,270,090

The geographical concentration of the Group's non-life insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written.

	2014			2013		
Geographical concentration of insurance contract liabilities:	***Gross liabilities***	***Reinsurer's share of liabilities***	***Net Liabilities***	*Gross liabilities*	*Reinsurer's share of liabilities*	*Net liabilities*
	KD	***KD***	***KD***	*KD*	*KD*	*KD*
Kuwait	**55,900,739**	**33,513,169**	**22,387,570**	51,418,898	30,238,142	21,180,756
GCC and Middle East countries	**58,504,655**	**27,969,019**	**30,535,636**	52,370,875	24,281,541	28,089,334
Total	**114,405,394**	**61,482,188**	**52,923,206**	103,789,773	54,519,683	49,270,090

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Key assumptions
The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example 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.

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. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax.

31 December 2014	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	±15%	**6,879,992**	**3,577,596**	**3,577,596**
Average number of claim	±15%	**27,620**	**23,368**	**436,192**
Average claim settlement paid	Reduce from 18 months to 12 months	**4,586,661**	**2,472,787**	**201,617**

31 December 2013	***Change in assumption***	***Impact on gross liabilities KD***	***Impact on net liabilities KD***	***Impact on profit KD***
Average claim cost	±15%	6,395,248	3,447,843	3,447,843
Average number of claim	±15%	21,901	18,529	345,871
Average claim settlement paid	Reduce from 18 months to 12 months	4,263,500	2,298,562	187,412

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims for both Non-life and Life segments, including claims notified for each successive accident year at each statement of financial position date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to the presentation currency at the spot rates of the current financial year.

31 December 2014

	2006 *KD*	*2007* *KD*	*2008* *KD*	*2009* *KD*	*2010* *KD*	*2011* *KD*	*2012* *KD*	*2013* *KD*	*2014* *KD*	***Total*** ***KD***
At end of accident year	190,276,534	39,885,670	50,392,935	51,524,295	56,453,283	78,124,867	88,367,386	92,528,799	88,750,272	
One year later	116,519,442	48,534,654	56,859,685	62,274,940	62,730,493	84,303,220	105,856,376	122,997,291	-	
Two years later	116,160,426	46,678,841	58,440,069	61,699,883	65,213,797	84,813,749	107,674,648	-	-	
Three years later	120,937,714	45,330,471	55,919,644	59,751,989	63,223,120	84,020,624	-	-	-	
Four years later	116,557,454	45,757,353	54,617,117	58,481,591	63,610,147	-	-	-	-	
Five years later	115,081,831	45,351,500	52,626,676	58,208,029	-	-	-	-	-	
Six years later	113,850,817	44,051,708	52,490,772	-	-	-	-	-	-	
Seven years later	112,588,247	43,917,835	-	-	-	-	-	-	-	
Eight years later	114,056,713	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**114,056,713**	**43,917,835**	**52,490,772**	**58,208,029**	**63,610,147**	**84,020,624**	**107,674,648**	**122,997,291**	**88,750,272**	**735,726,331**

25 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

2) Non-life insurance contracts (continued)

