الأولى للتأمين التكافلي ش.م.ك.ع

1st Takaful Insurance Co. K.S.C.C

ANNUAL REPORT 2013

الأولى للتأمين التكافلي ش.م.ك

1st TAKAFUL INSURANCE Co. KSCC

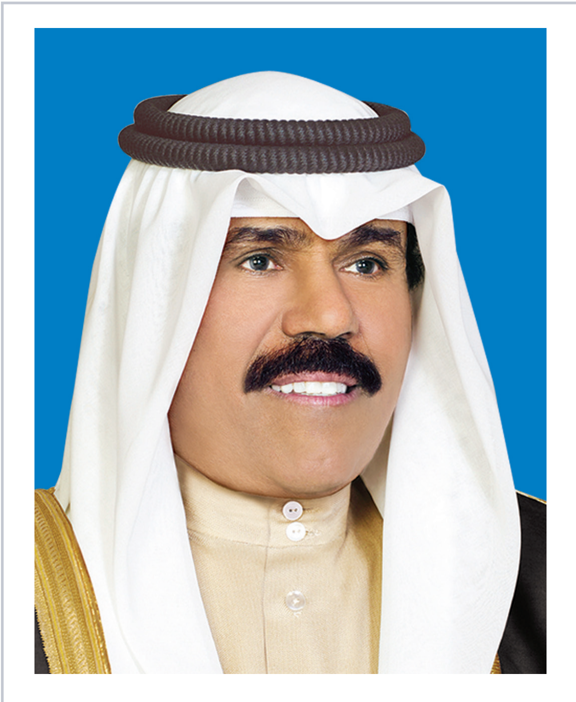
First Takaful Insurance Company

Capital KD. 10,000,000

Kuwaiti Shareholding Company incorporated on 25 July 2000 and is registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments.

Al-Qibla , Abdullah Mubarak St. , Al Enma'a Tower
P.O.Box : 5713 Safat , 13058 Kuwait
Tel.: (965) 1880055 , Fax: (965) 22444599
E-mail: info@firsttakaful.com

H.H. Sheikh
Sabah Al-Ahmed-Al-Jaber Al Sabah
Amir of State of Kuwait



H.H. Sheikh
Nawaf Al-Ahmed-Al-Jaber Al Sabah
Crown Prince

	Tel	Fax
Head Office Al Qibla - Abdullah Al-Mubarak Str. - Al Enmaa Tower	1880055	22444599
Al - Rawda Co-op. Society	22510295	
Hawalli	26402022	
Kefan Co-op Society	24929708	
Al - Dasmah Co-op Society	60018909	
Al - Faiha`a Co-op Society	25101232	
The Sultan Center - Souq Sharq	60045580	
The Sultan Center - Al - Salmiyah	66993178	
The Sultan Center - Hawalli	69697781	

Contents

Shareea'a Supervisory Board

Dr. Anwar Shuaib Abdulsalam
Chairman

Dr. Mohammad Abdul Razaq Al Tabtabae
Shareea'a Board Member

Dr. Adnan Ali Al - Mulla
Shareea'a Board Member

Board of Directors

Hussain Ali Mohammed Al -Attal
Chairman & Managing Director

Saleh Saleh Al-Silmiy
Deputy Chairman

Ahmed Mohammed ahmed Al-Khalid
Board Member

Osama Abdullateef Al- Abdul Jaleel
Board Member

Rami Khalid Abdullah Ali
Board Member

Saad Abdulaziz Al-Wazzan
Board Member

Saud Suleiman Al Maali
Board Member

Report of the Board of Directors

Board of Directors Report

In the Name of Allah, Most Gracious Most Merciful; Praise be to Allah and Allah's prayers and peace be upon our prophet Muhammad, his family and companions,

Dear Shareholders

Allah's peace and blessings be upon you,

On behalf of the Board of Directors of First Takaful Insurance Company K.S.C.P., I am pleased to warmly welcome you and present to you the Company's annual report for the financial year ended 31/12/2013 including the auditor's report and the Company's Fatwa & Sharia Board report as well as the achievements attained and expectations we seek.

Achievements

The Company continued its course of progress following the stage of performance assessment and restructuring strategy established by the Company's Board of Directors in 2012, whereby the Company's efficiency and effectiveness were enhanced; the competition potential was promoted; marketing, sales and customer service departments were activated; governance principles, internal control and risk management policies were complied with; and policies, procedures and authorities were implemented. We continued to adopt the approach of investments evaluation and set aside the necessary provisions for enhancing solvency. Further, the Company developed mechanisms for improving customer service, providing quality best services to policyholders, not competing for prices, and fully adhered to Sharia based Takaful insurance model in our transactions related to insurance, reinsurance and investments.

