المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

Annual Report
2014

Dhaman

المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

The Arab Investment and Export Credit Guarantee Corporation (Dhaman) is an autonomous Arab regional organization established in 1974, in accordance with a multilateral convention signed by 21 Arab states, until now, deposited with the Ministry of Foreign Affairs in the State of Kuwait. With headquarters in Kuwait and a regional office in Riyadh, Dhaman commenced its operations in mid-1975, encompassing in its membership all Arab states, and a number of Arab international organizations.

OBJECTIVES:

In accordance with its establishment convention, Dhaman's two key objectives are:

- To provide insurance coverage against non-commercial risks for inter-Arab and foreign investments in development projects, in the Arab countries. Furthermore, Dhaman provides insurance against commercial and non-commercial risks, for inter-Arab and worldwide Arab export credits.
- To raise awareness of investments in Arab countries by means of a group of complementary activities and ancillary services, aiming at enhancing the business environment & investment climate; identifying available investment opportunities, and developing human capital in Arab countries.

In fulfillment of such objectives, Dhaman provides, wholly or partially, finance to insured operations through factoring, debt collection, insuring bonds, franchises, licenses, and intellectual property rights. In addition to possessing shares and equities in the Arab public and private national guarantee agencies, establishing information corporations, establishing or co-establishing special investment funds owned by governments or institutions in contracting countries.

On April 2015, Standard & Poor's Rating Services affirmed its "AA" rating, Outlook: Negative, under new criteria, for Dhaman's counterparty credit rating as well as its financial strength rating as an insurer, reflecting Dhaman's very strong business profile and very strong financial profile. Dhaman obtained the same long-term rating in 2010, with a "Negative" outlook.

Headquarters

Arab Organizations Headquarters Building
Jamal Abdul Nasser Street and Airport Road Intersection,
Shuwaikh, Kuwait
P.O.Box: 23568 - Safat 13096
Tel: (+965) 24959555, Fax: (+965) 24959596/7
E-mail: info@dhaman.org
Website: www.dhaman.org

Dhaman's Structure

The Arab Investment and Export Credit Guarantee Corporation (Dhaman) consists of the following organizational structure:

1. The Shareholders' Council (General Assembly)

The Shareholders Council is the highest authority of Dhaman. It represents all members (states and entities) and fully entitled to achieve Dhaman's objectives. The Council, among other things, formulates general policies governing Dhaman's activities, interprets and amends provisions of the establishment Convention, and appoints members of the Board of Directors and the Director-General.

2. The Board of Directors

The Board of Directors consists of eight part-time members, appointed by the Shareholders Council for a three-year term. The Board elects its Chairman from among its members.

Within its authorities provided in the Convention, the Board prepares the financial and administrative rules for Dhaman, approves the operations and research programs suggested by the Director-General, and pursues its implementation. It determines utilization of Dhaman's capital. It also sets the annual budget and presents the annual report including Dhaman's activities to the Shareholders' Council.

The current members of the Board of Directors:

1.	H.E. Mr. Ahmed Mohammed H. Al-Ghannam	Chairman
2.	H.E. Mr. Ishaq A.M. Abdul karim	Member
3.	H.E. Mr. Abdulmagid Mohamed R.Emhamed	Member
4.	H.E. Mr. Khalid Ali AbdulReda Al Bustani	Member
5.	H.E. Mr. Ahmad Ali I. M. Bokshaisha	Member
6.	H.E. Dr. Adel Ahmad Ismail Al Sharkas	Member
7.	H.E. Mr. Sayed Mohamed Ahmed Hamadani	Member
8.	H.E. Mr. Atif Abdul-Khaleq Abdul-Hussen Al Yaseen	Member
9.	H.E. Dr. Mohamed El Gholabzouri	Member

3. The Director-General

H.E. Mr. Fahad Rashid Al Ibrahim

4. Professional and Administrative Staff

His Excellency the Chairman of the 42nd Session of the Shareholders' Council of the Arab Investment and Export Credit Guarantee Corporation (Dhaman),

In accordance with Article (12/1) (e) of the Arab Investment and Export Credit Guarantee Corporation's Convention, it is my pleasure to submit to your honorable Council for consideration the Annual Report of the Board of Directors on the activity of Dhaman for the year 2014.

