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

**Consolidated Annual Financial Statements  
And Independent Auditors' Report**

**31 December 2012**

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

**Consolidated Annual Financial Statements  
And Independent Auditors' Report**

**31 December 2012**

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**Deloitte & Touche**  
**Al-Fahad Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq  
Dar Al-Awadi Complex, Floors 7 & 9  
P.O. Box 20174 Safat 13062 or  
P.O. Box 23049 Safat 13091  
Kuwait

Tel : + 965 22408844, 22438060

Fax: + 965 22408855, 22452080

[www.deloitte.com](http://www.deloitte.com)

**RSM Albazie & Co.**

Public Accountants

**RSM Albazie & Co.**

Kuwait Airways Building, 7th floor, Shuhada Street

P. O. Box 2115, Safat - 13022 State of Kuwait

T +965 22961000 F +965 22412761

mail@albazie.com www.albazie.com

**Warba Insurance Company K.S.C.**

**Kuwait**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Warba Insurance Company K.S.C. ("the Parent Company") and its subsidiary (together called "the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 the 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.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (Continued)

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Warba Insurance Company K.S.C. and its subsidiary as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on other Legal and Regulatory Requirements**

Also in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 25 of 2012 and of Law No. 24 of 1961, as amended, concerning insurance companies and insurance agents and its related regulations and by the Parent Company's Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no material violation of Companies Law No. 25 of 2012, or of Law No. 24 of 1961, as amended or of the Articles of Association have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Group or on its consolidated financial position.



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



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

Kuwait  
13 February 2013

Consolidated Statement of Financial Position as at 31 December 2012

	Note	Kuwaiti Dinars		
		2012	2011 (Restated)	2010 (Restated)
<b>ASSETS</b>				
Cash and cash equivalents	3	2,346,420	2,774,937	2,618,698
Fixed deposits	4	4,379,000	3,244,000	3,344,000
Investments at fair value through income statement	5	2,219,054	3,343,929	4,202,655
Insurance and reinsurance receivables	6	19,287,805	18,991,454	19,146,808
Other receivables	7	5,027,380	5,033,477	5,183,769
Investments available for sale	8	19,567,759	18,685,378	21,508,943
Investment in associates	9	3,733,550	3,578,462	3,590,919
Investment property	10	4,340,000	4,200,000	4,200,000
Reinsurance share in reserve for outstanding claims		27,695,428	18,641,313	14,305,086
Goodwill		62,240	62,240	62,240
Property and equipment	11	8,664,155	8,617,488	8,542,092
<b>Total assets</b>		<b>97,322,791</b>	<b>87,172,678</b>	<b>86,705,210</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Insurance contract liabilities	12	32,683,307	23,634,737	18,949,128
Accounts payable		3,711,256	3,503,225	3,015,320
Insurance and reinsurance payables	13	9,763,091	10,615,583	11,482,057
Other payables	14	3,561,910	3,283,896	3,289,004
<b>Total liabilities</b>		<b>49,719,564</b>	<b>41,037,441</b>	<b>36,735,509</b>
<b>Equity</b>				
Share capital	15	17,278,874	17,278,874	17,278,874
Treasury shares	16	(40,586)	(40,586)	(40,586)
Treasury shares reserve		164,760	164,760	164,760
Statutory reserve	17	8,781,109	8,781,109	8,781,109
Voluntary reserve	18	8,930,389	8,823,550	8,713,489
General reserve		4,000,000	4,000,000	4,000,000
Cumulative changes in fair value		5,812,843	4,531,697	7,198,649
Share of other comprehensive income of associate		27,740	1,265	66,265
Retained earnings		2,471,948	2,421,096	3,645,538
Equity attributable to shareholders of the Parent Company		47,427,077	45,961,765	49,808,098
Non-controlling interest		176,150	173,472	161,603
<b>Total equity</b>		<b>47,603,227</b>	<b>46,135,237</b>	<b>49,969,701</b>
<b>Total liabilities and equity</b>		<b>97,322,791</b>	<b>87,172,678</b>	<b>86,705,210</b>

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Anwar Jawad Bu-Khamseen  
Chairman

Sheikh Mohammed Jarah Sabah Al-Sabah  
Vice Chairman

Consolidated Statement of Income - Year ended 31 December 2012

	Note	Kuwaiti Dinars	
		2012	2011 (Restated)
<b>Revenue:</b>			
Premiums written		26,269,667	25,630,229
Reinsurance share		(16,387,467)	(17,350,327)
Net premiums written		9,882,200	8,279,902
Reserve for unexpired risks		(112,728)	(603,242)
Net premiums earned		9,769,472	7,676,660
Net commission		182,909	709,954
Issue fees		158,902	163,693
Net investment income/ (loss)	19	148,756	(639,258)
Share of profit of associates	9	195,814	52,543
Unrealized gain from change in fair value of investment property	10	140,000	-
Other income	20	658,880	453,695
		<u>11,254,733</u>	<u>8,417,287</u>
<b>Expenses:</b>			
Net claims incurred		(4,662,487)	(2,840,087)
Reserve for life insurance fund		(102,000)	(63,150)
General and administrative expenses	21	(5,419,182)	(4,852,546)
		<u>(10,183,669)</u>	<u>(7,755,783)</u>
Profit from operations	27	1,071,064	661,504
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	22	(8,726)	(10,359)
National Labor Support Tax (NLST)	23	(21,829)	(20,408)
Zakat	24	(6,774)	(7,517)
Board of directors' remuneration		(10,500)	-
Net profit for the year		<u>1,023,235</u>	<u>623,220</u>
Attributable to:			
Shareholders of the Parent Company		1,020,557	611,351
Non-controlling interest		2,678	11,869
		<u>1,023,235</u>	<u>623,220</u>
Earnings per share (fils)	25	<u>5.91</u>	<u>3.54</u>