The last year 2013 witnessed more achievements in terms of insurance operations and reinforcement of the Company's market share despite of high competition and slow economic growth. There has been increase in underwritten subscriptions with lower compensations incurred. In addition, insurance profits were realized for contributors; consolidated loss rate declined; collection efficiency was improved where the majority of finance amount granted to us by local banks was repaid; and financial liquidated enhanced.

The necessary protective provisions were set aside for investments in addition to technical provisions for enhancing the financial solvency in order to protect the Company against any unforeseen risks in insurance or investment business. The Company also could demonstrate clear improvement where positive technical results were achieved; increasing attention was paid to customer service; policies, procedures and authorities have been in place; and internal controls and risk management systems were implemented as per best global practices and applications as well as applying sound corporate governance. Further, the Company used its best efforts throughout 2013 to implement the corporate governance policy in compliance with the regulatory authorities' instructions.

With respect to expansion plan, the Company, in 2013, engaged several entities to open 5 new branches of the Company where the necessary actions were taken to obtain licenses and carry out decoration works. Production outset in these branches is expected to commence in early 2014.

In 2013, Capital Standards Rating assessed the Company's financial position in view of modifications done whereby the credit rating of First Takaful Insurance Company was increased as such the financial potential became BB with local rating BBBkw. The rating outlook is still "stable". The rating reflects a number of important factors including strong and solid market position of the Company, financial power, improvement in its insurance operation performance, decrease in high risk assets and adoption of conservative strategy for provisions and premium growth.

Investment Business

As a hedging measure, the Company continued to set aside additional provisions for the investments as a result of continuing decline in assets value. The Company suffered loss due to setting aside provisions for the investment in Weqaya Takaful Insurance and Reinsurance Company in Kingdom of Saudi Arabia, which till the end of Q3 in 2013 realized profits but accumulated losses of the Company reached 38% of share capital. However, during 2013 Q4, loss was reported due to reassessment of technical provisions by actuarial expert, which led to increasing the Company's accumulated losses to 83% of share capital, which in turn adversely affected the financial results and financial position of shareholders.

On the other hand, Weqaya Takaful Insurance and Reinsurance Company developed a clearly detailed and objective plan for restructuring the Company, which would effectively contribute to rectifying the Company's current financial position. Such plan include extensive financial, technical and administrative restructuring with view to limiting losses, enhancing positive operational stability and collecting the Company's funds from third parties to emphasize the Company's intent to continue fulfilling it future obligations towards third parties.

Insurance Business

Thanks to Allah's grace, First Takaful Insurance Company achieved growth in underwritten premiums in 2013 at 24% reflecting the prudent policy in customer service and prompt efforts to acquire subscriptions in client portfolios, which have been carefully selected in a relatively small local market amid hectic competition among market players.

Underwritten subscriptions in Takaful insurance for the financial year 2013 amounted to K.D. 7,353,595 when compared to those realized by the Company in the financial year 2012 which amounted to K.D. 5,935,404, i.e. an increase of 1,418,191 by 24%. Further, net compensations incurred during the financial year 2013 amounted to K.D. 2,008,690 when compared to the financial year 2012, in which these amounted to K.D 2,742,377, i.e. a decrease of K.D. 733,687 at 27%. In addition, the Company's technical provisions for the financial year 2013 amounted to K.D. 8,029,623.

Financial Results

With respect to financial results for the shareholders, the Company reported losses for the financial year 2013 amounting to K.D. 2,773,859 as compared to profit of K.D. 998,554 for 2012. Loss per share was Fils 27.74 in 2013 as compared to earnings per share of Fils 9.99 in 2012. Further, shareholders' equity in this year amounted to K.D. 6,842,288 as compared to K.D. 9,453,812 in the last year, i.e. decrease by 28%. Total assets attributable to shareholders in the current year amounted to K.D. 9,194,258 as compared to K.D. 13,426,995 in the previous year, i.e. decrease by 31%. Such decline in shareholders' equity and total assets is primarily on account of recognizing share of losses from the results of and provision for impairment of investment in Weqaya Takaful Insurance and Reinsurance Company.

Total liabilities for shareholders in the current year amounted to K.D. 2,351,970 as compared to K.D. 3,973,183 in the last year, i.e. decrease by 41%.

With respect to policyholders' results, net insurance surplus from insurance operations for the year 2013 amounted to K.D. 41,713 as compared to net insurance surplus of K.D. 3,373,603 for 2012.