Please accept my highest consideration,

Ahmed Mohammed H. Al-Ghannam

Chairman of the Board of Directors

Kuwait, State of Kuwait , April 2015.

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Note: The complete English version of this Annual Report is downloadable from our website at:

www.dhaman.org

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

Financial Statements and Independent Auditor's Report
For the year ended 31 December 2014

Deloitte.

Deloitte & Touche
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

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

Independent Auditor's Report to the Chairman and Members of the Corporation's Shareholders Council

We have audited the accompanying financial statements of The Arab Investment & Export Credit Guarantee Corporation ("the corporation"), which comprise the statement of financial position as at 31 December 2014, and the related 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

The management of the corporation 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.

Auditor's 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 auditor's 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 auditor 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 polices 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the corporation as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The financial statements for the year ended 31 December 2013 were audited by another auditor who issued his report without qualifications on 20 February 2014.

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

Kuwait, 23 February 2015

The Arab Investment & Export Credit Guarantee Corporation

An Arab Corporation with a Special Independent Legal Status

Statement of Financial Position as at 31 December 2014

(All amounts are in Kuwaiti Dinars)

Assets	Notes	2014	2013
Cash and cash equivalents	5	17,154,508	29,780,749
Deposits and Wakala with financial insinuations	6	19,250,000	-
Investments at fair value through profit or loss	7	17,214,497	15,995,976
Available for sale investments	8	65,876,873	62,626,746
Recoverable claims		1,939,397	2,169,256
Account receivables and other assets		1,602,390	2,275,340
Property and equipment	9	1,330,684	1,377,891
Total assets		**124,368,349**	**114,225,958**
Liabilities and equity			
Liabilities			
Payables and other liabilities		431,464	672,965
Insurance technical reserves	10	1,385,946	1,389,311
Obligations under finance lease	9	1,856,447	1,902,863
Due to insurance and reinsurance companies		1,175,114	835,389
Employee savings and end of service benefits		2,885,362	2,624,879
Total liabilities		**7,734,333**	**7,425,407**
Equity			
Paid-up capital	11	75,283,067	68,414,267
General reserve	12	40,611,545	38,796,741
Cumulative changes in fair value		739,404	(410,457)
Total equity		**116,634,016**	**106,800,551**
Total liabilities and equity		**124,368,349**	**114,225,958**

The accompanying notes form an integral part of these financial statements.

The Arab Investment & Export Credit Guarantee Corporation

An Arab Corporation with a Special Independent Legal Status

Statement of Income for the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars)

Revenues:	**Notes**	**2014**	**2013**
Gross guarantee premiums	13	1,153,178	1,146,482
Guarantee premiums ceded		(308,406)	(427,795)
Net guarantee premiums		844,772	718,687
Unearned premiums reserve	10	81,090	205,143
Outstanding claims reserve	10	(86,429)	(289,984)
Net guarantee premiums earned		839,433	633,846
Revenues and other commissions		15,770	55,565
Guarantee results		**855,203**	**689,411**
Banks and bonds interest income		1,578,702	1,131,359
Net investment income	14	2,359,151	2,394,294
(Losses)/ gains from foreign currency differences		(47,599)	14,485
Other miscellaneous income		4,787	1,003
Total revenues		**4,750,244**	**4,230,552**
Expenses:			
Salaries, wages and benefits		(1,957,093)	(1,850,626)
Administration expense		(800,534)	(787,951)
Depreciation expense		(87,225)	(86,618)
Provisions and others		(40,588)	(49,166)
Total expenses		**(2,885,440)**	**(2,774,361)**
Net profit for the year		**1,864,804**	**1,456,191**

The accompanying notes form an integral part of these financial statements.