	2006 KD	*2007 KD*	*2008 KD*	*2009 KD*	*2010 KD*	*2011 KD*	*2012 KD*	*2013 KD*	*2014 KD*	***Total KD***
At end of accident year	(112,495,851)	(21,721,476)	(23,049,928)	(28,437,389)	(31,673,465)	(44,916,955)	(52,954,704)	(55,297,933)	(56,275,705)	
One year later	(90,147,146)	(33,563,593)	(41,262,147)	(48,591,990)	(53,302,980)	(72,733,259)	(89,033,837)	(97,455,251)	-	
Two years later	(96,472,908)	(38,798,076)	(45,069,439)	(52,043,337)	(58,634,355)	(77,428,615)	(95,754,517)	-	-	
Three years later	(102,876,964)	(39,764,560)	(50,237,063)	(53,529,541)	(59,228,139)	(80,139,899)	-	-	-	
Four years later	(104,997,979)	(40,151,246)	(51,146,402)	(53,182,787)	(60,827,144)	-	-	-	-	
Five years later	(106,325,267)	(40,317,694)	(49,981,678)	(54,115,644)	-	-	-	-	-	
Six years later	(108,050,929)	(39,931,619)	(50,327,025)	-	-	-	-	-	-	
Seven years later	(108,190,943)	(40,616,343)	-	-	-	-	-	-	-	
Eight years later	(110,402,031)	-	-	-	-	-	-	-	-	
cumulative payment to date	**(110,402,031)**	**(40,616,343)**	**(50,327,025)**	**(54,115,644)**	**(60,827,144)**	**(80,139,899)**	**(95,754,517)**	**(97,455,251)**	**(56,275,705)**	**(645,913,559)**
Gross insurance contract outstanding claims at 31 December 2014	3,654,682	3,301,492	2,163,747	4,092,385	2,783,003	3,880,725	11,920,132	25,542,040	32,474,566	89,812,773
Incurred but not reported reserve included into the outstanding claims reserve at 31 December 2014									**8,632,150**	**8,632,150**
Total gross insurance outstanding claims provision per statement of financial position at 31 December 2014	**3,654,682**	**3,301,492**	**2,163,747**	**4,092,385**	**2,783,003**	**3,880,725**	**11,920,132**	**25,542,040**	**41,106,716**	**98,444,923**

25 RISK MANAGEMENT (continued)

(e) 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.

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).
- 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.

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

	31 December 2014			
Exposure to credit risk by classifying financial assets according to type of insurance	***General KD***	***Life KD***	***Unit linked KD***	***Total KD***
Investments held to maturity	19,271,576	-	-	**19,271,576**
Debt securities (loans)	-	6,828,083	4,905,065	**11,733,148**
Loans secured by life insurance policies	-	2,709	1,263,444	**1,266,153**
Policyholders' accounts receivable (gross)	35,268,262	10,796,121	-	**46,064,383**
Reinsurers' accounts receivable (gross)	6,804,850	362,342	-	**7,167,192**
Reinsurance recoverable on outstanding claims	45,085,249	5,055,061	-	**50,140,310**
Other assets	1,560,006		-	**1,560,006**
Time deposits	22,558,218	1,007,320	-	**23,565,538**
Cash and cash equivalents	46,974,219	26,201,911	-	**73,176,130**
Total credit risk exposure	177,522,380	50,253,547	6,168,509	**233,944,436**

	31 December 2013			
Exposure to credit risk by classifying financial assets according to type of insurance	*General KD*	*Life KD*	*Unit linked KD*	*Total KD*
Investments held to maturity	19,370,938	548,028	-	19,918,966
Debt securities (loans)	-	7,309,343	4,448,694	11,758,037
Loans secured by life insurance policies	-	66,948	1,118,484	1,185,432
Policyholders' accounts receivable (gross)	36,737,707	10,362,549	-	47,100,256
Reinsurers' accounts receivable (gross)	6,818,712	565,007	-	7,383,719
Reinsurance recoverable on outstanding claims	40,535,162	6,818,367	-	47,353,529
Other assets	2,404,207	-	-	2,404,207
Time deposits	18,710,135	2,610,911	-	21,321,046
Cash and cash equivalents	34,874,774	23,729,341	-	58,604,115
Total credit risk exposure	159,451,635	52,010,494	5,567,178	217,029,307

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2014 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as not rated.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD*	*Total KD*
31 December 2014							
Investments held to maturity	-	91,446	438,360	1,609,763	16,926,593	205,414	**19,271,576**
Debt securities (loans)	-	-	-	11,733,148	-	-	**11,733,148**
Loans secured by life insurance policies	-	-	-	-	-	1,266,153	**1,266,153**
Policyholders' accounts receivable (gross)		1,057,686	7,327,052	15,672,964	1,259,711	20,746,970	**46,064,383**
Reinsurers accounts receivable (gross)	230	221,692	2,047,386	1,422,793	591,197	2,883,894	**7,167,192**
Reinsurance recoverable on outstanding claims	31,776	9,495,224	28,520,435	4,244,781	2,728,092	5,120,002	**50,140,310**
Other assets	-	-	-	-	-	1,560,006	**1,560,006**
Time Deposits	-	41,000	6,454,524	12,785,679	3,312,002	972,333	**23,565,538**
Cash and cash equivalents	-	1,440,604	21,216,713	44,625,507	5,757,163	136,143	**73,176,130**
Total credit risk exposure	**32,006**	**12,347,652**	**66,004,470**	**92,094,635**	**30,574,758**	**32,890,915**	**233,944,436**