Our Goals & Ambition

The Company's Board of Directors seeks to achieve target subscriptions and realize technical and investment profits for the next years after setting aside the necessary technical and investment provisions to enhance financial solvency and competitive potential of the Company. We also hope that insurance market in State of Kuwait would witness more insurance awareness and negative competition would come to an end in the local market where competition should be based on service provision, not the price. We also aspire that our associates outside State of Kuwait will serve as a means of access to global insurance markets and acquisition of experience. Further, the Company's Board of Directors seeks to achieve best returns for shareholders and subscribers and increase the Company's credit rating. The Board also aims to distribute insurance surplus to the policyholders in the coming years.

Board of Directors and the Company's staff bear in mind an objective to maintain the reputation of "First Takaful" as a leading company in Takaful insurance in State of Kuwait despite significant challenges and comply with Sharia approach. The Board of Directors aspires to improve the performance efficiency and increase the Company's competition potential and financial solvency over next years in order to support its development, progress and excellence.

The Company still hopes that an independent authority would be established to supervise and control the insurance industry in Kuwait to regulate the local market and exercise its control role enabling market players to carry on the insurance business in highly professional manner just like insurance companies in local and regional markets.

Dear Shareholders,

The achievements realized are attributed to Allah's grace and then through support and trust by the Company's shareholders and harmony among its Board of Directors, valuable customers and executive management. Further, the Company spares no effort in paying attention to human capital as it invests in human resources by developing national efficient personnel through providing them with local and global technical training courses in order to enhance performance for serving the Company's customers. In addition, IT systems are being developed and upgraded to keep abreast with developments.

Finally, we praise Allah for grace of security and safety in our beloved country under leadership of His Highness the Amir of Kuwait Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, Crown Prince Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah and Sheikh Jaber Mubarak Al-Hamad Al-Sabah, Prime Minister, may Allah safeguard them. I further extend thanks to the members of Shaira Board of the Company, Insurance Department in Ministry of Commerce & Industry and the Company's shareholders, members of Board of Directors, customers and all employees. We also extend thanks to local and international reinsurers and insurance brokers and all other relevant authorities.

Best regards,

Hussain Ali Al Attal

Chairman & Managing Director

First Takaful Insurance Company – KPSC - Kuwait
Financial statements and independent auditors' report
31 December 2013

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Grant Thornton
القطامي والعيبان وشركاهم

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Independent auditors' report

To the shareholders of
First Takaful Insurance Company – KPSC
Kuwait

Report on the Financial Statements

We have audited the accompanying financial statements of First Takaful Insurance Company – Kuwaiti Public Shareholding Company, which comprise the statement of financial position as at 31 December 2013, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Grant Thornton
القطامي والعيبان وشركاهم

UHY Fawzia Mubarak Al-Hassawi
Auditors & Consultant

Opinion

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

Emphasis of Matter

At 31 December 2013, the company's investment in its associate, Weqaya Takaful Insurance and Reinsurance Company – Saudi Arabia ("Weqaya"), amounted to KD4,383,242 The auditors of Weqaya in their audit report dated 24 March 2014 on the financial statements for the year ended 31 December 2013 qualified their opinion because the investee lost 83% of its share capital as of that date and in accordance with the requirements of the local laws the board of directors of Weqaya had not, until that date, called for an extra ordinary general meeting of the shareholders to consider the financial situation and resolve to continue its operations. Further, the audit report contained an emphasis of matter that the financial statements of the investee were prepared on a going concern basis because the board of directors of Weqaya reviewed the business plan and cash projections and determined that Weqaya will continue in operation for the foreseeable future. The board of directors of the Weqaya also resolved on 24 March 2014 to increase the share capital of the company by Saudi Riyal 150 million, subject to requisite regulatory approvals.

Report on Other Legal and Regulatory Matters

In our opinion, proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's board of directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Companies Law No. 25 of 2012, or its executive regulations as amended, and by the Company's articles and memorandum 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, or its executive regulations as amended, nor of the Company's articles and memorandum of association, have occurred during the year ended 31 December 2013 that might have had a material effect on the business or financial position of the Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations, during the year, of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2013.