The Arab Investment & Export Credit Guarantee Corporation

An Arab Corporation with a Special Independent Legal Status

Statement of Comprehensive Income for the year ended 31 December 2014 (All amounts are in Kuwaiti Dinars)

	2014	2013
Net profit for the year	**1,864,804**	**1,456,191**
Other comprehensive income items		
Items can reclassified to statement of income in subsequent periods:		
Unrealized gains on available for sale investments	825,356	2,371,684
Transferred to statement of income on sale of available for sale investments	(1,456,797)	(3,048,480)
Impairment loss on available for sale investments	1,781,302	1,517,733
	1,149,861	840,937
Total comprehensive income for the year	**3,014,665**	**2,297,128**

The accompanying notes form an integral part of these financial statements.

The Arab Investment & Export Credit Guarantee Corporation

An Arab Corporation with a Special Independent Legal Status

Statement of Changes in Equity for the year ended 31 December 2014 (All amounts are in Kuwaiti Dinars)

	Paid-up capital	General reserve	Cumulative changes in fair value	Retained earnings	Total
Balance as at 1 January 2013	**55,621,667**	**37,340,550**	**(1,251,394)**	**-**	**91,710,823**
Net profit for the year	-	-	-	1,456,191	1,456,191
Other comprehensive income items	-	-	840,937	-	840,937
Transfer to general reserve	-	1,456,191	-	(1,456,191)	-
Share capital increase	12,792,600	-	-	-	12,792,600
Balance at 31 December 2013	**68,414,267**	**38,796,741**	**(410,457)**	**-**	**106,800,551**
Balance as at 1 January 2014	**68,414,267**	**38,796,741**	**(410,457)**	**-**	**106,800,551**
Net profit for the year	-	-	-	1,864,804	1,864,804
Other comprehensive income items	-	-	1,149,861	-	1,149,861
Transfer to general reserve	-	1,864,804	-	(1,864,804)	-
Share capital increase (note 11)	6,868,800	(50,000)	-	-	6,818,800
Balance at 31 December 2014	**75,283,067**	**40,611,545**	**739,404**	**-**	**116,634,016**

The accompanying notes form an integral part of these financial statements.

The Arab Investment & Export Credit Guarantee Corporation

An Arab Corporation with a Special Independent Legal Status

Statement of Cash Flows for the year ended 31 December 2014

(All amounts are in Kuwaiti Dinars)

	Notes	2014	2013
Cash flows from operating activities			
Net profit for the year		1,864,804	1,456,191
Adjustments for:			
Depreciation		87,225	86,618
Net investment income		(2,439,333)	(2,394,294)
Banks and bonds interest income		(1,578,702)	(1,131,359)
Employees savings and end of service benefits		371,240	319,258
Allowance for impairment of recoverable claims		150,745	83,939
Finance lease charges		179,617	179,617
Operating losses before changes in operating assets and liabilities		**(1,364,404)**	**(1,400,030)**
Account receivables and other assets		1,715,596	(1,398,151)
Investments at fair value through profit or loss		104,892	-
Recoverable claims		79,114	(1,669,934)
Payables and other liabilities		(241,501)	227,791
Insurance technical reserves		(3,365)	81,827
Due to insurance and reinsurance companies		339,725	-
Cash generated from/ (used in) operations activities		630,057	(4,158,497)
Paid of employees end of service benefits		(110,757)	(92,167)
Net cash flows generated from/ (used in) operating activities		**519,300**	**(4,250,664)**
Cash flows from investing activities			
Deposits and Wakala with financial insinuations		(19,250,000)	17,500,000
Purchase of investments at fair value through profit or loss		-	(14,013,965)
Purchase of available for sale investments		(48,825,319)	(51,813,633)
Proceeds from sale of available for sale investments		45,885,749	61,241,764
Purchase of property and equipment		(40,018)	(17,713)
Dividends received from an associate		-	17,037
Dividends income received		1,076,802	762,671
Banks and bonds interest income received		1,414,478	901,689
Net cash flows (used in)/ generated from investing activities		**(19,738,308)**	**14,577,850**
Cash flows from financing activities			
Payment of finance lease obligations		(226,033)	(222,997)
Share capital increase		6,818,800	12,792,600
Net cash flows generated from financing activities		6,592,767	12,569,603
(Decrease)/ increase in cash and cash equivalents		**(12,626,241)**	**22,896,789**
Cash and cash equivalents at beginning of the year		29,780,749	6,883,960
Cash and cash equivalents at end of the year	**5**	**17,154,508**	**29,780,749**

The accompanying notes form an integral part of these financial statements

1. Corporate activity and its nature

The corporation is an Arab corporation with a special independent legal status that was incorporated in accordance with a convention between Arab member states. The main objectives of the corporation are to provide guarantee for Inter-Arab investments against non-commercial risks and trade financing among member countries for both commercial and non-commercial risks as defined in its convention. The corporation also promotes investments and trade among its member states.