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

**Consolidated Statement of Comprehensive Income - Year ended 31 December 2012**

	Note	Kuwaiti Dinars	
		2012	2011 (Restated)
Net profit for the year		1,023,235	623,220
<b>Other comprehensive income:</b>			
Changes in fair value of investments available for sale	8	1,281,146	(2,666,952)
Share of other comprehensive income of associates	9	26,475	(65,000)
Other comprehensive income (loss) for the year		1,307,621	(2,731,952)
Total comprehensive income (loss) for the year		<u>2,330,856</u>	<u>(2,108,732)</u>
Attributable to:			
Shareholders of the Parent Company		2,328,178	(2,120,601)
Non-controlling interest		2,678	11,869
Total comprehensive income (loss) for the year		<u>2,330,856</u>	<u>(2,108,732)</u>

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity - Year ended 31 December 2012

	Kuwaiti Dinars											
	Equity attributable to shareholders of the Parent Company											
	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	General reserve	Cumulative changes in fair value	Share of other comprehensive income of associate	Retained earnings	Total	Non-controlling interest	Total equity
<b>Balance at 31 December 2010</b>	17,278,874	(40,586)	164,760	8,781,109	8,713,489	4,000,000	(5,647,508)	(118,044)	14,727,111	47,859,205	161,603	48,020,808
Prior year adjustments (Note 34)	-	-	-	-	-	-	12,846,157	184,309	(11,081,573)	1,948,893	-	1,948,893
<b>Balance at 31 December 2010 (Restated)</b>	17,278,874	(40,586)	164,760	8,781,109	8,713,489	4,000,000	7,198,649	66,265	3,645,538	49,808,098	161,603	49,969,701
Total comprehensive income for the year	-	-	-	-	-	-	(3,105,801)	(77,127)	1,062,327	(2,120,601)	11,869	(2,108,732)
Prior year adjustments (Note 34)	-	-	-	-	-	-	438,849	12,127	(450,976)	-	-	-
Total comprehensive income for the year (Restated)	-	-	-	-	-	-	(2,666,952)	(65,000)	611,351	(2,120,601)	11,869	(2,108,732)
Cash dividends (Note 26)	-	-	-	-	-	-	-	-	(1,725,732)	(1,725,732)	-	(1,725,732)
Transfer to Voluntary reserve	-	-	-	-	110,061	-	-	-	(110,061)	-	-	-
<b>Balance at 31 December 2011 (Restated)</b>	17,278,874	(40,586)	164,760	8,781,109	8,823,550	4,000,000	4,531,697	1,265	2,421,096	45,961,765	173,472	46,135,237
Total comprehensive income for the year	-	-	-	-	-	-	1,281,146	26,475	1,020,557	2,328,178	2,678	2,330,856
Cash dividends (Note 26)	-	-	-	-	-	-	-	-	(862,866)	(862,866)	-	(862,866)
Transfer to Voluntary reserve	-	-	-	-	106,839	-	-	-	(106,839)	-	-	-
<b>Balance at 31 December 2012</b>	17,278,874	(40,586)	164,760	8,781,109	8,930,389	4,000,000	5,812,843	27,740	2,471,948	47,427,077	176,150	47,603,227

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

**Consolidated Statement of Cash Flows - Year ended 31 December 2012**

	Kuwaiti Dinars	
	2012	2011 (Restated)
<b>Cash flows from operating activities</b>		
Net profit for the year before KFAS, NLST, Zakat and Board of Directors' remuneration	1,071,064	661,504
Adjustments:		
Net investment (income)/ loss	(148,756)	639,258
Share of profit of associates	(195,814)	(52,543)
Unrealized realized gain from change in fair value of investment property	(140,000)	-
Interest income	(81,240)	(76,457)
Depreciation	414,671	377,816
	<u>919,925</u>	<u>1,549,578</u>
Changes in operating assets and liabilities:		
Insurance and reinsurance receivables	(296,351)	155,354
Other receivables	(7,598)	157,460
Net movement of insurance and reinsurance companies	(9,906,607)	(5,202,701)
Insurance contract liabilities	9,048,570	4,685,609
Accounts payable	208,031	487,905
Other payables	209,833	(98,200)
Net cash from operating activities	<u>175,803</u>	<u>1,735,005</u>
<b>Cash flows from investing activities</b>		
Net movement in fixed deposits	(1,135,000)	100,000
Payments for purchase of investments at fair value through income statement	-	(2,431,948)
Proceeds from sale of investments at fair value through income statement	1,010,210	2,733,844
Payments for purchase of investments available for sale	(309,565)	(346,811)
Proceeds from sale of investments available for sale	544,500	64,575
Payments for purchase of property and equipment	(461,338)	(453,212)
Dividends received	427,251	356,421
Dividends received from associate	67,201	-
Interest income received	94,935	69,289
Net cash from investing activities	<u>238,194</u>	<u>92,158</u>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	(842,514)	(1,670,924)
Net cash used in financing activities	<u>(842,514)</u>	<u>(1,670,924)</u>
Net (decrease)/ increase in cash and cash equivalents	(428,517)	156,239
Cash and cash equivalents at beginning of year	2,774,937	2,618,698
Cash and cash equivalents at end of year (Note 3)	<u>2,346,420</u>	<u>2,774,937</u>

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

**1. Incorporation and objectives**

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

The consolidated financial statements incorporate the financial statements of Warba Insurance Company - K.S.C and its subsidiary WAPMED TPA Services Company - K.S.C (Closed) - State of Kuwait with and equity interest of 54.57% (2011 - 54.57%).