(CPA) Abdullatif M. Al-Aiban
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Fawzia Mubarak Al-Hassawi
(Licence No. 80-A)
of UHY-Fawzia Mubarak Al-Hassawi

Kuwait
8 June 2014

Statement of income

Revenue	Notes	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Net investment income	7	106,704	11,383
Gain on sale of land under development		-	1,040,250
Share of results of associates	12	(1,068,308)	174,321
Other income		-	4,000
		(961,604)	1,229,954
Expenses and other charges			
General and administrative expenses		(62,717)	(78,456)
Impairment of available for sale investments	11	(160,820)	(117,366)
Impairment of investment in associate	12	(1,588,718)	-
		(1,812,255)	(195,822)
(Loss)/profit before contribution to National Labour Support Tax (NLST) and Zakat		(2,773,859)	1,034,132
Provision for NLST		-	(25,538)
Provision for Zakat		-	(10,040)
(Loss)/profit for the year		(2,773,859)	998,554
Basic and diluted (loss)/earnings per share	9	(27.74) Fils	9.99 Fils

The notes set out on pages 19 to 58 form an integral part of these consolidated financial statements.

Statement of comprehensive income

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
(Loss)/profit for the year	(2,773,859)	998,554
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to the statement of income:		
Available for sale investments:		
- Net change in fair value arising during the year	169,303	(230,816)
-Transferred to statement of income on sale	-	42,376
-Transferred to statement of income on impairment	160,820	117,366
Exchange differences arising on translation of foreign operations	(294,712)	20,433
Share of other comprehensive income of associates	126,924	12,758
Total other comprehensive income/(loss)	162,335	(37,883)
Total comprehensive (loss)/income for the year	(2,611,524)	960,671

The notes set out on pages 19 to 58 form an integral part of these consolidated financial statements.

Statement of financial position

Assets	Notes	31 Dec. 2013 KD	31 Dec. 2012 KD
Bank balances		**1,448**	1,623,147
Investment deposit	10	**135,000**	135,000
Available for sale investments	11	**2,389,535**	2,220,233
Investment in associates	12	**5,074,342**	7,813,238
Other assets		**8,316**	8,047
Qard Hassan to policyholders' fund	13	**1,585,617**	1,627,330
Total assets		**9,194,258**	13,426,995
Equity and liabilities			
Equity			
Share capital	14	**10,000,000**	10,000,000
Legal reserve	15	**842,836**	842,836
Other components of equity	16	**85,380**	(76,955)
Accumulated losses		**(4,085,928)**	(1,312,069)
Total equity		**6,842,288**	9,453,812
Liabilities			
Policyholders' deficit reserve	13	**1,585,617**	1,627,330
Amount due to policyholders	17	**706,371**	2,250,257
Other liabilities		**59,982**	95,596
Total liabilities		**2,351,970**	3,973,183
Total equity and liabilities		**9,194,258**	13,426,995

Hussain Ali Al-Attal
Chairman and Managing Director

The notes set out on pages 19 to 58 form an integral part of these consolidated financial statements.

Statement of Changes in equity

	Share capital KD	Legal reserve KD	Other components of equity (Note 16) KD	Accumulated losses KD	Total KD
Balance at 1 January 2013	10,000,000	842,836	(76,955)	(1,312,069)	9,453,812
Loss for the year	-	-	-	(2,773,859)	(2,773,859)
Total other comprehensive income (note16)	-	-	162,335	-	162,335
Total comprehensive (loss)/income for the year	-	-	162,335	(2,773,859)	(2,611,524)
Balance at 31 December 2013	10,000,000	842,836	85,380	(4,085,928)	6,842,288

	Share capital KD	Legal reserve KD	Other components of equity (Note 18) KD	Accumulated losses KD	Total KD
Balance at 1 January 2012	10,000,000	842,836	(39,072)	(2,310,623)	8,493,141
Profit for the year	-	-	-	998,554	998,554
Total other comprehensive loss (note16)	-	-	(37,883)	-	(37,883)
Total comprehensive (loss)/income for the year	-	-	(37,883)	998,554	960,671
Balance at 31 December 2012	10,000,000	842,836	(76,955)	(1,312,069)	9,453,812

The notes set out on pages 19 to 58 form an integral part of these consolidated financial statements.

Statement of cash flows

OPERATING ACTIVITIES	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
(Loss)/profit for the year	(2,773,859)	998,554
Adjustments for:		
Net investment income	(106,704)	(11,383)
Gain on sale of land under development	-	(1,040,250)
Impairment of available for sale investments	160,820	117,366
Impairment of investment in associate	1,588,718	-
Share of results of associates	1,068,308	(174,321)
	(62,717)	(110,034)
Changes in operating assets and liabilities:		
Movement in policyholders' account	(1,543,886)	(2,519,782)
Other liabilities	(35,578)	20,961
Net cash used in operating activities	(1,642,181)	(2,608,855)
INVESTING ACTIVITIES		
Proceeds from sale of available for sale investments	83,077	1,369,865
Proceeds from sale of land under development	-	3,000,000
Increase in investment in associates	(85,918)	(120,974)
Dividend income received	20,000	30,108
Profit on investment deposit received	2,339	2,332
Profit on bank balance received	1,020	1,483
Net cash from investing activities	20,518	4,282,814
FINANCING ACTIVITIES		
Dividend paid	(36)	(52,260)
Net cash used in financing activities	(36)	(52,260)
(Decrease)/increase in cash and cash equivalents	(1,621,699)	1,621,699
Cash and cash equivalents at the beginning of the year	1,623,147	1,448
Cash and cash equivalents at the end of the year	1,448	1,623,147
Non-cash transaction		
Investment in associate	-	(6,146,720)
Due to policyholders	-	6,146,720