The corporation is located in Kuwait and its registered address is at P.O. Box 23568 Safat, 13096 – State of Kuwait.

The financial statements were authorised for issue by the corporation's Board of directors on 23 February 2015.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared under the historical cost convention except of certain financial instruments that are measured at fair values, as explained in the accounting policies below.

2.2 New and revised standards

New and revised IFRSs issued and effective

In the current year, the Corporation has applied a number of new and revised IFRSs that are issued and effective for accounting periods that begin on or after 1 January 2014.

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

The Corporation has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. Since the corporation not investment entity, the application of the amendments has had no impact on the disclosures or the amounts recognized in the Corporation's financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Corporation has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities.

The amendments have been applied retrospectively. The Corporation has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Corporation's financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Corporation has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU.

Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal.

The application of these amendments has had no material impact on the disclosures in the Corporation's financial statements.

New and revised IFRSs in issue but not yet effective

The Corporation has not applied the followings new and revised IFRS that have been issued and not yet effective

For annual periods beginning on or after 1 July 2014

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The Annual Improvements to IFRSs 20102012- Cycle:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

The Annual Improvements to IFRSs 20112013- Cycle:

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The directors of the Corporation do not anticipate that the application of these amendments will have a material impact on the Corporation's financial statements.

For annual periods beginning on or after 1 January 2016

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

Amendments to IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation & Amortisation

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The directors of the Corporation do not anticipate that the application of these amendments will have a material impact on the Corporation's financial statements.

Effective for annual periods beginning on or after 1 January 2017

IFRS 15 Revenue from Contracts with Customers

The directors of the Corporation anticipate that the application of these IFRS 15 in the future may have a material impact on amounts reported in respect of the Corporation's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until the Corporation undertakes a detailed review.

Effective for annual periods beginning on or after 1 January 2018

IFRS 9 Financial Instruments

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

2.3 Significant Accounting Policies

The significant accounting policies adopted are set out below:

2.3.1 Financial instruments

Financial assets and financial liabilities are recognised when the Corporation entity becomes a party to the contractual obligations of these instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (other than financial instruments at fair value through profit or loss) on initial recognition. Transaction costs directly attributable to the acquisition are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss> (FVTPL), held to maturity, 'available-for-sale> (AFS) financial assets and 'receivables>. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Corporation has determined the classification of its financial assets as follows:

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 3.4.

Cash and cash equivalents

Cash includes cash in hand and at banks. Cash equivalents include cash and bank balances, deposits and wakala with maturity period of three months or less.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables (including other receivable, cash and cash equivalent) are measured at amortised cost using the effective interest method, less any impairment.

Available for sale (AFS)

AFS financial assets are non-derivatives and are not classified as (a) receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale is re-measured at fair value. The fair value is determined in the manner described in note 3.4.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Corporation>s right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, after discounted by the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is represented as the difference between the asset>s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through provision for doubtful debts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the statement other comprehensive income are reclassified to the statement of income for the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through the statement of income. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset>s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the statement of income.

Financial liabilities

Financial liabilities (including credit facilities) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Derecognition

The Corporation derecognises financial liabilities when, and only when, the Corporation>s obligations are discharged or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of income.

2.3.2 Recoverable claims

In accordance with the corporation’s convention, claims incurred and paid by the corporation in compensating insured individuals and entities against non-commercial risks are reimbursable from the respective member state. The paid claims related to the commercial risks are the responsibility of the importer and subject to reinsurance arrangements. Therefore, the recoverable claims are recognized at nominal value.

2.3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has 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 expenditure is capitalized.