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
	High grade 2014 KD	*Standard grade 2014 KD*	*Past due or impaired 2014 KD*	*Total 2014 KD*
31 December 2014				
Investments held to maturity	414	205,000	-	**205,414**
Loan secured by life insurance policy	1,266,153	-	-	**1,266,153**
Policyholders' accounts receivable (gross)	15,829,239	4,856,353	61,378	**20,746,970**
Reinsurance accounts receivable (gross)	2,368,467	515,427	-	**2,883,894**
Reinsurance recoverable on outstanding claims	4,971,897	148,105	-	**5,120,002**
Other assets	9,848	1,550,158	-	**1,560,006**
Term deposits	972,333	-	-	**972,333**
Cash & Cash equivalents	136,143	-	-	**136,143**
	25,554,494	**7,275,043**	**61,378**	**32,890,915**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD*	*AA KD*	*A KD*	*BBB KD*	*BB and below KD*	*Not rated KD*	*Total KD*
31 December 2013							
Investments held to maturity	-	883,001	2,485,232	1,080,779	15,267,055	202,899	19,918,966
Debt securities (loans)	-	-	-	11,758,037	-	-	11,758,037
Loans secured by life insurance policies	-	-	2,961	-	-	1,182,471	1,185,432
Policyholders' accounts receivable (gross)	10,748	10,748	8,087,526	15,319,653	4,709,357	18,962,224	47,100,256
Reinsurers accounts receivable (gross)	1,043	192,264	1,909,860	2,496,173	665,018	2,119,361	7,383,719
Reinsurance recoverable on outstanding claims	3,707	6,749,633	21,318,109	6,249,443	9,164,301	3,868,336	47,353,529
Other assets	-	-	-	-	-	2,404,207	2,404,207
Time Deposits	-	2,162	5,311,566	10,511,442	4,037,732	1,458,144	21,321,046
Cash and cash equivalents	118,999	1,197,344	28,976,626	23,486,960	4,799,896	24,290	58,604,115
Total credit risk exposure	134,497	9,035,152	68,091,880	70,902,487	38,643,359	30,221,932	217,029,307

Unrated responses are classified as follows using internal credit ratings.

	Neither past due nor impaired			
	High grade 2013 KD	*Standard grade 2013 KD*	*Past due or impaired 2013 KD*	*Total 2013 KD*
31 December 2013				
Investments held to maturity	399	202,500	-	202,899
Loan secured by life insurance policy	-	1,182,471	-	1,182,471
Policyholders' accounts receivable (gross)	15,405,874	3,447,406	108,944	18,962,224
Reinsurance accounts receivable (gross)	2,081,139	-	38,222	2,119,361
Reinsurance recoverable on outstanding claims	3,811,926	56,410	-	3,868,336
Other assets	2,404,207	-	-	2,404,207
Term deposits	1,458,144	-	-	1,458,144
Cash & Cash equivalents	24,290	-	-	24,290
	25,185,979	4,888,787	147,166	30,221,932

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

The following table represents the aging analysis of premiums and insurance balance receivable that are not past due nor impaired:

	Up to 1 month KD	***Within 1-3 months KD***	***Within 3-12 months KD***	***More than 1 year KD***	***Total KD***
31 December 2014:					
Policyholders' accounts receivable (net)	**4,750,615**	**12,314,945**	**23,320,059**	**261,172**	**40,646,791**
Reinsurance receivables (net)	**1,810,457**	**721,715**	**2,502,677**	**1,482,561**	**6,517,410**
Total	**6,561,072**	**13,036,660**	**25,822,736**	**1,743,733**	**47,164,201**

	Up to 1 month KD	*Within 1-3 months KD*	*Within 3-12 months KD*	*More than 1 year KD*	*Total KD*
31 December 2013:					
Policyholders' accounts receivable (net)	9,245,607	10,736,860	21,246,588	564,288	41,793,343
Reinsurance receivables (net)	1,645,292	1,270,817	1,868,441	2,016,303	6,800,853
Total	10,890,899	12,007,677	23,115,029	2,580,591	48,594,196

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

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 Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The Group is developing its policies and procedures to enhance the Group's mitigation of liquidity risk.