The notes set out on pages 19 to 58 form an integral part of these consolidated financial statements.

1 Incorporation and activities

First Takaful Insurance Company ("the company") is a Kuwaiti Public Shareholding Company was incorporated on 25 July 2000 and is registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. Its shares are listed on the Kuwait Stock Exchange.

The company is engaged in:

- Carrying out all types of takaful insurance activities (co-operative insurance) and related activities, including insurance and reinsurance.
- Investing the funds available to the company in various activities that are commensurate with the company's objectives and not in conflict with the provisions of the Islamic Sharee'a and the established rules and regulations.
- Providing insurance and reinsurance consultancy and technical studies to companies involved in similar activities.
- Investing the contributed funds from policyholders and returns thereon.

Takaful is an Islamic alternative to a conventional insurance and investment program, based on the mutual funds concept, where each policyholder will receive his share in the surplus arising from the insurance activities, in accordance with the company's articles of association and the approval of Fatwa and Sharee'a Supervisory Board.

The company conducts business on behalf of the policyholders and advances funds to the policyholders' operations as and when required. The shareholders are responsible for liabilities incurred by policyholders in the event the policyholders' fund is in deficit and the operations are liquidated. The company holds the physical custody and title of all assets related to the policyholders' and shareholders' operations however such assets and liabilities together with the results of policyholders' lines of business are disclosed in the notes.

The company maintains separate books of accounts for policyholders and shareholders. Income and expenses clearly attributable to either activity are recorded in the respective accounts. Management and the board of directors determine the basis of allocation of expenses from joint operations.

All insurance and investment activities are conducted in accordance with Islamic Sharee'a, as approved by Fatwa and Sharee'a Supervisory Board.

The address of the company's registered office is PO Box 5713, Safat 13058, State of Kuwait.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013.

On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

The board of directors approved these financial statements for issue on 8 June 2014 and are subject to the approval of the General Assembly of the Shareholders.

2 Basis of preparation

The financial statements of the company have been prepared under historical cost convention except for financial assets available for sale that have been measured at fair value.

The financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the company.

3 Statement of compliance

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

4 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those used in previous year except for adoption of new and amended standards discussed below:

4.1 New and amended standards adopted by the company

The company has adopted the following new and amended IFRS during the year:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 Presentation of Financial Statements – amendment	1 July 2012
IAS 28 Investments in Associates- Revised as IAS 28 Investments – Associates and Joint Venture	1 January 2013
IFRS 7 Financial Instruments: Disclosures – amendments	1 January 2013
IFRS 12 Disclosure of Interest in Other Entities	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
Annual Improvements 2009-2011	1 January 2013

IAS 1 Presentation of Financial Statements- amendment

The company has adopted the amendment to IAS 1 which requires entities to group other comprehensive income items presented in the statement of comprehensive income based on those:

a) Potentially reclassifiable to statement of income in a subsequent period, and
b) That will not be reclassified to statement of income subsequently

The company has made this disclosure in the statement of comprehensive income.

IAS 28 Investments in Associates – Revised as IAS 28 Investments in Associates and Joint Ventures

As a result of the consequential amendments, IAS 28 brings investments in joint ventures into its scope. However, the equity accounting methodology under IAS 28 remains unchanged.

The adoption of this amendment did not have any significant impact on the financial position or performance of the company.

IFRS 7 Financial Instruments: Disclosures – Amendments

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The required disclosures are required to be provided retrospectively.

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the company (continued)

IFRS 7 Financial Instruments: Disclosures – Amendments (continued)

The adoption of this amendment did not have any significant impact on the financial position or performance of the company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Note 12 illustrates the application of IFRS 12 in the current year.

IFRS 13 Fair Value Measurement

/FRS 13 does not affect which items to be fair valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

The company has applied IFRS 13 for the first time in the current year, (see Note 24).