Depreciation is computed on a straight-line basis over the estimated useful lives of items of property and equipment as follows:

Motor vehicles	5	years
Furniture and equipment	1	years
Buildings	40	years

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

The assets’ residual values, useful lives and depreciation method are reviewed at the end of each reporting period, and the effect of any changes in estimates is accounted for as of the beginning of fiscal year.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

2.3.4 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the value of impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use.

Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

2.3.5 Unearned premiums reserve

Unearned premiums are those portions of the subscribed premiums related to the periods of risks after the reporting date. The pro-rata portion related to the subsequent periods is deferred under unearned premiums reserve.

2.3.6 Outstanding claims reserve

Estimates are made for the expected ultimate cost of claims reported at the reporting date. The provision for outstanding claims is based on estimates of the loss which will eventually be payable on each unpaid claim, established by management in the light of available information and on past experience and modified for changes in current conditions, increased exposure, rising claims cost and the severity and frequency of recent claims as appropriate.

2.3.7 Finance leases

Assets acquired under finance lease agreements are capitalised in the statement of financial position and are depreciated over their useful economic lives. A corresponding liability is recorded in the statement of financial position for rental obligations under the finance lease. The finance charge is allocated over the period of the lease so as to produce a constant rate of interest on the remaining obligation.

2.3.8 Reinsurance

In the normal course of business, the corporation cedes certain levels of risk in various areas of exposure with reinsurance companies. Reinsurance contracts do not relieve the corporation from its obligations to policy- holders; accordingly, failure of reinsurance companies to honour their obligations could result in losses to the corporation. In the opinion of management, the corporation's exposure to such losses is minimal since losses incurred in compensating policyholders are the ultimate responsibility of counter parties or member states. Amounts recoverable from reinsurance companies are estimated in a manner consistent with the related claim liability.

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

2.3.9 End of service indemnity

The end of service indemnity for the General Manager is calculated in accordance with article No. 6 of the resolution made by the Arab Ministers of Finance and Economy in Abu Dhabi. The end of service indemnity for other employees is based on employees' salaries and accumulated periods of service or on the basis of the employment contracts, where such contracts provide extra benefits.

Employee benefits savings

As for the employee benefit savings plan, the employees' savings represent the sahre deducted from their salaries in addition to the benefits recorded by the corporation on the net employees' rights (savings balance and end of service indemnity) in accordance with the executive reoslution no. 10 of 2005 approved by the General Mangaer of the corporation.

2.3.10 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the income statement.

2.3.11 Revenue recognition

- Net guarantee premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis.
- Dividend income is recognised when the right to receive payment is established.
- Interest income is accrued on a time proportion basis using the effective yield method.

2.3.12 Contingent assets and liabilities

Contingent assets are not recognised as an asset till realization becomes virtually certain. Contingent liabilities 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.

2.3.13 Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3. Risk management

Risk is inherent in the corporation's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The main risks arising from the corporation's financial instruments are credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk.

In the normal course of business, the corporation uses primary financial instruments such as cash and cash equivalents, investments, accounts receivable, accrued interest and payables and as a result, the corporation is exposed to the following risks:

3.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially subject the corporation to credit risk, consist principally of bank balances, time deposits and Wakala bonds, accounts receivable and other debit balances. Cash is placed with high credit rating financial institutions. Bonds are issued by either high credit rating financial institutions or governments.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements (if any).

	2014	2013
Bank balances	2,723,784	4,427,763
Time deposits	12,774,689	6,826,322
Wakala deposits investments	20,906,035	18,526,664
Available for sale investment (Bonds)	20,250,970	18,294,924
Recoverable claims	1,939,397	2,169,256
Account receivables and other assets	1,602,390	2,275,340
Total credit risk exposure	**60,197,265**	**52,520,269**

In the opinion of management, financial assets related to the corporation's investment guarantee business do not expose the corporation to credit risk since such business is supported by the member states.

3.2 Liquidity risk

Liquidity risk is the risk that the corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the corporation invests in bank deposits or other investments that are readily realisable.