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

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

The total number of employees of the Group as of 31 December 2012 is 322 employees (2011 - 296 employees).

The consolidated financial statements have been approved for issue by the Parent Company's Board of Directors on 13 February 2013. The annual Shareholders' general assembly has the power to amend these consolidated financial statements after issuance.

On 29 November 2012, Companies Law No. 25 of 2012 (the Law) was published in the official gazette to supersede Law No. 15 of 1960 - the Law of Commercial Companies. Companies in Kuwait have been granted six months to comply with the Law's requirements as may be specified in the Executive Regulations. The Parent Company is taking necessary actions to ensure compliance within the specified timeframe.

**2. Significant accounting policies**

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

**a) Basis of preparation**

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as 'at fair value through profit or loss' or 'available for sale' and investment property.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in previous year, except for the change in accounting policy for investment property from cost to fair value model and for the following new and amended IASB Standards during the year:

*IFRS 7 Financial Instruments: Disclosures - Transfer of financial assets (effective 1 July 2011)*

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the users of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with such involvement. (The Group does not have any assets with these characteristics and hence there has been no effect on the presentation of its consolidated financial statements.)

**Notes to the Consolidated Financial Statements - 31 December 2012**

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*IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets (effective 1 January 2012)*

The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the Group's financial position, performance or its disclosures.

The application of other IASB Standards and IFRIC Interpretations do not have material impact on the consolidated financial statements of the Group

**Standards issued but not yet effective**

The following IASB Standards have been issued/ amended but are not yet mandatory, and have not been adopted by the Group:

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2015)

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

IAS 19 Employee Benefits (Revised) (effective 1 January 2013)

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)

The major changes are as follows:

*IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*

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

*IFRS 9 'Financial Instruments': Classification and Measurement*

The standard was issued in November 2009 and becomes effective for annual years beginning on or after 1 January 2015. IFRS 9 improves the ability of the users of the financial statement to assess the amount, timing and uncertainty of future cash flows of the entity by replacing many financial instrument classification categories, measurement and associated impairment methods. The application of IFRS 9 will result in amendments and additional disclosures relating to financial instruments and associated risks.

Notes to the Consolidated Financial Statements - 31 December 2012

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*IFRS 10 Consolidated Financial Statements*

IFRS 10, which will be effective 1 January 2013, replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

*IFRS 13 Fair Value Measurement*

IFRS 13, which will be effective 1 January 2013, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

*IAS 1 Financial Statement Presentation:*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

*IAS 19 Employee Benefits (Revised)*

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. These amendments are not expected to impact the Group's financial position or performance.

*IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

Adoption of other new or amended Standards are not expected to have material effect on the consolidated financial position or financial performance of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards become effective

b) Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

**Notes to the Consolidated Financial Statements - 31 December 2012**

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

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. If a parent loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 30.

c) Cash and cash equivalents

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

d) Financial Instruments

**Classification and measurement**

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

**Recognition and de-recognition**

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

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

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

**Notes to the Consolidated Financial Statements - 31 December 2012**

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

**At fair value through profit or loss**

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

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

**Loans and receivables**

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

**Available for sale**

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

**Financial liabilities**

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

**Fair values**

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

**Impairment**

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

Notes to the Consolidated Financial Statements - 31 December 2012

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In the case of financial assets classified as available for sale, a significant or prolonged decline in the value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from shareholder's equity and recognized in the consolidated statement of income. Impairment loss recognized in the consolidated statement of income on available for sale financial assets that are equity instruments are not reversed through the consolidated statement of income.

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

e) Associates

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

f) Investment properties

Land held by the Group for the purpose of capital appreciation or for leasing it to others are included in investment properties. Land is initially stated on acquisition at cost and subsequently remeasured at fair value. The fair value is determined by independent valuers at the statement of financial position date. Profits and losses arising from valuation are included in the consolidated statement of income.

g) Property and equipment

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

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

Notes to the Consolidated Financial Statements - 31 December 2012

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

Buildings	35 years
Furniture and equipment	4 years
Computers	4 years

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

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

h) Goodwill

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

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

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

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

i) Insurance contract liabilities – recognition and measurement

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

*Reserve for outstanding claims*

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

Notes to the Consolidated Financial Statements - 31 December 2012

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*Reserve for unexpired risks*

*General insurance*

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

The reserve is calculated at 40% of annual premiums earned net of reinsurance for Fire and General Accidents insurance except Marine and Aviation and medical insurance, which is calculated at 25%.

*Life Insurance*

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

*Additional reserves*

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

j) End of service indemnity

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

k) Treasury shares

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

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

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

l) Revenue recognition

Premiums are recognized as revenue annually and over the period of the cover. The portion of premiums that relates to unexpired risks at the consolidated statement of financial position date is reported as reserve for unexpired risks or as unearned premium. Commissions earned are recognised at the time policies are written. Dividend income is recognised when the right to receive payment is established and interest on fixed deposits are recognised on time proportion basis using effective yield method. Gain on sale of investments is measured as the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

Notes to the Consolidated Financial Statements - 31 December 2012

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m) Provisions for liabilities

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

n) Contingencies

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

o) Accounting for Operating leases

*Where Group is a lessor*

Operating leases

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

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

*Where Group is a lessee*

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

p) Foreign currencies

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

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

q) Segment reporting

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

Notes to the Consolidated Financial Statements - 31 December 2012

3. Cash and cash equivalents

	Kuwaiti Dinars	
	2012	2011
Cash on hand and at banks	2,295,178	2,742,304
Cash in portfolio	51,242	32,633
	<u>2,346,420</u>	<u>2,774,937</u>

Cash and cash equivalent are denominated in the following currencies:

	Kuwaiti Dinars	
	2012	2011
Kuwaiti Dinar	2,079,860	2,322,296
US Dollar	262,342	428,234
Euro	4,218	24,407
	<u>2,346,420</u>	<u>2,774,937</u>

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

4. Fixed deposits

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

Fixed deposits as of 31 December 2012 include KD 2,919,000 (2011 – KD 2,919,000) held in Kuwait under lien to the Ministry of Commerce and Industry in accordance with the insurance regulations of Kuwait.