Annual Improvements 2009-2011

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the company are summarised below:

Clarification of the requirements for opening statement of financial position:
- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented).
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:
- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements.
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Segment information for total assets and liabilities:
- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The adoption of the above amendments did not have any significant impact on the financial position or performance of the company.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the company.

Management anticipates that all of the relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements.

IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off.
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the company's financial statements from these amendments.

IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, and hedge accounting have been issued. Chapter dealing with impairment methodology is still being developed. The effective date for the entire standard will be determined after completion of the new impairment model.

Further, in November 2013, the IASB made limited modifications to IFRS 9's financial asset classification model to address application issues.

The company's management have yet to assess the impact of this new standard on the company's financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through statement of income.

Management does not anticipate a material impact on the company's financial statements.

4 Changes in accounting policies (continued)

Annual Improvements to IFRSs 2010–2012 Cycle (Effective date 1 July 2014, with earlier application permitted):

(i) **Amendments to IFRS 13**- the addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(ii **Amendments to IAS 16 and IAS 38**- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(iii) Amendments to IFRS 8-Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators). A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv)Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

Annual Improvements to IFRSs 2011–2013 Cycle (Effective date 1 July 2014, with earlier application permitted):

(i) Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that is currently effective.
- IFRSs that have been issued but are not yet effective, that permits early adoption.

The same version of each IFRS must be applied to all periods presented.

(ii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

5 Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below.

5.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when payment is made.

The company applies the revenue recognition criteria set out below to each separately identifiable component of revenue.

5.1.1 Income from investment deposit and bank balance

Income from investment deposit and bank balance is recognised on a time proportion basis taking account of the principal outstanding and rate applicable.

5.1.2 Dividend income

Dividend income, other than those from associates, are recognised at the time the right to receive payment is established.

5.2 Operating expenses

Operating expenses are recognised in the statement of income upon utilisation of the service or at the date of their origin.

5.3 Taxation

5.3.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5 Significant accounting policies (continued)

5.3 Taxation (continued)

5.3.2 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the company after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

5.3.3 Zakat
Contribution to Zakat is calculated at 1% of the profit of the company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

For the year ended 31 December 2013 and 31 December 2012, the company has no liabilities towards KFAS due to accumulated losses. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior year is permitted.

5.4 Financial instruments

5.4.1 Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through statement of income which are measured initially at fair value.

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

- rights to receive cash flows from the assets have expired;
- the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either.

  (a) the company has transferred substantially all the risks and rewards of the asset or
  (b) the company has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

Where the company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the company's continuing involvement in the asset.

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

5.4.2 Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables
- available-for-sale (AFS) financial assets.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

5 Significant accounting policies (continued)

5.4 Financial instruments (continued)
5.4.2 Classification and subsequent measurement of financial assets (Continued)

- *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

The company categorises loans and receivables into following category:

Cash and cash equivalents and investment deposit
Cash and cash equivalents comprise bank balances and investment deposit which are subject to an insignificant risk of changes in value.

- *AFS financial assets*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Impairment charges are recognised in statement of income. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for impairment losses, and foreign exchange differences on monetary assets, which are recognised in statement of income. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to statement of income and presented as a reclassification adjustment within other comprehensive income.

The company assesses at each reporting date whether there is objective evidence that a financial asset available for sale or a group of financial assets available for sale is impaired. In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the equity 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 is removed from other comprehensive income and recognised in the statement of income.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in statement of income only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

5.4.3 Classification and subsequent measurement of financial liabilities
The company’s financial liabilities include other liabilities and amount due to policyholders.

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

Other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Amount due to policyholders
Amount due as a result of transactions with policyholders and cash advances from policyholders are included under amount due to policyholders.

5 Significant accounting policies (continued)

5.5 Investment in associates

Associates are those entities over which the company is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the company's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the company.

Unrealised gains and losses on transactions between the company and its' associates are eliminated to the extent of the company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the company is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the company's financial statements. The associate's accounting policies conform to those used by the company for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the company measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the statement of income.

5.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the company share of the fair value of the net identifiable assets of the acquired associate as at the date of the acquisition. Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment. Any excess, at the date of acquisition, of the company's share in the fair value of the net identifiable assets acquired over the cost of the acquisition is recognised as negative goodwill.

Goodwill is stated at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the statement of income.

5.7 Qard Hassan to policyholders

Qard Hassan represents non-profit Islamic financing provided by the shareholders to the policyholders with respect to the deficit arising from the takaful operations which will be settled from the surplus arising from such business in future years.

5.8 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.9 Offsetting of financial instruments

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

5 Significant accounting policies (continued)

5.10 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.