The table below summarises the maturity profile of the corporation's liabilities at 31 December 2014. The maturities of liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for investments at fair value through profit or loss and available for sale investments is determined based on management's estimate of liquidation of those financial assets. The actual maturities may differ from the maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

At 31 December 2014	Within 3 months	3 to 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Total
Payables and other liabilities	199,845	-	231,619	-	-	431,464
Obligation under finance lease	-	-	49,666	170,846	1,635,935	1,856,447
Due to insurance and reinsurance companies	-	-	-	1,175,114	-	1,175,114

At 31 December 2013	Within 3 months	3 to 6 Months	6 to 12 Months	1 to 3 years	Over 3 years	Total
Payables and other liabilities	463,109	-	209,856	-	-	672,965
Obligation under finance lease	-	92,678	-	463,391	1,346,794	1,902,863
Due to insurance and reinsurance companies	-	-	-	835,389	-	835,389

3.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The corporation is exposed to market risk with respect to its investments.

The corporation limits market risk by having substantially all of its investments managed by specialized investment management firms.

Foreign currency risk

The corporation incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The corporation ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

	2014			2013		
Currency	Change in currency rate in %	Effect on profit	Effect on equity	Change in currency rate in %	Effect on profit	Effect on equity
USD	%5+	893,084	2,974,380	%5+	1,029,358	2,825,877
GBP	%5+	783	138,817	%5+	754	66,729
Euro	%5+	44,480	-	%5+	847	68,938

Interest rate risk

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

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

The corporation's interest risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	2014		2013	
Currency	Change in variables	Impact on profit	Change in variables	Impact on profit
USD	%5+	57,390	%5+	44,904
Euro	%5+	-	%5+	101
KD	%5+	21,545	%5+	11,269

Equity price risk

Equity price risk arises from the change in the fair values of equity investments. The corporation manages this risk through diversification of investments in terms of geographical distribution and industry concentrations.

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

	2013			2014		
	Change in equity price %	Effect on profit	Effect on equity	Change in currency rate in %	Effect on profit	Effect on equity
Investment at fair value through profit or loss	%5+	860,725	-	%5+	799,799	-
Available for sale investments	%5+	-	2,225,200	%5+	-	2,128,343

3.4 Fair value of financial instruments

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

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

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

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

At the reporting date, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain available for sale investments as indicated in Note 8.

Fair value hierarchy

As at 31 December 2014, the corporation held the following financial instruments measured at fair value:

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

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

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

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale investments	32,142,516	18,825,179	12,830,581	63,798,276
Investments at fair value through profit or loss	1,911,001	15,303,496	-	17,214,497
	34,053,517	**34,128,675**	**12,830,581**	**81,012,773**

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Available for sale investments	33,259,368	18,660,659	7,873,538	59,793,565
Investments at fair value through profit or loss	1,865,348	14,130,628	-	15,995,976
	35,124,716	**32,791,287**	**7,873,538**	**75,789,541**

4. Accounting Estimates

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as, at fair value through profit or loss, or available for sale.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of the results for the period, they are classified as at fair value through profit or loss.

All other investments are classified as available for sale investments.

Impairment of investments

The corporation 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. In addition, the corporation evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same ; or
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Guarantee contract liabilities

For guarantee contracts, estimates have to be made for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of guarantee policies.

The provision for outstanding claims is based on estimates of the loss which will eventually be payable on each unpaid claim, established by management in the light of available information and on past experience and modified for changes in current conditions, increased exposure, rising claims cost and the severity and frequency of recent claims as appropriate. Although the Cooperation's Managment believes that the value of the reserve is sufficient, the final liability may be exceed or reduced below the amounts which have been provided.

5. Cash and cash equivalents

	2014	2013
Cash on hand and at banks	2,723,784	4,427,763
Time deposits	9,774,689	6,826,322
Wakala investment with financial institutions	4,656,035	18,526,664
	17,154,508	**29,780,749**

The average interest rate on deposits range between 0.35% to 1.30% as of 31 December 2014 (0.25% to 1% - 2013).

The average interest rate on wakala deposits is 1.35% as of 31 December 2014 (0.113% to 0.90% - 2013).

6. Deposits and Wakala with financial instruments

Represents in deposits and Wakala with local financial instruments for periods more than three month. Interest rate range between 1.25% to 2.25% as of 31 December 2014 (Nil – 2013).