The effective interest rate on fixed deposits was 1.7% per annum (2011 – 2.3%)

5. Investments at fair value through income statement

	Kuwaiti Dinars	
	2012	2011
<i>Held for trading</i>		
Quoted shares	1,898,761	2,977,875
Investment fund	133,843	136,204
Investment portfolio	186,450	229,850
	<u>2,219,054</u>	<u>3,343,929</u>

Quoted shares with a fair value of KD Nil (2011 - KD 2,209,698) are under lien to the Ministry of Commerce and Industry.

The movement during the year is as follows:

	Kuwaiti Dinars	
	2012	2011
Balance at the beginning of the year	3,343,929	4,202,655
Additions	-	2,431,948
Disposals	(393,100)	(2,746,850)
Unrealized loss on change in fair value (Note 19)	(731,775)	(543,824)
Balance at the end of the year	<u>2,219,054</u>	<u>3,343,929</u>

Notes to the Consolidated Financial Statements - 31 December 2012

6. Insurance and reinsurance receivables

	Kuwaiti Dinars	
	2012	2011
Outstanding premium	13,778,500	12,848,425
Less: Provision for doubtful accounts	(1,430,000)	(1,430,000)
	<u>12,348,500</u>	<u>11,418,425</u>
Advance insurance premium	4,232,373	5,127,054
Insurance and reinsurance companies	<u>2,706,932</u>	<u>2,445,975</u>
	<u>19,287,805</u>	<u>18,991,454</u>

The fair values of insurance and reinsurance receivables approximate their carrying values as at the consolidated statement of financial position date.

As of 31 December 2012, premium receivables amounting to KD 6,355,434 (2011 – KD 5,539,834) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these account receivables is as follows:

	Kuwaiti Dinars	
	2012	2011
3 to 6 months	5,482,755	4,897,254
6 to 12 months	872,679	642,580
	<u>6,355,434</u>	<u>5,539,834</u>

The movement of provision for doubtful debts is as follows:

	Kuwaiti Dinars	
	2012	2011
Balance at beginning of the year	1,430,000	1,600,000
Utilization during the year	-	(170,000)
Balance at the end of the year	<u>1,430,000</u>	<u>1,430,000</u>

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

7. Other receivables

	Kuwaiti Dinars	
	2012	2011
Due from related parties	4,702,541	4,761,286
Accrued interest	49,174	62,869
Prepaid expenses	215,654	172,535
Other	60,011	36,787
	<u>5,027,380</u>	<u>5,033,477</u>

The fair values of other receivables approximate their carrying values as at the consolidated statement of financial position date.

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

Notes to the Consolidated Financial Statements - 31 December 2012

8. Investments available for sale

	Kuwaiti Dinars	
	2012	2011
<b>Quoted:</b>		
Equity securities	14,574,080	13,494,952
Investment portfolio	385,024	348,269
	<u>14,959,104</u>	<u>13,843,221</u>
<b>Unquoted:</b>		
Equity securities	4,608,655	4,842,157
	<u>19,567,759</u>	<u>18,685,378</u>

The movement during the year is as follows:

	Kuwaiti Dinars		
	2012	2011 (Restated)	2010 (Restated)
Balance at the beginning of the year	18,685,378	21,508,943	13,401,089
Additions	309,565	346,811	3,396,999
Disposals	(544,500)	(64,575)	(217,251)
Impairment loss (Note 19)	(163,830)	(438,849)	(392,815)
Changes in fair value	1,281,146	(2,666,952)	5,320,921
Balance at the end of the year	<u>19,567,759</u>	<u>18,685,378</u>	<u>21,508,943</u>

Investments available for sale are denominated in the following currencies:

	Kuwaiti Dinars	
	2012	2011
US Dollar	385,024	348,269
Kuwaiti Dinar	<u>19,182,735</u>	<u>18,337,109</u>
	<u>19,567,759</u>	<u>18,685,378</u>

Quoted shares with a fair value of KD 2,655,000 (2011 – KD Nil) are under lien to the Ministry of Commerce and Industry.

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

9. Investment in associates

Investment in associates consists of the following:

Name of the associate	Country of incorporation	Ownership percentage	Kuwaiti Dinars	
			2012	2011
Ritaj Takaful Insurance Co. - K.S.C. (Closed)	Kuwait	33.6%	<u>3,733,550</u>	<u>3,578,462</u>

The movement during the year is as follows:

	Kuwaiti Dinars		
	2012	2011 (Restated)	2010 (Restated)
Balance at the beginning of the year	3,578,462	3,590,919	3,576,022
Addition	-	-	110,250
Capital distribution	-	-	(245,000)
Adjustment - WAPMED	-	-	(110,518)
Cash dividend received	(67,201)	-	-
Share of profit/ (loss) of associates	195,814	52,543	(91,487)
Share of associate's cumulative changes in fair value	26,475	(65,000)	351,652
Balance at the end of the year	<u>3,733,550</u>	<u>3,578,462</u>	<u>3,590,919</u>

Notes to the Consolidated Financial Statements - 31 December 2012

The Group's interests in its associates as at 31 December were as follows:

	Kuwaiti Dinars					
	Assets		Liabilities		Net assets	
	2012	2011	2012	2011	2012	2011
Ritaj Takaful Insurance Co. - K.S.C. (Closed)	<u>4,090,505</u>	<u>3,941,067</u>	<u>356,955</u>	<u>362,605</u>	<u>3,733,550</u>	<u>3,578,462</u>

	Kuwaiti Dinars			
	Revenue		Results	
	2012	2011	2012	2011 (Restated)
Ritaj Takaful Insurance Co. - K.S.C. (Closed)	<u>242,685</u>	<u>140,892</u>	<u>195,814</u>	<u>52,543</u>

10. Investment property

	Kuwaiti Dinars
	Land
At 31 December 2010	2,251,107
Prior year adjustments (Note 34)	<u>1,948,893</u>
At 31 December 2010 (Restated)	<u>4,200,000</u>
At 31 December 2011 (Restated)	4,200,000
Change in fair value	140,000
At 31 December 2012	<u>4,340,000</u>

The fair value of the investment property has been arrived at on the basis of a valuation carried out by independent valuers

11. Property and equipment

	Kuwaiti Dinars			
	Land and buildings	Furniture and equipment	Computer	Total
<b>Cost:</b>				
At 31 December 2010	8,484,155	226,399	717,757	9,428,311
Additions	<u>140,750</u>	<u>47,548</u>	<u>264,914</u>	<u>453,212</u>
At 31 December 2011	8,624,905	273,947	982,671	9,881,523
Additions	<u>101</u>	<u>202,571</u>	<u>258,666</u>	<u>461,338</u>
<b>At 31 December 2012</b>	<u>8,625,006</u>	<u>476,518</u>	<u>1,241,337</u>	<u>10,342,861</u>
<b>Accumulated depreciation:</b>				
At 31 December 2010	369,438	148,798	367,983	886,219
Charge for the year (Note 21)	<u>141,384</u>	<u>64,961</u>	<u>171,471</u>	<u>377,816</u>
At 31 December 2011	510,822	213,759	539,454	1,264,035
Charge for the year (Note 21)	<u>141,409</u>	<u>73,422</u>	<u>199,840</u>	<u>414,671</u>
<b>At 31 December 2012</b>	<u>652,231</u>	<u>287,181</u>	<u>739,294</u>	<u>1,678,706</u>
<b>Net book value:</b>				
At 31 December 2012	<u>7,972,775</u>	<u>189,337</u>	<u>502,043</u>	<u>8,664,155</u>
At 31 December 2011	<u>8,114,083</u>	<u>60,188</u>	<u>443,217</u>	<u>8,617,488</u>

The Head office building and related land are under lien to the Ministry of Commerce and Industry for an amount of KD 2,955,780 (2011 - KD 2,955,780), in accordance with insurance regulations in Kuwait.

12. Insurance contract liabilities

	Kuwaiti Dinars	
	2012	2011
Reserve for outstanding claims	28,886,812	20,052,970
Reserve for unexpired risks	2,970,879	2,858,151
Reserve for life insurance fund	<u>825,616</u>	<u>723,616</u>
	<u>32,683,307</u>	<u>23,634,737</u>

Notes to the Consolidated Financial Statements - 31 December 2012

The reserve for outstanding claims comprises of:

	Kuwaiti Dinars				
	Marine and aviation	Fire	General accident	Life	Total
<b>2012</b>					
<b>Reserve for outstanding claims:</b>					
Gross balance at beginning of the year	1,773,746	8,785,815	5,522,709	3,970,700	20,052,970
Reinsurance share	(1,651,854)	(8,599,720)	(4,591,701)	(3,798,038)	(18,641,313)
Net balance at beginning of the year	121,892	186,095	931,008	172,662	1,411,657
Incurred during the year – net	361,802	178,145	3,916,628	205,912	4,662,487
Paid during the year – net	(335,073)	(157,640)	(4,240,284)	(149,763)	(4,882,760)
<b>Net balance at end of the year</b>	<b>148,621</b>	<b>206,600</b>	<b>607,352</b>	<b>228,811</b>	<b>1,191,384</b>
Represented in:					
Gross outstanding claims at end of the year	1,340,607	17,371,880	5,656,618	4,517,707	28,886,812
Reinsurance share	(1,191,986)	(17,165,280)	(5,049,266)	(4,288,896)	(27,695,428)
	148,621	206,600	607,352	228,811	1,191,384
<b>Reserve for unexpired risks</b>	<b>97,362</b>	<b>54,178</b>	<b>2,819,339</b>	<b>-</b>	<b>2,970,879</b>
	Kuwaiti Dinars				
	Marine and aviation	Fire	General accident	Life	Total
<b>2011</b>					
<b>Reserve for outstanding claims:</b>					
Gross balance at beginning of the year	1,670,421	4,502,837	5,990,993	3,869,502	16,033,753
Reinsurance share	(1,536,375)	(4,351,559)	(4,766,098)	(3,651,054)	(14,305,086)
Net balance at beginning of the year	134,046	151,278	1,224,895	218,448	1,728,667
Incurred during the year – net	71,192	140,105	2,523,148	105,642	2,840,087
Paid during the year – net	(83,346)	(105,288)	(2,817,035)	(151,428)	(3,157,097)
<b>Net balance at end of the year</b>	<b>121,892</b>	<b>186,095</b>	<b>931,008</b>	<b>172,662</b>	<b>1,411,657</b>
Represented in:					
Gross outstanding claims at end of the year	1,773,746	8,785,815	5,522,709	3,970,700	20,052,970
Reinsurance share	(1,651,854)	(8,599,720)	(4,591,701)	(3,798,038)	(18,641,313)
	121,892	186,095	931,008	172,662	1,411,657
<b>Reserve for unexpired risks</b>	<b>77,509</b>	<b>47,007</b>	<b>2,733,635</b>	<b>-</b>	<b>2,858,151</b>