The table below summarises the maturity of the financial liabilities of the Group based on remaining undiscounted contractual obligations for 31 December. As the Group does not have any interest bearing liabilities (except bank overdrafts), the figures below agree directly to the consolidated statement of financial position.

	Up to 1 month KD	***Within 1-3 months KD***	***Within 3-12 months KD***	***Within 1-5 years KD***	***Within 5-10 years KD***	***Total KD***
31 December 2014						
Premiums received in advance	-	24,016	451,839	285,589	-	**761,444**
Insurance payable	6,858,001	8,411,339	19,726,193	7,203,908	2,182,625	**44,382,066**
Other liabilities	4,367,520	1,953,302	8,726,727	6,714,864	-	**21,762,413**
Bank overdrafts	-	-	21,532,000	-	-	**21,532,000**
	11,225,521	**10,388,657**	**50,436,759**	**14,204,361**	**2,182,625**	**88,437,923**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

31 December 2013	*Up to 1 month KD*	*Within 1-3 months KD*	*Within 3-12 months KD*	*Within 1-5 years KD*	*Within 5-10 years KD*	*Total KD*
Premiums received in advance	-	-	205,073	8,700	66,282	280,055
Insurance payable	5,334,024	8,882,348	15,527,026	11,394,280	190,227	41,327,905
Other liabilities	901,706	1,449,006	8,066,104	7,521,981	-	17,938,797
Bank overdrafts	252,307	140,600	19,981,617	-	-	20,374,524
	6,488,037	10,471,954	43,779,820	18,924,961	256,509	79,921,281

(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 commodity and equity rate price risk.

The Group has developed its policies and procedures to enhance the Group's mitigation of market 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 Group's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US dollar, Bahraini dinar, Egyptian pound, Jordanian dinar, Euro, and Pound sterling.

The Group'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 contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through financial instruments as well as the Group's Asset Liability Management model.

The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising assets and liabilities by major currencies.