5.11 Impairment testing of non financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.12 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Legal reserve comprises appropriations of current and prior period profits in accordance with the requirements of the companies' law and the company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the company's foreign associates into Kuwait Dinars.
- Fair value reserve – comprises gains and losses relating to available for sale financial assets.

Accumulated losses include all current and prior period profits and losses. All transactions with owners of the company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

5 Significant accounting policies (continued)

5.13 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies which they are principal owners. All related party transactions are approved by management.

5.14 Foreign currency translation

5.14.1 Functional and presentation currency

Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.14.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective company entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in statement of income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.14.3 Foreign operations

In the company's financial statements, all assets, liabilities and transactions of foreign entities with a functional currency other than the KD are translated into KD. The functional currency of the foreign entities has remained unchanged during the reporting period.

Assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to statement of income and are recognised as part of the gain or loss on disposal.

5.15 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

Contingent liabilities are not recognised in the statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

6 Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

In the process of applying the company's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the financial statements:

6.1.1 Classification of financial instruments

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The company classifies financial assets as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets as fair value through statement of income depends on how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of statement of income in the management accounts, they are classified as fair value through statement of income.

Classification of assets as loans and receivables depends on the nature of the asset. If the company is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables.

All other financial assets are classified as available for sale.

6.1.2 Control assessment

When determining control, management considers whether the company has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of available for sale equity investments

The company treats available for sale equity investments 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 judgment.

6.2.2 Impairment of associates

After application of the equity method, the company determines whether it is necessary to recognise any impairment loss on the company's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in associate is impaired. If this is the case the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the statement of income.

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.3 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 24).

7 Net investment income

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Profit on investment deposit	**2,608**	2,339
Profit on bank balance	**1,020**	1,483
Dividend income	**20,000**	30,108
Gain/(loss) on sale of available for sale investments	**83,076**	(22,547)
	106,704	11,383

8 Net gain/loss on financial assets

Net gain/(loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
Investment deposit	**2,608**	2,339
Bank balance	**1,020**	1,483
Available for sale investments	**(57,744)**	(109,805)
Net realised loss	**(54,116)**	(105,983)
Net unrealised gain/loss recognised in equity	**169,303**	(230,816)
	115,187	(336,799)

9 Basic and diluted (loss)/earnings per share

Basic and diluted (loss)/earnings per share is computed by dividing the (loss)/profit for the year by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2013 KD	Year ended 31 Dec. 2012 KD
(Loss)/profit for the year (KD)	**(2,773,859)**	998,554
Weighted average number of shares outstanding during the year (number)	**100,000,000**	100,000,000
Basic and diluted (loss)/earnings per share	**(27.74) Fils**	9.99 Fils

10 Investment deposit

In accordance with Kuwaiti law (Business operations licence), an amount of KD135,000 (2012: KD135,000) has been deposited with a Kuwaiti financial institution as security to underwrite general insurance and life insurance business (also refer note 19). The average rate of profit earned on the deposit during the year was 1.932% (2012: 1.728%).

11 Available for sale investments

	31 Dec. 2013 KD	31 Dec. 2012 KD
Quoted securities	3	4
Unquoted securities	2,389,532	2,220,229
	2,389,535	2,220,233

Available for sale investments include an investment with carrying value of KD1,050,341 (2012: KD857,443) is held as security in order of the Minister of Commerce and Industry in accordance with the Ministerial Order No. 27 of 1966 and its amendments.

The company recognised impairment loss of KD160,820 (2012: KD117,366) in respect of certain available for sale investments.

12 Investment in associates

12.1 Details of the investment in associates are given below:

Name	Country of incorporation	Voting capital and ownership interest		Purpose
		31 Dec. 2013 %	31 Dec. 2012 %	
Weqaya Takaful Insurance and Reinsurance Company - SSC ("Weqaya") (Quoted)	Saudi Arabia	20	20	Insurance
Neova Sigorta Insurance Company (Unquoted)	Turkey	10	10	Insurance

Although the company owns less than 20% ownership interest in Neova Sigorta Insurance Company, it exercises significant influence over the investee by virtue of its contractual right to appoint two of the five members on the board of directors of the investee.