13. Insurance and reinsurance payables

	Kuwaiti Dinars	
	2012	2011
Unearned premiums	5,106,150	6,076,959
Insurance and reinsurance companies	3,681,710	3,553,573
Reserve for reinsurance premiums ceded	507,023	513,858
Reserve for life insurance department	304,767	314,458
Provision for supervision fees	163,441	156,735
	<b>9,763,091</b>	<b>10,615,583</b>

Notes to the Consolidated Financial Statements - 31 December 2012

14. Other payables

	Kuwaiti Dinars	
	2012	2011
Provision for end of service indemnity	1,824,394	1,582,343
Dividends payable	1,001,099	980,747
Accrued expenses	319,281	353,132
Accrued staff leave	369,307	329,390
National labor support tax payable	21,829	20,408
Board of Directors' remuneration payable	10,500	-
Payable to Kuwait Foundation for the Advancement of Science (KFAS)	8,726	10,359
Zakat payable	6,774	7,517
	<u>3,561,910</u>	<u>3,283,896</u>

15. Share capital

Authorized, issued, and fully paid-up capital comprise of 172,788,740 shares of 100 fils each (2011 - 172,788,740 shares of 100 fils each) and all shares are paid in cash.

16. Treasury shares

	Kuwaiti Dinars	
	2012	2011
Number of shares	215,470	215,470
Percentage to paid-up shares (%)	0.12%	0.12%
Market value (KD)	23,702	24,995
Cost (KD)	40,586	40,586

17. Statutory reserve

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

18. Voluntary reserve

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

19. Net investment income/ (loss)

	Kuwaiti Dinars	
	2012	2011 (Restated)
Dividend income	427,251	356,421
Changes in fair value of investments at fair value through income statement – (Note 5)	(731,775)	(543,824)
Impairment loss of investment available for sale – (Note 8)	(163,830)	(438,849)
Gain (loss) on sale of investments at fair value through income statement	617,110	(13,006)
	<u>148,756</u>	<u>(639,258)</u>

Notes to the Consolidated Financial Statements - 31 December 2012

20. Other income

	Kuwaiti Dinars	
	2012	2011
Interest income	81,240	76,457
Rental income	14,130	25,722
Others	563,510	351,516
	<u>658,880</u>	<u>453,695</u>

21. General and administrative expenses

	Kuwaiti Dinars	
	2012	2011
Staff cost	3,305,225	3,017,863
Depreciation	414,671	377,816
Other expenses	1,699,286	1,456,867
	<u>5,419,182</u>	<u>4,852,546</u>

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

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

23. National Labour Support Tax

National Labor Support Tax is calculated at 2.5% of the profit for the year after deducting dividends from Kuwaiti listed shareholding companies.

24. Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group after deducting its share of income from shareholding subsidiaries and associates in accordance with Ministry of Finance resolution No. 58/2007.

25. Earnings per share

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

	Kuwaiti Dinars	
	2012	2011 (Restated)
Profit for the year attributable to the Parent Company's shareholders	<u>1,020,557</u>	<u>611,351</u>
Number of shares outstanding :		
Number of issued shares at beginning of the year	172,788,740	172,788,740
Less : Weighted average number of treasury shares	<u>(215,470)</u>	<u>(215,470)</u>
Weighted average number of outstanding shares	<u>172,573,270</u>	<u>172,573,270</u>
Earnings per share (Fils)	<u>5.91</u>	<u>3.54</u>

26. Dividends

The Board of Directors' meeting held on 13 February 2013 recommends a cash dividend of 5 fils per share for the year ended 31 December 2012. This recommendation is subject to the approval of the Ordinary Shareholders' Annual General Assembly.

**Notes to the Consolidated Financial Statements - 31 December 2012**

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The General Assembly meeting held on 26 March 2012, approved cash dividend of 5 fils per share for the year ended 31 December 2011 (2010 - 10 fils per share). to all the registered shareholders as of the date of the meeting.

**27. Segment information**

The Group has four principal business segments:

- Marine and aviation

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

- Fire

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

- General accident

Including insurance against risks of contractors, machine and computer damages and cessation of work; providing insurance for cash, fidelity bonds, professional risks, work accidents, civil responsibility and cars in addition to medical insurance.

- Life insurance

Providing various life insurance cover for individuals and Companies.

Notes to the Consolidated Financial Statements - 31 December 2012

	Kuwaiti Dinars						
	Marine & aviation	Fire	General accidents	Total general risk insurance	Life insurance	Unallocated items	Total
<b>Year ended 31 December 2012</b>							
Revenues:							
Premiums written	2,474,491	3,720,464	16,364,003	22,558,958	3,710,709	-	26,269,667
Reinsurance share	(2,085,042)	(3,585,017)	(8,565,609)	(14,235,668)	(2,151,799)	-	(16,387,467)
Net premiums written	389,449	135,447	7,798,394	8,323,290	1,558,910	-	9,882,200
Reserve for unexpired risks	(19,853)	(7,171)	(85,704)	(112,728)	-	-	(112,728)
Net premiums earned	369,596	128,276	7,712,690	8,210,562	1,558,910	-	9,769,472
Net commission	350,913	255,074	(475,111)	130,876	52,033	-	182,909
Issue fees	5,674	414	150,658	156,746	2,156	-	158,902
Net investment income	-	-	-	-	-	148,756	148,756
Share of profit of associate	-	-	-	-	-	195,814	195,814
Unrealized gain from change in fair value of investment property	-	-	-	-	-	140,000	140,000
Other income	-	-	-	-	28,901	629,979	658,880
	726,183	383,764	7,388,237	8,498,184	1,642,000	1,114,549	11,254,733
Expenses:							
Net incurred claims	361,802	178,145	3,916,628	4,456,575	205,912	-	4,662,487
Reserve for life insurance fund	-	-	-	-	102,000	-	102,000
General and administrative expenses	510,255	391,231	2,824,969	3,726,455	783,232	909,495	5,419,182
	872,057	569,376	6,741,597	8,183,030	1,091,144	909,495	10,183,669
(Loss)/ Profit from operations	(145,874)	(185,612)	646,640	315,154	550,856	205,054	1,071,064
Assets							
Liabilities							
Non-cash expenses							
Capital expenditure							
				85,506,430	11,816,361		97,322,791
				38,273,226	11,446,338		49,719,564
				870,421	167,228		1,037,649
				455,527	5,710		461,237