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2014: **ASSETS**	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	***Total KD***
Property and equipment	5,934,905	-	2,746,129	2,721,295	2,443,750	-	-	1,836,131	**15,682,210**
Investments in associates	15,599,515	-	-	1,659,856	-	-	-	10,882,720	**28,142,091**
Goodwill	-	-	2,625,935	476,244	5,292,099	-	-	604,073	**8,998,351**
Investments held to maturity	-	1,459,745	1,300,356	16,511,061	414	-	-	-	**19,271,576**
Debt securities (loans)	5,800,000	5,933,148	-	-	-	-	-	-	**11,733,148**
Investments available for sale	16,597,484	5,214,483	5,043,985	-	3,590,314	-	-	4,724,416	**35,170,682**
Investments carried at fair value thorough income statement	3,928,454	903,765	-	2,341,804	2,138,487	-	-	10,541,914	**19,854,424**
Loans secured by life insurance policies	1,263,444	-	-	-	-	-	-	2,709	**1,266,153**
Premium and insurance balances receivable	21,841,640	2,669,736	2,904,199	2,714,458	13,091,906	136,826	27,669	3,777,767	**47,164,201**
Reinsurance recoverable on outstanding claims	27,007,184	7,386,259	5,580,658	2,481,487	6,051,030	17,285	-	1,616,407	**50,140,310**
Property held for sale	-	-	-	54,072	-	-	-	232,804	**286,876**
Other assets	4,654,343	246,423	726,905	2,459,746	3,904,587	-	-	775,637	**12,767,641**
Cash and cash equivalents and time deposits	48,569,328	11,484,232	5,825,346	7,805,492	17,075,176	1,148,854	15,975	4,817,265	**96,741,668**
Total assets	**151,196,297**	**35,297,791**	**26,753,513**	**39,225,515**	**53,587,763**	**1,302,965**	**43,644**	**39,811,843**	**347,219,331**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2014 LIABILITIES	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	63,428,764	2,141,388	9,587,013	6,132,340	12,274,596	18,535	19,016	4,843,271	**98,444,923**
Unearned premiums reserve (net)	16,334,619	224,802	2,177,882	4,303,609	7,931,098	65,743	-	1,616,347	**32,654,100**
Life mathematical reserve (net)	11,110,687	1,761	-	-	-	-	-	10,585,197	**21,697,645**
Incurred but not reported reserve (net)	1,650,000	-	-	2,017,512	-	-	-	458,784	**4,126,296**
Total liabilities arising from insurance contracts	**92,524,070**	**2,367,951**	**11,764,895**	**12,453,461**	**20,205,694**	**84,278**	**19,016**	**17,503,599**	**156,922,964**
Premiums received in advance	586,253	-	121,082	-	-	-	-	54,109	**761,444**
Insurance payable	20,183,937	5,240,297	2,870,808	3,179,788	10,076,245	12,181	61,719	2,757,091	**44,382,066**
Other liabilities	14,889,777	647,730	1,418,563	2,257,149	1,454,086	52,735	-	1,042,373	**21,762,413**
Bank overdrafts	20,439,802	-	-	-	-	-	-	1,092,198	**21,532,000**
Total liabilities	**148,623,839**	**8,255,978**	**16,175,348**	**17,890,398**	**31,736,025**	**149,194**	**80,735**	**22,449,370**	**245,360,887**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2013:	*Local currency*	*USD*	*BD*	*EGP*	*JD*	*Euro*	*GBP*	*Other*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	
ASSETS	*equivalent*	*equivalent*	*equivalent*	*equivalent*	*equivalent*	*equivalent*	*equivalent*	*equivalent*	*KD*
Property and equipment	3,150,973	16,948	2,775,446	2,624,521	2,391,856	-	-	1,922,439	12,882,183
Investments in associates	13,633,931	-	-	905,450	-	-	-	9,702,951	24,242,332
Goodwill	-	-	2,625,935	476,224	5,292,099	-	-	604,093	8,998,351
Investments held to maturity	-	2,686,952	1,705,330	15,019,555	507,129	-	-	-	19,918,966
Debt securities (loans)	5,800,000	5,958,037	-	-	-	-	-	-	11,758,037
Investments available for sale	20,874,366	3,138,727	2,518,028	1,815,218	1,005,231	-	35,492	5,299,094	34,686,156
Investments carried at fair value thorough income statement	3,862,978	62,868	-	2,010,728	1,260,443	-	-	10,542,572	17,739,589
Loans secured by life insurance policies	1,182,471	-	-	-	-	-	-	2,961	1,185,432
Premium and insurance balances receivable	22,214,900	1,984,808	5,350,628	2,239,741	13,058,606	28,227	22,863	3,694,423	48,594,196
Reinsurance recoverable on outstanding claims	18,663,162	12,404,506	7,021,895	4,297,437	3,405,917	81,470	59,535	1,419,607	47,353,529
Property held for sale	-	-	133,559	54,651	-	-	-	234,309	422,519
Other assets	4,536,677	234,268	600,223	2,626,272	3,262,318	-	-	1,461,361	12,721,119
Cash and cash equivalents and time deposits	43,833,636	6,359,857	4,591,307	5,033,058	12,862,275	466,215	79,844	6,698,969	79,925,161
Total assets	137,753,094	32,846,971	27,322,351	37,102,855	43,045,874	575,912	197,734	41,582,779	320,427,570