12 Investment in associates (continued)

12.2 Summarised financial information of the associates set out below:

a) Weqaya Takaful Insurance and Reinsurance Company - SSC (Quoted):

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	18,539,731	11,501,806
Current assets	20,480,793	17,515,136
Total assets	39,020,524	29,016,942
Non-current liabilities	20,947,080	12,424,872
Current liabilities	15,065,222	6,503,140
Total liabilities	36,012,302	18,928,012
Net assets	3,008,222	10,088,930
Revenue	(6,436,829)	1,191,436
(Loss)/profit for the year	(6,665,904)	1,202,911
Other comprehensive (loss)/income for the year	(183,097)	63,774
Total comprehensive (loss)/income for the year	(6,849,001)	1,266,685

Reconciliation of the above summarised financial information of the associate with the carrying amount in the statement of financial position is give below:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Company's ownership interest (%)	20	20
Net assets of the associate	3,008,222	10,088,930
Company's share of net assets	601,795	2,018,290
Goodwill	5,370,165	5,370,165
Impairment of investment in associate	(1,588,718)	-
Carrying amount	4,383,242	7,388,455
Fair value (level 1)	9,554,232	12,293,440

As a result of the impairment testing of the carrying value of the investment in associate, the company recognised an impairment loss of KD1,588,718 (2012: KD Nil).

12 Investment in associates (continued)

12.2 Summarised financial information of the associates set out below: (continued)

b) Neova Sigorta Insurance Company (Unquoted):

	31 Dec. 2013 KD	31 Dec. 2012 KD
Non-current assets	388,769	338,285
Current assets	28,569,177	17,321,070
Total assets	28,957,946	17,659,355
Non-current liabilities	261,086	384,714
Current liabilities	21,785,862	13,026,810
Total liabilities	22,046,948	13,411,524
Net assets	6,910,998	4,247,831
Revenue	22,753,362	13,389,755
Profit for the year	2,948,219	540,006
Total comprehensive income for the year	2,948,219	540,006

Reconciliation of the above summarised financial information of the associate with the carrying amount in the statement of financial position is give below:

	31 Dec. 2013 KD	31 Dec. 2012 KD
Company's ownership interest (%)	10	10
Net assets of the associate	6,910,998	4,247,831
Company's share of net assets	691,100	424,783
Carrying amount	691,100	424,783

13 Qard Hassan to policyholders and deficit reserve

In accordance with the articles of association, policyholders' net deficit from insurance operations has been covered by "Qard Hassan" from the shareholders. The Qard Hassan given by shareholders will be settled through surplus arising from the insurance operations in future years.

	31 Dec. 2013 KD	31 Dec. 2012 KD
Opening balance	1,627,330	5,000,933
Decrease in Qard Hassan to policyholders	(41,713)	(3,373,603)
Closing balance	1,585,617	1,627,330

14 Share capital

	31 Dec. 2013 KD	31 Dec. 2012 KD
Authorised: shares of 100 Kuwaiti Fils each	10,000,000	10,000,000
Issued and fully paid: shares of 100 Kuwaiti Fils each	10,000,000	10,000,000

15 Legal reserve

The Companies Law and the company's articles of association require that 10% of the profit for the year before KFAS, NLST and Zakat is transferred to the legal reserve. The shareholders of company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

Distribution of legal reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

No transfer is required in a year when losses are incurred or where cumulative losses exist.

16 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2013	46,979	(123,934)	(76,955)
Available for sale investments:			
- Net change in fair value arising during the year	169,303	-	169,303
- Transferred to statement of income on impairment	160,820	-	160,820
Exchange differences arising on translation of foreign operations	-	(294,712)	(294,712)
Share of other comprehensive income of associates	126,924	-	126,924
Total other comprehensive income/(loss) for the year	457,047	(294,712)	162,335
Balance at 31 December 2013	504,026	(418,646)	85,380
Balance at 1 January 2012	105,295	(144,367)	(39,072)
Available for sale investments:			
- Net change in fair value arising during the year	(230,816)	-	(230,816)
- Transferred to statement of income on sale	42,376	-	42,376
- Transferred to statement of income on impairment	117,366	-	117,366
Exchange differences arising on translation of foreign operations	-	20,433	20,433
Share of other comprehensive income of associates	12,758	-	12,758
Total other comprehensive income/(loss) for the year	(58,316)	20,433	(37,883)
Balance at 31 December 2012	46,979	(123,934)	(76,955)

17 Amount due to policyholders

	31 Dec. 2013 KD	31 Dec. 2012 KD
Opening balance	(2,250,257)	1,376,681
Net movements during the year	1,543,886	(3,626,938)
Closing balance	(706,371)	(2,250,257)

Net movements in policyholders' account represent the net fund transfers from and to their account including buying and selling shares on their behalf during the year.

18 Annual general assembly

The directors did not propose dividend for the year ended 31 December 2013. The financial statements of the company for the year ended 31 December 2012 were approved by the general assembly held on 8 May 2013 without dividend.