Notes to the Consolidated Financial Statements - 31 December 2012

	Kuwaiti Dinars						
	Marine & aviation	Fire	General accidents	Total general risk insurance	Life insurance	Unallocated items	Total
<b>Year ended 31 December 2011</b>							
Revenue:							
Premiums written	2,921,723	3,018,493	16,640,629	22,580,845	3,049,384	-	25,630,229
Reinsurance share	(2,611,687)	(2,900,976)	(9,806,536)	(15,319,199)	(2,031,128)	-	(17,350,327)
Net premiums written	310,036	117,517	6,834,093	7,261,646	1,018,256	-	8,279,902
Reserve for unexpired risks	(5,074)	7,061	(605,229)	(603,242)	-	-	(603,242)
Net premiums earned	304,962	124,578	6,228,864	6,658,404	1,018,256	-	7,676,660
Net commission	381,241	323,453	(154,472)	550,222	159,732	-	709,954
Issue fees	5,368	399	155,030	160,797	2,896	-	163,693
Net investment loss	-	-	-	-	-	(639,258)	(639,258)
Share of profit of associate	-	-	-	-	-	52,543	52,543
Other income	-	-	-	-	28,072	425,623	453,695
	691,571	448,430	6,229,422	7,369,423	1,208,956	(161,092)	8,417,287
Expenses:							
Net incurred claims	71,192	140,105	2,523,148	2,734,445	105,642	-	2,840,087
Reserve for life insurance fund	-	-	-	-	63,150	-	63,150
General and administrative expenses	469,579	385,676	2,614,461	3,469,716	636,423	746,407	4,852,546
	540,771	525,781	5,137,609	6,204,161	805,215	746,407	7,755,783
Profit/ (loss) from operations	150,800	(77,351)	1,091,813	1,165,262	403,741	(907,499)	661,504
Assets				75,204,088	11,968,590		87,172,678
Liabilities				29,580,799	11,456,642		41,037,441
Non-cash expenses				842,793	146,666		989,459
Capital expenditure				311,163	1,297		312,460

Notes to the Consolidated Financial Statements - 31 December 2012

Statement of financial position for life insurance segment

	Kuwaiti Dinars	
	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	370,410	515,191
Fixed deposits	1,189,000	1,189,000
Insurance and reinsurance receivables	5,917,024	6,443,983
Other receivables	45,722	21,367
Reinsurance share in reserve for outstanding claims	4,288,896	3,798,038
Property and Equipment	5,309	1,011
<b>Total assets</b>	<b>11,816,361</b>	<b>11,968,590</b>
<b>LIABILITIES AND HEAD OFFICE CURRENT ACCOUNT</b>		
<b>Insurance contract liabilities</b>		
Reserve for outstanding claim	4,517,707	3,970,700
Reserve for life insurance fund	825,616	723,616
	5,343,323	4,694,316
Accounts payable	468,898	406,965
Insurance and reinsurance payables	5,394,852	6,150,294
Other payables	239,265	205,067
<b>Total liabilities</b>	<b>11,446,338</b>	<b>11,456,642</b>
Head office current account	370,023	511,948
<b>Total liabilities and H.O current account</b>	<b>11,816,361</b>	<b>11,968,590</b>

28. Related party disclosure

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

A. Balances included in the consolidated statement of financial position:

	Kuwaiti Dinars	
	2012	2011
<b>Insurance activities</b>		
Insurance services receivable	841,007	609,752
Insurance services payable	131,337	66,963
<b>Investment activities</b>		
Investments at fair value through income statement	186,450	229,850
Investments available for sale	10,315,211	9,010,607
Deposits and bank balances	4,615,336	3,985,174
<b>Other activities</b>		
Current account	3,861,534	4,151,534

B. Transactions included in the consolidated statement of income:

	Kuwaiti Dinars	
	2012	2011
Premiums written	321,104	285,293

C. Compensation to key management personnel

	Kuwaiti Dinars	
	2012	2011
Short term employee benefits	133,035	140,931

Notes to the Consolidated Financial Statements - 31 December 2012

29. Capital commitments and contingent liabilities

	Kuwaiti Dinars	
	2012	2011
Letter of guarantee for others	5,495	4,378
Uncalled capital for investments 'available for sale'	-	237,503
Capital commitments	98,632	298,942

30. Critical accounting estimates and judgments

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

*Judgments*

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

*Revenue recognition*

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

*Provision for doubtful debts*

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

*Classification of investments*

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

The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through consolidated statement of income at inception, provided their fair values can be reliably estimated. 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. The determination of what is "significant" or "prolonged" requires significant judgment.