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2013 LIABILITIES	*Local currency KD equivalent*	*USD KD equivalent*	*BD KD equivalent*	*EGP KD equivalent*	*JD KD equivalent*	*Euro KD equivalent*	*GBP KD equivalent*	*Other KD equivalent*	*Total KD*
Liabilities arising from insurance contracts									
Outstanding claims reserve (gross)	54,078,894	2,233,331	10,803,727	7,243,803	8,033,081	82,074	71,776	4,963,411	87,510,097
Unearned premiums reserve (net)	14,651,490	-	2,307,411	3,765,732	8,409,858	-	-	2,202,074	31,336,565
Life mathematical reserve (net)	10,969,021	-	-	-	-	-	-	10,581,862	21,550,883
Incurred but not reported reserve (net)	2,650,000	-	-	1,992,908	-	-	-	170,737	4,813,645
Total liabilities arising from insurance contracts	82,349,405	2,233,331	13,111,138	13,002,443	16,442,939	82,074	71,776	17,918,084	145,211,190
Premiums received in advance	88,792		116,281	-	-	-	-	74,982	280,055
Insurance payable	19,104,343	4,522,112	5,661,355	2,464,675	7,727,599	27,664	2,331	1,817,826	41,327,905
Other liabilities	10,938,886	1,735	1,229,824	3,137,925	1,221,855	-	-	1,408,572	17,938,797
Bank overdrafts	19,671,523	-	-	-	-	-	-	703,001	20,374,524
Total liabilities	132,152,949	6,757,178	20,118,598	18,605,043	25,392,393	109,738	74,107	21,922,465	225,132,471

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

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 monetary assets and liabilities).

		2014		2013	
	Change in variables	***Impact on profit KD***	***Impact on equity KD***	*Impact on profit KD*	*Impact on equity KD*
USD	±5%	**1,752,091**	**260,724**	1,304,489	156,941
BD	±5%	**528,908**	**252,199**	360,187	125,904
EGP	±5%	**1,066,756**	**82,993**	924,890	136,058
JD	±5%	**1,092,587**	**179,515**	882,674	50,261

(ii) Interest rate risk

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

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value risk.

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate 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 non-linear.

	2014		2013	
Currency	***Change in variables***	***Impact on profit before tax KD***	*Change in variables*	*Impact on profit before tax KD*
KD	**±50 basis**	**156,563**	±50 basis	108,198
USD	**±50 basis**	**1,550**	±50 basis	-
BD	**±50 basis**	**26,477**	±50 basis	25,019
Others	**±50 basis**	**132,885**	±50 basis	142,681

The method used for deriving sensitivity information and significant variables did not change from the previous year.

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through income statement (including trading securities) or available for sale investments.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management and the Investment Strategy and Policy.

The equity price risk sensitivity is determined on the following assumptions:

	2014	*2013*
	%	*%*
Kuwait market	**(14%)**	27%
Rest of GCC market	**6%**	43%
MENA	**14%**	9%
Other international markets	**11%**	11%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2014 and 2013. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year		*Equity*	
	2014	*2013*	***2014***	*2013*
	KD	*KD*	***KD***	*KD*
Investment carried at fair value through income Statement	**153,085**	765,014	-	-
Investments available for sale	-	-	**758,790**	4,693,630

The table below presents the geographical concentration of financial instruments exposed to equity price risk:

31 December 2014	*GCC*	*MENA*	*Europe*	*America*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Investments available for sale	26,674,346	8,496,336	-	-	**35,170,682**
Investments carried at fair value through income statement	4,229,891	4,802,558	10,821,975	-	**19,854,424**
	30,904,237	**13,298,894**	**10,821,975**	-	**55,025,106**

25 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2013	*GCC* *KD*	*MENA* *KD*	*Europe* *KD*	*America* *KD*	*Total* *KD*
Investments available for sale	28,522,289	6,042,702	35,492	85,673	34,686,156
Investments carried at fair value through income statement	3,925,704	3,286,446	10,527,439	-	17,739,589
	32,447,993	9,329,148	10,562,931	85,673	52,425,745

26 RELATED PARTY TRANSACTIONS

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

	2014		*2013*	
	Premiums KD	***Claims KD***	*Premiums KD*	*Claims KD*
Directors and key management personnel	**249,472**	**34,984**	311,775	149,400
Other related parties	**3,439,791**	**443,138**	3,779,602	462,479
	3,689,263	**478,122**	4,091,377	611,879

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

	2014		*2013*	
	Amounts owed by related parties KD	***Amounts owed to related parties KD***	*Amounts owed by related parties KD*	*Amounts owed to related parties KD*
Directors and key management personnel	**193,447**	**-**	235,882	-
Other related parties	**592,514**	**958,727**	446,618	597,041
	785,961	**958,727**	682,500	597,041

In addition to the above balances, the Group has also engaged with related parties in its investment activities as follows:

a) The Group holds certain deposits and call accounts with related entities under common control amounting to KD 17,795,406 (2013: KD 16,284,826). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 10,733,148 (2013: KD 10,758,037).