7. Investments at fair value through profit or loss

	2014	2013
Investments in managed portfolios of quoted securities	1,911,000	1,865,348
Investments in funds units	15,303,497	14,130,628
	17,214,497	**15,995,976**

8. Available for sale investments

	2014	2013
Bonds	20,250,970	18,294,924
Managed funds	43,625,128	42,566,809
Investment in Arab Trade Finance Program	601,493	365,731
Investment in Tunisian External Trade Insurance Company	1,399,282	1,399,282
	65,876,873	**62,626,746**

- Available for sale investments include investments of KD 2,078,597 as of 31 December 2014 (KD 2,833,181 - 2013) carried at cost less impairment in value, due to unavailablity of appropriate methods to reliably measure the fair value of such investments, impairment losses of KD 1,781,302 was recorded during the current year (KD 1,517,733 – 2013).
- Certain available for sale investments carry an interest rate ranges between 5.45% to 9.75% (5.25% to 9.75% - 2013).
- Investments in Arab Trade Finance Program represent 0.25% of the capital of the Arab Trade Finance Program (2012: 0.25%), which was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade. Due to the unpredictable nature of future cash flow and the lack of suitable other methods for arriving at reliable measure of fair value, the investment is carried at cost.

9. Property and equipment

Property and equipment are substantially represented in the carrying amount of the corporation's premises, which were acquired under a finance lease based on the space allocated to and occupied by the corporation in the Joint Building of the Arab Organisations. The premises are being depreciated over the 40-year lease term and the related depreciation charge for the year amounted to KD 67,648 (2013: KD 67,648).

The obligations under the finance lease are payable as follows:

	2014	2013
Within one year	179,617	179,617
From the first to the fifth years inclusive	898,085	898,085
Over five years	2,335,021	2,514,638
Due to Arab Fund For Economic And Social Development	3,412,723	3,592,340
Less: Finance charges allocated to future periods	(1,556,276)	(1,689,477)
	1,856,447	**1,902,863**

10. Insurance technical reserves

	2014	2013
Unearned premium reserve movement:		
Unearned premiums reserve at the beginning of the year	291,223	496,366
Unearned premiums reserve at the end of the year	(210,133)	(291,223)
	81,090	**205,143**
Outstanding claims reserve movement:		
Outstanding claims reserve at the beginning of the year	1,098,088	811,118
Claims paid during the year	(8,704)	(3,014)
Outstanding claims reserve at the end of the year	(1,175,813)	(1,098,088)
	(86,429)	**(289,984)**
As at 31 December:		
Unearned premiums reserve	210,133	291,223
Outstanding claims reserve	1,175,813	1,098,088
	1,385,946	**1,389,311**

As of 31 December 2014, the corporation estimates the outstanding claims reserve for the claims occurred during the year based on a case by case basis, taking into consideration the nature of the insured risk.

11. Paid-up capital

- As per the decision of the council of the shareholders in the annual meeting held on 23- April 2013, it has been approved to increase the issued share capital by 50% to be allocated over the member states and authorities on a pro-rata basis, each as per his share as at 31 December 2012. Such increase shall be settled in five equal annual instalments starting from the date of the meeting. In addition, the council of the shareholders has been notified of the desire of five member states to make an optional increase of their shares by KD 14,925,000 in the Corporation's capital in order to maintian a permanent seat for them in the Board of Directors.
- During the year ended 31 December 2014, an amount of KD 6,818,800 was collected in cash out of the share capital increase. During the current year, and based on the Board of Directors' decision No. 5/3 dated 19 June 2014, the State of Palestine's share has been increased by KD 50,000 through deduction from the general reserve.
- At 31 December, the capital of the corporation and the share of each member state and other authorities are as follows:

	Issued		Paid	
A. Member State:	**2014**	**2013**	**2014**	**2013**
The Hashemite Kingdom of Jordan	788,000	788,000	630,200	577,600
United Arab Emirates	6,510,000	3,525,000	5,570,000	2,350,000
Kingdom of Bahrain	750,000	750,000	600,000	550,000
The Republic of Tunisia	1,875,000	1,875,000	1,500,000	1,250,000
Peoples' Democratic Republic of Algeria	1,875,000	1,875,000	1,500,000	1,250,000
Republic of Djibouti	300,000	300,000	200,000	200,000
Kingdom of Saudi Arabia	8,610,000	8,610,000	7,485,000	6,735,000
Republic of Sudan	1,826,932	1,826,932	1,217,932	1,217,932
Syrian Arab Republic	750,000	750,000	500,000	500,000
Somali Democratic Republic	87,735	87,735	58,735	58,735
Republic of Iraq	750,000	750,000	550,000	500,000
Sultanate of Oman	1,125,000	1,125,000	825,000	750,000
State of Palestine	750,000	750,000	550,000	500,000
State of Qatar	5,985,000	5,985,000	5,385,000	5,185,000
State of Kuwait	7,485,000	7,485,000	6,285,000	6,285,000
Republic of Lebanon	750,000	750,000	500,000	500,000
State of Libya	6,735,000	6,735,000	5,985,000	5,735,000
Arab Republic of Egypt	1,875,000	1,875,000	1,500,000	1,250,000
Kingdom of Morocco	3,000,000	3,000,000	2,400,000	2,000,000
The Islamic Republic of Mauritania	750,000	750,000	500,000	500,000
The Republic of Yemen	1,500,000	1,500,000	1,000,000	1,000,000
	54,077,667	**51,092,667**	**44,741,867**	**38,894,267**
B. Arab Financial Authorities:				
Arab Fund for Economical and Social Development	22,804,800	22,804,800	15,202,800	15,202,800
Arab Monetary Fund	12,177,000	12,177,000	8,118,000	8,118,000
BADEA	7,659,960	7,659,960	6,128,160	5,106,960
Arab Authority for Agricultural Investment and Development	1,638,240	1,638,240	1,092,240	1,092,240
	98,357,667	**95,372,667**	**75,283,067**	**68,414,267**

- As at 31 December 2014, the uncollected portion of required installments was amounted to KD 6,387,832.

12. General reserve

Article 24 of the corporation's convention states that "Net income realized from the corporation's operations is to be accumulated to establish a reserve equal to three times the capital", after which time, the council shall decide the manner of utilisation or distribution of the realized annual profits, provided that no more than 10 % of such profits shall be distributed and that the distribution shall be made in proportion to the share of each member in the capital of the corporation.

13. Gross guarantee premiums

	2014	2013
Gross guarantee premiums subscribed	1,367,079	1,402,672
Net technical charges	(213,901)	(256,190)
	1,153,178	**1,146,482**

14. Net investment income

	2014	2013
Investments at fair value through profit or loss:		
Unrealized gain/ (loss)	1,307,347	(10,820)
Realized gain on sale of investments	16,066	3,994
Cash dividends	63,000	60,000
Portfolio management fees	(39,954)	-
	1,346,459	**53,174**
Available for sale investments:		
Realized gain on sale of investments	1,820,420	3,105,982
Cash dividends	1,013,802	762,672
Impairment losses (note 8)	(1,781,302)	(1,517,733)
Funds management fees	(40,228)	(9,801)
	1,012,692	**2,341,120**
	2,359,151	**2,394,294**

15. Contingent and unrecorded liabilities

As of 31 December 2014, the total executed guarantee contracts were amounted to KD 98,586,688 (KD 111,924,070 - 2013).

In the opinion of management and in accordance with the corporation's business practices, all obligations and judicial claims are the ultimate responsibility of the importer in the case of commercial risks and the ultimate responsibility of the respective member state in the case of non-commercial risks. Accordingly, no provision has been made in the accompanying financial statements in respect of the matters discussed above.

16. Related party transactions

Related parties represent member states. In the normal course of business an amount of KD 2,022 was recived during the year ended 31 December 2014 against management fees of fiduciary assets in favour of member states (Nil - 2013). Non commercial risks related to guarantees granted by the corporation are guaranteed by member states.

17. Fiduciary assets

Assets managed for third parties or held in trust or in a fiduciary capacity are not treated as assets of the corporation and accordingly are not included in these financial statements.

Total fiduciary assets managed by the corporation is KD 25,272,255 as of 31 December 2014 (KD 24,689,149 - 2013), which represents investments managed on behalf of a member states.