**Estimates and assumptions**

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

#### Fair value of unquoted equity investments

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

#### Provision for doubtful debts

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

### 31. Insurance Risk Management

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

#### Insurance risk

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

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

#### Sources of uncertainty in the estimation of future claim payments

##### Non life

Claims are payable on a claims-occurrence basis. The Group is liable for all insured events that occur during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and an element of the claims provision relates to incurred but not reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

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

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

##### Life

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

## 32. Financial Risk Management

The Group is exposed to a variety of financial risks, through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the Group's investment proceeds may not be sufficient to fund the obligation arising from its underwritings.

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

### Credit risk

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

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

	Kuwaiti Dinars	
	2012	2011
Cash and cash equivalents	2,346,420	2,774,937
Fixed deposits	4,379,000	3,244,000
Insurance and reinsurance receivables	19,287,805	18,991,454
Other receivables	4,811,726	4,860,942
	<u>30,824,951</u>	<u>29,871,333</u>

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

### Market risks:

#### (a) Interest rate risk

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

#### (b) Foreign currency risk

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

Notes to the Consolidated Financial Statements - 31 December 2012

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

Year	Effect on the consolidated statement of income (KD)	Effect on the consolidated statement of comprehensive income (KD)
<b>2012</b>		
US Dollar	33,085	19,251
<b>2011</b>		
US Dollar	33,339	17,413

**c) Equity price risk**

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

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

At 31 December 2012, if the Kuwait Stock Exchange index had increased/ decreased by 5%, the profit for the year of the Group would have increased/ decreased by KD 94,938 (2011 – KD 148,894) and other comprehensive income would have increased/ decreased by KD 728,704 (2011 – KD 714,970).

**Liquidity risk**

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

**Maturity table for financial liabilities:**

2012	Kuwaiti Dinars		
	3 – 12 months	1 – 5 years	Total
Accounts payable	556,688	3,154,568	3,711,256
Insurance and reinsurance payables	5,498,249	4,264,842	9,763,091
Other credit balances	607,598	2,954,312	3,561,910
	<u>6,662,535</u>	<u>10,373,722</u>	<u>17,036,257</u>
2011	Kuwaiti Dinars		
	3 – 12 months	1 – 5 years	Total
Accounts payable	1,293,278	2,209,947	3,503,225
Insurance and reinsurance payables	5,650,250	4,965,333	10,615,583
Other credit balances	904,335	2,379,561	3,283,896
	<u>7,847,863</u>	<u>9,554,841</u>	<u>17,402,704</u>

**Fair value of financial instruments**

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from current bid prices, discounted cash flow models and other models as appropriate. At 31 December the fair values of financial instruments approximate their carrying amounts.

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Fair value estimation

The Group had measured fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

2012	Kuwaiti Dinars		
	Level 1	Level 2	Total
Investment at fair value through income statement	2,219,054	-	2,219,054
Investment available for sale:			
Quoted shares	14,574,080	-	14,574,080
Investment portfolio	-	385,024	385,024
Total investment available for sale	14,574,080	385,024	14,959,104
	16,793,134	385,024	17,178,158

  

2011	Kuwaiti Dinars		
	Level 1	Level 2	Total
Investment at fair value through income statement	3,343,929	-	3,343,929
Investment available for sale:			
Quoted shares	13,494,952	-	13,494,952
Investment portfolio	-	348,269	348,269
Total investment available for sale	13,494,952	348,269	13,843,221
	16,838,881	348,269	17,187,150

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily traded equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of reporting period, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

**Notes to the Consolidated Financial Statements - 31 December 2012**

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**33. Capital Risk Management**

The Group's objectives when managing capital are:

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

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

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

Local regulations also require the Parent Company to place bank deposits under lien to the regulator. The amount of such deposits to be placed under lien is determined as a percentage of direct premiums received during the year for all the segments other than life insurance. Bank deposits equal to 100% of life insurance liability is placed under lien for life insurance segment. Refer note 4 on lien on deposits provided by the Parent Company.

Under the laws of Kuwait, the Parent Company is also required to appropriate 10% of its net profit to statutory reserve until it reached 50% of its share capital, with restrictions on its distribution (Note 17). In accordance with the Articles of the Parent Company, it has appropriated 10% of its net profits as voluntary reserve (Note 18).

**34. Prior year adjustments**

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

- Decreased retained earnings balance as of 31 December 2010 by KD 12,846,157.
- Increased the cumulative change in fair value balance as of 31 December 2010 by KD 12,846,157.
- Decreased the net profit for the year ended December 31, 2011 by KD 438,849.
- Increased the cumulative change in fair value balance for the year ended 31 December 2011 by KD 438,849.

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

- Decreased retained earnings balance as of 31 December 2010 by KD 184,309.
- Increased share of other comprehensive income from associate balance as of 31 December 2010 by KD 184,309.
- Decreased the net profit for the year ended December 31, 2011 by KD 12,127.
- Increased share of other comprehensive income from associate balance for the year ended 31 December 2011 by KD 12,127.

**Notes to the Consolidated Financial Statements - 31 December 2012**

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During the year the Group has changed the accounting policy for investment property from cost to fair value method. Accordingly, the Group has restated comparative figures as follows:

- Increased retained earnings balance as of 31 December 2010 by KD 1,948,893.
- Increased investment properties balance as of 31 December 2010 by KD 1,948,893.

Accordingly, the cumulative effect as of 31 December 2011 as follows:

- The retained earnings balance has been decreased by KD 11,532,549.
- Cumulative change in fair value has been increased by 13,285,006.
- Share of other comprehensive income of associate increased by KD 196,436.
- Investment property balance increased by KD 1,948,893.
- Decrease net profit for the year ended 31 December 2011 by KD 450,976.