26 RELATED PARTY TRANSACTIONS (continued)

b) Included under other assets an amount of KD 1,402,689 (2013: KD 1,402,689) which represents loan granted to an entity under common control. This loan is interest free and repayable on demand.

Key management personnel compensation

	2014	*2013*
	KD	*KD*
Salaries and other short term benefits	**895,662**	870,236
Employees' end of service benefits	**205,387**	305,104
	1,101,049	1,175,340

Group Restructure plan:
On 24 September 2014, the General Assembly of the Parent Company's shareholder and its subsidiary Gulf Insurance and Re-insurance Company K.S.C. (Closed) "GIRC" (Formerly Gulf Life Insurance Company K.S.C. (Closed)) were held and approved the following:

- Transfer the ownership of certain assets held by the Parent Company to GIRC at its carrying value of KD 64,454,181
- Transfer of certain corresponding liabilities from the Parent Company to GIRC at its carrying value of KD 60,189,548
- In addition, it was agreed to transfer the investment in Egypt Life Takaful Insurance Company S.A.E., a 59.5 % owned subsidiary held by GIRC to the Parent Company at its carrying value as of 30 June 2014.

The effective date of the above transaction is 1 July 2014 which was approved by the General Assembly of the Parent Company and the General Assembly of the subsidiary company.

The management of the group believes that there will be no significant impact on policyholders and shareholders as result of transferring the general insurance portfolios.

27 SUBSIDIARIES COMPANIES

The consolidated financial statements include the following subsidiaries:

Entity	*Country of incorporation*	*% ownership*		*Nature of operation*
		2014	*2013*	
Gulf Insurance and Reinsurance Company K.S.C.(closed)	Kuwait	**99.80%**	99.80%	Life and medical insurance and General risk
Fajr Al Gulf Insurance and Reinsurance Company S.A.L.	Lebanon	**92.69%**	88%	General risk and life insurance and Reinsurance
Arab Misr Insurance Group Company S.A.E.	Egypt	**94.85%**	94.85%	General risk insurance
Syrian Kuwait Insurance Company S.S.C.	Syria	**54.35%**	54.29%	General risk and life insurance
Bahrain Kuwaiti Insurance Company B.S.C.	Bahrain	**56.12%**	56.12%	General risk insurance
Arab Orient Insurance Company J.S.C.	Jordan	**90.18%**	88.91%	General risk insurance
Egypt Life Takaful Insurance Company S.A.E.	Egypt	**59.5%**	**59.5%**	Life Takaful insurance
Saudi Pearl Insurance Company LTD. E.C.*	Bahrain	-	100%	General risk insurance
Dar Al-Salam Insurance Company	Iraq	**51%**	51%	General risk & life insurance

* Saudi Pearl Insurance Company LTD. E.C was liquidated during the year.

During 2014, the Group acquired additional equity interest in "Arab Orient Insurance Company J.S.C." for KD 188,025 Accordingly, the Group's ownership increased from 88.91% to 90.18% as at 31 December 2014. The excess of the consideration transferred over the fair value of net identifiable assets acquired of KD 38,760 has been recognised under other reserve within equity.

28 TAKAFUL INSURANCE - POLICYHOLDERS' RESULT BY LINE OF BUSINESS AND FUND

The Group (Manager of Takaful Fund) conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The Manager of Takaful Fund is responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The Manager holds the physical custody and title of all assets related to the policyholders' operations however such assets and liabilities together with the results of policyholders' lines of business are presented as due to policyholders of Takaful unit in the Parent Company's statement of financial position and the details are disclosed below.

Takaful business in the Group consists of the Takaful Insurance Unit established by the Parent Company and the Takaful fund of its subsidiary Egypt Life Takaful Insurance Company (S.A.E).

Policyholders' result by line of business:

The following tables summarise the consolidated policyholders' results by line of business and fund:

For the year ended 31 December 2014

	Marine and Aviation KD	***Property KD***	***Motor KD***	***Engineering KD***	***General Accidents KD***	***Life and Medical KD***	***Total KD***
Premium written	171,586	161,148	126,220	21,394	140,113	12,259,897	**12,880,358**
Surplus (deficit) from insurance operations	62,607	16,213	(2,886)	7,535	41,014	281,863	**406,346**

For the year ended 31 December 2013

	Marine and Aviation KD	*Property KD*	*Motor KD*	*Engineering KD*	*General Accidents KD*	*Life and Medical KD*	*Total KD*
Premium written	209,249	122,229	102,651	40,591	185,376	8,846,707	9,506,803
Surplus (deficit) from insurance operations	120,120	29,185	39,707	37,893	48,595	(399,899)	(124,399)

	2014 KD	*2013 KD*
Amounts due to policyholders (Note 15)	**278,355**	873,395

29 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2014:

			Fair value measurement using		
	Date of valuation	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
		KD	***KD***	***KD***	***KD***
Assets measured at fair value					
Investments available for Sale:					
Quoted equity securities	31 December 2014	**21,697,303**	**21,697,303**	**-**	**-**
Unquoted equity securities	31 December 2014	**13,215,246**	**-**	**8,851,050**	**4,364,196**
Unquoted managed funds	31 December 2014	**163,377**	**-**	**-**	**163,377**
Investments carried at fair value through income statements:					
Held for Trading:					
Quoted securities	31 December 2014	**5,008,511**	**5,008,511**	**-**	**-**
Designated upon initial recognition					
Managed funds of quoted securities	31 December 2014	**14,845,913**	**14,845,913**	**-**	**-**
		54,930,350	**41,551,727**	**8,851,050**	**4,527,573**

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2013:

			Fair value measurement using		
	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		KD	*KD*	*KD*	*KD*
Assets measured at fair value					
Investments available for sale:					
Quoted equity securities	31 December 2013	16,677,873	16,677,873	-	-
Unquoted equity securities	31 December 2013	17,386,467	-	11,801,400	5,585,067
Unquoted managed funds	31 December 2013	356,636	-	-	356,636
Investments carried at fair value through income statements:					
Held for Trading:					
Quoted securities	31 December 2013	4,574,878	4,574,878	-	-
Designated upon initial recognition					
Managed funds of quoted securities	31 December 2013	13,164,711	13,164,711	-	-
		52,160,565	34,417,462	11,801,400	5,941,703

29 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 2014 KD	*Transfer from carried at cost to Level 3 KD*	*Transfer from available for sale to investment in associate KD*	*Gain / (loss) recorded in the consolidated statement of income KD*	*Gain / (loss) recorded in the consolidated statement of comprehensive income KD*	*Net Purchases And disposals KD*	*At 31 December 2014 KD*
Financial assets available for sale:							
Unquoted equity securities	**5,585,067**	**-**	**(1,138,750)**	**(11,210)**	**(66,734)**	**(4,177)**	**4,364,196**
Unquoted managed funds	**356,636**	**-**	**-**	**(84,230)**	**82,918**	**(191,947)**	**163,377**
	5,941,703	**-**	**(1,138,750)**	**(95,440)**	**16,184**	**(196,124)**	**4,527,573**

	At 1 January 2013 KD	*Transfer from carried at cost to Level 3 KD*	*Transfer from available for sale to investment in associate KD*	*Gain / (loss) recorded in the consolidated statement of comprehensive income KD*	*Net Purchases and disposals KD*	*At 31 December 2013 KD*
Financial assets available for sale:						
Unquoted equity securities	6,971,817	157,658	(898,417)	(340,962)	(305,029)	5,585,067
Unquoted managed funds	618,550	-	-	(6,796)	(255,118)	356,636
	7,590,367	157,658	(898,417)	(347,758)	(560,147)	5,941,703

The calculation of fair value of level 3 financial instruments is not materially sensitive to changes in assumptions.

Description of significant unobservable inputs to valuation of financial assets:

Local unquoted securities represent delisted securities on local stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted equity investment is valued based on net book value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued.

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